

The logo for Tipp24de, featuring the text "Tipp24de" in white on a red rectangular background with a yellow border.

Tipp24de

NO.1 FOR ONLINE LOTTERY!

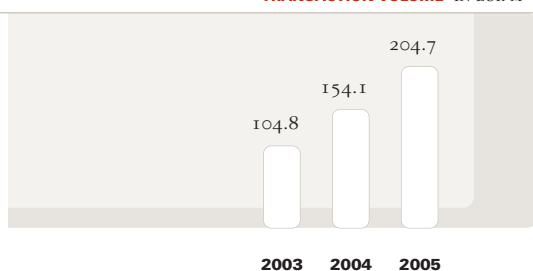
Annual Report | 2005

TIPP24 IS GERMANY'S LEADING ONLINE LOTTERY BROKER WITH A MARKET SHARE OF 40-50% AND OVER 1.3 MILLION REGISTERED CUSTOMERS FOR WHOM WE PROVIDE A WIDE RANGE OF STATE-OWNED LOTTERY PRODUCTS. IN SPAIN AND ITALY WE ARE PIONEERS IN THE FIELD OF ONLINE LOTTERY. OUR BUSINESS BOASTS DYNAMIC GROWTH, RIGHT FROM THE START, COUPLED WITH HIGH SCALABILITY AND PROFITABILITY.

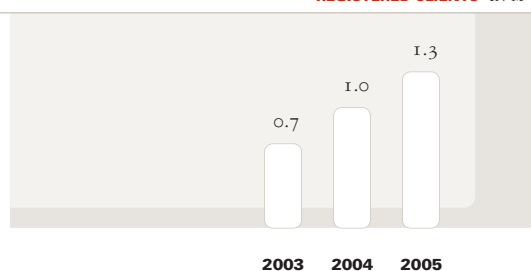


TIPP24 ACTS AS A BROKER FOR LOTTERY PRODUCTS AND RECEIVES A COMMISSION FROM THE STATE-OWNED LOTTERY COMPANIES. IN ADDITION, WE ALSO CHARGE CUSTOMERS A REASONABLE EXTRA FEE FOR PREMIUM PRODUCTS.

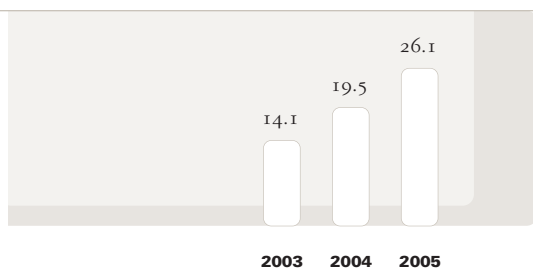
TRANSACTION VOLUME IN EUR M



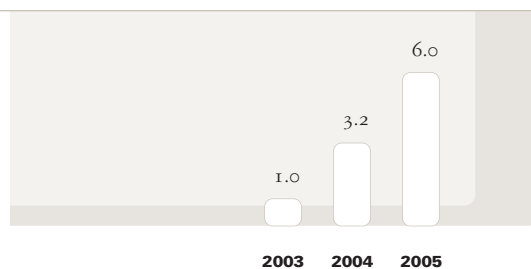
REGISTERED CLIENTS IN M



REVENUE IN EUR M



EBIT IN EUR M



CONTENTS

Foreword... **1** | USPs... **4** | Business model... **6** | Positioning... **10** | Products... **12** | Market... **14**
 Strategy... **16** | Share & Corporate Governance... **18** | Group Management Report... **24**
 Consolidated Financial Statements... **58** | Report of the Supervisory Board... **88** | Key Consolidated Figures... **92**
 Financial Calendar



FOREWORD

Ladies and gentlemen, We welcome you as shareholders of Tipp24 AG and are pleased to be able to inform you about an exceptional year for us in our first annual report as a publicly listed company.

Successful IPO. Our successful stock exchange debut on 12 October 2005 was the consequence of a comparatively short, but very successful company development: Tipp24 has grown steadily since its formation in 1999 and was already posting profits in its third fiscal year. With a market share of 40-50%, we dominate the German market and hold pioneering positions in Europe's two other most important markets – Spain and Italy.

Our heavily oversubscribed issue confirmed the positive feedback which we received from institutional investors and analysts in the run-up to our IPO. They believe our business model can bring about a sustained change in the German lottery market with a strong increase in the proportion of online activities. This has been reflected in our share price since the first day of trading: the Tipp24 share has since grown by approximately 16%.

Expansion in three dimensions. We intend to use the IPO proceeds to strengthen our leading position as an online lottery broker. We will therefore pursue three main strategic targets: organic growth in Germany by means of increased marketing, an extension of our product and service portfolio – preferably by acquiring a suitable company – and further expansion in Europe, either organically or through acquisitions.

Continued growth. We continued to make strong progress in fiscal 2005: with 1.3 million customers and an average activity rate of 29%, we succeeded in raising revenues by 34%. Thanks to the high economies of scale inherent in our business model, the EBIT margin grew from 16.4% to over 23%. We are very encouraged by these results – especially considering the unfavorable jackpot situation in the second half of 2005. As Jackpots represent the main external factor, this situation damped even stronger growth. The development in Spain and Italy was also fully in line with expectations.

Strong and sustainable development. We also expect business to make strong progress in 2006. Tipp24 operates in the dynamic online lottery market which boasts considerable sustained growth potential. Experts forecast annual growth of 27% for the global market and even stronger growth in Germany. We aim to stabilize our market share in this dynamic environment and expect revenues of around EUR 35-40 million in fiscal 2006 and an increase in EBIT of approximately 50%. This growth will be mainly driven by the planned acquisition of a further 300-400 thousand customers while at the same time maintaining stable activity and billings rates. The first few months of 2006, with a record EUR 24 million jackpot, have already provided a solid foundation for this planned growth.

Many thanks! We would like to take this opportunity to thank our employees in all three countries. Tipp24's IPO and outstanding performance would not have been possible without their exceptional dedication and hard work.

We also thank our shareholders for their trust in the company – we look forward to further successful cooperation and in-depth communication with them.

With best regards,

Dr. Hans Cornehl, Marc Peters, Jens Schumann



Management Board of Tipp24 AG, from left: Jens Schumann, Dr. Hans Cornehl, Marc Peters

Dr. Hans Cornehl | 38, *Finance, Investor Relations & Human Resources*

Dr. Hans Cornehl has a doctorate in chemistry. He has been head of the finance department at Tipp24 since June 2002. After completing a degree in chemistry at the Technical University of Munich and a doctorate at the Technical University of Berlin, he started his career as an adviser to start-up, high-tech and spin-off companies at McKinsey & Company. Dr. Cornehl then gained management experience by working as a turnaround manager at a hospital. Before joining Tipp24, he was a senior investment manager at the venture capital company Earlybird, where he specialised in investments in the media and telecommunications sector.

Marc Peters | 35, *Marketing & Sales*

Marc Peters, who holds a degree in business administration (Dipl.-Kaufmann), is a co-founder of Tipp24. Between 1993 and 1997, Mr Peters studied business administration at the University of Münster. During his studies, he was a marketing assistant at the German-American Chamber of Commerce in the United States. He also coordinated the establishment of the website of the German embassy in Japan. In 1998, Mr Peters gained professional experience working as a junior product manager for the Schneekoppe brand at Laurens Spethmann AG. Between the end of 1998 and the formation of Tipp24, he worked as a consultant at Icon Medialab AG.

Jens Schumann | 32, *Products, Technology & Strategy*

Jens Schumann, lawyer, is a co-founder of Tipp24. Between 1993 and 1998, he studied law at the University of Münster, passing the first State Exam. Mr Schumann also completed four semesters of business administration. During his time as a student, Mr Schumann worked in the communications department at the German embassy in Japan. Between December 1998 and the formation of Tipp24, he worked as a consultant at Icon Medialab AG.

LOTTO IM INTERNET CLEVER GEMACHT

- *HIGHLY SCALABLE BUSINESS MODEL*
- *ESTABLISHED PRODUCT WITH HIGH CUSTOMER RETENTION RATE*
- *LEADING TECHNOLOGY IN THE ONLINE LOTTERY MARKET*
- *HIGH-REACH AND EFFICIENT MARKETING*
- *EXCELLENT COST STRUCTURE*
- *OUTSTANDING NETWORK IN THE WORLD OF LOTTERY*



Safari Ablage Bearbeiten Darstellung Verfügt Lokalisieren Fenster Hilfe

www.tipp24.de
Tipp24.de

- HOME
- LOTTO
- SPIELGEMEINSCHAFT
- ODDSET
- GLÜCKSSPIRALE
- RUBBELLOSE
- KENO
- NKL & SKL
- EXTRALOTTO

Spielersname
 Passwort
 Einloggen

Passwort vergessen?
 Registrieren
 Einfach und kostenlos anmelden

Mein Warenkorb
 Ihr Warenkorb enthält folgende Scheine:
 1 x Lotto
 Spieleinsatz:
 6,25 EUR

Bei Fragen zu Tipp24.de helfen Ihnen unsere Mitarbeiter gerne weiter.
Kundenservice
 0180-5000 505
 (EUR 0,12/Min)
 Montag-Freitag:
 09:00 - 21:00 Uhr

Willkommen bei Tipp24.de
STARTLICH SICHER & KOSTENLOS
 Partner staatlicher Lotteriewesellschaften • Lotto ohne Einzahlungsgebühren
 Lizenzierter Lotteriekonkernmentalität • Mehr über Tipp24.de

LOTTO
 Lotto online spielen
 6 aus 49 bei unserer staatlich lizenzierten Lotteriekonkernmentalität.
 Lotto spielen Systemischein
 VEW-Schein Zahlen & Quoten

LOTTO SELECT
 Mehr ist besser!
 Spielen Sie wie die Profis! 900 km Gewinnchancen von 2.000 Feldern am Samstag das Jackpot jagen.
 Lottoselect bestellen

LOTTO JACKPOT
 2 Millionen Euro
 Grand Slam
 4 Millionen Euro
 Grand Slam 1
 (6 Zahlen + 02)
 1 Millionen Euro
 Spiel 77

GLÜCKSSPIRALE
 7.500 Euro. Jeden Monat. Ein Leben lang!
 Jetzt Los bestellen

KENO
 Täglich 1 Mio. Euro gewinnen.
 Mit spielen

ODDSET
 Lotto auf Fußballwetten! Als 1 Euro sind Sie dabei!
 Jetzt wetten

NKL
 Jeden Tag 1 Million Euro oder 100 x 10.000 Euro.
 Clever NKL spielen

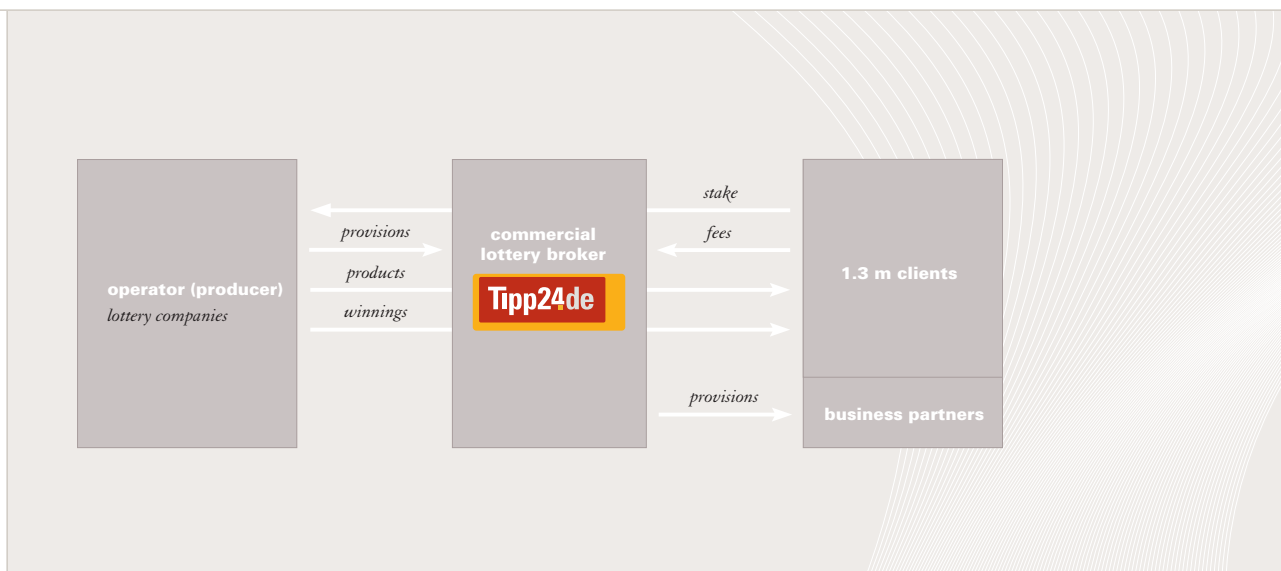
LOTTO QUICKTIPP
 Lotto am Samstag
 12 Lottofelder
 9 Spiel 77
 6 Joker 6

LOTTO aktuell
 Mittwoch, 13.05.06
 12, 13, 14, 18, 27, 44
 Zusatzzahl: 23
 Superzahl: 7
 Spiel 77:
 898066
 Super 6:
 720025
 Ohne Gewähr

Tipp24 AG, Straßenbahnweg 11-13, 20251 Hamburg E-Mail: service@tipp24.de

Service
 Kundenservice
 Tipp24 AG
 Investor Relations
 Presse

SUCCESSFUL BUSINESS MODEL



- **HIGH-REACH, EFFICIENT MARKETING IS THE MOTOR WHICH DRIVES OUR BUSINESS**
- **OUR BACKBONE IS THE COMPANY'S OWN RELIABLE, HIGH-PERFORMANCE AND SCALABLE TECHNOLOGY**
- **WE ARE EXCELLENTLY POSITIONED IN THE DYNAMIC ONLINE SEGMENT OF AN ESTABLISHED MARKET**

THE BASIS: FROM THE KIOSK TO THE INTERNET

BASICALLY A SIMPLE BUSINESS CONCEPT

Lotteries are extremely well established markets in many countries – there is hardly an adult in Germany who does not know Lotto – and their products are ideally suited to online processing. The online marketing of lottery products offers significant benefits over the offline variety: you can play from anywhere; you don't need cash; and you needn't worry about opening times. Even more importantly, though: winnings are automatically credited and we look after the ticket for you. In other words: players need no longer worry about missing out on prizes. As a result, we enjoy excellent customer retention figures. Once a player has taken the step into the world of online lottery, the local kiosk loses its attraction.

... WITH STABLE GROSS MARGINS

Thanks to our growing brokerage volume and the expansion of our range of premium products, we have been able to keep gross margins high in the past few years – following their initial strong rise.

... HIGH MARKET ENTRY BARRIERS

There are three main barriers preventing entry into our market: sophisticated, reliable, and highly scalable technology, well established sales partnerships in the online world and a large base of loyal customers. Our excellent market standing is based on proprietary technology, the placement of our lottery products on most of Germany's high-reach portals, over 1.3 million loyal customers, stable partnerships with the federal lottery companies, and our in-depth and sector-specific know-how.

... AND CLEAR RULES

We consciously focus on the legally sound brokerage of state-owned and state-licensed lotteries and as such are not exposed to any bookmaking risk ourselves. As a commercial lottery broker, we meet all requirements of the respective state legislations.

THE MOTOR: EFFECTIVE MARKETING

RESPONSE-ORIENTED ONLINE ADVERTISING

Marketing is a decisive factor for our business model: our primary aim is to inform internet users that they can also play Lotto online, in order to make them aware of Tipp24's service. We use mainly online advertising channels to attract new customers – banners, text links etc., as well as cooperations in which advertising partners such as MSN, Yahoo! or Spiegel Online act as multipliers and play a key role in providing image transfer. In some cases, we also run TV and radio commercials. We retain existing customers by means of our effective relationship management, which includes e-mail newsletters and text messages, e.g. our so-called »jackpot alarm« prior to major jackpot draws.



ADVERTISING EXPERTISE IN ONLINE LOTTERY

We can now look back on six years of experience in the online lottery business. In this time, we have established a widespread network of deciders and experts in the world of online advertising. These two factors form the basis for our extensive marketing know-how – both in the acquisition of new customers and the advertising of new product launches.

CONTROLLED EFFICIENCY

We regularly check the effectiveness of our marketing spend: before launching specific campaigns, we carry out test runs and continually monitor the number of generated customer contacts. We evaluate click rates and the resulting registrations, as well as revenues generated by new customers, and measure them against the respective marketing costs. In this way we can quickly determine which measures meet our expectations.



THE BACKBONE: POWERFUL TECHNOLOGY

OWN HIGH-PERFORMANCE SOFTWARE

One of our greatest strengths is the software we develop for processing lottery transactions: created in-house by our own team of highly experienced developers, it is continually being adapted to current requirements in order to provide new functionalities as quickly as possible.

RELIABLE, SECURE AND SCALABLE SYSTEMS

Our systems are highly scalable and very reliable: Tipp24's proprietary transaction technology guarantees trouble-free processing even at peak times – e.g. the huge visitor numbers generated by major jackpots. Separately located, high-performance redundant servers ensure that our services are available 24/7. We protect customer data and our own systems with cutting-edge security features for data encryption and multi-level firewall systems.

FUTURE-SAFE PLATFORM

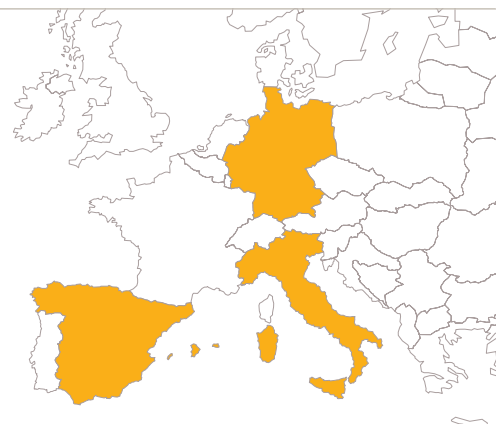
Furthermore, our modern technology platform is well equipped for the future: the rapid development of new products and services, the continual adjustment of performance to meet strong customer growth, the regular updating of security systems and the integration of new electronic sales channels, such as iTV and mobile services, are all easily achievable with our current platform.

EXCELLENT POSITIONING

... IN THE VALUE CHAIN

Tipp24 is an independent broker which enters into gaming agreements with the respective state lottery operators on behalf of, and in the name of, its customers. We therefore bear a very limited product risk and, particularly, no bookmaking risk at all. Our key benefit in the end-user sector: thanks to our strong brand, we now have direct contact to over 1.3 million customers whom we can offer additional services and new products. The high transaction volume generated with these customers puts us in a strong negotiating position with the lottery companies. The entire process control is in our hands, so that we also enjoy maximum independence in the processing of games.





... IN EUROPE'S **MOST IMPORTANT MARKETS**

Tipp24 is active in Europe's most important lottery markets: Germany, Spain and Italy. As in Germany, our subsidiaries Ventura24 and Puntogioco24 also offer customers additional services, such as prize notification, automatic prize money crediting and subscription tickets.

VENTURA24.ES

Ventura24 acts as a broker of various state lottery products in Spain: »La Primitiva« (the Spanish 6 out of 49 number lottery), »PrimiSistema« (a lottery team based on La Primitiva) and »Sorteo de Navidad« (the Spanish Christmas lottery which is drawn once a year just before Christmas and accounts for approximately 30% of the total annual lottery market in Spain). In contrast to stationary ticket outlets, Ventura24 enables customers to buy ticket numbers from all over Spain. »Euromillones« is a number lottery organised on a cross-border basis in 9 European countries. Players can choose 5 out of 50 numbers and 2 out of 9 stars for each game. The stakes from all participating countries are pooled to create huge jackpots, sometimes in excess of EUR 100 million.

PUNTOGIOCO24.IT

In Italy, Puntogioco24 currently offers the national 6 out of 90 lottery (»SuperEnalotto«) and the »SuperSistema« lottery team based on it. SuperEnalotto is essentially comparable to the state-owned German and Spanish number lotteries.

BROAD PRODUCT RANGE

CUSTOMERS CAN EASILY PARTICIPATE IN LOTTERIES FROM THE COMFORT OF THEIR OWN HOME VIA OUR WEBSITE. WE OFFER 24/7 ACCESS TO A WIDE RANGE OF PRODUCTS. STANDARD PRODUCTS ARE OFFERED AT NO EXTRA COST, WHILE WE CHARGE AN ADDITIONAL FEE FOR OUR PREMIUM PRODUCTS. OUR RANGE ALSO BOASTS ADDITIONAL SERVICES: FREE SUBSCRIPTION AND NOTIFICATION FUNCTIONS, EASY PAYMENT ARRANGEMENTS AND THE PRESERVATION OF CUSTOMER ANONYMITY ALL GO WITHOUT SAYING AT TIPP24. AND THE SPECIAL BENEFIT FOR OUR CUSTOMERS IS THAT WE NOT ONLY NOTIFY WINNERS IMMEDIATELY, BUT ALSO CREDIT THE PRIZE AUTOMATICALLY TO THEIR SPECIFIED ACCOUNT.

STANDARD PRODUCTS

LOTTO 6 OUT OF 49

Players choose 6 numbers from a set of 49 and have the chance to win prizes if at least three are drawn at the weekly Wednesday and Saturday draws.

ODDSET SPORTS BETTING

Players bet on the outcome of sporting events chosen by the gaming operator (lottery company) with fixed odds.

GLÜCKSSPIRALE

A number lottery in which a winning number is drawn for each of the seven prize divisions every week.

KENO

In 15 of Germany's federal states, 20 numbers are drawn out of 70 every day except Saturday. Players can pick up to 10 numbers and win up to EUR 1 million.

PREMIUM PRODUCTS

NKL/SKL

Daily draws and weekly main draws for cash prizes of varying amounts. The more final numbers of the 7-digit ticket number which match the winning numbers drawn, the higher the prize money.

BETTING AND SYSTEM CLUBS

Several players share stakes and prizes in the »6 out of 49« lottery. Together, they play a selection of system and normal tickets.

SCRATCH CARDS

Customers living in Brandenburg, Lower Saxony and Rhineland-Palatinate can use their computer mouse to »scratch off« the layer on their virtual online scratch cards.

BUSINESS SERVICE

We enable our business services partners to market our end-user products under their own brand names. For a one-time setup fee, partners are provided with our transaction platform. Partners receive a share of the commissions received and the additional fees charged.



ATTRACTIVE MARKET

- COMPARED WITH OTHER INTERNET BUSINESS SECTORS, ONLINE LOTTERY STILL OFFERS CONSIDERABLE GLOBAL GROWTH POTENTIAL
- EUROPE'S MOST IMPORTANT MARKETS, WITH A JOINT GLOBAL MARKET SHARE OF 26%, ARE ITALY, SPAIN AND GERMANY
- THE ONLINE LOTTERY MARKET IN GERMANY IS EXPECTED TO ACHIEVE ANNUAL GROWTH OF MORE THAN 30% IN THE YEARS UP TO 2008

GLOBAL LOTTERY MARKET ¹⁾

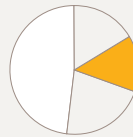
EUR 138 BN



Europe
app. 69

EUROPEAN LOTTERY MARKET ¹⁾

app. EUR 69 BN



E: 11.4

D: 9.8

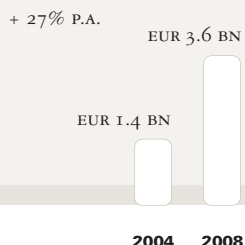
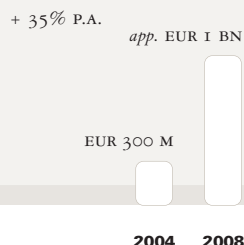
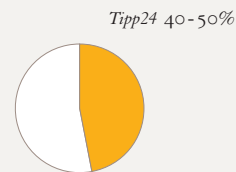
I: 14.9

GERMAN LOTTERY MARKET

EUR 9.8 BN ³⁾



online
4-5% ⁴⁾

ONLINE LOTTERY GLOBAL²⁾**ONLINE LOTTERY IN GERMANY⁵⁾****MARKET SHARE TIPP24 2004⁴⁾****THE GLOBAL LOTTERY MARKET**

The global lottery market is expected to grow by 2.7%²⁾ p.a. in the coming years – from 2004 EUR 138¹⁾ billion to EUR 154 billion by 2008. The nations of Europe account for about 50% of that total volume. With an annual growth rate of some 27%²⁾, the online segment of the lottery market is expected to grow much faster – albeit from a much smaller base. The segment currently accounts for around 1% of total volume. By 2008, this share is expected to have grown to 2.5% of the total market.

