

# **SOLID GROWTH IN DIFFICULT MARKET ENVIRONMENT**

<i>BILLINGS Q.I-II</i>	<i>+16.3%</i>
<i>REVENUE Q.I-II</i>	<i>+20.1%</i>
<i>EBIT Q.I-II</i>	<i>+86.5%</i>
<i>REGISTERED CUSTOMERS Q.I-II</i>	<i>+60 THOUSAND</i>

**HALF-YEAR REPORT Q.I-II 2008**

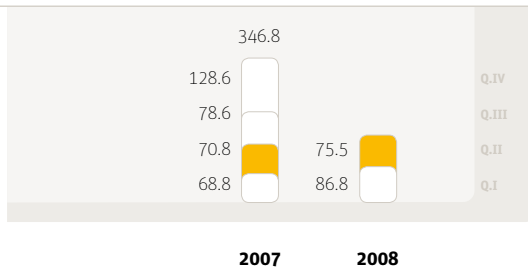
**1 JAN.-30 JUN.**



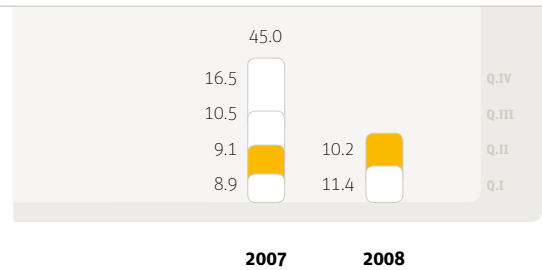
**Q.I-II 2008**

**PERFORMANCE Q.II**

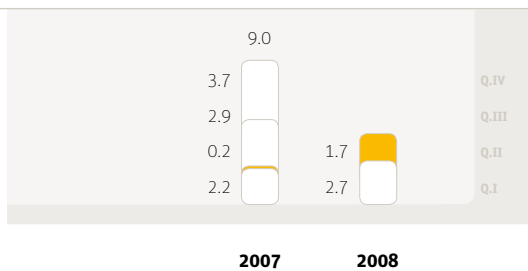
**BILLINGS** in EUR million



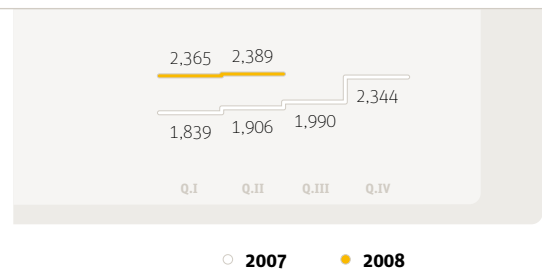
**REVENUE** in EUR million



**EBIT** in EUR million



**REGISTERED CUSTOMERS** in thousand



**CONTENTS**

Foreword ... 3 | Investor Relations ... 4 | Interim Group Management Report ... 6 | Interim Consolidated Financial Statements ... 17

*(Rounding differences in the Management Report due to presentation in EUR thousand)*

## FOREWORD

Ladies and gentlemen,

We are proud to report that the Tipp24 Group succeeded in continuing its growth course in a period marked by uncertainty and resistance – and without any lottery jackpots in the first half of the year. Both billings (+16.3%) and revenues (+20.1%) once again displayed double-digit growth, while EBIT adjusted for special items increased much less than proportionately by 6.5%.

In addition to start-up costs for the establishment of our UK business and the new Skill-Based Games division, as already described in the first quarter, EBIT was also burdened by expenses relating to the renewal and internationalisation of our gaming software. These technical developments in gaming software will enable Tipp24 to react more swiftly and effectively to market changes and to expand more easily into new foreign markets. The ability to scale operations has also been improved, enabling us to cope better with our planned future growth.

The adverse effects of the ongoing regulatory discussions were clearly visible in the second quarter of 2008. The requirements of the new State Treaty on Gaming (GlStV) introduced at the beginning of the year led both to increased expenses for legal advice and to considerable cost increases. The number of registered new customers is also suffering from the change in conditions: under the GlStV, the registration of new customers now involves checking applications with the German credit reference agency (»Schufa«) and successfully passing the »Post-Ident« identification process. Both these steps make the registration process more difficult. In combination with a lack of jackpots during the period, these new measures had a significant impact on the number of new customer registrations in the period under review, which grew by just 60 thousand. A continued lack of jackpots in the remaining months of the year, together with low growth in new customers, could have a further dampening effect on the development of EBIT in the current fiscal year.

With respect to the healthy development of business over the past few years, the Annual General Meeting decided to pay out a first dividend of 50 cents per share for the successful fiscal year 2007. As we expect to stabilise and expand our market share in the dynamic environment of the online lottery market, we regard this step as the beginning of an ongoing dividend policy.

Following the investment of Günther Holding – now a major shareholder with 25.45% of shares in Tipp24 AG – the family-owned company's CEO Oliver Jaster was elected to the Supervisory Board in the period under review. He replaces Dr. Hans-Wilhelm Jenckel, who decided not to stand for re-election after serving almost seven years on the Supervisory Board.