OUR CORE MARKET: GERMANY⁵⁾

Despite its strong growth over the past two years, the online share of the German lottery market only amounted to about 4-5% in 2005. However, we expect the market to grow by more than 35% p.a. in the coming years and to reach a volume of over EUR 1 billion, or 10% of the total market, by 2008. Tipp24 currently dominates the online market with a share of 40-50%⁴⁾, followed by the online services of the state-owned lottery companies and one other private provider.

OUR FOREIGN MARKETS: SPAIN AND ITALY

Over the past 8 years, the Spanish lottery market has grown by an average annual rate of 5% to stand at around EUR 11.4 billion in 2004.¹⁾ In Italy, total lottery stakes in 2004 amounted to some EUR 14.9 billion – following annual average growth of over 16% since 1996.¹⁾ At present, the online segment in both countries is still insignificant as e-commerce markets are still under development (approx. 3-5 years behind the German market). We expect, however, that demand will grow as the activities of e-commerce suppliers – of which Ventura24 is one of Spain's largest – continue to grow.

¹⁾ Source: La Fleur's 2005 World Lottery Almanac, dollar values of the original study were converted at the rate used in the study on 31.12.2004 of EUR 1 = \$ 1.36

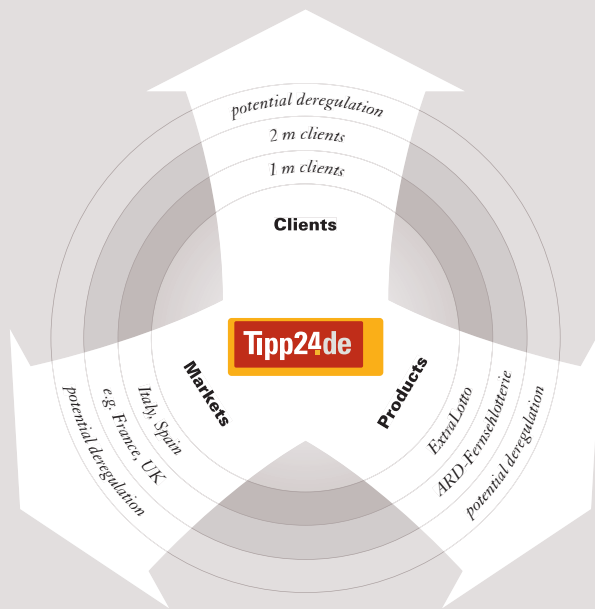
²⁾ Source: Global Betting and Gambling Consultants, The Global Betting and Gambling Report 2004/05

³⁾ Source: LaFleur's, based on stakes and fees

⁴⁾ Source: Tipp24's own estimates, based on billings

⁵⁾ Source: Tipp24's own estimates

THREE-DIMENSIONAL GROWTH



WE AIM TO EXPAND OUR LEADING POSITION IN EUROPE AS A BROKER OF ONLINE LOTTERIES. IN ADDITION TO THE STANDARD LOTTERY PRODUCTS OF THE STATE-OWNED OR STATE-LICENSED OPERATORS, WE ALSO OFFER OTHER GAMBLING PRODUCTS FOR MONEY REQUESTED BY OUR CUSTOMERS.

GROW ORGANICALLY IN OUR CORE GERMAN MARKET

We plan to continually strengthen our marketing activities in order to raise brand awareness and attract new customers. We aim to raise marketing expenditure in existing channels, to gain new sales partners and to harness additional sales channels, such as iTV and mobile communication services. Furthermore, we intend to add new products and channels to the technical platform which we operate for our business services partners.

BROADEN PRODUCT PORTFOLIO

We will be launching a new product category aimed at raising revenues with our existing customers in Germany within the next year. Potential products include knowledge and skill games for money, which we could operate ourselves without the need for licenses. We are looking to acquire a company which has such products, as well as its own processing technologies and possibly its own customer base. However, such a company must also fulfil the following key criteria: compatibility with our customer base, market potential, expertise in both product and technology, as well as a reasonable price.

INCREASE FOREIGN ACTIVITIES AND EXPAND INTO NEW MARKETS

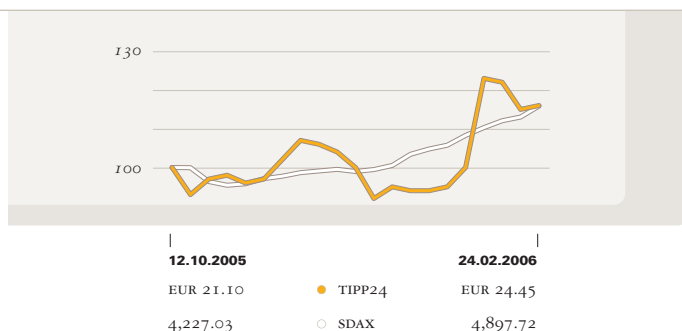
We will first focus on maintaining our leading market positions in Spain and Italy. At the same time, we plan to expand into at least one further European market in the short to medium term – through organic growth or the acquisition of an established market player. In the course of potential deregulation of the European gaming market, we expect the legal barriers to cross-border marketing activities to disappear in the medium to long term. We intend to pro-actively utilize the resulting additional potential.

SHARE & CORPORATE GOVERNANCE

TIPP24 – AN ATTRACTIVE INVESTMENT

- **PROVEN BUSINESS MODEL**
- **COMPREHENSIVE PRODUCT OFFERING**
- **STABLE AND SCALABLE OPERATING PLATFORM**
- **LARGE MARKET OPPORTUNITY**
- **ONLINE MARKET LEADER***
- **HIGH BARRIERS TO ENTRY**
- **CLEAR GROWTH STRATEGY**
- **COMPELLING FINANCIALS**

PERFORMANCE OF THE TIPP24 SHARE



SHARE

GENERAL STOCK EXCHANGE CLIMATE
– YEAR OF ATTRACTIVE SHARE EARNINGS*German stock market chasing record gains*

2005 will probably be remembered fondly by most investors. For the third year in a row, Germany's stock exchanges displayed strong growth and exceeded all forecasts made at the turn of the year – market experts had predicted »very modest« growth, while analysts expected the Dax to rise no higher than 4,500. Low initial valuations, adjusted balance sheets, positive economic indicators, a stable global economy and improved analyst profit forecasts all helped boost market prices. The German blue-chip index had already reached the magic 5,000 mark in September. A setback in late August was just as quickly corrected as the short-lived slump in October. With annual growth of 27.1%, the Dax closed the year at 5,408 – its highest level since March 2002. The second-line stock indices MDax (+ 36%), SDax (+ 35%) and TecDax (+ 15%) performed equally well over the year.

There was also a marked increase in IPOs in 2005: after four modest years, the rate of new offerings grew strongly toward year-end.

SUCCESSFUL IPO

Heavily oversubscribed, + 2.9% on first day of trading

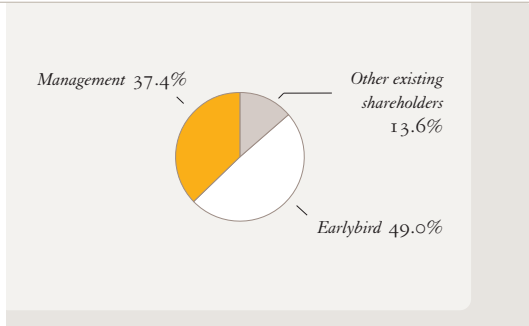
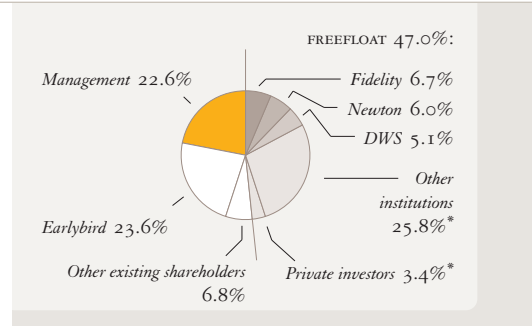
Our successful stock exchange debut on 12 October 2005 (Frankfurt Stock Exchange, Prime Standard) confirmed the positive feedback we had received from institutional investors and analysts during the preceding roadshows. With an issue price of EUR 20.50 and a first quotation of EUR 20.00, the Tipp24 share closed its first day of trading at a very encouraging EUR 21.10 (+ 2.9%) – despite adverse market conditions.

Over 9% of the shares offered for subscription (including the Greenshoe option) were placed with private investors. As the issue was 15-times oversubscribed allocation had to be made by way of drawing lots, considering every second order.

The syndicate banks exercised their Greenshoe option for 110,000 shares, which led to a free float ratio of 47.0%.

Use of IPO proceeds

We intend to use the IPO proceeds to expand our existing product and service portfolio, to accelerate the growth of our international subsidiaries, to further increase our presence in Europe and to expand our business should the European lottery and gaming market be deregulated as expected. In addition to organic growth, we plan to achieve these targets also by means of suitable acquisitions.

SHAREHOLDER STRUCTURE PRE-IPO**SHAREHOLDER STRUCTURE POST-IPO**

* company estimates

Encouraging development since IPO

Following a period of high volatility around the issue price level in the first few weeks, the Tipp24 share made encouraging progress after announcement of quarterly results in late November – reaching as much as EUR 22.80. This development was followed by a phase of profit taking. Portfolio consolidations of individual funds, especially with regard to smaller shares, resulted in a further decrease to EUR 19.37 in the final weeks of the year. Positive news concerning the success of our ExtraLotto product and the expansion of the product portfolio of our Business Service partner WEB.DE, as well as the start of coverage by Warburg/SES, all helped boost the share's price to well over EUR 25 in early February (highest level: EUR 26.50). Institutional investors continue to display great interest: Fidelity reported an increase in its stake to 6.67% on 12 October 2005, and DWS on 30 January 2006 announced an increase of its shareholding to 5.10%. Moreover, Newton Investment Management informed us on 3 February 2006 that their share of the voting rights now amounted to 6.00%.

CONTINUAL IR ACTIVITIES

Since the beginning of our IPO preparations, we have been working closely with the capital markets and generated considerable interest in the Tipp24 share during our roadshows (Frankfurt, Munich, London, Paris and Milan), as well as in one-to-one talks and at the Frankfurt Equity Forum in November 2005.

In the wake of our IPO, we received a great deal of positive feedback from institutional investors who feel our business model can bring about a sustained change in the German lottery market with a strong increase in the proportion of online activities.

In the course of 2006, we plan to strengthen Tipp24's Investor Relations team in order to devote more time to discussions with our shareholders. In this connection, we will also be steadily expanding our IR website, which was first published for the IPO (www.tipp24-ag.de).

CORPORATE GOVERNANCE**RESPONSIBLE AND SUSTAINED VALUE GROWTH**

Corporate governance is a central aspect of our corporate policy which extends to every area of the company: a management and control system based on responsible and long-term value growth. In addition to organizational and business policy principles, it comprises the internal and external mechanisms for controlling and monitoring the company. These include, in particular, the efficient cooperation between Executive Board and Supervisory Board, the transparency of company activities and the respect of shareholder interests. Good corporate governance promotes the trust of national and international investors, financial markets, business associates, employees and the general public in the management and monitoring of a company. Tipp24 has always attached great importance to these principles.

KEY IPO FIGURES

Day of initial listing	12.10.2005
Book-building range	EUR 16.50 – 20.50
Issue price	EUR 20.50
Opening price 12.10.2005	EUR 20.00
Closing price 12.10.2005	EUR 21.10
Issue volume incl. Greenshoe	EUR 95.8 million
Net IPO proceeds	EUR 40.1 million
Total number of shares	8,872,319 registered shares admitted for trading
– thereof lock-up until 12.04.2006:	2,680,027 (30.2%)
– thereof lock-up until 12.10.2006:	2,021,292 (22.8%)

KEY SHARE FIGURES (XETRA)

Highest price (<i>variable, until 28.02.2006</i>)	EUR 26.50, 02.02.2006
Lowest price (<i>variable, until 28.02.2006</i>)	EUR 18.41, 18.01.2006
Year-end price (<i>30.12.2005</i>)	EUR 20.00
Earnings per share (<i>undiluted</i>)	EUR 0.46
Market capitalization as of 30.12.2005	EUR 177,446,380
Average daily trading (<i>no-par shares until 30.12.2005</i>)	33,352 shares

SHAREHOLDER SERVICE

WKN	784714
ISIN	DE0007847147
Ticker symbol	TIM.DE
Stock exchange	Frankfurt
Market segment	Official Market, Prime Standard
Designated Sponsors	Deutsche Bank AG, Morgan Stanley Bank AG
Coverage	Deutsche Bank AG, Morgan Stanley Bank AG, Warburg/SES
Reuters	TIMGn.DE
Bloomberg	TIM GR

Tipp24 follows the recommendations of the German Corporate Governance Code in its current version of 2 June 2005 (www.corporate-governance-codex.de). The exceptions are listed and explained in our Declaration of Conformity, which is also posted on our website (together with our company articles and codes of procedure) at www.tipp24-ag.de and thus permanently available to all shareholders. We would like to highlight certain key aspects of our Corporate Governance Code below.

CLOSE COOPERATION BETWEEN EXECUTIVE BOARD AND SUPERVISORY BOARD

The Executive Board and Supervisory Board of Tipp24 AG work closely together. The Executive Board reports regularly and comprehensively to the Supervisory Board about all relevant questions of corporate planning and strategic development, as well as about the course of business and the Group's current position, including an assessment of risks.

The Supervisory Board was appointed at the general shareholders' meeting of 10 August 2005 for the period up to the end of the general shareholders' meeting which will discharge the Executive Board for fiscal year 2007. In selecting candidates for the Supervisory Board, we once again paid particular attention to ensuring that it contained members who were suitably qualified to fulfill their statutory duties and also sufficiently independent.

DIRECTORS' DEALINGS ACC. TO SECTION 15A WPHG

According to Section 15a WpHG (German Stock Trading Law), members of the Executive Board and Supervisory Board must immediately declare any purchase or sale of Tipp24 shares or related financial instruments to their own company. Directors' dealings for fiscal year 2005 are listed in detail on p. 84 of this annual report.

DECLARATION BY THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD OF TIPP24 AG ON THE RECOMMENDATIONS OF THE COMMISSION OF THE GERMAN CORPORATE GOVERNANCE CODE AS PER § 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

After due examination the Executive Board and Supervisory Board of Tipp24 AG issue the following Declaration of Compliance:

Tipp24 AG has complied with the 2 June 2005 version of the conduct recommendations made by the governmental Commission of the German Corporate Governance Code for corporate management and monitoring as published by the German Ministry of Justice in the official part of the electronic Federal Gazette since its shares were first listed on the stock market on 12 October 2005, with the following exceptions:

3.8 – D&O insurance deductible

Tipp24 AG has taken out a D&O insurance for its executive bodies that does not include a deductible. The Executive Board and Supervisory Board take the view that a D&O insurance deductible does not constitute an adequate means of achieving the code's objectives. As a rule, deductibles of this kind are insured by Executive Board and Supervisory Board members themselves, so the actual purpose of the deductible is nullified and therefore ultimately all that matters is the level of compensation paid to the Executive Board and the Supervisory Board.

4.2.1 – Appointment of a Board Chairman

The Executive Board of Tipp24 AG has neither a Board Chairman nor a Board Spokesman. Establishing an office of this kind would be contradictory to the organizational structure that has existed until now, comprising three board members enjoying equal rights who are jointly responsible for the strategic alignment and development of the business enterprise.

4.2.3 – Variable compensation of Executive Board members including long-term incentive

The compensation package of Executive Board members does not include variable compensation with long-term incentives and risk elements. Executive Board members' significant shareholdings already constitute a long-term financial incentive with elements of risk.

5.1.2 – Specification of an age limit for Executive Board members

The Supervisory Board of Tipp24 AG specified an age limit of 60 for Executive Board members only by a resolution dated 26 January 2006.

5.3.1 and 5.3.2 – Formation of committees, setting up of an audit committee

Since in accordance with the company statute the Supervisory Board of Tipp24 AG comprises only three persons the Supervisory Board has formed no committees, and in particular no audit committee.

5.4.1 – Specification of an age limit for Supervisory Board members

The Supervisory Board of Tipp24 AG specified an age limit of 75 for Supervisory Board members only by a resolution dated 26 January 2006.

7.1.4 – Publication of operating results of companies in which the Company has a shareholding

The list published by the Company of third-party companies in which it has a shareholding that is not of minor importance for the enterprise contains the statutory information.

In future Tipp24 AG will comply with the code recommendations with the exception of recommendations made under 3.8, 4.2.1, 4.2.3, 5.3.1, 5.3.2 and 7.1.4.

Hamburg, January 2006

GROUP MANAGEMENT REPORT

PROFITABLE GROWTH

POSITIONED IN THE DYNAMIC ONLINE LOTTERY MARKET WITH EXPECTED ANNUAL GROWTH OF 27%, TIPP24 CONTINUED TO GROW STRONGLY AGAIN IN 2005. WITH 1.3 MILLION CUSTOMERS AND AN AVERAGE ACTIVITY RATE OF 29%, WE SUCCEEDED IN BOOSTING REVENUES BY 34% WHILE OUR EBIT MARGIN GREW TO OVER 23%. WE AIM TO STABILIZE OUR MARKET SHARE IN THIS DYNAMIC ENVIRONMENT AND EXPECT REVENUES OF AROUND EUR 35 – 40 MILLION IN FISCAL 2006 AND AN INCREASE IN EBIT OF APPROX. 50%.

CONTENTS

Consolidated Income Statement... **58** | Consolidated Balance Sheet... **59** | Consolidated Cash Flow Statement... **60**
Consolidated Statement of Changes in Equity... **61** | Notes to the Consolidated Financial Statements... **62**
Independent Auditor's Report... **87**

BUSINESS & ECONOMIC CONDITIONS

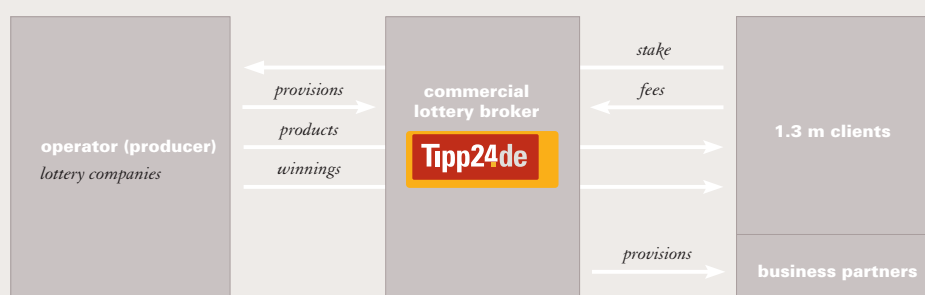
TIPP24 – STEADY GROWTH SINCE 1999

Founded in 1999, Tipp24 has been active as a commercial gaming broker since the beginning of 2000 and enables its customers to participate via the Internet in almost all games of chance run by state-owned and state-licensed lotteries. Tipp24 has posted steady growth since its foundation and was initially financed with funds provided by its shareholders. Tipp24 has been returning profits since 2002. Whereas business was initially concentrated exclusively in Germany, Tipp24 entered the Spanish market through its subsidiary Ventura24 in 2002 and the Italian market through its subsidiary Puntogioco24 in 2005. According to our own estimates, we enjoy a leading market share of 40 - 50%, in terms of billings, in the provision of online brokerage services for state-owned and state-licensed lottery products in Germany. Our successful initial public offering on the Frankfurt Stock Exchange (Prime Standard) in October 2005 provided us with additional capital with which we intend to accelerate the development of our business.

BUSINESS MODEL

End user business in Germany

Our main activity in Germany is to act as a broker, enabling end customers to participate in the games of chance Tipp24 offers. The games are run by state lottery companies that together form the German Association of State Lottery Companies (Deutscher Lotto- und Totoblock), class lotteries as well as the TV-based »ARD-Fernsehloterrie« (since February 2006). Tipp24 also provides players the opportunity to participate in lottery teams to play in the 6 out of 49 lottery. Our revenues result mainly from commissions paid by the gaming operators (lottery companies and class lotteries) for the brokerage of stakes and from additional fees that Tipp24 receives e.g. from members of lottery teams.



The processing of our business is handled by our 100% subsidiary GSG Lottery Systems (GSG), which maintains business relations with the partner lottery companies. On the basis of GSG's receiving agent agreements with seven federal state lottery companies (Brandenburg, Hamburg, Lower Saxony, Rhineland-Palatinate, Schleswig-Holstein, Hesse and since January 2006 Baden-Württemberg) we are able to acquire any amount of any of the products offered by the Deutscher Lotto- und Totoblock (DLTB) on behalf of our customers. Technical difficulties affecting a particular partner can be seamlessly bypassed through the use of completely separate connection systems.

The handling of class lottery tickets is governed by a corporate agreement with the state-accredited lottery agency Schumann OHG, which is owned by the Executive Board members Jens Schumann and Marc Peters. It conducts its operations on the basis of a sales agreement with the management of the North German State Lottery (Norddeutsche Klassenlotterie – NKL) and by way of appointment by the management of the South German State Lottery (Süddeutsche Klassenlotterie – SKL). As with the Deutscher Lotto- und Totoblock products, there are no restrictions as to the quantity of lottery tickets purchased. Due to the monthly turnover of the class lottery draws, system redundancy requirements are relatively low.

End user business abroad

In **Spain** our 100% subsidiary Ventura24 currently offers the national 6 out of 49 lottery (La Primitiva) and related lottery teams, the Christmas lottery, the European lottery »Euromillones« and a number of other lotteries. The product range of our 100% subsidiary in **Italy** (Puntogioco24) currently comprises the national 6 out of 90 lottery (SuperEnalotto) as well as related lottery teams. Our revenues in Spain and Italy are mainly generated by additional fees which we charge players.

Business services

In addition to our end user business, we also offer our business service partners in Germany the operation of a lottery service on their own websites and under their own names, using Tipp24's transaction platform for technical processing. We generally receive a one-time setup fee for this service from our business service partners and grant them a share of the commissions from the lottery companies and of the additional fees.

Success factors

The competitive strengths of Tipp24 lie especially in its marketing expertise, its integration in a proven network of a large number of state lottery companies and online sales partners, its high degree of processing expertise and the reliability of technology developed and used by Tipp24, as well as the business expertise of its management.

SIGNIFICANT ECONOMIC AND LEGAL FACTORS AFFECTING BUSINESS

Large jackpots

Tipp24 regularly experiences particularly large increases in the number of registered customers and in billings when potential players have greater expectations of higher prizes, for example during times of large jackpots.

Such jackpots are comprised of stakes bet by players who did not meet the conditions for winning prizes and which are then paid out to the winners on top of regular prizes at the next draw. In the German 6 out of 49 number lottery, this relates in particular to the combination of six correct numbers and the bonus number. If the jackpot has not been won after several consecutive draws, it grows consistently larger and the players have the prospect of a higher prize for substantially the same probability of winning. Considering the effects jackpot draws have in increasing revenues, gaming operators have frequently made changes to the gaming system in the past, for example, in the German 6 out of 49 lottery, which have given rise to a faster increase in the size of jackpot draws.

Product portfolios of the lottery companies

The development of Tipp24's revenues may be positively influenced by the further development of product portfolios offered by the German, Spanish and Italian lottery companies. For example, the launch of the new ExtraLotto New Year's Eve lottery in Germany in late 2005 resulted in a noticeable increase in our revenues.

Deregulation of the European gaming market

The business success of Tipp24 is dependent on there being no changes to the regulatory framework under which Tipp24 operates that would restrict our activities. However, we expect the market for games of chance in Germany and other European countries to be liberalized in the medium term, influenced by the European Union and rulings by the European Court of Justice. Liberalization would create an opportunity for us to market products from other European countries in the countries where Tipp24 is already active, and thereby to increase our revenues. We would also have the opportunity to penetrate markets in additional European countries, offering both our existing product range and products from different European countries.

Using the Internet as a sales channel

The use of the Internet as a sales channel for the European lottery markets is still in its infancy. We estimate, however, that the online share of the lottery market will experience significant growth in the future. Favorable factors influencing this growth include the increasing use of the Internet and the growing willingness to make purchases of goods and services online.

VALUE-DRIVEN CORPORATE DEVELOPMENT

Basis: value of customer base

The development of the Tipp24 Group is focused mainly on raising the value of our customer base. This value is derived from the accumulated contributions of active customers to total billings, and thus to revenues and earnings, as well as from the estimated future development and loyalty of customers.

The key indicators which we use to guide the development of customer value are: number of registered and active customers, billings per active customer, gross margin, acquisition costs per new customer, personnel expenses and the development of key return ratios.

Number of registered and active customers

Our aim is to raise the number of registered customers in the current year and over the medium term by 25 to 35% p.a. At the same time, we want to stabilize the average activity rate within the statistical deviations caused by the random distribution of high jackpots at around 30%.

The number of customer registrations is principally driven by marketing activities. In order to continually raise registrations, therefore, we will continue to steadily drive these activities. We will concentrate primarily on online advertising, which we conduct in cooperation with other partners or directly by ourselves. In 2005, growth of registered customers was slightly down proportionately on the previous year.

The main reason for this development was the randomly longer period without major jackpots (EUR 15 million or more) in the second half of the year, which had a negative impact on both the gaming behavior of some of our customers as well on the acquisition of new customers.

A further main focus of our activities is the retention of existing customers, whom we inform regularly – depending on their playing behavior and the respective current appeal of specific products – via e-mail, text messages or our website, in order to motivate them to take part in further games.

The year-on-year decline in the average activity rate of 2.3 percentage points to 28.6% is also due to the above mentioned phase without major jackpots.

Billings per active customer and gross margin

In addition to the development of registered and active customers, a decisive factor for Tipp24's business success is **billings** per active customer. Billings per active customer are influenced by two principal factors: the variety and attractiveness of our product portfolio and the effectiveness of customer retention measures.

Billings generated by customers comprise the stake money that is remitted to the gaming operators. In return, we receive commissions from these gaming operators for these stakes. Moreover, we charge our customers additional fees for specific products.

		2003	2004	2005	TARGET 2006	TARGET MID-TERM
Number of registered customers	THSD.	675	1,031	1,322	+ 25 - 35%	↑
Number of active customers in the fiscal year	THSD.	169	264	336	+ 25 - 35%	↑
Average activity rate	%	30.3%	30.9%	28.6%	app. 30%	→
Billings per active customer	EUR	620	584	609	app. 600	↗
Gross margin	%	13.4	12.7	12.8	app. 13	↗
Acquisition costs per new customer	EUR	17.52	17.01	20.12	+ 10 - 15%	↗
Personnel expense ratio	%	30.4	28.3	26.8	< 25	↓
EBIT margin	%	7.1	16.4	23.2	> 24	↑
Net operating margin	%	21.3	8.1	12.7	> 14	↑
RoE	%	49.4	20.1	6.2	↑	↑

Registered customers: customers who have successfully completed the registration process on the Company's website. The number is adjusted for multiple registrations and customers excluded from participating in the lottery offering.

Active customers: customers who complete at least one transaction per month.

Average number of active customers in one year: the arithmetic mean of the number of active customers in each month of a year.

Average activity rate: the relationship between the average number of active customers and the average number of registered customers in a year, whereby the average number of registered customers in a period is the arithmetic mean of the number of registered customers at the beginning and end of a particular period.

Acquisition costs per new customer: total marketing expenditure for own customers (marketing costs minus Business Service commissions) in relation to newly registered customers in the relevant fiscal year.

Personnel expense ratio: personnel expenses in relation to revenues.

Return-on-equity (RoE): ratio of net profit to total equity.

We aim to keep this key figure stable in fiscal 2006 and to raise it in the medium term by expanding our product portfolio with a further product category – for example in the field of skill-based games.

We plan to maintain **gross margin** (defined as the ratio of revenues to billings) at its current level in 2006 and to raise it slightly in the medium term. The development of gross margin is heavily influenced by our German operations at present. A rise in the overall level results from the comparatively higher gross margins in Spain and Italy, where all products have been marketed to date with an additional fee.

In 2005 billings per active customer were up 4.4% on the previous year to EUR 609. Due to the low frequency of major jackpots, the proportion of occasional players was comparatively low. The latter mainly play for high jackpots and therefore contribute lower average billings. This led to a rise in average billings for all active customers. After consideration of this special item, we expect billings per active customer in the current fiscal year to reach around EUR 600. We aim to achieve this by means of regular updating of our lottery product portfolio.

The comparatively high billings per active customer figure in fiscal year 2003 was largely the result of the one-time marketing to lottery teams during that year through offline channels, in particular by direct telephone marketing (telesales). However, the related marketing expenses compared to the additionally generated income were unjustifiably high. As a result, the use of offline channels for marketing was discontinued again in the same year.

Acquisition costs per new customer

As described above, revenues from the brokerage of gaming products depend strongly on the number of registered customers. Consequently, revenue growth is highly dependent on the extent to which we can attract new customers with our marketing activities. We devote the major share of our marketing expenses for own customers to the acquisition of new customers. A much smaller proportion is used to care for existing players.

Marketing expenses for own customers significantly influence the medium-term profitability of Tipp24. The efficiency of these expenses depends in particular on the level of prices in the advertising market, the marketing mix chosen and the cost-effectiveness of the marketing methods used.

The level of acquisition costs in 2003 was significantly influenced by additional advertising for the marketing of lottery teams via offline channels, as mentioned above. In 2004, the unusually high jackpot at year-end had a particularly positive impact.

Due to the much weaker jackpot situation and an increase in advertising price levels, acquisition costs per new customer in 2005 rose by 18.4% to EUR 20.12. We expect that prices in the advertising market will continue to rise and that consequently acquisition costs per new customer will increase again in 2006 within a corridor of 10 to 15%. A more favorable jackpot situation in 2006, compared with 2005, may balance out this effect to some extent.

Our aim is to limit any further increases. To this end, we permanently review and optimize our advertising measures. Furthermore, we regular check – both for online and other advertising – as to whether there are new possibilities of advertising the brand and our services, in order to stabilize the effectiveness of our measures and raise the amount of coverage they achieve.

Personnel expenses

In consideration of the fact that personnel expenses represent our second largest expenditure (after marketing), reducing the ratio of personnel costs to total revenues remains one of our major objectives. In 2005, we again were able to achieve this on the basis of our largely automatised processes. Apart from the one-off costs incurred by our IPO, the increase in personnel expenses was proportionately less than the rise in total billings. We aim to continue this trend in the medium term.

Development of key earnings ratios

We benefit from considerable economies of scale, which have enabled us to raise our **EBIT margin** continually since 2003. There has also been a corresponding positive development of **net operating margin**, which was particularly high in 2003 due to the one-off capitalization of tax effects from loss carry forwards. **Return-on-equity (RoE)** fell in 2004 largely due to this special tax effect. Due to the strong increase in equity following our IPO, RoE fell once again in fiscal 2005. The net proceeds from the IPO account for almost 80% of total shareholders' equity.

STRATEGY: MULTI-DIMENSIONAL GROWTH

The core target of our strategy in the coming years is to raise customer value as part of targeted continual increase in profitability. We therefore aim to

- continue growing in our core market Germany by attracting new customers,
- expand our product range for these customers, for example with peer-to-peer skill-based games for money. In this connection, we are currently examining the acquisition of a company active in this field,
- strengthen our foreign business by achieving growth in Spain and Italy, as well as penetrating further European nations,
- achieve additional growth in existing and new European markets with a European product portfolio following a possible deregulation of the European lottery markets.

Whereas our growth in customer figures in Germany is to be financed from cash flow, the proceeds from our IPO (amounting to some EUR 42 million) are to be used for the three other growth dimensions described above.

The introduction of new product categories and the penetration of new national markets are currently in the analysis phase, during which we carefully examine the potential economic benefit with extensive tests and studies. We aim to have largely completed these analyses in the third quarter of the current fiscal year. In the case of such investment activities, we plan to ensure that the key financial parameters of Tipp24 – especially gross margin, net operating margin and return on equity – are not diluted in the medium term. Due to the early project stages of these activities, only qualitative statements on the detailed effects on the above mentioned specific objectives are contained.

We expect the expansion of our product portfolio to generate a considerable boost to average billings per active customer. The international expansion of business is aimed in particular at raising the number of registered and – consequently – the number of active customers. As a result, this will produce further increases in total customer value.

MANAGEMENT & CONTROL

Management team

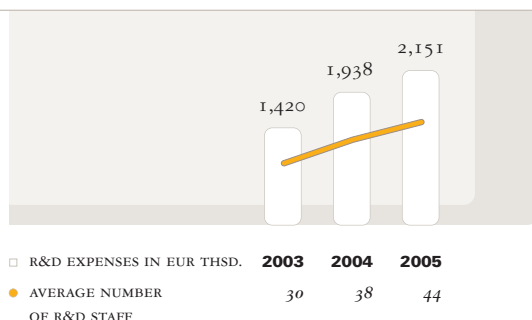
The Tipp24 Group is led by the three members of its Executive Board together with an operating management team consisting of department managers for Marketing, Technology and Finance in Germany, the General Managers of the foreign subsidiaries and a group of team leaders.

Remuneration of Executive Board: up to 25% variable

The remuneration of Executive Board members consists of fixed basic salary and a variable component amounting to up to 25% of the fixed amount. The variable component is based on the achievement of growth targets in the current fiscal year, measured on the basis of billings. Moreover, all three members of the Executive Board hold relevant stakes in Tipp24 AG, which provide an incentive with regard to the company's long-term positive development.

Remuneration of the second management level: 15-25% variable

In addition to their fixed basic salary, the department heads and team leaders in Germany also receive a variable remuneration component. Depending on the respective position, this amounts to 15-25% of fixed salary and is based both on the achievement of the Group's economic growth targets (revenues, EBIT) as well as on the individual achievement of internal targets, such as the successful and punctual implementation of projects. Moreover, the department heads and team leaders are expected to participate in our stock option program to be launched on 1 March 2006.

R&D EXPENSES/STAFF

The General Managers of our foreign subsidiaries are paid in the same way, whereby the agreed economic targets relate to their respective regional objectives.

RESEARCH & DEVELOPMENT

The research activities of Tipp24 are primarily limited to evaluating new technologies and development procedures.

We attach far more importance to our development activities, which focus mainly on the following three areas:

- Optimization of existing betting systems (software and hardware),
- Implementation of new and updated system technologies and
- Development of new, and improvement of existing, products and services.

The first two areas are covered exclusively by the IT team. The third area receives considerable impetus from the product management department.

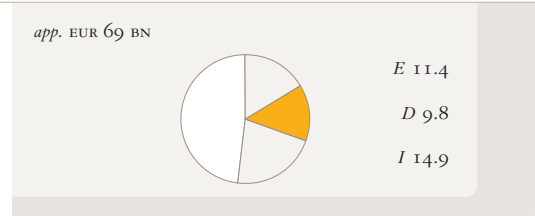
In fiscal 2005, our development activities focused on the following new products and product enhancements:

- New development of the ExtraLotto product (New Year's Eve lottery),
- New development of Business Service products for RTL and T-Online,

- Expansion of Business Service product range for WEB.DE,
- New development of the Euromillones product (European number lottery) for the Spanish market,
- New development of the SuperSistema product (lottery team) and SuperEnalotto for the Italian market,
- New development of an automatic »Forgotten your password?« function,
- New development of scratch card product for the federal state of Rhineland-Palatinate,
- Complete rebrush of Tipp24.de website,
- New development of a direct connection to the processing systems of Lotto Brandenburg and
- Preparation for the development of the product »ARD-Fernsehlotterie« (TV lottery show).

Furthermore, we carried out the following optimizations and introduced the following new technologies:

- Updating database software,
- Adapting security systems to latest standards,
- Automating test processes for system updates,
- Renewing telephone system, including call center architecture and
- Developing software systems for analysis of customer gaming behavior.

EUROPEAN LOTTERY MARKET IN EUR BN

Source: *La Fleur's 2005 World Lottery Almanac*

All above mentioned projects were successfully completed by our own development departments in 2005. We did not acquire external R&D know-how. The new product developments and enhancements made major contributions to our increased revenues.

The developments to improve the performance of our software systems – especially with regard to processing speed and security – are aimed at securing the sustained reliability of our business processing. They only impact revenues in an indirect way. All in all, the hardware and software capacity used by Tipp24 for its current betting operations is designed to handle the anticipated future peak loads of betting volumes.

In fiscal 2005 an average of 44 employees were involved with R&D activities on a full-time or part-time basis. R&D expenses amounted to EUR 2.2 million and resulted mainly from personnel costs.

OVERVIEW OF BUSINESS DEVELOPMENT

GENERAL ECONOMIC CONDITIONS

Continuation of global economic growth

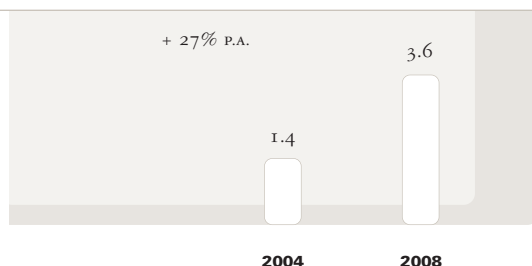
Despite huge oil price increases, the global economy continued to grow strongly in 2005. With a growth rate of 4.3%, however, the global economy was not quite as dynamic as in the previous year (2004: 5.1%). This positive development was driven mainly by the ongoing strength of the Chinese and US economies as well as by low interest rates in the industrialized nations.

Modest economic development in Europe

Due to high oil prices, a low propensity to invest among companies and weak consumer spending, the European economies continued to display only very modest growth: with GDP growth of just 1.6%, the economy remained well below its forecast potential – according to the ECB, IMF and OECD – of nearly 2%. The growth rates of individual nations varied widely, however: whereas the new Accession States, Ireland, Spain (3.2%) and Luxembourg reported the highest growth rates, Italy (0.4%), the Netherlands, Portugal and Germany (0.8%) brought up the rear.

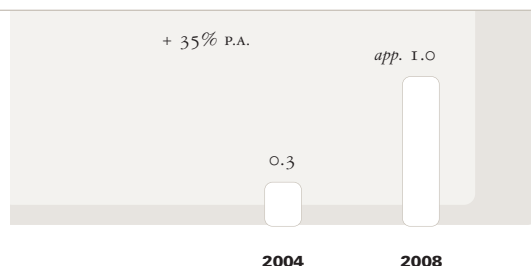
Moreover, the continuing difficulties of Europe's labor markets resulted in moderate growth in consumer spending of just 1.3% and a just slight decrease in the harmonized European unemployment rate from 8.9% to 8.7%. In Spain, unemployment amounted to around 9%, in Italy 8%.

ONLINE LOTTERY GLOBAL IN EUR BN



Source: Global Betting and Gambling Consultants, The Global Betting and Gambling Report 2004/05

ONLINE LOTTERY IN GERMANY IN EUR BN



Source: Tipp24's own estimates

German economy remains sluggish

Experts have been waiting in vain for a recovery in the German economy since mid-2004. In 2005, the economy even slowed down to zero growth at times. Modest GDP growth of 0.8% (prior year: 1.6%) was driven once again by the strong progress of exports, while domestic demand fell to below the level of 2000.

The main causes were the continuing stagnation of consumer spending (- 0.3%), due to the ongoing weakness of employment and income figures, as well as a continued slump in the building sector. The number of gainfully employed people stagnated in the same way as disposable incomes – despite tax relief measures in early 2005 – while unemployment reached 8% at year-end.

Due to increased energy and raw material prices, the inflation rate in 2005 was much higher than in the previous years. The increase in prices was less a consequence of increased domestic demand, however, than an expression of rising consumption taxes and an increase in state-administered prices – in addition to higher oil prices. The only shimmer of hope was provided by investments in new equipment, which has been growing since 2004.

SECTOR DEVELOPMENT – DEVELOPMENT OF THE LOTTERY MARKET

Lottery market shows global growth of 3.3%

At 31%, the global lottery market accounts for the largest share of the global gambling market (total volume 2004: EUR 138 billion; source: La Fleur's 2005 World Lottery Almanac, »La Fleur's«) and has displayed constant average growth rates over the past few years of 3.3% (source: Global Betting and Gambling Consultants, The Global Betting and Gambling Report 2004/05, »GBGC«). The European nations account for a market volume of around EUR 69 billion, or approximately 50%. The largest European markets are Germany, Spain and Italy, which together make up 52% of the European market with some EUR 36 billion.

The 16 companies of the Deutscher Lotto und Totoblock suffered a slight decline in revenues in 2005 of around 4%. In our opinion, this was not a consequence of adverse economic conditions and the ongoing sluggish consumer demand, but resulted rather from two completely separate factors. Approx. 2% of the effect resulted from a shorter year in 2005 (one week less than the 53 calendar weeks of 2004; lottery revenues are registered on a weekly basis in the statistics), while the remaining 2% can be attributed to the jackpot situation in the two years (2004 was the year of the »all-time-high jackpot«, while 2005 suffered a longer phase of lower jackpots). In 2005, total stakes amounted to approx. EUR 8.1 billion for all lotteries and games of the DLTB, compared with EUR 8.4 billion in 2004 (Source: DLTB).

Online lottery growing at 27% p.a.

According to our estimates, the online lottery market (of particular relevance to Tipp24) accounted for around 4-5%, or approx. EUR 400-500 million, of the total German lottery market in 2005 (EUR 9.8 billion; source: La Fleur's). The global online lottery market is expected to grow by approx. 27% p.a. (from 2004 to 2008; source: GBGC). Industry experts forecast that the corresponding figure may be considerably higher in Germany.

In the past eight years, the Spanish lottery market has grown by an average rate of 5% p.a. and now represents Europe's second largest market with a total volume of around EUR 11.4 billion (2004). Over the same period, the Italian market boasted average annual growth rates of 11% (source: La Fleur's).

In our opinion, the online proportion of the lottery market in both countries is still insignificant and results mainly from our pioneering work. E-commerce markets are still in their infancy in both countries. Their development is approximately 3-5 years behind that of the German market.

SIGNIFICANT EVENTS FOR BUSINESS DEVELOPMENT

In 2005 we concluded various sales agreements, within the scope of cooperation and service agreements, with major portals as well as smaller semi-professional websites («affiliates»).

Of particular mention, based on the revenue potential and strategic significance for Tipp24, is the conclusion of service agreements, within the scope of our Business Service range, with Gambelino GmbH (subsidiary of RTL) and T-Online AG. In addition to WEB.DE, Tipp24 now also provides its lottery products for these Business Service partners under their respective brands.

Tipp24 has been listed on the Frankfurt Stock Exchange (Prime Standard) since 12 October 2005.

The capital increase connected with the IPO resulted in net growth of shareholders' equity of EUR 42,051 thousand. Total costs after tax for the IPO amounted to EUR 2,521 thousand. In addition to interest income on proceeds from the IPO of EUR 126 thousand, there were no noticeable, direct effects on our operating business, e.g. due to increased awareness of the brand.

In the first quarter of 2005, our German headquarters moved into new offices in order to cope with the growing number of staff and to improve on the fragmented structure caused by the former premises. We served timely notice on the office lease and concluded a new lease agreement. Although costs connected with the move were already reported in 2004, there was an increase in rent expenses in the period under review due to the increased floor space, as well as to costs and investments for setting up the new offices.

CONCLUDING ASSESSMENT OF BUSINESS DEVELOPMENT

The Executive Board of Tipp24 judges business development to have been generally good in 2005. We achieved our objectives with regard to the development of billings, revenues and earnings. Only the lack of larger jackpots in the second half of the year prevented revenues from developing even more favorably.

We are particularly satisfied with our market position in Germany, where Tipp24 dominates the market with a share of 40 - 50%, followed by state-owned lottery companies and one private supplier. According to our own estimates, we grew faster than our private competitor in 2005 and were thus able to expand our relative market share. At present, we have no figures concerning the online products of the state-owned lottery companies.

In summary, therefore, the dynamic development of the online lottery market and excellent positioning of Tipp24 in this market were confirmed again in the past year. In our opinion, macro-economic developments have little influence on our business. Moreover, there are currently no other factors which from our point of view might have a significant negative impact on the lottery market. Against this backdrop, the Executive Board judges the company's future business prospects to be favorable.

EARNINGS, FINANCIAL POSITION AND NET ASSETS

EARNINGS: CONTINUED GROWTH

The Tipp24 Group successfully continued its dynamic growth of the past few years in fiscal 2005. In comparison with the previous year, there were five **special effects** to consider in the year under review:

- The chance omission of high jackpots in the third and fourth quarters of 2005 dampened the development of new customer figures and the activity rate of existing customers.
- The first-time draw of the New Year's Eve lottery »ExtraLotto« in the fourth quarter of 2005 went better than expected for Tipp24: thanks to an increase in billings of existing customers and an above-average number of new customers, we were able to register a market share of approx. 4.5% for this product – a figure considerably above our average market share for lotteries in Germany of around 2%.
- The draw for Germany's highest-ever lottery jackpot in the fourth quarter of 2004 resulted in an exceptionally strong increase in new customers, billings and the activity rate of existing customers.

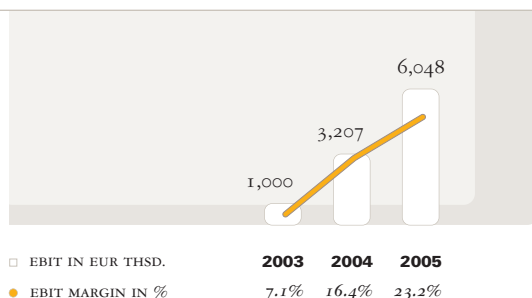
- Personnel expenses in the fourth quarter of 2005 increased due to two developments: firstly, by EUR 276 thousand due to the issue of shares to staff at the reduced par value rate (acc. to IFRS 2) and secondly, due to vacation restrictions imposed in the run-up to our IPO. This resulted in an increase in vacation provisions of EUR 128 thousand. At the same time, provisions for bonus payments were reversed with a corresponding reduction in expenses. There was thus a net increase in personnel expenses of around EUR 226 thousand.
- In the third quarter of 2005, other operating costs were incurred in connection with the IPO, which cannot be directly allocated to the flotation according to IAS 32, but would not have been incurred

without the IPO. They amounted to EUR 251 thousand and resulted mainly from legal and tax advice services. Moreover, increased requirements of the company following our listing in the Prime Standard segment led to a leap in other expenses during the fourth quarter. These additional costs are mainly fixed and thus represent a temporary relative increase in this group of costs.

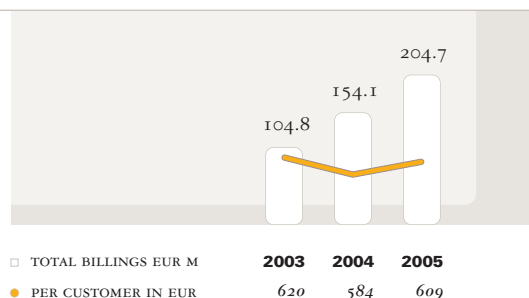
In total, Tipp24 succeeded in raising the number of registered customers in fiscal 2005 and thus also raised billings, revenues and profit compared with the previous year. These increases were largely in line with our expectations.

	1 Jan. to 31 Dec. 2005		1 Jan. to 31 Dec. 2004		CHANGE %
	EUR THSD.	%	EUR THSD.	%	
Billings	204,696		154,094		32.8
Remitted stakes (less commissions)	- 178,577		- 134,590		32.7
Revenues	26,119	100.0	19,504	100.0	33.9
Personnel expenses	- 6,990	- 26.8	- 5,522	- 28.3	26.6
Other operating expenses	- 12,829	- 49.1	- 10,374	- 53.2	23.7
Less other operating income	396	1.5	355	1.8	11.3
Operating expenses	- 19,423	- 74.4	- 15,541	- 79.7	25.0
EBITDA	6,696	25.6	3,963	20.3	69.0
Amortization and depreciation	- 648	- 2.5	- 756	- 3.9	- 14.3
EBIT	6,048	23.1	3,207	16.4	88.6
Financial result	442	1.7	117	0.6	277.8
Earnings before taxes	6,490	24.8	3,324	17.0	95.2
Income taxes	- 3,172	- 12.1	- 1,749	- 9.0	81.4
Profit	3,318	12.7	1,575	8.1	110.7

EBIT/EBIT MARGIN



BILLINGS

*Development of earnings*

In fiscal 2005 we raised **EBIT** by 88.6% to EUR 6,048 thousand. Consequently our EBIT margin grew strongly from 16.4% to 23.1%. The main factors responsible for this development were the increase in revenues of 33.9%, while at the same time the personnel expense ratio was reduced to 26.8% (prior year: 28.3%) and the marketing expense ratio fell to 28.7% (32.0%).

A comparison of the fourth quarters shows that we succeeded in raising EBIT by 40.4% to EUR 1,829 thousand – a less than proportionate increase compared with the year as a whole. Due to the exceptionally high revenues in Q4 2004, due to the high jackpot, cost ratios in the prior-year quarter were comparatively low and have thus improved slightly on a quarter-on-quarter basis.

As in previous years, our German operations dominated the development of the Tipp24 Group. The EBIT contribution of this market grew correspondingly in 2005 by 78.2% to EUR 7,000 thousand, representing an increase in EBIT margin in Germany of 7.1 percentage points from 22.2% to 29.3%.

When comparing the fourth quarters, the effect was correspondingly smaller: EBIT grew by 33.4% with an increase in revenues of 22.5%. In total, this growth enabled us to more than compensate for the start-up losses of our foreign subsidiaries.

Due to the far higher average level of cash and cash equivalents, mainly as a result of IPO proceeds, our **financial result** more than tripled in 2005, compared with 2004, to EUR 442 thousand.

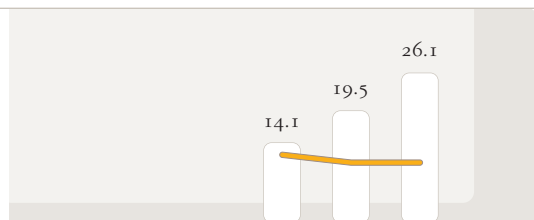
Compared with the previous year, **earnings after tax** more than doubled to EUR 3,318 thousand. Net operating margin after tax grew correspondingly by 4.6 percentage points to 12.7%.

Due to the special effects described above, in the quarterly comparison earnings grew slightly more modestly by 71.3% to EUR 1,028 thousand.

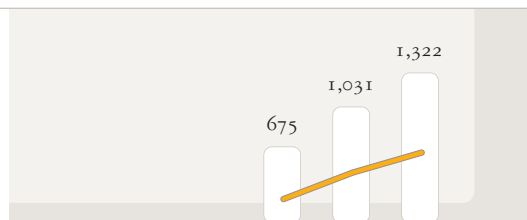
Return on equity fell by 13.9 percentage points to 6.2% in 2005, as a result of the strong growth of EUR 42 million in equity following our IPO. Adjusted for this special item (including the related interest effects), there was an increase of 8.9 percentage points to 29.0%.

Earnings per share (undiluted) grew correspondingly during the period under review from EUR 0.24 to EUR 0.46. In order to guarantee comparability, the calculation for the periods before the capital increase from company funds of 24 August 2005, during which two further shares were issued per share, includes corresponding adjustments of the share numbers, pursuant to IAS 33, by a factor of three. The increase in earnings per share amounts to 91.7%. It is lower than the total increase in net profit, due to the pro rata temporis effect of the capital increase of 2,176,046 shares during the initial public offering.

Net profit for the year acc. to HGB of Tipp24 AG amounted to EUR 3,121 thousand in 2005. The Executive Board proposes to carry the profit forward to the next period.

REVENUES/GROSS MARGIN

	2003	2004	2005
□ REVENUES IN EUR M	14.1	19.5	26.1
● GROSS MARGIN IN %	13.4%	12.7%	12.8%

CUSTOMERS

	2003	2004	2005
□ REGISTERED IN THSD.	675	1,031	1,322
● ACTIVE IN THSD.	169	264	336

Development of revenues

The number of **registered customers** grew by 291 thousand in fiscal 2005 to reach 1,322 thousand. Due to the unfavorable jackpot situation in the second half of 2005 and the particularly favorable impact in the fourth quarter of 2004, growth was 65 thousand less than in the previous year (356 thousand). In the fourth quarter of 2005 alone, growth was 44 thousand down on the prior-year period with 100 thousand newly registered customers.

For the same reason, the **rate of active customers** was down 2.3 percentage points to 28.6% (30.9%). As the activity of occasional players with low billings is particularly low during periods of smaller jackpots, the effect was compensated in part by a rise in average billings per active customer to EUR 609. Overall, we succeeded in raising billings by 32.8% to EUR 204,696 thousand in fiscal 2005. The ratio of billings to revenues – our **gross margin** – remained relatively stable at 12.8% (prior year: 12.7%).

We were therefore able to raise total **revenues** – consisting mainly of commissions and additional fees – by 33.9% to EUR 26,119 thousand.

Revenues were once again dominated by the contribution of our German operations, which accounted for 91.5% of total revenues in fiscal 2005. They were up 34.8% on the prior-year period to EUR 23,889 thousand. Billings grew similarly by 32.3% to EUR 196,041 thousand, while gross margin improved by 0.2 percentage points to 12.2%.

In a comparison of the fourth quarter figures, billings were up 11.3% to EUR 52,536 thousand and revenues grew even faster at 22.5% to EUR 6,646 thousand. The underlying improvement in gross margin from 11.5% to 12.7% was due to two main effects: in the fourth quarter of 2005 we marketed ExtraLotto for the first time – a premium product with a higher gross margin. This compares with a disproportionately high increase in billings for our standard Lotto product (with a comparatively lower gross margin) in the fourth quarter of 2004, as a result of the exceptional jackpot.

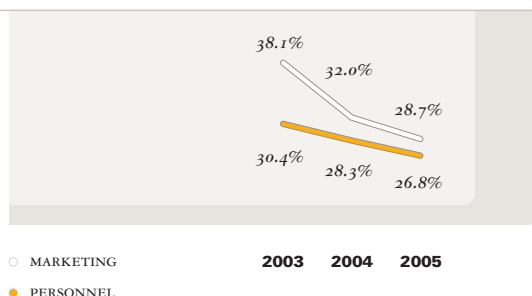
Development of orders

Owing to our business model it is not expedient to disclose the development of orders. Customer orders are regularly carried out very soon after receipt.

Development of key income statement positions

There was a year-on-year increase in **personnel expenses** of 26.6% to EUR 6,990 thousand in 2005. This resulted largely from the recruitment of further staff within the Tipp24 Group – partly in order to meet the Prime Standard listing requirements of the German Stock Exchange – as well as from the one-off effect, amounting to EUR 276 thousand, caused by the issue of shares to staff at a reduced price. The increase in personnel expenses was proportionately less than the rise in revenues, however, and consequently the personnel expense ratio fell to 26.8% (28.3%).

COST RATIOS IN %



Other operating expenses grew by 23.7% year-on-year to EUR 12,829 thousand. The increase amounted to 20.9% to EUR 3,599 thousand when comparing the two fourth quarters. The development in detail was as follows:

- **Marketing expenses** rose by 20.1% to EUR 7,487 thousand (28.7% of revenues) – due mainly to the increase in commissions included in this item which are paid to Business Service partners. Marketing expenses for our own customers were down by 3.3% in fiscal 2005 to EUR 5,854 thousand. In the second half of 2005 we decided to limit our marketing budget for the acquisition of own customers due to adverse conditions for online Lotto caused by the lack of major jackpots. In 2005 marketing expenses represented 22.4% of revenues, compared with 31.1% in 2004.
- **Direct operating expenses** grew by 10.1% – and thus much more slowly than billings – to EUR 2,524 thousand in 2005. They accounted for 1.2% of total billings, compared with 1.5% in 2004. Due to improved conditions for payment transactions and more efficient protection against payment defaults, we were able to achieve economies of scale.

- The year-on-year increase in **other operating expenses** of 52.7% (EUR 972 thousand) to EUR 2,818 thousand in fiscal 2005 resulted mainly from increased legal and consultancy costs of EUR 382 thousand, of which EUR 251 thousand related to Tipp24's IPO preparations, as well as from the renting of a larger office (+ EUR 167 thousand) and technical equipment and set-up costs (+ EUR 239 thousand) in order to accommodate the increase in headcount.

The development of **other operating income** is generally in line with the usual operating fluctuations at Tipp24 for this item.

In comparison with the previous year, **amortization/ depreciation** on intangible assets and property, plant and equipment fell by EUR 108 thousand (14.3%) in 2005 to EUR 648 thousand. An amount of EUR 97 thousand resulted from unscheduled write downs of telephone and alarm systems no longer usable after our move in the fourth quarter of 2004.

FINANCIAL POSITION

Principles and objectives of financial management

Tipp24 operates a global financial management system. All key decisions concerning the company's financial structure are taken by the Executive Board of Tipp24 AG. Financial management is generally undertaken at group level with the following key objectives:

- An equity ratio of around 35% is to be achieved in the medium term.
- Cash and cash equivalents covering short-term liabilities from betting operations are to be invested in safe investment categories (Standard & Poor's credit rating of at least BBB+). The majority of these investments should be short-term, with maturities of one week or less. A statistically proven base amount is to be invested over a medium-term period of one to three years.
- Equity which exceeds the targeted equity ratio of around 35% for ensuring the company's stable financial position, is to be used for investments in line with the strategy described above. Cash and cash equivalents covering equity which has not yet been employed is also to be invested in safe short-term categories. In the medium term, Tipp24 may also leverage its financial position by means of interest-bearing debt. We also plan to distribute equity capital which cannot be sensibly employed for the company's strategic objectives in the form of dividends in the medium term.

Financial analysis

The financial situation of Tipp24 AG is characterized mainly by two factors:

- High short-term other liabilities – both toward customers from advance payments and toward game operators from tickets already brokered but not yet paid – due on a daily basis. These are covered principally through liquidity or similarly short-term receivables from lottery companies for brokered bets or payment transaction partners, banks and credit card companies, with maturities of one day to one week.
- A high level of equity derived partly from accumulated profits, less loss carry forwards, and from capital contributions in the company's early phase (1999 and 2000), as well as from the additional equity generated by our IPO. There are no long-term liabilities of any note and Tipp24 has only a very small proportion (EUR 85 thousand, thereof EUR 37 thousand short-term) of interest-bearing liabilities from financial leases.

Against this backdrop, our key performance indicator with regard to financial analysis is the company's equity ratio (i.e. the relation between equity and total capital). A comparison of the respective year-end figures reveals a strong rise in this ratio: from 41.4% (2004) to 73.7% (2005). This dramatic leap resulted from the capital increase in connection with our IPO, which led to a net increase in equity of EUR 42,051 thousand. Adjusted for this effect, the equity ratio as of the balance sheet date amounted to 36.7%.

Significance of off-balance-sheet financial instruments for the financial position

Off-balance-sheet financial instruments do not play a significant role in financing the Tipp24 Group. The Group has taken out a bank guarantee facility in the amount of EUR 122 thousand in order to secure future obligations under rental agreements for office space. This facility is not secured by pledged cash and cash equivalents. Furthermore, the Group has a small amount of off-balance-sheet future obligations from operating lease agreements for company cars and technical equipment in the amount of EUR 68 thousand.

Investment analysis

In the period under review, we made total investments of EUR 6,369 thousand. A basic amount of cash and cash equivalents amounting to EUR 5,000 thousand, resulting from negative net working capital, was invested in a long-term financial asset with a capital guarantee of the issuer.

The remaining amount was invested in software (EUR 243 thousand) and hardware (EUR 362 thousand) for our live systems. We also invested in software (EUR 165 thousand) and hardware (EUR 401 thousand) for our office systems and invested EUR 207 thousand in furniture, fixtures and office equipment.

These investments were structured as follows:

- Investments in live systems for betting operations
 - capacity adjustments to handle greater customer/billing volumes,
 - software and hardware upgrades,
 - regular adjustments and increases in security standards and system redundancy.
- Investments in office equipment
 - workstations for new recruits,
 - office software and hardware upgrades and
 - setting up of office space following expansion/reorganization of existing areas.

The major investment projects during the year were:

- upgrade of the firewall system,
- conversion of the database system,
- change of server location and increase in server locations,
- set-up of new phone system, including renewal of call-center architecture,
- set-up of new redundant mail server system,
- extension of a redundant analytical database structure and
- extension and reorganization of new office space.

All systems are to be continually extended in 2006 due to increasing capacity requirements and the ongoing development of security standards.

Liquidity analysis

Cash flow

The increase in **cash flow from operating activities** results from a year-on-year rise in EBIT and, in the course of further increases in billings, the continuing decline in net working capital due to increased customer advance payments.

Cash flow from investing activities grew by EUR 5,761 thousand, compared with the previous year, to EUR 6,371 thousand. In fiscal 2005, Tipp24 made its first financial investment amounting to EUR 5,000 thousand. Investments for software and property plant and equipment also more than doubled, compared with the previous year, due mainly to the following additional investments: investments made

during our removal in furniture and office equipment, telephone systems and further renewal of technical office equipment; investments made in connection with the renewal of database software and the complete upgrading of our security architecture.

Due to the investment of EUR 5 million in long-term financial assets in 2005, free cash flow was down 17.6% on the previous year to EUR 3,937 thousand.

Our cash flow from financing activities was strongly influenced by the company's IPO in October 2005, which generated proceeds of EUR 40,067 thousand.

Key cash flow positions IN EUR THOUSAND

	2005	2004
Cash flow from operating activities	10,308	5,375
Cash flow from investing activities	6,371	600
Cash flow from financing activities	40,035	175
= Net increase/decrease in cash and cash equivalents	43,972	4,950
+ Cash and cash equivalents at beginning of the fiscal year	12,892	7,994
Reduction in pledged cash and cash equivalents	+ 310	- 52
= Cash and cash equivalents at end of the fiscal year	57,174	12,892

		2005	2005 ADJUSTED**	2004
Cash ratio	= $\frac{\text{total cash on hand, bank balances and certain securities}}{\text{total debt}}$	301.7%	90.3%	119.2%
Quick ratio*	= $\frac{\text{monetary current assets excluding any prepaid expenses}}{\text{total debt}}$	341.6%	130.1%	146.2%

* corresponds to current ratio, as Tipp24 has no inventories

** adjusted for IPO effects

Liquidity ratios

In order to assess its liquidity position, Tipp24 regularly calculates the cash ratio and quick ratio.

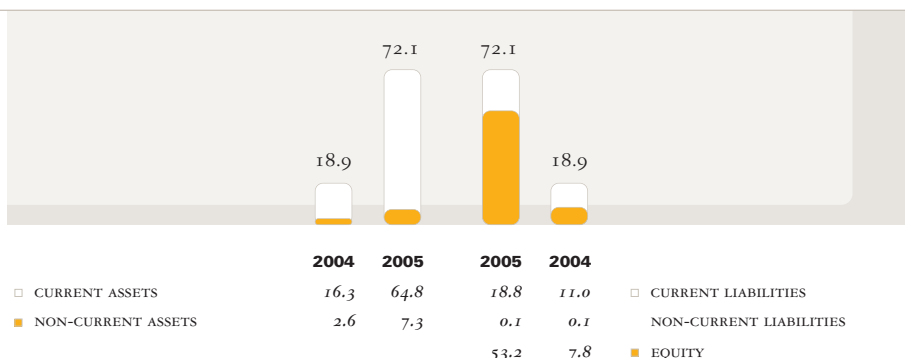
The **cash ratio** considers short-term securities as they relate to shares in a money market fund with a capital guarantee and are redeemable on demand. Except for a small amount of finance lease liabilities, Tipp24 has no non-current debt. Due to the above mentioned **special effect** of the company's IPO, the cash ratio leapt from 119.2% to 301.7% in 2005, compared with the previous year. Adjusted for this special item, the cash ratio amounted to 90.3% as of the balance sheet date. The increase in liabilities from betting operations is thus completely covered organically by the increase in liquidity.

The **quick ratio** reflects the financial strength of Tipp24 even more accurately, as the current receivables factored into this figure are mainly from solvent companies and relate to betting operations.

They are ongoing receivables and were all settled in the first few days of the subsequent fiscal year. They consist of receivables from banks and credit card companies for customer payments as well as from lotto companies for security retainers and winnings not yet paid out to customers.

The quick ratio developed in line with the cash ratio, albeit at a much higher level (2004: 146.2%; 2005: 341.6%). Adjusted for the special item, it amounted to 130.1% in 2005.

As of the balance sheet date, existing balances were invested as follows: EUR 5.0 million in long-term financial assets with a capital guarantee, EUR 1.6 million in immediately redeemable money market fund units bearing a capital guarantee and a six-monthly interest guarantee and EUR 0.6 million in fixed-interest securities. We plan to continue using these investment categories in 2006. There are no other currency, interest or exchange rate risks.

BALANCE SHEET STRUCTURE IN EUR M**Capital costs**

Tipp24's debts consist mainly of other liabilities, especially from betting operations. There is only a small amount of interest-bearing debt relating to obligations from finance lease agreements. We calculate the cost of equity at 9%. This figure comprises a risk-free basic interest rate of 3.5% plus a moderate risk premium of 5.5%, which reflects the uncertainties of Tipp24's future cash flow in view of its strong growth. Together with our mainly non-interest-bearing debt, Tipp24 had average capital costs as of the balance sheet date amounting to 6.6% (prior year: 3.7%).

Other liabilities

Our other liabilities consist mainly of liabilities to players from advance payments as well as to gaming companies from billings not yet paid. These liabilities are subject to considerable statistical fluctuations depending on any claims to major winnings originating before the balance sheet date not yet settled. Moreover, they are heavily dependent on the day of the week on which the cut-off date falls, due to the weekly nature of the games and the settlement day of certain gaming companies.

Other liabilities almost doubled compared with the previous year. This increase resulted from the growth in billings and the above mentioned fluctuations.

ASSET SITUATION

An analysis of our asset situation as of 31 December 2005 should consider the special effect of our IPO as described under »Liquidity ratios«.

Asset structure analysis

The assets of Tipp24 mainly comprise current assets amounting to EUR 64,840 thousand (EUR 16,294 thousand). In turn, these consist largely of cash, cash equivalents and securities (EUR 57,174 thousand, adjusted for the special effect of the IPO: EUR 15,123 thousand), receivables from lottery organizers from winnings of brokered tickets (EUR 3,159 thousand), receivables from banks and credit card companies for customer payments (EUR 2,941 thousand) and security retainers (EUR 663 thousand).

After from the effect of our IPO, the development of assets reflects the development of earnings and increased billings.

Moreover, Tipp24 has intangible assets – mainly software – amounting to EUR 446 thousand, property, plant and equipment – mainly hardware and office equipment – amounting to EUR 1,175 thousand, financial assets totaling EUR 5,000 thousand and deferred tax assets on tax loss carry forwards amounting to EUR 674 thousand.

Assets not recognized

Tipp24 does not recognize the following major assets in its annual financial statements:

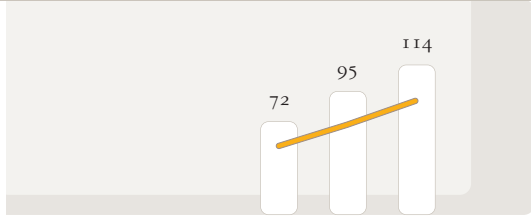
- **Customers:** approximately 30% of Tipp24's registered customers are regular players, i.e. participate actively at least once per month. Apart from short-term fluctuations, there has not been any sign of a decrease in their activity so far. In consideration of the regular future cash flows which these customers are likely to provide, they are our most essential asset.
- **Brand:** the Tipp24 brand, registered in 2005 as a word trademark, has achieved a considerable awareness level in Germany thanks to continual advertising since operations commenced. It therefore represents a significant asset for us.
- **Software:** the software systems used by Tipp24 for its gaming operations are mainly self developed. Considerable costs were incurred during development, in particular personnel expenses for software developers and others involved in the process. The requirements for the documentation of development processes according to IAS standards 38.57, in order to reliably measure and capitalize development costs, cannot currently be economically realized with the tools used by Tipp24 for the professional and efficient management of the development process. For this reason, we have not capitalized our own software developments as yet.

Significance of off-balance-sheet financial instruments for the asset situation

Tipp24 has future obligations from agreements totaling EUR 3,473 thousand. These consist mainly of obligations from leases (EUR 2,319 thousand) as well as from cooperation, insurance, maintenance and license agreements (EUR 1,074 thousand). There are also liabilities from an operating lease with a cash value of EUR 68 thousand.

Explanation of company acquisitions

There were no company acquisitions in the period under review.

NUMBER OF EMPLOYEES/PERSONNEL EXPENSES

	2003	2004	2005
□ NUMBER OF EMPLOYEES			
● PERSONNEL EXPENSES IN EUR THSD.	4,285	5,522	6,990

Human assets

In addition to the three members of its Executive Board and one General Manager in Spain and Italy respectively, the Tipp24 Group had an average of 114 employees and three apprentices in 2005. At year-end, there were 127 full-time employees. The fluctuation rate (19%) is strongly influenced by the regularly high change in staff in our Call Center Outbound department. After adjustment for this item, fluctuation amounted to 15%. The average age was 33.9. There were also an average of 52 student helpers, generally working a 20-hour week.

The regular working week comprises 40 hours. There are no applicable works agreements or collective wage agreements in place. There have been no strikes to date. A works council has not been set up.

All employees regularly take part in training activities within their respective departments. Around 5% of total working hours are dedicated to this purpose. Moreover, EUR 33 thousand was invested in external training activities in 2005.

Based on current information, Tipp24 regularly ensures compliance with all industrial health and safety standards required by law. In 2005, there was one industrial accident only.

Other intangible assets

In consideration of our comparatively short capital market history, we do not yet see any significant intangible asset from investor and capital market relations.

In contrast to this, however, we regard the value of our excellent relations to the lottery companies as significant, especially as they enable us to recognize new developments of importance for our company at a very early stage.

The value of our organizational and process advantages results from our high processing expertise and the technical reliability of our self-developed software.

OVERALL STATEMENT TO ECONOMIC POSITION**Management's assessment of the economic position**

We regard the economic position of the Tipp24 Group as very stable with excellent development prospects. This was confirmed once again by the success of our fiscal year 2005. In comparison to other sectors, the online lottery market in Germany, as well as in Spain and Italy, is underdeveloped and for the coming years annual growth of 27% or more has been forecast. Tipp24 is already excellently positioned in order to benefit strongly from this growth.

Furthermore, we see attractive additional potential in new product categories and in the course of possible deregulation of European lottery markets. The Group has considerable financial liquidity, mainly from equity capital. This gives us considerable scope to grasp growth opportunities – for example through acquisitions.

Influence of balance sheet policy on the economic position

In October 2005 we carried out a capital increase, by means of our IPO, with the aim of creating a solid basis for our growth strategy and any growth opportunities which present themselves. Tipp24 was able to strengthen its equity basis with cash and cash equivalents amounting to approx. EUR 42 million, which resulted in a temporary increase in the equity ratio to 73.7%. In the long term, we aim to reduce this ratio to 35% through further investments in the expansion of business while achieving a return on equity ratio of over 30%.

SUBSEQUENT EVENTS

EVENTS OF PARTICULAR SIGNIFICANCE

In the first quarter of 2006 we concluded agreements with one further state lottery company and can thus now also submit game tickets in Baden-Württemberg.

This agreement provides Tipp24 with further stability on the organizer side, especially with regard to the stability of margins and our lottery network. We do not expect any direct impact on earnings, finance and assets.

With the latest resolution of the German Federal Supreme Court (Bundesgerichtshof) of 19 January 2006 the DLTB has lost its trademark rights to the »Lotto« name. »Lotto« may now be generally used as a generic term. This will greatly simplify communication of the lottery products we offer and thus have a favorable impact on our marketing activities.

In late February 2006, we launched the »ARD Fernsehlotterie« (TV lottery), as planned. We expect this product to generate additional sales and earnings. In the same period, we also launched the first test run of our peer-to-peer skill games for money in cooperation with a partner company. A portfolio of these games under our own brand will be offered to a representative selection of our customers.

As part of the creation of Conditional Capital I at the general shareholders' meeting of September 7, 2005, the Executive Board was authorized to establish a stock option plan (Stock Option Plan 2005). As part of the Stock Option Plan 2005, the Executive Board

resolved on February 15, 2006, to offer 18,000 stock options to entitled employees. The offer must be accepted by March 1, 2006; otherwise it expires. No stock options were offered to members of the Executive Board.

After a long delay, there was once again a high jackpot in Germany in February 2006, amounting to EUR 24 million. As a result, Tipp24 was able to gain an above-average number of new customers within a short space of time and at low cost and thus also raise the amount of brokered stakes significantly. Due to the leap in our customer base, we were able to lay a firm foundation at the beginning of the fiscal year for the achievement of our targeted sales figures in 2006.

In early February 2006, the state lottery of Saxony-Anhalt informed us that, in their opinion, we were contravening the lottery laws of the state of Saxony-Anhalt. According to these laws, game brokers offering lottery products in Saxony-Anhalt and charging additional fees, are required to apply for state permission. As we do not charge our customers additional fees for our standard products (»Lotto«, »Glücksspirale«, »Keno« etc.), we do not believe that these regulations apply to us. We have not offered the product »Spielgemeinschaften«, for which we charge our customers additional fees, in Saxony-Anhalt for a longer period of time due to the aforementioned regulation. A detailed discussion of this topic is included in the description of legal risks.

RISK REPORT

RISK MANAGEMENT

Tipp24 is a young, internationally operating company in the Internet sector and is thus exposed to the typical sector and market risks associated with such economic activities. The realization of one or more of these risks may materially impact Tipp24's business and have significant adverse effects on its net assets, financial position and results of operations.

The company's management takes these risks very seriously and considers them in its operating and strategic decision processes: we constantly monitor the development of the relevant risks and also consider both current and future risks. We focus in particular on the early recognition, evaluation, prevention and control of risks.

In 2005 we refined our existing risk management system in line with the dynamic development of our company. The result is a high-performance system which enables us to quickly recognize relevant risks for the company, as well as to evaluate such risks and take measures as quickly as possible. For the implementation of its early warning system, Tipp24 AG observes guidelines based on the scope of our current activities and the size of Tipp24 AG.

Tipp24's risk management can be described as follows:

We monitor operating risks by regularly reviewing our financial and other key ratios. For each ratio, we have stipulated the monitoring frequency, designated controlling responsibility and determined rules of procedure for defined deviations from target values. In the case of technology risks, pre-defined emergency procedures are implemented.

Furthermore, the development of security standards is continually monitored and corresponding adjustments are regularly made to our security systems. Legislation changes in those markets in which we operate are also regularly evaluated, with the help of legal advisors where necessary. This enables us to react to such changes in the appropriate way and thus recognize and react to unusual events as soon as possible.

Our risk management system is firmly anchored at management level and is continually monitored and updated. The Executive Board is regularly informed about the risk evaluation results. We are convinced that the early warning and management systems we have implemented are well suited to quickly recognizing and dealing with dangers for Tipp24 resulting from possible risks. A formal documentation system for our risk recognition system is currently being established.

PRESENTATION OF INDIVIDUAL RISKS

We have identified the following main specific risks for Tipp24's business:

General business risks

As a young and dynamic company Tipp24 has grown strongly in the past few years. As a result, the ongoing development in line with this growth of appropriate internal organizational and risk monitoring structures that allow early recognition of undesirable developments and risks, particularly in the IT area, was and remains a constant challenge for us.

We are planning further personnel growth in coming years, as well as the expansion of our business in new markets and new product areas. The challenge will be to continue to identify existing and new risks, and to assess them correctly in a timely manner, as well as to further develop the existing organizational and risk monitoring system appropriately and promptly.

If gaps or defects in the existing organizational and risk monitoring system become evident in ongoing practice, or if we fail to create appropriate structures and systems promptly in connection with the planned further growth, this could lead to an impaired ability to recognize and manage risks, trends and undesirable developments in a timely manner. This could have a material adverse effect on Tipp24's net assets, financial position and results of operations.

Moreover, there is a possibility that use of the products we broker or of the internet itself may decline. This would also have a material adverse effect on Tipp24's business operations, but is in our opinion generally unlikely.

Technical risks

Tipp24 is dependent on the use of automated processes for handling gaming agreements, whose efficiency and reliability is in turn dependent on the functionality and stability of the underlying technical infrastructure. The functional ability of the servers used by Tipp24 and the related hardware and software infrastructure is of considerable significance for our business, reputation and attractiveness to customers.

The failure risk of all components of relevance for gaming operations (e.g. database servers, application servers, web servers, firewalls, routers) is largely eliminated by the redundant systems or maintenance contracts with correspondingly short reaction times.

Moreover, in 2005 we engaged external service providers to carry out security checks. We have introduced an action plan to eliminate the weaknesses that were identified and to implement the recommendations made as a result of the checks. The measures that remained necessary at the point of their completion to be implemented have now been completed.

Legal risks

Tipp24 began business in Italy with its subsidiary Puntogioco24 in 2005. Puntogioco24's business model has so far been the subject of three legal decisions in which legal doubts as to the permissibility of Puntogioco24's activities were expressed. Even though the cases against Puntogioco24 were dropped for other reasons, the courts in two of the cases expressed legal doubts in its decisions as to the permissibility of Puntogioco24's activities.

In May 2005, the public prosecutor launched a preliminary investigation against the managing director of Puntogioco24 on suspicion of a breach of the ban on accepting bets via electronic communications media without authorization or without being properly engaged to accept bets via this form of media. No criminal proceedings have yet been instituted to the Company's knowledge nor have measures been implemented or announced by the authorities to date which would or might restrict Puntogioco24's business.

Lotteries and other games of chance cannot be sold in Italy without a state license. The private company SISAL S.p.A. has been issued the license to provide the national »6 out of 90« lottery (SuperEnalotto), which forms part of Puntogioco24's offering. The current license is valid until 31 March 2010. The listed company Lottomatica S.p.A. holds the license to provide the »5 out of 90« lottery, which is similar to Keno, until 2012. Under the terms and conditions of the licenses, the license holders are entitled, at their own discretion, to engage third parties to accept

monies for the sale of game receipts and stakes. Italian lottery law in Art. 3 (228) of Act no. 549 of 28 December 1995 expressly stipulates that monies from the sale of game receipts and stakes can be accepted only by approved agents directly and no form of brokerage activity is permitted. Art. 4 of Act no. 401 of 13 December 1989 makes it a punishable offence to accept bets of any kind, including by means of electronic communications media, without the relevant authorization or without having been properly engaged to do so.

Tipp24 does not believe that Puntogioco24's activities breach these provisions because Puntogioco24 does not operate as a broker of lottery products but is instead engaged by lottery players to deliver the lottery tickets to an authorized lottery agent on their behalf. The gaming agreement is entered into directly between the lottery player and the lottery operator. Because of this direct relationship, the lottery player has a direct claim to the prize proceeds.

In view of this, it cannot be ruled out that our business in Italy may be restricted or completely terminated. This would have a material effect on Tipp24's net assets, financial position and results of operations and, in particular, could lead to the total loss of all investments made in Puntogioco24.

In early February 2006, the state lottery of Saxony-Anhalt informed us that, in their opinion, we were contravening the lottery laws of the state of Saxony-Anhalt. According to these laws, game brokers offering lottery products in Saxony-Anhalt and charging additional fees, are required to apply for state permission. As Tipp24 does not charge its customers additional fees for its standard products («Lotto«, «Glücksspirale«, «Keno« etc.), we do not believe that these regulations apply to us. We have not offered the product «Spielgemeinschaften«, for which Tipp24 charges its customers additional fees, in Saxony-Anhalt for a longer period of time due to the aforementioned regulation.

Furthermore, Tipp24 believes that the legality of the lottery law of Saxony-Anhalt is at least questionable. This law serves to define in detail the State Treaty on Lotteries adopted by all federal states in 2004. This State Treaty on Lotteries explicitly recognizes the legality of private brokerage activities. In the lottery law mentioned above, however, greatly extended conditions for permission were introduced, which are practically unachievable – for example, the brokerage activity has to be in the public interest. This law thus goes far beyond merely specifying the details of the State Treaty on Lotteries. Moreover, there are also serious doubts from a constitutional law perspective, e.g. a possible contravention of the fundamental right of freedom to choose an occupation.

Should the lottery law of Saxony-Anhalt – contrary to Tipp24's views on how the law should be interpreted – also forbid the brokerage of lottery products without additional fees, Tipp24 would have to temporarily cease sales to customers in Saxony-Anhalt. In 2005, less than 1.5% of billings were generated by customers in Saxony-Anhalt. Moreover, in this case Tipp24 might be exposed to administrative and possibly criminal law sanctions.

Financing and currency risks

As its foreign subsidiaries are located in Spain and Italy, the Group is not subject to currency risks. The national currency of all of the group companies is the euro.

There is no significant internal economic dependence between the activities of the foreign subsidiaries and the group companies in Germany. The foreign subsidiaries' operations in their respective markets are completely autonomous, which is underpinned by the fact that they have local general managers. Group financing of foreign subsidiaries is controlled as part of our monitoring of operating risks.

Personnel risks

Even with careful selection and responsible staff management, it cannot be ruled out that a significant number of even experienced employees may leave the company within a short period of time. At the same time, the recruitment of new staff for these vacant positions may be time-consuming and costly. Despite the stand-in regulations we have implemented, this could have a material effect on Tipp24's net assets, financial position and results of operations.

We carefully select our new recruits, often with the help of personnel consultants. Responsibilities, goals and key success parameters are also discussed on a regular basis with each employee. Performance checks are carried out to ascertain whether these goals and parameters have been fulfilled and feedback given to employees in regular performance reviews. These reviews are also used to determine employee satisfaction. We regularly evaluate the results of these reviews in order to counter any undesired trends.

Moreover, we intend to train qualified replacement personnel for every position in company so that we can limit the risk of losing individual employees.

CONCLUDING STATEMENT CONCERNING THE GROUP'S RISK SITUATION

As for all market participants, Tipp24 is exposed to certain business risks which are involved in simply participating in market activities. On the one hand, these are general risks in connection with cyclical economic developments. This danger can be countered to some extent by optimal market positioning.

On the other hand, there are risks involved with the specific business model, the regulatory environment and the company's geographic positioning. Under the given circumstances, Tipp24 has found an optimal configuration for itself which limits the Group's overall risk to a minimum.

After evaluating the current and future risk factors, we do not see any risks which endanger the continued existence of Tipp24.

The auditor of our annual financial statements has examined the company's risk early warning system and its adherence to the legal regulations.

FORECAST REPORT

GROUP ALIGNMENT

In general, Tipp24 plans to continue the growth strategy of the past few years also in future. In addition to further growth in our core market of Germany, we also aim to extend our product portfolio with the addition of a further product category, e.g. peer-to-peer skill games for money. In this connection, we would seek to acquire a company already active in this field. Initial revenue and earnings effects from this project are expected in the fourth quarter of 2006. At the same time, we are preparing market entry in at least one further European market. Initial revenue and earnings effects from this project are expected in 2007.

EXPECTED ECONOMIC CONDITIONS

General economy

Europe's economic recovery is expected to spread again in 2006: leading economists expect economic growth here to reach around 2% for the year as a whole. Despite a slowdown in the USA, the global economy is expected to grow strongly (+ 4.3%). An end to four years of decline in domestic demand is also forecast, which – provided inflation prospects remain favorable – should lead to a moderate positive effect for consumer spending and employment (+ 1.2%).

Sector

The global lottery market is expected to grow by 2.7% p.a. in the next few years. The online segment will grow significantly faster – albeit from a much lower base, with a current share 1% – at an expected rate of 27% p.a.. We also expect that the first steps toward deregulation of the European gambling markets will be taken. This will probably result in a significant increase in the competitive intensity of the German sports betting market, especially with the market entry of major UK betting companies. The effect on our relevant lottery markets, however, will be comparatively small as there are no private suppliers – to our knowledge – with a similar business model which could compete with each other across European borders in the case of deregulation. In Spain and Italy, where online markets are still underdeveloped, we expect that the growing activities of e-commerce suppliers outside the lottery business may also positively impact online lottery activities.

EXPECTED EARNINGS POSITION

We aim to raise billings and revenues by 30-40% p.a. in the next two years. In the current year we expect EBIT to grow by around 50% and profit by more than 70%. Both ratios are also expected to grow strongly in the following year. This growth is to be generated mainly by attracting around 300-400 thousand new customers per year, while maintaining the current activity rate and billings per customer rate.

EXPECTED FINANCIAL POSITION

We aim to reduce our equity ratio in the coming years with the following measures: expansion of business and thus of debt from gaming operations, partial exchange of equity for interest-bearing debt and distribution of dividends.

We plan to continue our investment activities at the current level with the aim of steadily raising the performance of our gaming systems, regularly updating our security systems and software, setting up new workstations and replacing outdated hardware.

We expect an investment volume of around EUR 1.5-2.0 million per year until 2007.

Moreover, if the economic parameters are favorable, we want to expand our product range by acquiring a company in the relevant sector. We cannot quantify this step at the moment, as the possible purchase price of our acquisition targets depends greatly on the size of the respective company.

For this reason, we will refrain for the moment from quantifying expectations for our RoE in the coming two years.

OPPORTUNITIES***Liberalization/deregulation of the European gaming market***

One of the most significant opportunities for our business is the further liberalization of the European gaming market in the next few years. At the national level, further liberalization of the law governing lotteries and games of chance could be triggered by constitutional complaints lodged by operators and brokers. These complaints are based in particular on arguments that provisions of federal and state law violate the fundamental right of freedom to choose an occupation and that the federal states do not have the legislative powers to regulate.

The ECJ's latest decisions could also provide a further impetus for liberalization. In the case of »Gambelli«, the ECJ ruled that, given the internal-market principles of freedom of establishment and freedom to provide services, national restrictions on operators of and brokers for lotteries and games of chance were only justified in certain exceptional cases. As a result of this decision, German courts of all instances and ultimately the Federal Constitutional Court (Bundesverfassungsgericht) have expressed doubts about whether German criminal provisions associated with the absence of a permit to provide games of chance and lotteries conform to European law. Similar doubts have also been raised in the legal literature about the pertinent state provisions.

We therefore expect that the legal basis for brokerage activities with regard to lotteries and games of chance could change significantly in future and present Tipp24 with significant opportunities. Clarification of the legal basis would provide our German customers, above all, with access to further highly attractive products and enable Tipp24 to enter new markets with its existing products. Deregulation would also probably result in a complete clarification of the legal situation in Italy and thus provide our Italian subsidiary Puntogioco24 with the opportunity for faster growth.

Further opportunities

We expect the planned expansion of our product portfolio to positively influence the development of billings per customer and, possibly, also their activity.

Further opportunities to raise billings and the development of new customer figures above expectations may result from the random increased frequency of major jackpots.

Finally, we expect the World Cup 2006 to positively influence billings of the product Oddset.

CONCLUDING STATEMENT AS TO THE GROUP'S EXPECTED DEVELOPMENT

The Executive Board expects a sustained positive development of business: Tipp24 operates in the very dynamic online lottery market, which displays sustained, large-scale growth potential. Moreover, there are further expansion opportunities from the planned expansion of the product portfolio and due to a possible deregulation of the European lottery markets. Tipp24 is excellently positioned to actively exploit this outstanding potential.

CONSOLIDATED INCOME STATEMENT FROM 1 JANUARY UNTIL 31 DECEMBER ACC. TO IFRS

IN EUR	NOTES	2005	2004
Billings		204,695,912.65	154,094,004.78
Remitted stakes less commissions		- 178,577,108.18	- 134,590,010.66
Revenue		26,118,804.47	19,503,994.12
Other operating income	20	395,442.24	354,762.57
Total operating performance		26,514,246.71	19,858,756.69
Operating expenses			
Personnel expenses	18	- 6,989,695.78	- 5,521,705.69
Amortization/depreciation on intangible assets and property, plant and equipment	10, 11, 12	- 647,580.72	- 755,916.71
Other operating expenses	19	- 12,828,919.21	- 10,374,288.30
Result from operating activities		6,048,051.00	3,206,845.99
Financial result	21	441,477.21	117,055.08*
Result from ordinary activities		6,489,528.21	3,323,901.07
Income taxes	22	- 3,172,002.94	- 1,749,139.28
Consolidated net profit		3,317,525.27	1,574,761.79
Earnings per share (<i>undiluted and diluted; in EUR/share</i>)	23	0.46	0.24
Weighted average number of ordinary shares outstanding (<i>undiluted and diluted; in units</i>)		7,191,100	6,451,928

* adjusted by EUR - 1,000.42 due to amendment of IAS 32
(disclosed as minority interests in annual financial statements of 2004)

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER ACC. TO IFRS

ASSETS IN EUR	NOTES	31 Dec. 2005	31 Dec. 2004
Current assets			
Cash, cash equivalents and securities	6	57,173,611.83	12,891,965.57
Pledged cash, cash equivalents and securities		0.00	310,000.00
Trade receivables	7	165,779.86	0.00
Income tax refund claims	8	297,257.71	0.00
Other assets and prepaid expenses	9	7,203,060.35	3,091,988.06
Total current assets		64,839,709.75	16,293,953.63
Non-current assets			
Intangible assets	10	446,313.32	208,558.87
Other equipment, furniture and fixtures and leased assets	11	1,175,456.16	721,397.84
Financial assets	12	5,000,000.00	9,918.00
Deferred tax assets	22	673,766.93	1,662,229.63
Total non-current assets		7,295,536.41	2,602,104.34
		72,135,246.16	18,896,057.97

EQUITY AND LIABILITIES IN EUR	NOTES	31 Dec. 2005	31 Dec. 2004
Current liabilities			
Trade payables		1,240,712.71	1,690,763.94
Current finance lease liabilities	13	37,475.65	39,964.65
Other liabilities	14	17,194,563.16	8,631,273.06*
Deferred income	16	180,961.67	70,481.15
Income tax liabilities	22	0.00	400,856.13
Provisions	15	200,282.19	121,725.06
Total current liabilities		18,853,995.38	10,955,063.99
Non-current liabilities			
Non-current finance lease liabilities	13	47,893.25	77,750.00
Deferred tax liabilities	22	48,200.72	46,380.79
Total non-current liabilities		96,093.97	124,130.79
Equity			
Subscribed capital	17	8,872,319.00	2,232,091.00
Capital reserves	17	41,143,321.36	5,732,781.01
Retained earnings		3,169,516.45	- 148,008.82
Total equity		53,185,156.81	7,816,863.19
		72,135,246.16	18,896,057.97

* adjusted by EUR + 2,511.70 due to amendment of IAS 32
(disclosed as minority interests in annual financial statements of 2004)

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD 1 JANUARY TO 31 DECEMBER

IN EUR	NOTES	2005	2004
Cash flow from operating activities			
Result from operating activities		6,048,051.00	3,206,845.99
<i>Adjustments for:</i>			
Non-cash expenses acc. to IFRS 2		275,991.20	0.00
Amortization/depreciation on non-current assets	10, 11, 12	647,580.72	755,916.71
Loss on the disposal of non-current assets	10, 11	31,870.08	7,915.68
<i>Changes in:</i>			
Trade receivables		- 165,779.86	18,578.12
Other assets	9	- 4,101,154.29	829,503.01
Trade payables		- 450,051.23	1,174,117.00
Other liabilities	14	8,563,290.10	- 430,584.31
Provisions	15	78,557.13	- 104,261.08
Other		110,480.52	7,412.72
Interest received		422,739.23	103,701.76
Non-cash income from securities		31,837.50	31,193.45
Interest paid		- 13,099.52	- 16,839.71
Taxes paid		- 1,172,205.29	- 208,164.83
Cash flow from operating activities		10,308,107.29	5,375,334.51
Cash flow from investing activities			
Cash received from the disposal of non-current assets		7,448.48	0.00
Disbursements for financial investments	12	- 5,000,000.00	0.00
Investments in intangible assets	10	- 408,449.19	- 123,612.80
Investments in property, plant and equipment	11	- 970,262.86	- 476,413.55
Cash flow from investing activities		- 6,371,263.57	- 600,026.35
Cash flow from financing activities			
Capital contribution from IPO	17	44,280,000.00	177,441.00
Capital contribution from employee shares	17	16,046.00	0.00
IPO expenses	17	- 4,228,897.71	0.00
Contributions by the partners of SoHG		0.00	30,511.28
Finance lease payments		- 32,345.75	- 32,974.68
Cash flow from financing activities		40,034,802.54	174,977.60
Change in cash, cash equivalents and securities		43,971,646.26	4,950,285.76
Cash, cash equivalents and securities at the beginning of the period	6	12,891,965.57	7,993,559.81
Decrease in pledged cash and cash equivalents	6	310,000.00	- 51,880.00
Cash, cash equivalents and securities at the end of the period		57,173,611.83	12,891,965.57
Composition of cash and cash equivalents at the end of the period			
Cash on hand, bank balances and checks		54,932,175.93	11,682,722.67
Current investments		2,241,435.90	1,209,242.90
		57,173,611.83	12,891,965.57

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2005 AND 2004

IN EUR	SHARE CAPITAL	CAPITAL RESERVES	ACCUMULATED PROFIT/LOSS	TOTAL EQUITY
As at 1 January 2004	2,054,650.00	8,682,932.85	- 4,672,922.45	6,064,660.40
Capital increase	177,441.00	0.00	0.00	177,441.00
Capital contribution	0.00	0.00	0.00	0.00
Withdrawal from capital reserves	0.00	- 2,950,151.84	2,950,151.84	0.00
Net profit for 2004	0.00	0.00	1,574,761.79	1,574,761.79
As at 1 January 2005	2,232,091.00	5,732,781.01	- 148,008.82	7,816,863.19
Capital reduction from redemption of shares	- 4,417.00	0.00	0.00	- 4,417.00
Capital increase from cash contribution	4,417.00	0.00	0.00	4,417.00
Capital increase from company funds	4,464,182.00	- 4,464,182.00	0.00	0.00
Capital increase from cash contribution of IPO	2,160,000.00	42,120,000.00	0.00	44,280,000.00
Capital contribution from discounted employee shares	16,046.00	275,991.20	0.00	292,037.20
IPO expenses	0.00	- 4,228,897.71	0.00	- 4,228,897.71
Tax effect on costs of capital increase from IPO	0.00	1,707,628.86	0.00	1,707,628.86
Net profit 2005	0.00	0.00	3,317,525.27	3,317,525.27
As of 31 December 2005	8,872,319.00	41,143,321.36	3,169,516.45	53,185,156.81

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2005 ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

1 GENERAL INFORMATION

Tipp24 AG, Hamburg (hereinafter referred to as **Tipp24 AG**) was formed in 1999 in Hamburg. Tipp24 AG is the parent company of the Group (hereinafter referred to as **Tipp24**), which also comprises the Group companies GSG Lottery Systems GmbH, Hamburg (hereinafter referred to as **GSG**), Schumann OHG, Hamburg (hereinafter referred to as **Schumann OHG**), Ventura24 S.L., Madrid, Spain (hereinafter referred to as **Ventura24**) and Puntogioco24 srl., Monza, Italy (hereinafter referred to as **Puntogioco24**).

Tipp24 has been operating as a commercial gaming broker since the beginning of 2000 and enables its customers to participate in nearly all games of chance offered by state-owned and state-licensed lottery operators via the Internet. Customers can submit their lottery tickets simply and conveniently via the Internet 24 hours a day. In addition to detailed information, customers are offered extensive services, such as notification of winnings by text message or e-mail and subsequent automatic collection of their winnings from the lottery organizers. Tipp24 has grown steadily since its foundation, whereby the development of business was financed initially with funds provided by the shareholders. Tipp24 has been profitable since 2002.

Tipp24's business was initially concentrated exclusively in Germany but has since expanded internationally. In 2002, Tipp24 entered the Spanish market through its subsidiary Ventura24 and, in 2005, entered the Italian market through its subsidiary Puntogioco24. Business operations in Germany are processed via the website www.tipp24.de, in Spain via www.ventura24.es and in Italy via www.puntogioco24.it. Tipp24 AG's premises are located at Falkenried-Piazza, Strassenbahnring 11-13, 20251 Hamburg, Germany.

The balance sheet date is 31 December 2005. Fiscal year 2005 covered the period from 1 January 2005 to 31 December 2005.

Tipp24 AG has been listed at the Frankfurt Stock Exchange (Prime Standard) since 12 October 2005.

These consolidated financial statements as of 31 December 2005 were prepared in accordance with a resolution of the Executive Board of 22 February 2006. The general shareholders' meeting still has the fundamental right to alter the consolidated financial statements after they have approved for publication.

2 GENERAL ACCOUNTING PRINCIPLES

The significant accounting principles applied by the Company in preparing the consolidated financial statements are presented below:

2.1 SIGNIFICANT ACCOUNTING POLICIES

2.1.1 General

The consolidated financial statements of Tipp24 AG as of 31 December 2005 were prepared in accordance with the IFRS and IFRIC of the International Accounting Standards Board (**IASB**) prevailing as of the balance sheet date.

It is only mandatory to apply IFRS 7 »Financial Instruments: Disclosures« in those fiscal years which begin after January 1, 2007 and consequently it was not applied in the preparation of these annual financial statements. It is not planned to adopt the standard earlier than required. The application of IFRS 7 is expected to result in additional notes to the consolidated annual financial statements; effects on the recognition or measurement of financial instruments are not expected. Changes resulting from IAS 1 »Presentation of Financial Statements« regarding the notes on capital, which need only be applied in fiscal years beginning after January 1, 2007, were also not considered. It is not planned to adopt changes out of the standard earlier than required.

The application of amendments to IAS 1 is expected to result in additional notes to the consolidated annual financial statements. A number of further standards have been passed, whose application has no material impact for Tipp24.

The income statement was prepared using the nature of expense method.

2.1.2 Basis of preparation

The consolidated financial statements were prepared on the basis of historical cost. Excluded from this were available-for-sale financial assets, which were carried at fair value.

2.1.3 Measurement currency

The measurement currency is the euro (EUR). Amounts are stated in euros and cents.

2.1.4 Estimates and assumptions

IFRS accounting requires that estimates and assumptions be made that underlie the amounts recognized in the financial statements and notes to the financial statements. Significant assumptions and estimates were for the group-wide useful lives of non-current assets, the realizability of accounts receivable and the accounting treatment and valuation of provisions. Actual figures may differ from these estimates.

2.1.5 Consolidation principles

The consolidated financial statements include Tipp24 AG as the parent company and the subsidiaries it controls. Control is assumed to exist if the parent company holds more than 50% of the voting rights in an entity and is able to determine its financial and operating policies so as to obtain benefits from its activities. Tipp24 AG holds 100% of the shares in GSG, Ventura24 and Puntogioco24.

Tipp24 AG has neither an equity interest nor any voting rights in Schumann OHG. Nevertheless, Schumann OHG was included in the consolidated financial statements in accordance with IAS 27 and SIC 12.10 because:

- the activities of Schumann OHG are mainly conducted for the benefit of Tipp24 AG,
- Tipp24 AG has decision-making powers and rights to obtain the majority of the benefits from the activities of Schumann OHG,
- the owner-related and lender-related risks are borne by Tipp24 AG.

Intragroup expenses and income, profits and receivables and liabilities are eliminated.

In the consolidated financial statements, the same accounting policies are applied for like transactions and other events in similar circumstances. The financial statements of the consolidated entities have been prepared as of the balance sheet date of the parent company, which corresponds to the Group's balance sheet date.

The prior-year disclosures for capital held by minority interests (EUR 3 thousand) and net profit pertaining to minority interests (EUR 1 thousand), which result from the inclusion of Schumann OHG in the consolidated accounts, were adjusted in line with changes to IAS 32. They are marked correspondingly as »adjusted«. We refer to our notes in 2.1.17 and 21.

2.1.6 Intangible assets

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity, and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized using the straight-line method over their estimated useful lives. The amortization period and method are reviewed at the end of each fiscal year.

Internally generated intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity, and the cost of the asset can be measured reliably.

Only purchased intangible assets are disclosed in the consolidated financial statements. The estimated useful life of the purchased assets varies between three and five years.

Patents, trademarks and licenses

Patents, trademarks and licenses are recognized at cost and amortized on a straight-line basis over their estimated useful lives. The estimated useful life of patents, trademarks and licenses is between three and five years.

Software

The costs of acquiring new software are capitalized and disclosed under intangible assets, provided that these costs are not deemed an integral part of the related hardware. Software is amortized over a useful life of three years.

Costs incurred in order to restore or maintain the future economic benefits that an entity can expect from the originally assessed standard of performance of existing software systems are recognized as an expense when the restoration or maintenance work is carried out.

Research and development expenses

Research and development expenses are recognized in the period in which they are incurred. Capitalizable development costs are the exception, provided that they completely fulfill the following criteria:

- The product or process is clearly defined and the attributable costs can be separately identified and measured reliably.
- The technical implementation of the product is probable.
- The entity has the ability to use or sell the intangible assets and the product is to be sold or used for internal purposes.
- There is a potential sales market if the asset is to be sold or an economic benefit if the asset is to be used for internal purposes.
- Adequate technical, financial and organizational resources required to complete the project are available.
- The entity can demonstrate the estimated future economic benefit of the asset.

In 2005, research and development expenses of EUR 2,151 thousand were recognized, compared with EUR 1,938 thousand in 2004. The requirements for the documentation of development processes according to IAS 38.57, in order to reliably measure and capitalize development costs, cannot currently be economically realized with the tools used by Tipp24 for the professional and efficient management of the development process. For this reason, we have not capitalized our own software developments as yet.

2.1.7 Property, plant and equipment

In accordance with IAS 16, property, plant and equipment are recognized as assets if it is probable that the future economic benefits that are attributable to those assets will flow to the enterprise, and the cost of the assets can be measured reliably. Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. If items of property, plant and equipment are sold or retired, their cost of purchase and accumulated depreciation are eliminated from the balance sheet and any gains or losses resulting from their disposal are recognized in profit or loss.

The cost of property, plant and equipment comprises the purchase price, import duties and other non-refundable taxes and all directly allocable costs incurred in making the asset operational. Purchase price reductions such as bonuses, cash discounts and other discounts are deducted from the purchase price. Any subsequent costs such as repair and maintenance expenses are recognized as expenses in the period in which they are incurred. If it can be demonstrated that such expenses increase the future economic benefit that arises from the use of the asset above the original level of performance, the expenses are recognized as subsequent costs.

Property, plant and equipment relate exclusively to furniture, fixtures and office equipment. These items are depreciated on a straight-line basis. The following useful lives have been assumed for the various groups of property, plant and equipment:

	YEARS
Technical equipment	2 - 14
Office equipment	3 - 25

2.1.8 Impairments of non-current assets

The carrying amount of items of property, plant and equipment and of intangible assets is tested for impairment if there are indications to that respect. If the carrying amount of a particular asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's net selling price and its value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction; the value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. The value in use is determined for each individual asset or for the corresponding cash-generating unit.

In the fiscal year 2005, intangible assets and items of property, plant and equipment showed no indications of impairment. In the prior year, an unscheduled writedown on property, plant and equipment was made totaling EUR 97 thousand.

2.1.9 Leasing Finance leases

The Company recognizes finance leases as assets and liabilities in its balance sheet at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments, the discount rate is the interest rate implicit in the lease, if this is practicable to determine. If not, in accordance with IAS 17, the lessee's incremental borrowing rate can be used. Initial direct costs incurred are capitalized as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance leases give rise to depreciation expense for the asset as well as to finance expense for each accounting period. The depreciation policies for leased assets are consistent with those for depreciable assets that are owned.

Operating-Leasing

Lease payments under an operating lease, where all risks are retained by the lessor, are recognized as an expense on a straight-line basis over the lease term.

2.1.10 General information on financial instruments

The Company applies IAS 39, »Financial Instruments: Recognition and Measurement«. Accordingly, financial instruments are divided into four categories: held-for-trading financial instruments; held-to-maturity financial instruments; loans and receivables originated by the entity; and available-for-sale financial assets.

Financial instruments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as held for trading.

Financial instruments with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity, other than loans and receivables originated by the Company, are classified as held to maturity.

All other financial instruments, other than loans and receivables originated by the Company, are classified as available for sale.

Held-for-trading financial instruments as well as held-to-maturity financial instruments with a residual maturity of up to twelve months are disclosed under current assets. Available-for-sale financial assets are disclosed under current assets if the Company intends to sell them within the next twelve months.

Purchases and sales of financial instruments are recognized on the trade date.

Financial instruments are initially measured at cost, which is the fair value of the consideration given, including transaction costs.

Held-for-trading financial instruments and available-for-sale financial assets are subsequently measured at fair value without any deduction for transaction costs.

Gains or losses on the fair value measurement of available-for-sale financial assets are recognized directly in equity, until the financial asset is sold, redeemed or otherwise disposed of, or until it is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in profit or loss.

Gains and losses on the fair value measurement of held-for-trading financial instruments are recognized in profit or loss in the period in which they arise.

Held-to-maturity financial instruments are carried at cost using the effective interest rate method.

A financial asset is eliminated from the balance sheet if the Company loses its disposing power over the contractual rights which form the basis for the financial asset. A financial liability is eliminated if the obligation on which the liability is based is fulfilled, terminated or expired.

The securities held by the Company are all secured by a capital guarantee. Part of these securities were classified as available-for-sale financial assets. These are mainly shares in **money market funds** with unlimited maturities and redeemable on demand. These securities are used for short-term investment of excess liquidity.

The remaining securities were classified as held-to-maturity financial instruments and carried at cost. Tipp24 uses these instruments for the long-term investment of a basic amount of cash and cash equivalents resulting from negative net working capital. In detail, these include a »**Zins-sammler**« product (Callable Range Accrual), a type of bearer bond on the issuer with variable interest coupon and a **swing certificate** with minimum and variable coupon components.

2.1.11 Trade receivables

Trade receivables are stated at the fair value of the consideration given and are carried at amortized cost. The receivables are regularly tested for impairment.

2.1.12 Other assets

Other assets are stated at the nominal or lower recoverable amount. Returned direct debits from customer payments are expensed immediately.

2.1.13 Income tax refund claims

In fiscal year 2005 Tipp24 disclosed receivables from the tax authorities for the first time, resulting from income tax prepayments. This item was not material in previous years.

2.1.14 Cash and cash equivalents and securities

Cash and cash equivalents include bank balances and cash on hand and are stated at nominal value.

Securities consist of financial investments in securities which can be sold at short notice and which are recognized at fair value. Adjustments are recognized directly in profit or loss. On disposal, the difference between the net disposal proceeds and the carrying amount is included in profit or loss.

The above mentioned cash, cash equivalents and securities form the item »cash, cash equivalents and securities« as disclosed in the balance sheet and cash flow statement.

We also refer to our comments in Section 6, »Cash and Cash Equivalents and Securities«.

2.1.15 Trade payables and other liabilities

Trade payables and other liabilities are disclosed at nominal value.

2.1.16 Other provisions

Other provisions are recognized pursuant to IAS 37 for legal or constructive obligations that arise prior to the balance sheet date if it is probable that an outflow of group resources will be required to settle the obligations and a reliable estimate can be made of the amount of the obligations. Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate in each case. The amount of the provision is the present value of the expenditures expected to be required to settle the obligation. The other provisions account for all recognizable obligations to third parties in accordance with IAS 37.

2.1.17 *Minority interests*

In accordance with the revised regulations of IAS 32, Tipp24 no longer discloses the equity of Schumann OHG, which cannot be allocated to the parent company, as a separate item of equity capital under the heading »minority interests«. As the equity of Schumann OHG does not conform with IFRS requirements of equity, the respective amounts are disclosed under other liabilities. In order to improve transparency, the prior-year figures were adjusted accordingly.

2.1.18 *Income taxes*

Tax expenses are determined on the basis of the profit or loss recorded for the period and take account of deferred taxes. In accordance with IAS 12, deferred taxes are recognized using the liability method for all temporary differences between the commercial balance sheets pursuant to IFRS and the tax balance sheets according to local GAAP law if it is probable that the temporary differences will be reversed in later fiscal years. The deferred taxes should be measured at the amount expected to be recovered or paid in subsequent fiscal years.

Deferred tax assets are recognized if it is probable that future taxable profit will be available. On every balance sheet date, an estimate is made of the capitalized loss carryforwards or deferred tax assets on tax loss carryforwards that have not yet been capitalized. Deferred tax assets on tax loss carryforwards that have not yet been capitalized are recognized to the extent that expected future taxable profit will be available. Deferred tax assets on tax loss carryforwards are measured at a lower amount to the extent that it is no longer probable that future taxable profit will be available for that purpose.

Current tax expenses and income as well as deferred tax expenses and income are charged or credited directly to equity if they are based on adjustments to retained earnings due to changes in accounting principles, the correction of an error, exchange rate changes or postings with no effect on profit and loss such as available-for-sale financial assets.

A deferred tax liability is recognized for all taxable temporary differences.

2.1.19 *Revenue*

Revenue is recognized when firstly services have been provided or goods delivered and the risk has been transferred to the beneficiary or the buyer, secondly it is probable that the economic benefits attributable to the transaction will flow to the entity, and thirdly the amount of revenue can be reliably measured. Revenue is disclosed net of VAT, discounts, customer bonuses and rebates. The revenue generated by the Company is mainly the result of commission and additional fees it receives for brokering bets. Bets received from players are disclosed in the income statement as billings. Billings less commission are then deducted from this amount to give the revenue generated by the Company. Revenue is recognized when the bets have been made, the lottery ticket information passed on to the lottery organizer and confirmation of receipt of the information has been obtained. By contrast, the revenue generated by the Company from selling »Klassenlotterie« tickets (a single raffle lottery played over a number of months where players' tickets are entered into monthly draws with winnings increasing over time) is recognized at the time the draw takes place. This is due to the different arrangement made in the sales agreement.

Ventura24 receives advance payments from some of its customers for subscriptions. These payments received are deferred and the revenue pursuant to IAS 18 is only recognized when the lottery ticket information has been passed on to the lottery organizer and confirmation of receipt of the information has been obtained.

2.1.20 *Interest income*

Interest income is carried pro rata temporis under consideration of the effective annual return of a financial asset.

2.1.21 *Operating expenses*

Operating expenses are recognized at the time the products or goods are delivered or the services provided.

2.1.22 *Borrowing costs*

Borrowing costs are recognized as an expense in the period in which they are incurred.

2.1.23 *Contingent liabilities*

Contingent liabilities are not recognized in the annual financial statements. Contingent liabilities are disclosed if the possibility of an outflow of resources embodying economic benefits is probable.

2.1.24 Segment reporting

A segment is a distinguishable component of an entity that is engaged in providing specific products or services (business segment) or which provides products and services within a particular economic environment (geographical segment); the risks and returns attributable to each segment are different from those of the other segments.

Tipp24 has chosen geographical segments as its primary reporting format as the Company's risks and returns are mainly influenced by the fact that it operates in different countries (Germany, Spain and Italy). The Company distinguishes between the segments »Germany« and »Abroad«. This segment reporting format reflects the internal organizational and management structure of Tipp24, whereby the management board manages the Group's activities on the basis of the respective income statements. So far, the Group's assets, equity and liabilities have been managed centrally and not according to separate geographic segments.

Within the segmented income statement, we do not make any further segmentation according to products. The Group is mainly engaged in brokering lottery bets, from which it generates commission income and revenues from additional fees. Consequently, there are no distinguishable components as defined by IAS 14 that are engaged in providing an individual product or service and that are subject to risks and opportunities which differ from those of other business segments. Segment results contain items which can either be directly allocated to the segments or else allocated to one segment on a reasonable basis using an allocation key.

2.1.25 Events after the balance sheet date

Events which become known after the balance sheet date yet which arose economically prior to the balance sheet date, are recognized in the consolidated financial statements. Significant events which arise economically after the balance sheet date are discussed.

3 CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement is prepared pursuant to IAS 7 (»Cash Flow Statements«). A distinction is made between cash flows from operating, investing and financing activities.

The cash flow from ordinary activities was derived using the indirect method.

Cash and cash equivalents comprise both cash and cash equivalents and current securities, provided that these are not subject to any restrictions (see Section 6, »Cash and Cash Equivalents and Securities«).

4 SEGMENT REPORTING

4.1 GEOGRAPHIC SEGMENTS

The Group distinguishes between the segments »Germany« and »Abroad«. The »Abroad« segment comprises the Group's activities in Spain and Italy.

In the context of segment reporting for the geographical segments, segment revenue relates to the geographical location of the operating units (group subsidiaries) which generate that revenue. This more or less equates to the geographical location of the respective customers.

IN EUR THOUSAND	GERMANY		ABROAD		CONSOLIDATION		CONSOLIDATED	
	I JAN. - 31 DEC. 2005	I JAN. - 31 DEC. 2004	I JAN. - 31 DEC. 2005	I JAN. - 31 DEC. 2004	I JAN. - 31 DEC. 2005	I JAN. - 31 DEC. 2004	I JAN. - 31 DEC. 2005	I JAN. - 31 DEC. 2004
Billings	196,041	148,154	8,655	5,940	0	0	204,696	154,094
Revenue	23,889	17,725	2,230	1,779	0	0	26,119	19,504
Depreciation/amortization	600	720	47	36	0	0	647	756
EBIT	7,000	3,928	- 952	- 721	0	0	6,048	3,207
Financial result							441	117
Income taxes							- 3,171	- 1,749
Consolidated net profit							3,318	1,575
Assets	70,822	19,211	4,810	1,229	- 3,497	- 1,544	72,135	18,896
Debts	15,570	9,708	4,340	2,860	- 960	- 1,411	18,950	11,077
Investments	6,310	508	61	92	0	0	6,371	600

5 CHANGE IN THE STRUCTURE OF TIPP24

No changes were made to the structure of Tipp24 in fiscal year 2005. Puntogioco24 was formed in January 2004, while Ventura24, Schumann OHG and GSG were formed in

fiscal year 2001. All companies have been consolidated within the Group since their formation.

6 CASH AND CASH EQUIVALENTS AND SECURITIES

IN EUR	31 Dec. 2005	31 Dec. 2004
Bank balances and checks	54,909,377.33	11,680,593.88
Cash on hand	22,798.60	2,128.79
	54,932,175.93	11,682,722.67
Current securities	2,241,435.90	1,519,242.90
	57,173,611.83	13,201,965.57
of which provided as collateral	0.00	- 310,000.00
	57,173,611.83	12,891,965.57

The current securities disclosed as of 31 December 2005 relate to shares in a money market fund acquired as a short-term investment with a one-day value date. The shares are publicly traded. The investment company (DWS Investment GmbH, Frankfurt/Main) issued a capital guarantee on these securities which was renewed after six months on 30 June 2005 and then again on 31 December

2005. The capital guarantee provided on 31 December 2005 corresponds to the recognized fair value of the securities at the time. As the value of the securities cannot fall below that stated in the capital guarantee, they are not subject to any price risk. There were also no other risks ascertained.

7 TRADE RECEIVABLES

All trade receivables are due in less than one year. There are no restrictions on rights of disposal.

8 INCOME TAX REFUND CLAIMS

In 2005 Tipp24 made income tax pre-payments amounting to almost EUR 0.8 million. These were set in accordance with the historical development of business. As initial public offering (IPO) expenses can be offset immediately under German tax law, the Company's taxable result was lower in

2005 than the expected amount when the tax pre-payments were set. For this reason, Tipp24 has accrued receivables from the tax authorities for the refunding of tax pre-payments amounting to EUR 297,257.71.

9 OTHER ASSETS AND PREPAID EXPENSES

IN EUR

	31 Dec. 2005	31 Dec. 2004
Receivables from gaming operations	6,763,245.63	2,563,708.05
<i>Receivables from lottery organizers</i>	3,158,736.45	821,176.15
<i>Receivables payment systems</i>	2,941,210.18	1,078,328.83
<i>Security retainers</i>	663,299.00	664,203.07
Prepaid expenses	113,700.38	116,360.60
Others	326,114.34	411,919.41
<i>Tickets not sold</i>	193,979.50	196,552.50
<i>Receivables from employees</i>	95,808.86	0.00
<i>Creditors with debit balances</i>	6,261.84	39,374.97
<i>Receivables from the tax office</i>	0.00	35,682.88
<i>Other</i>	30,064.14	140,309.06
	7,203,060.35	3,091,988.06

The security retainers were requested by Northwest Lotto und Toto Hamburg (EUR 250 thousand), Northwest Lotto Schleswig-Holstein (EUR 180 thousand), Lotterie-Treuhandgesellschaft mbH Hessen (EUR 200 thousand) and Land Brandenburg Lotto GmbH (EUR 33 thousand) as a minimum amount to cover current bets. The amount is contractually stipulated as a percentage of the average weekly bets made during a specified period of time. The security retainers do not bear interest.

All other assets and prepaid expenses are due in less than one year. As of the balance sheet date, there were no indications of impairment which would have entailed the recognition of an impairment loss.

10 INTANGIBLE ASSETS

As regards the development of intangible assets, we refer to the following table:

IN EUR	31 Dec. 2005	31 Dec. 2004
Cost as of 1 January	1,550,898.43	1,427,285.63
Additions	408,449.19	123,612.80
Reclassifications	959.90	0.00
Disposals	- 20,434.74	0.00
Cost as of 31 December	1,939,872.78	1,550,898.43
Accumulated amortization as of 1 January	- 1,342,339.56	- 1,051,064.03
Amortization during the fiscal year	- 171,637.20	- 291,275.53
Reclassifications	0.00	0.00
Disposals	20,417.30	0.00
Accumulated amortization as of 31 December	- 1,493,559.46	- 1,342,339.56
Carrying amount as of 31 December	446,313.32	208,558.87

The remaining useful lives of the franchises, industrial and similar rights as well as licenses in such rights and assets are between three and five years.

There are no restrictions on rights of disposal for the aforementioned intangible assets. There continued to be no assets pledged as collateral for liabilities.

11 PROPERTY, PLANT AND EQUIPMENT

As regards the development of property, plant and equipment, we refer to the following table:

IN EUR	31 Dec. 2005	31 Dec. 2004
Cost as of 1 January	1,878,273.30	1,414,007.52
Additions	970,262.86	501,140.48
Reclassifications	- 959.91	0.00
Disposals	- 299,391.31	- 36,874.70
Cost as of 31 December	2,548,184.94	1,878,273.30
Accumulated depreciation as of 1 January	- 1,156,875.46	- 721,192.30
Depreciation during the fiscal year	- 475,943.52	- 464,642.18
Reclassifications	0.00	0.00
Disposals	260,090.20	28,959.02
Accumulated depreciation as of 31 December	- 1,372,728.78	- 1,156,875.46
Carrying amount as of 31 December	1,175,456.16	721,397.84

Under property, plant and equipment, finance leases are accounted for as follows:

IN EUR	31 Dec. 2005	31 Dec. 2004
Cost as of 1 January	183,101.55	171,179.55
Additions	0.00	25,046.76
Disposals	- 169,783.94	- 13,124.76
Cost as of 31 December	13,317.61	183,101.55
Accumulated depreciation as of 1 January	- 172,696.30	- 51,617.74
Depreciation during the fiscal year	- 2,513.34	- 134,203.32
Disposals	169,783.94	13,124.76
Accumulated depreciation as of 31 December	- 5,425.70	- 172,696.30
Carrying amount as of 31 December	7,891.91	10,405.25

12 FINANCIAL ASSETS

Securities included under financial assets amounting to EUR 5,000,000.00 were carried at cost. They are all secured by a capital guarantee provided by the issuer.

An amount of 3,000,000.00 was invested in a »Zins-sammler« product. This is a type of bearer bond on the issuer Deutsche Bank, which is linked to the 6-month Euribor. On the semi-annual coupon payment days (31 May and 30 November), a coupon amounting to 4.10% p.a. is paid for those business days on which the 6-month Euribor was below certain barriers. The product has a maturity until 30 November 2009.

The remaining EUR 2,000,000.00 was invested in a swing certificate. This certificate is linked to a basket of 30 international blue chip securities. At the end of its maturity on 18 April 2006, the lowest percentage upward or downward trend of a share within the basket is calculated. This corresponds to the amount of the coupon due. A minimum coupon of 2.00% is guaranteed by the issuer Deutsche Bank for the maturity period.

13 LIABILITIES FROM FINANCIAL LEASES

IN EUR	31 Dec. 2005	31 Dec. 2004
Due in less than one year	37,475.65	39,964.65
Due in one to five years	44,837.79	69,817.74
Due in more than five years	3,055.46	7,932.26
	85,368.90	117,714.65

For more details, we refer to our comments in Section 24, »Leases«.

14 OTHER LIABILITIES

IN EUR	31 Dec. 2005	31 Dec. 2004
Tax liabilities		
VAT	238,967.50	385,529.82
Wage and church tax	152,666.12	166,672.47
	391,633.62	552,202.29
Liabilities for social security		
Social security contributions	164,119.17	135,134.70
Miscellaneous other liabilities		
Liabilities to players	11,667,367.04	6,120,533.12
Liabilities to lottery companies	3,369,425.52	1,614,584.79
Liabilities to Business Service Partners	305,467.35	0.00
Others	1,296,550.46	208,818.16
<i>Outstanding invoices</i>	889,003.27	31,800.00
<i>Vacation obligations</i>	181,750.45	53,394.01
<i>Liabilities relating to the preparation/audit of the financial statements</i>	68,000.00	35,700.00
<i>Other</i>	157,796.74	87,924.15
	16,638,810.37	7,943,936.07
	17,194,563.16	8,631,273.06

All other liabilities and deferred income are due in less than one year.

15 PROVISIONS

IN EUR	AS OF 1 JAN. 2005	UTILIZATION	ALLOCATION	AS OF 31 DEC. 2005
Provision for bonuses	100,400.00	100,400.00	159,286.97	159,286.97
Provision for litigation	0.00	0.00	39,792.26	39,792.26
Other	21,325.06	21,325.06	1,202.96	1,202.96
	121,725.06	121,725.06	200,282.19	200,282.19

16 DEFERRED INCOME

Tipp24 disclosed deferred income of EUR 181 thousand. It relates mainly (EUR 167 thousand) to income from ticket orders of the Spanish subsidiary Ventura24 received prior to December 31, which can only be recognized when the service is provided in the following year.

17 EQUITY

17.1 SHARE CAPITAL

The Company's share capital equals its capital stock of EUR 8,872,319.00 and is divided into 8,872,319 no-par value registered shares.

At the Company's extraordinary general shareholders' meeting on 10 August 2005, the following changes to share capital were resolved:

- 1) To reduce share capital by EUR 4,417.00 to EUR 2,227,674.00 by redeeming 4,417 shares given to the Company without remuneration.
- 2) To raise share capital by EUR 4,417.00 to EUR 2,232,091.00 by issuing 4,417 no-par value registered shares for cash contribution. The issue price per share amounted to EUR 1.00 and was fully paid in cash by the subscribing shareholders.
- 3) To increase share capital by EUR 4,464,182.00 to EUR 6,696,273.00 from company funds by converting a partial amount of EUR 4,464,182.00 from the capital reserves. A total of 4,464,182 new no-par value shares were issued to the shareholders on a 1:2 ratio.

The capital transactions were entered in the commercial register (Handelsregister) on 24 August 2005 with an amendment on 15 September 2005.

At the Company's extraordinary general shareholders' meeting on 7 September 2005, the following changes to share capital were resolved:

- 1) To increase share capital by up to EUR 2,160,000.00 to up to EUR 8,856,273.00 by issuing up to 2,160,000 no-par value registered shares for cash contribution at an issue price of EUR 1.00 per share for the purpose of the Company's IPO.
- 2) The Executive Board was authorized, with the consent of the Supervisory Board, to increase the Company's share capital on one or more occasions in the period up to 31 July 2010 by up to EUR 3,331,136.00 by issuing up to 3,331,136 new no-par value registered shares against cash contributions or contributions in kind (Authorized Capital I).
- 3) The Executive Board was also authorized, with the consent of the Supervisory Board, to increase the Company's share capital on one or more occasions in the period up to 31 October 2005 by up to EUR 17,000.00 by issuing 17,000 new no-par value registered shares against cash contributions (Authorized Capital II). »Marc Peters und Jens Schumann Mitarbeiterbeteiligungsgesellschaft bürgerlichen Rechts« is permitted to subscribe for the new shares with the obligation to further transfer the shares to employees of Tipp24 on the basis of an allotment plan prepared by the Company as part of the IPO.

- 4) To create contingent capital of up to EUR 500,000.00 by issuing up to 500,000 new no-par value registered shares (Contingent Capital I). This capital serves to ensure that subscription rights can be exercised for stock options to be issued by the Company between 1 January 2006 and 31 December 2010 as part of the 2005 Stock Option Plan.

The resolutions of the general shareholders' meetings were entered into the commercial register (Handelsregister) on 15 September 2005.

On 10 October 2005 the Executive Board resolved, with approval on the same day by the Supervisory Board, to implement the capital increase of 2,160,000 shares and the partial use of Authorized Capital II amounting to 16,046 shares on the basis of the resolutions of the extraordinary general shareholders' meeting of 7 September 2005. Capital was increased on 10 October 2005 by issuing a total of 2,176,046 no-par value registered shares amounting to EUR 2,176,046.00. As of the balance sheet date, share capital thus amounted to EUR 8,872,319.00.

On 11 October 2005, with approval on the same day by the Supervisory Board, the Executive Board set the issue price at EUR 20.50 per share in accordance with the resolutions of the extraordinary general shareholders' meeting of 7 September 2005.

17.2 AUTHORIZED AND CONDITIONAL CAPITAL

Authorized Capital I remains unchanged as of the balance sheet date at up to a total of EUR 3,331,136.00.

The 16,046 new no-par value registered shares amounting to EUR 16,046.00 were subscribed by and issued to »Marc Peters und Jens Schumann Mitarbeiterbeteiligungsgesellschaft bürgerlichen Rechts«. With a resolution of the Supervisory Board of 14 November 2005, the unused portion of Authorized Capital II was cancelled without replacement.

Conditional Capital remains unchanged as of the balance sheet date at up to a total of EUR 500,000.00.

17.3 CAPITAL RESERVES

In fiscal year 2005, capital reserves were increased in total by EUR 35,410,540.35 to EUR 41,143,321.36. Initially, they were reduced by the use of a portion of capital reserves amounting to EUR 4,464,182.00 in order to raise share capital from company funds.

In the course of the capital increase during the IPO, gross contributions were made to capital reserves amounting to EUR 42,120,000.00. An amount of EUR 4,228,897.71 was deducted from this total for costs incurred by the IPO.

At the same time, the tax effect of IPO costs raised capital reserves again by EUR 1,707,628.86.

In the run-up to the IPO, Tipp24 employees were offered discounted shares at a price of EUR 1.00 from Authorized Capital II. At the time of offer, the fair value of each share according to IFRS 2 amounted to EUR 18.20, based on the results of market research carried out during this period. A total of 16,046 discounted shares were issued to employees. Consequently, an amount of EUR 17.20 per share (fair value minus purchase price) and thus a total of EUR 275,991.20 was carried as personnel expense, resulting in a further increase in capital reserves of the same amount. This item is disclosed in the consolidated cash flow account as »Non-cash expenses acc. to IFRS 2«.

In total, there was a net increase in capital reserves from the IPO of EUR 39,598,731.15.

17.4 EMPLOYEE PARTICIPATION PROGRAM

As part of the creation of Conditional Capital I at the general shareholders' meeting of 7 September 2005, the Executive Board was authorized to establish a stock option plan (Stock Option Plan 2005). The stock options are limited to a period of up to five years and intended exclusively for issue to members of the Executive Board, selected executives and other key employees of the Company as well as the general management, selected executives and key employees of associated companies, as defined by Section 15, German Stock Corporation Law (AktG). As part of the Stock Option Plan 2005, the Executive Board resolved on 15 February 2006, to offer 18,000 shares to entitled employees. The offer must be accepted by 1 March 2006; otherwise it expires. No stock options were offered to members of the Executive Board.

17.5 MINORITY INTERESTS

In contrast to the prior year, minority interests are disclosed under equity in accordance with IAS 32. The amount remained unchanged. Minority interests are the result of including Schumann OHG, Hamburg, in the consolidated group in accordance with IAS 27 and SIC 12.10. The capital accounts of Schumann OHG, Hamburg, are held in full by minority interests. As of 31 December 2005 they amounted to EUR 3 thousand (prior year: EUR 3 thousand). The prior-year figures were adjusted accordingly.

18 PERSONNEL EXPENSES

IN EUR

	2005	2004
Wages and salaries	5,899,047.54	4,655,823.74
Social security	1,090,648.24	865,881.95
	6,989,695.78	5,521,705.69

In Germany, pension insurance contributions of EUR 345 thousand were made by the employer on behalf of staff. The proportion of employer social security contributions accounted for by pension insurance contributions is not disclosed by the authorities in Spain and Italy.

19 OTHER OPERATING EXPENSES

IN EUR	2005	2004
Marketing expenses for own customers	5,854,038.78	6,055,761.95
Business Service commissions	1,633,055.68	180,720.47
Total marketing expenses	7,487,094.46	6,236,482.42
Handling of customer payments	1,072,794.91	1,169,568.17
Bad debt allowances and impairment losses on other assets	801,010.94	624,980.18
Data communication	430,278.20	330,943.17
Bettings operations expenses	219,524.22	166,225.69
Total direct costs of operations	2,523,608.27	2,291,717.21
Legal and consulting fees	832,454.39	450,558.95
Rent and leases	520,464.04	354,757.93
Maintenance	361,520.95	122,753.73
Office expenses	182,934.04	166,822.95
Non-deductible operating expenses	128,700.01	10,870.82
Representation costs	124,683.10	162,377.36
Insurance	98,927.94	73,936.18
Offline shipping costs	67,450.02	53,305.36
Other	501,081.99	450,705.39
Total other costs of operations	2,818,216.48	1,846,088.67
	12,828,919.21	10,374,288.30

20 OTHER OPERATING INCOME

IN EUR	2005	2004
Income from lottery tickets bought for own account	114,316.64	114,877.92
Reversal of provisions	72,866.43	36,005.34
Offsetting	53,696.00	104,680.00
Elimination of liabilities	39,210.69	36,713.73
Placement of third-party banner advertising	17,229.42	18,540.30
Other	98,123.06	43,945.28
	395,442.24	354,762.57

21 FINANCIAL RESULT

IN EUR	2005	2004
Interest and similar income	454,576.73	134,895.21
<i>Interest expenses for finance leases</i>	- 9,235.56	- 11,960.08
<i>Interest expenses for current liabilities</i>	- 3,863.96	- 4,879.63
<i>Interest expenses for partners of Schumann OHG</i>		- 1,000.42
Total interest expense	- 13,099.52	- 17,840.13
	441,477.21	117,055.08

22 INCOME TAXES

Income taxes paid or payable as well as deferred taxes are recognized as income taxes.

Income taxes comprise corporate income tax, trade tax and the solidarity surcharge.

Trade tax on income is levied on the taxable income of an entity, less income not subject to trade tax on income plus expenses not deductible for trade tax on income purposes. The effective trade tax on income rate depends on the municipality in which the entity maintains a permanent establishment for carrying on its operations. The average trade tax on income rate for Hamburg in 2004 and 2005 was 19.03%. Trade tax on income is deductible from the tax base for corporate income tax.

A corporate income tax rate of 25% (prior year: 25%), a solidarity surcharge of 5.5% on assessed corporate income tax and trade tax on income of 19.03% are used for calculating deferred taxes.

Deferred taxes under IAS 12 are calculated at the at preparation of the financial statement anticipated average tax rate at the time the differences are reversed (40.38%; prior year: 40.38%).

IN EUR	2005	2004
Actual tax expense	- 474,091.45	- 608,990.77
Tax expense for IPO costs (offset directly from equity)	- 1,707,628.86	
Tax expense/income from the recognition/reversal of deferred tax liabilities due to temporary differences	- 1,819.93	- 36,559.81
Tax expense/income from the use/recognition of deferred tax assets on loss carryforwards/temporary differences	- 988,462.70	- 1,103,588.70
Deferred taxes	- 2,697,911.49	- 1,140,148.51
Actual and deferred income taxes	- 3,172,002.94	- 1,749,139.28
Earnings before taxes	6,489,528.21	3,324,901.49
Anticipated tax expense	- 2,620,471.49	- 1,342,595.22
Tax effects from non-deductible operating expenses	- 42,572.05	- 3,178.24
Unrecognized tax loss carryforwards	- 355,299.02	- 261,627.82
Tax rate difference for foreign subsidiaries	- 57,410.06	- 53,250.60
Non-taxable expenses/income from consolidation	0.00	- 84,798.00
Non-taxable expenses from utilization of IFRS 2	- 111,445.25	0.00
Tax effects from income not fully taxable	15,608.70	0.00
Other	- 413.76	- 3,689.40
Income taxes	- 3,172,002.94	- 1,749,139.28

Deferred tax assets and liabilities developed as follows:

DEFERRED TAX ASSETS

IN EUR	31 DEC. 2004	INCOME/EXPENSE	31 Dec. 2005
Deferred tax assets on temporary differences	43,336.49	- 12,082.32	31,254.17
Deferred tax assets on tax loss carryforwards	1,618,893.14	- 976,380.38	642,512.76
Deferred tax assets	1,662,229.63	- 988,462.70	673,766.93

DEFERRED TAX LIABILITIES

IN EUR	31 DEC. 2004	INCOME/EXPENSE	31 Dec. 2005
Deferred tax liabilities due to temporary differences	46,380.79	- 1,819.93	48,200.72
Deferred tax liabilities	46,380.79	- 1,819.93	48,200.72

In 2005, the parent company Tipp24 AG generated net profit for the fourth consecutive year (EUR 3,121 thousand). Based on corporate planning, positive results and cash flows and therefore taxable income can be expected in the future. Against this background, tax loss carryforwards were recognized in full in 2003 as they are expected to be utilized in full in the future.

In 2002, EUR 108 thousand of the tax loss carryforwards was recognized for Ventura24. Due to the negative results in 2004 and 2005, no further losses were capitalized. Based on current business performance and the future positive results expected to be generated, the loss carryforwards already recognized were not adjusted.

Due to its negative performance record and start-up losses, no deferred taxes on tax loss carryforwards were recognized for Puntogioco24.

As of 31 December 2005, the tax loss carryforwards for Tipp24 AG amounted to approx. EUR 1.3 million, for Ventura24 approx. EUR 1.2 million and for Puntogioco24 approx. EUR 1.5 million. Of these totals, an amount of EUR 1.1 million is not capitalized for Ventura24 and an amount of EUR 1.5 million is not capitalized for Puntogioco24.

23 EARNINGS PER SHARE

Earnings per share (undiluted) increased in the past fiscal year from EUR 0.24 to EUR 0.46 per share. In order to guarantee comparability, the calculation for the periods presented before the capital increase from company funds of 24 August 2005, during which two further shares were issued per share, includes corresponding adjustments of the share numbers, pursuant to IAS 33, by a factor of three. The increase in earnings per share amounts to 91.7%. It is lower than the total increase in net profit, due to the pro rata temporis effect of the capital increase of 2,176,046 shares during the IPO.

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year (adjusted to account for the diluting effects from stock options).

24 LEASES

24.1 FINANCE LEASES

The assets used by the Company under finance leases relate mainly to office equipment.

The most significant obligations assumed under the lease terms, other than rental payments, are the ancillary and operating expenses and a percentage of the maintenance expenses, as well as necessary standard property insurance policies for the leased assets.

There are no restrictions imposed by the lease agreements.

Please refer to Section 11, »Property, Plant and Equipment« for the development of the carrying amounts of the assets under lease agreements.

The future minimum lease payments and the present value of the minimum lease payments for the above finance leases are as follows:

IN EUR	31 Dec. 2005	31 Dec. 2004	31 Dec. 2005	31 Dec. 2004
	MINIMUM LEASE PAYMENTS		PRESENT VALUE OF THE MINIMUM LEASE PAYMENTS	
Obligation from subsequent year	39,025.86	41,581.31	37,475.65	39,964.65
Between one and five years	55,414.00	87,984.59	44,837.79	69,817.75
Over five years	4,084.11	10,740.50	3,055.46	7,932.25
Total minimum lease obligations	98,523.97	140,306.40	85,368.90	117,714.65
Less interest	13,155.07	22,591.75	0.00	0.00
Present value of minimum obligations	85,368.90	117,714.65	85,368.90	117,714.65

24.2 OPERATING LEASES

The Company has concluded several leases under which beneficial ownership is attributable to the lessor.

Tipp24 AG recognized lease payments for five vehicles in profit and loss.

The future minimum lease payments and the present value of the minimum lease payments for the operating leases are as follows:

IN EUR	31 Dec. 2005	31 Dec. 2004	31 Dec. 2005	31 Dec. 2004
	MINIMUM LEASE PAYMENTS		PRESENT VALUE OF THE MINIMUM LEASE PAYMENTS	
Obligation from subsequent year	40,358.43	20,648.16	34,042.30	18,943.27
Between one and five years	44,953.86	22,662.25	34,626.96	18,617.14
Over five years	0.00	0.00	0.00	0.00
Total minimum lease obligations	85,312.29	43,310.41	68,669.26	37,560.41
Less interest	- 16,643.03	5,750.00	0.00	0.00
Present value of minimum obligations	68,669.26	37,560.41	68,669.26	37,560.41

Leasing expenses amounted to EUR 49 thousand in 2005, compared with EUR 38 thousand in 2004.

24.3 OTHER FINANCIAL OBLIGATIONS

Other significant financial obligations arising from rental agreements, in particular for business premises occupied by Tipp24 AG, Ventura24 and Puntogioco24, as well as from other contractual obligations, including cooperating

agreements, insurance contracts, license agreements and maintenance agreements are as follows:

IN EUR	2006	2007	2008	2009	2010 AND BEYOND	TOTAL
Rental agreements	515,245.14	477,521.90	430,836.72	429,956.52	465,786.23	2,319,346.51
Leasing agreements	39,389.43	29,390.05	9,581.59	717.00	0.00	79,078.07
Other agreements	580,801.18	213,862.13	174,824.90	100,305.73	4,400.00	1,074,193.94
Total	1,135,435.75	720,774.08	615,243.21	530,979.25	470,186.23	3,472,618.52

25 RELATED PARTIES

The members of the Management Board and the Supervisory Board of Tipp24 AG are considered to be related parties within the meaning of IAS 24. In the fiscal year, there were no material business relationships between the Management Board and the Supervisory Board members on the one hand and the companies included in the consolidated financial statements on the other, apart from those which are explicitly mentioned.

25.1 MANAGEMENT AGREEMENT WITH SCHUMANN OHG

Tipp24 acts as a broker for participation in the NKL and SKL class lotteries in cooperation with Schumann OHG. Schumann OHG has entered into a sales agreement with the management of NKL; Schumann OHG has been appointed a state-licensed lottery collector by the management of SKL.

Schumann OHG is not a subsidiary of Tipp24 AG from a corporate law perspective. Marc Peters and Jens Schumann, members of the Executive Board of Tipp24 AG, are the only partners in Schumann OHG. This structure is necessary since the class lotteries' current practice is only to issue sales licenses to natural persons or companies where neither the company's liability nor the liability of the direct or indirect partners is limited. A management agreement is in place between Tipp24 AG and Schumann OHG governing the processing of game participation of class lottery customers by Schumann OHG. Under the terms of the agreement, Schumann OHG must pay all commissions and other brokerage fees collected in this context to Tipp24 AG. Tipp24 AG provides Schumann OHG with controlling, bookkeeping, marketing and technical services and bears the costs incurred by Schumann OHG in running its operations.

Since Marc Peters and Jens Schumann operate Schumann OHG in the interest of Tipp24 AG, Tipp24 AG has undertaken to indemnify them in the event of any personal claims by third parties arising from or in connection with the operation of Schumann OHG. Indemnification is limited to the extent that fulfillment of this indemnification may not cause Tipp24 AG to become insolvent or over-indebted.

25.2 CONSULTANCY AGREEMENTS WITH SANNWALD JAENECKE & CIE. GMBH

Sannwald Jaenecke & Cie. GmbH, Munich, in which Supervisory Board Chairman Mr Klaus F. Jaenecke holds an interest, has provided the Company with consultancy services relating to preparations for a strategic investor to acquire an interest in the Company since the end of 2002. The consultancy agreement was terminated in fiscal year 2005.

Sannwald Jaenecke & Cie. GmbH also advised the Company between May and August 2005 on its planned IPO for which it received fees of EUR 144 thousand in total. Remuneration was in line with standard market conditions.

25.3 CONSULTANCY AGREEMENT WITH DR.-ING. ULRICH CORNEHL

In fiscal year 2005, the Company used the services of Dr.-Ing. Ulrich Cornehl's architect office (relocation and expansion planning) in connection with its move to new business premises. Dr.-Ing. Ulrich Cornehl is the brother of Executive Board member Dr. Hans Cornehl. An amount of EUR 25 thousand was invoiced in the fiscal year 2005. Remuneration was in line with standard market conditions.

26 FINANCIAL INSTRUMENTS

26.1 CREDIT RISK

The scope of the credit risk of Tipp24 AG equals the sum of the trade receivables and other receivables.

Due to the nature of its business activities, the Company does not generate any receivables from customers as the amounts owed by them are collected directly by direct debit or credit card. Payment obligations resulting from returned direct debits or credit cards from customers without sufficient credit standing are charged directly to operating expenses.

The Company generates receivables from lottery organizers such as federal state lottery companies from customer winnings which are passed on directly to the winners upon receipt. Due to the credit standing of the lottery organizers, the Company does not anticipate any significant default on payment.

Receivables from payment systems such as credit card companies entail the risk that the customers of these companies themselves fail to meet their payment obligations. Such occurrences are as mentioned before recognized directly in profit or loss in the event of default by a customer.

26.2 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The following methods and assumptions are used to measure fair value:

Cash, cash equivalents and current securities

The nominal value of cash, cash equivalents and current securities more or less corresponds to fair value as they can be converted into cash and cash equivalents at short notice. The fair value of publicly traded financial instruments is based on the price quotations available for these or similar instruments. For non-publicly traded financial instruments, fair value is measured on the basis of a reasonable estimate of future net cash flows.

Current liabilities

The fair value of current liabilities is based on the issue price available for like or similar debt instruments. The fair value of current liabilities more or less equals the amount repayable.

Non-current liabilities

The fair value of non-current financial instruments is based on the issue price available for like or similar debt instruments. The fair value of non-current liabilities more or less equals the amount repayable.

Non-current financial assets

The fair value of non-current financial assets is based on the issue price available for like or similar securities. The fair value can differ considerably from the acquisition cost carried in the balance sheet. The fair value as of 31 December 2005 amounted to EUR 2,955,000.00 (acquisition cost EUR 3,000,000.00) for the »Zinssammler« product and EUR 1,967,000.00 (acquisition cost EUR 2,000,000.00) for the swing certificate. Due to the capital guarantee on both products, no writedown was made.

27 EVENTS AFTER THE BALANCE SHEET DATE

In February 2006 we concluded agreements with one further state lottery company and can thus now also submit game tickets in Baden-Württemberg.

This agreement provides Tipp24 with further stability on the organizer side, especially with regard to the stability of margins and our lottery network. We do not expect any direct impact on earnings, finance and assets.

With the latest resolution of the German Federal Supreme Court (Bundesgerichtshof) of 19 January 2006 the »Lotto-block« has lost its trademark rights to the »Lotto« name. »Lotto« may now be generally used as a generic term. This will greatly simplify communication of the lottery products we offer and thus have a favorable impact on our marketing activities.

In late February 2006, we launched the »ARD-Fernsehlotterie« (TV lottery), as planned. We expect this product to generate additional sales and earnings. In the same period, we also launched the first test run of our peer-to-peer skill games for money in cooperation with a partner company. A portfolio of these games under our own brand will be offered to a representative selection of our customers.

As part of the creation of Conditional Capital I at the general shareholders' meeting of 7 September 2005, the Executive Board was authorized to establish a stock option plan (Stock Option Plan 2005). As part of the Stock Option Plan 2005, the Executive Board resolved on 15 February 2006, to offer 18,000 shares to entitled employees. The offer must be accepted by 1 March 2006; otherwise it expires. No stock options were offered to members of the Executive Board.

After a long delay, there was once again a very high jackpot in Germany in February 2006, amounting to EUR 24 million. As a result, Tipp24 was able to gain an above-average number of new customers within a short space of time and at low cost – as in December 2004 – and thus also raise the amount of brokered stakes significantly. Due to the leap in its customer base, Tipp24 was able to lay a firm foundation at the beginning of the fiscal year for the achievement of its targeted sales figures in 2006.

In early February 2006, the state lottery of Saxony-Anhalt informed us that, in their opinion, we were contravening the lottery laws of the state of Saxony-Anhalt. According to these laws, game brokers offering lottery products in Saxony-Anhalt and charging additional fees, are required to apply for state permission. As Tipp24 does not charge its customers additional fees for its standard products (»Lotto«, »Glücksspirale«, »Keno« etc.), we do not believe that these regulations apply to us. We have not offered the product »Spielgemeinschaften«, for which Tipp24 charges its customers additional fees, in Saxony-Anhalt for a longer period of time due to the afore mentioned regulation.

28 OTHER DISCLOSURES ACC. TO GERMAN COMMERCIAL LAW

28.1 EXECUTIVE BOARD

The following persons held seats on the Executive Board in fiscal year 2005:

- Dr. Hans Cornehl, businessman, *Finance, Human Resources and Investor Relations*
- Marc Peters, businessman, *Marketing and Sales*
- Jens Schumann, businessman, *Product, Technology and Strategy*

The members of the Executive Board worked on a full-time basis. The remuneration of the Executive Board consisted of the following elements:

IN EUR	FIXED SALARY	OTHER BENEFITS	VARIABLE REMUNERATION	TOTAL
Dr. Hans Cornehl	169,468.00	5,679.07	22,791.97	197,939.04
Marc Peters	169,468.00	5,641.66	22,791.97	197,901.63
Jens Schumann	169,468.00	5,643.37	22,791.97	197,903.34
Total	508,404.00	16,964.10	68,375.91	593,744.01

In fiscal year 2005, total remuneration of the Executive Board members amounted to EUR 594 thousand. Other benefits include costs for direct insurance as well as the proportionate premium for pecuniary damage liability insurance taken out by the Company for corporate bodies of legal entities.

28.2 SUPERVISORY BOARD

The following persons held seats on the Supervisory Board in fiscal year 2005:

- Klaus F. Jaenecke, businessman, Chairman, since 10 August 2005
 - Deputy Chairman of the Supervisory Board of R:D Publishing Concepts AG, Frankfurt (until August 2005)
 - Chairman of the Supervisory Board of City-of-e.com AG, Frankfurt, in liquidation since 31 December 2005
- Dr. Hans-Wilhelm Jenckel, lawyer, Deputy Chairman, since 10 August 2005
- Dr. Annet Aris, businesswoman, regular member, since 10 August 2005
 - Member of the Conselho de Administração of GRUPO MEDIA CAPITAL SGPS, SA, Portugal
 - Member of the Supervisory Board of Hansa-Heemann AG, Hamburg
- Dr. Christian Nagel, businessman, former Chairman, until 10 August 2005
 - Chairman of the Supervisory Board of Interhyp AG, Munich, until 21 December 2005
 - Deputy Chairman of the Advisory Council of Lumics GmbH, Berlin, until 9 November 2005
 - Chairman of the Advisory Council of MergeOptics GmbH, Berlin
 - Member of the Board of Directors of BridgeCo AG, Dübendorf (Switzerland)
- Dorothee Bölke, lawyer, former regular member, until 10 August 2005.

The remuneration of the Supervisory Board in fiscal year 2005 consisted of the following elements:

IN EUR	FIXED SALARY	OTHER BENEFITS	VARIABLE REMUNERATION	TOTAL
Dr. Christian Nagel	0.00	0.00	0.00	0.00
Dr. Hans-Wilhelm Jenckel	7,500.00	3,927.07	7,500.00	18,927.07
Dorothee Bölke	4,000.00	0.00	0.00	4,000.00
Klaus F. Jaenecke	12,500.00	3,927.07	12,500.00	28,927.07
Dr. Annet Aris	5,000.00	3,927.07	5,000.00	13,927.07
Total	29,000.00	11,781.21	25,000.00	65,781.21

Other benefits include for each member the proportionate premium for pecuniary damage liability insurance taken out by the Company for corporate bodies of legal entities.

28.3 DIRECTORS' DEALINGS

The following table shows the number of shares held in Tipp24 AG by members of the corporate bodies as of 31 December 2005, as well as changes in shareholdings since the IPO of 12 October 2005. Members of the corporate bodies do not hold any subscription rights to shares of Tipp24 AG.

	SHAREHOLDING PRIOR TO IPO	DISPOSAL AT IPO WITHOUT GREENSHOE	DISPOSAL AT IPO AS PART OF GREENSHOE	RETURN OF UNUSED GREENSHOE- SHARES	DISPOSAL SECURITIES LOAN FOR DESIGNATED SPONSOR	STATUS AS OF 31 DECEMBER 2005
Executive Board						
Dr. Hans Cornehl	169,260	- 32,018	- 10,274	8,421	- 694	134,695
Marc Peters	1,135,374	- 214,774	- 68,917	56,490	- 4,653	903,520
Jens Schumann	1,135,371	- 214,773	- 68,917	56,490	- 4,653	903,518
Natural person in close relationship to Executive Board						
Dr. Stephanie Cornehl	66,900	- 12,655	- 4,061	3,392	0	53,576
Supervisory Board						
Dr. Hans-Wilhelm Jenckel	27,383	- 9,326	- 2,993	2,453	0	17,517

28.4 DECLARATION OF CONFORMITY WITH GERMAN CORPORATE GOVERNANCE CODE

On 24 January 2006, the Executive Board and Supervisory Board submitted their declaration of conformity with the German Corporate Governance Code pursuant to Section 161 AktG and made the declaration permanently available to shareholders via the Company's website.

28.5 EMPLOYEES

The average number of employees of Tipp24 AG and the Group is shown below:

	TIPP24 AG		GROUP	
	2005	2004	2005	2004
Executive Board	3	3	3	3
General Managers	0	0	2	3
Salaried employees	72	53	114	95
Apprentices	3	2	3	2
Total employees	78	58	122	103

28.6 AUDITING COSTS

The following fees were paid to the auditors of the annual financial statements, Ernst & Young AG Wirtschaftsprüfungsgesellschaft, in fiscal year 2005:

IN EUR THOUSAND	2005
Auditing fees	70
Other auditing and assessment services	900
Services performed for the parent company or its subsidiaries	22
Total	992

Other auditing and assessment services include EUR 406 thousand insurance premiums for the auditor's liability risk in connection with the IPO. The amount was passed on to an insurer by the auditing company.

28.7 CONSOLIDATED GROUP

The following subsidiaries are included in the consolidated financial statements of Tipp24 AG. Shareholdings in these companies are given below:

	2005 %	2004 %	INITIAL CONSOLIDATION
Ventura24 S.L., Madrid/Spain	100	100	2001
GSG Lottery Systems GmbH, Hamburg	100	100	2001
Puntogioco24 srl., Monza/Italy	100	100	2004

Schumann OHG, Hamburg, was included in the consolidated financial statements in accordance with IAS 27 and SIC 12.10 even though Tipp24 AG has no equity interest or voting rights in the company. We refer to our comments in Section 2.1.5 »Consolidation Principles«.

Hamburg, 22 February 2006

Dr. Hans Cornehl

Marc Peters

Jens Schumann

»Translation of the German Audit Opinion Concerning the Audit of the Consolidated Financial Statements and Group Management Report Prepared in German«

INDEPENDENT AUDITOR'S REPORT

We have awarded the consolidated annual financial statements and the consolidated management report the following audit certificate:

»We have audited the consolidated financial statements – comprising the consolidated balance sheet, consolidated income statement, statement of changes in consolidated equity, consolidated cash flow statement and notes to the consolidated financial statements – and group management report for the fiscal year from 1 January 2005 to 31 December 2005. The preparation and content of the consolidated financial statements according to IFRS, as applied in the EU, and the supplementary commercial law regulations of Section 315a (1) German Commercial Code (HGB) are the responsibility of the Company's management board. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and the generally accepted standards for the audit of financial statements in Germany promulgated by the »Institut der Wirtschaftsprüfer« (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with principles of proper accounting and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated

financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the consolidated financial statements comply with IFRS, as applied in the EU, and the supplementary commercial law regulations of Section 315a (1) HGB and give a true and fair view of the Group's net assets, financial position, results of operations and cash flows for the fiscal year. On the whole, the group management report provides a suitable understanding of the Group's position and suitably presents the opportunities and risks to future development.«

Hamburg, 1 March 2006

Ernst & Young AG

Wirtschaftsprüfungsgesellschaft

Ludwig	Schiersmann
Wirtschaftsprüfer	Wirtschaftsprüfer

REPORT OF THE SUPERVISORY BOARD

ADVISING AND MONITORING OF THE MANAGEMENT

The Supervisory Board closely followed the development of Tipp24 AG throughout the fiscal year 2005. The Executive Board was regularly monitored and advised in accordance with statutory obligations. Moreover, the Executive Board kept the Supervisory Board informed regularly, fully and promptly about all material issues of business development, as well as significant events, current earnings, possible risks and the company's risk management system. At its meetings, the Supervisory Board dealt with these reports and discussed them together with the Executive Board. A total of four meetings were held in the fiscal year under review. Between these meetings, the Supervisory Board was also informed about all projects and events of particular significance. Wherever necessary, resolutions were adopted in writing. The Chairman of the Supervisory Board also met regularly with the Executive Board to exchange information and provide advice.

MAIN TOPICS OF DISCUSSION

The meetings of the Supervisory Board focused on the following topics:

- the development of revenues and profits, as well as the financial position, both of the Group as a whole and its subsidiaries operating in Germany, Spain and Italy,
- corporate planning, including investment and personnel planning of the Group and its individual subsidiaries,
- the Group's strategic alignment,
- the ongoing development of the early risk warning systems,

- the development of the regulatory and economic environment in those markets in which Tipp24 operates,
- discussion and consultation of all business transactions requiring approval and
- preparations for the initial public offering.

COMPOSITION OF THE SUPERVISORY BOARD

The Supervisory Board of Tipp24 AG consists of three members. On 10 August 2005 the Supervisory Board elected Klaus F. Jaenecke as its Chairman. He succeeded Dr. Christian Nagel, who had been Chairman of the Supervisory Board since 19 March 2001 and retired from the Supervisory Board on 10 August 2005. Dr. Hans-Wilhelm Jenckel is Deputy Chairman of the Supervisory Board. He has been a member of the Supervisory Board since 19 March 2001 and was appointed again on 10 August 2005. Dr. Annet Aris joined the Supervisory Board as a regular member on 10 August 2005 and succeeded Dorothee Bölke, who had held her seat since 4 December 2003.

COMMITTEES

As the Supervisory Board consists of only three members, no committees were formed.

CORPORATE GOVERNANCE AND THE DECLARATION OF CONFORMITY

The Supervisory Board dealt in detail with the further implementation of measures recommended by the German Corporate Governance Code. On 26 January 2006, the Executive Board and Supervisory Board submitted a Declaration of Conformity, pursuant to Section 161 German Stock Corporation Law (AktG) and made it permanently available to shareholders via the Company's website www.tipp24-ag.de.



Klaus F. Jaenecke, Chairman of the Supervisory Board

AUDITING OF THE PARENT COMPANY AND CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The annual financial statements and management report for fiscal 2005 of Tipp24 AG, as prepared by the Executive Board in accordance with the German Commercial Code (HGB), and the consolidated annual financial statements and Group management report prepared in accordance with International Financial Reporting Standards (IFRS) were audited by Ernst & Young AG Wirtschaftsprüfungsgesellschaft, which issued an unqualified audit certificate in each case. The audit also included an examination of the respective accounting systems.

With the knowledge of these audit reports, the Supervisory Board also examined the annual financial statements, management report and proposal for appropriation of the balance sheet profit prepared by the Executive Board, as well as the consolidated annual financial statements and Group management report. At the Supervisory Board meeting on 24 March 2006, the chief auditors were on hand to report on the main results of their audit.

The Supervisory Board concurred with the auditor's findings and, also on the basis of its own final examination, raised no objections. At its meeting on 24 March 2006, the Supervisory Board approved the annual financial statements prepared by the

Executive Board as well as the consolidated annual financial statements. The annual financial statements are thus adopted. The Supervisory Board agrees with the proposal of the Executive Board with regard to the appropriation of the balance sheet profit for fiscal 2005.

CONCLUDING STATEMENT

The members of the Supervisory Board would like to thank the customers and shareholders of Tipp24 AG for the trust they have placed in the Company. Moreover, we would like to express our gratitude to the Executive Board and all employees for their loyalty, expert knowledge and unwavering dedication in the pursuit of customer satisfaction and ultimately the Company's success. In consideration of the tremendous strain on staff during preparations for the Company's IPO, the strong progress made with regard to revenues and earnings deserves our utmost respect and recognition.

Hamburg, 24 March 2006

Klaus F. Jaenecke

(Chairman of the Supervisory Board)

MILESTONES

1999

- FOUNDATION OF COMPANY
- FINANCING BY EARLYBIRD VENTURE CAPITAL

2000

- LAUNCH OF WWW.TIPP24.DE WEBSITE

2001

- SIGNING OF THE FIRST AGREEMENT WITH A STATE LOTTERY OPERATOR
- MARKET LEADER FOR THE FIRST TIME*

2002

- BREAK-EVEN POINT REACHED
- MARKET ENTRY IN SPAIN

2003

- BILLINGS EXCEED EUR 100 MILLION MARK FOR FIRST TIME

2004

- CUSTOMER BASE OF 1 MILLION AT YEAR-END
- LAUNCH OF BUSINESS SERVICES WITH WEB.DE

2005

- MARKET ENTRY IN ITALY
- EXPANSION OF BUSINESS SERVICES WITH RTLTIIPP.DE AND LOTTERIE.T-ONLINE.DE
- INITIAL PUBLIC OFFERING

*Tipp24's own estimates, based on transaction volume

GLOSSARY

Active customers Customers who complete at least one transaction per month.

Acquisition costs per new customer Total marketing expenditure for own customers (marketing costs minus Business Service commissions) in relation to newly registered customers in the relevant fiscal year.

Business Services We offer our so-called Business Service partners in Germany the operation of a lottery service on their own websites and under their own brand, using Tipp24's transaction platform for technical processing.

Average activity rate The relationship between the average number of active customers and the average number of registered customers in a year, whereby the average number of registered customers in a period is the arithmetic mean of the number of registered customers at the beginning and end of a particular period.

Peer-to-peer skill-based games Games such as skat (German card game), backgammon or solitaire, in which customer compete against each other for low stakes. The winner receives the stakes minus a broker's commission, which is withheld by Tipp24.

Premium products Products for which we charge an additional fee.

Registered customers Customers who have successfully completed the registration process on our website. The number is adjusted for multiple registrations and customers excluded from participating in the lottery offering.

Gross margin Ratio of revenues to billings.

Standard products Products offered at no extra fee.

Billings/transaction volume Accumulated stakes which Tipp24 remits to the gaming operators in a given period.

Transaction technology The technical equipment (hard- and software), which Tipp24 uses to transfer the customer's game numbers to the respective lottery and collect customer stakes.

KEY CONSOLIDATED FIGURES OF TIP24 AG ACC. TO IAS/IFRS

AS OF 3 MARCH 2006		2005	2004	2003*
Customers				
Number of registered customers (<i>at year-end</i>)	THOUSAND	1,322	1,031	675
Number of reg. new customers	THOUSAND	291	356	234
Customer activity rate		28.6%	30.9%	30.3%
Average billings/customer	EUR	609	584	620
Acquisition costs per new customer	EUR	20.12	17.01	17.52
Income statement				
	EUR THOUSAND			
Billings		204,696	154,094	104,812
Revenue		26,119	19,504	14,085
EBIT		6,048	3,207	1,000
EBT		6,490	3,324	1,070
Net profit		3,318	1,575	2,994
Balance sheet				
	EUR THOUSAND			
Cash, cash equivalents and securities (<i>incl. pledged cash, cash equivalents and securities</i>)		57,174	13,202	8,251
Other current assets		7,666	3,092	3,940
Total non-current assets		7,296	2,602	3,845
ASSETS		72,135	18,896	16,036
Current liabilities		18,854	10,955	9,872
Non-current liabilities		96	124	99
Equity		53,185	7,817	6,065
EQUITY AND LIABILITIES		72,135	18,896	16,036
Cash flow				
	EUR THOUSAND			
Cash flow from operating activities		10,298	5,375	4,570
Cash flow from investing activities		- 6,361	- 600	- 506
Cash flow from financing activities		40,035	175	- 30
Personnel				
Number of employees (<i>Average no. of full-time staff without board members/managing directors/interns/apprentices</i>)	NO.	114	95	72
Personnel expenses	EUR THOUSAND	6,990	5,522	4,285
Expenses per employee	EUR THOUSAND	61	58	60
R&D expenses	EUR THOUSAND	2,151	1,938	1,420
R&D staff	NO.	44	38	30
Share (from 2004)				
Average number of shares (<i>undiluted</i>)	NO.	7,191,100	6,451,928	N/A
Earnings per share (<i>undiluted</i>)	EUR	0.46	0.24	N/A
Operating cash flow per share (<i>undiluted</i>)	EUR	1.43	0.83	N/A
Ratios				
	%			
Gross margin		12.8%	12.7%	13.4%
EBIT margin		23.2%	16.4%	7.1%
Net operating margin		12.7%	8.1%	21.3%
RoE		6.2%	20.1%	49.4%
RoCe		4.6%	8.3%	18.7%

* 1999-2003: unaudited; 1999: Short fiscal year from 31 July until 31 December

	2002*	2001*	2000*	1999*
	441	323	121	0
	118	202	121	0
	31.4%	N/A	N/A	N/A
	591	N/A	N/A	N/A
	14.21	N/A	N/A	N/A
	70,926	42,933	5,200	0
	8,284	3,808	691	0
	1,019	- 3,170	- 5,364	- 682
	1,055	- 3,124	- 5,695	- 690
	1,752	- 3,289	- 5,697	- 690
	4,217	2,100	3,878	269
	2,440	1,558	809	143
	2,104	1,371	1,366	220
	8,761	5,029	6,053	633
	5,797	3,897	1,659	1,068
	150	70	46	
	2,814	1,062	4,349	- 435
	8,761	5,029	6,053	633
	2,546	- 1,321	- 5,569	- 412
	- 399	- 457	- 1,304	- 236
	- 30	0	10,481	917
	47	26	17	3
	3,021	2,005	1,076	81
	64	77	63	27
	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A
	11.4%	8.9%	13.3%	N/A
	12.6%	- 83.2%	- 776.3%	N/A
	21.6%	- 86.4%	- 824.5%	N/A
	62.3%	- 309.7%	- 131.0%	158.6%
	20.0%	- 65.4%	- 94.1%	- 109.0%

FINANCIAL CALENDAR 2006

<i>27 MARCH 2006</i>	<i>ANNUAL PRESS/ANALYST CONFERENCES</i>
<i>08 MAY 2006</i>	<i>INTERIM REPORT 1ST QUARTER 2006</i>
<i>18 MAY 2006</i>	<i>ANNUAL GENERAL MEETING</i>
<i>10 AUGUST 2006</i>	<i>INTERIM REPORT 2ND QUARTER 2006</i>
<i>06 NOVEMBER 2006</i>	<i>INTERIM REPORT 3RD QUARTER 2006</i>

EDITOR

Tipp24 AG

Falkenried-Piazza
Strassenbahnring 11 - 13
20251 Hamburg, Germany

Phone +49 (0) 40 - 32 55 33 0
Fax +49 (0) 40 - 32 55 33 77
www.tipp24-ag.de

*Concept, text & design
impacct communication GmbH
www.impacct.de*