Numerous law experts and institutions believe that the GlStV contravenes anti-trust, constitutional and EU law. At least 17 administrative courts have confirmed this with their verdicts in 20 cases. We also believe that the new state treaty contravenes valid law and once again confirm our positive assessment of the future development of Tipp24 AG, which is excellently positioned in a highly promising market. Against the backdrop of the unresolved legal situation, however, any growth forecast for the current fiscal year is bound to involve considerable uncertainties. We therefore confirm the forecast made in our annual report 2007, in which we expect customer growth of at least 100 thousand new customers and an increase in billings, revenue and EBIT of at least 10%. We are also convinced that following the current transition phase of the European lottery markets, we will return to our historically proven medium-term growth targets – an annual increase in revenue of 30% and disproportionately stronger growth in EBIT.

The Board of Management

Q.I-II 2008

## KEY CONSOLIDATED FIGURES OF TIPP24 AG ACC. TO IFRS

		Q.I-II 2008	Q.I-II 2007	Change
Billings	EUR thousand	162,285	139,583	+16.3%
Revenues	EUR thousand	21,564	17,958	+20.1%
Gross margin	%	13.3	12.9	+0.4%-points
EBIT	EUR thousand	4,398	2,358	+86.5%
EBIT margin	%	20.4	13.1	+7.3%-points
Net profit	EUR thousand	3,482	1,987	+75.2%
Net operating margin	%	16.1	11.1	+5.0%-points
Acquisition costs per new customer	EUR	73.67	27.10	+171.9%
Cash flow from operating activities	EUR thousand	2,510	5,157	-51.3%
Equity	EUR thousand	51,830	54,565	-5.0%
Registered customers (30 June)	thousand	2,389	1,906	+27.5%
Employees (30 June)		184	147	+25.2%

(Rounding differences due to presentation in EUR thousand)

## INVESTOR RELATIONS

# SHARE PRICE BUCKS NEGATIVE MARKET TREND

PERFORMANCE OF THE TIPP24 SHARE



**Q.I–II 2008****KEY FIGURES PER SHARE**

Day of initial listing	<b>12.10.2005</b>
Year-opening price	<b>EUR 15.33</b>
Market capitalization (01.01.2008)	<b>EUR 136 million</b>
Closing price at the end of period	<b>EUR 15.75</b>
Market capitalization (30.06.2008)	<b>EUR 140 million</b>
Highest price (08.05.2008)	<b>EUR 16.82</b>
Lowest price (29.01.2008)	<b>EUR 12.00</b>
Number of shares	<b>8,872 thousand</b>
Average daily trading (until 30.06.2008)	<b>12,243 shares</b>
Earnings per share (undiluted and diluted)	<b>EUR 0.43</b>

**SHAREHOLDER SERVICE**

WKN	<b>784714</b>
ISIN	<b>DE0007847147</b>
Ticker symbol	<b>TIM.DE</b>
Stock exchange	<b>Frankfurt</b>
Market segment	<b>Official Market, Prime Standard</b>
Designated Sponsor	<b>Sal. Oppenheim</b>
Coverage	<b>Berenberg, Citigroup, Deutsche Bank, Sal. Oppenheim, Warburg/SES</b>
Reuters	<b>TIMGn.DE</b>
Bloomberg	<b>TIM GR</b>

The problems of the financial sector continued to dominate stock market sentiment in the second quarter of 2008. High oil and food prices, and especially the recent rise in value of the Euro against the US Dollar, placed a further burden on the market. As a consequence, the SDax fell by 5.5% in the second quarter – from 4,488.35 to 4,242.04 points.

Despite the ongoing regulatory discussions about the State Treaty on Gaming and the downbeat mood of the stock market, the Tipp24 share price grew by 17.4% in the second quarter – from EUR 13.41 to EUR 15.75.

Following the second share buyback programme, announced on 5 October 2007 and completed on 13 May 2008, and together with the shares purchased during the first share buyback programme, Tipp24 AG now holds a total of 887,231 treasury shares (10% minus one share of share capital).

The third Annual General Meeting of Tipp24 AG was held at the Crowne Plaza Hotel in Hamburg on 29 May 2008. A total of 56.18% of share capital was represented. Following the investment of Günther Holding – now a major shareholder with 25.45% of shares in Tipp24 AG – the family-owned company's CEO Oliver Jaster was elected to the Supervisory Board. He replaces Dr. Hans-Wilhelm Jenckel, who decided not to stand for election after serving almost seven years on the Supervisory Board. The Annual General Meeting voted in favour of all items on the agenda. Tipp24 AG distributed its first dividend, amounting to 50 cents per no-par value share with dividend rights and totalling EUR 4.0 million.

Investor relations activities in the second quarter of 2008 once again focused on discussions concerning the ongoing regulatory situation on the German gaming market.

## INTERIM GROUP MANAGEMENT REPORT

### BUSINESS & ECONOMIC CONDITIONS

#### SUCCESSFUL BUSINESS MODEL

Tipp24 brokers state-licensed and guaranteed gaming products via electronic media, especially the Internet. Its portfolio comprises the products of the Deutsche Lotto- und Totoblock (DLTB), the class lotteries, the German TV lottery and value-added combined products. Due to the introduction on 1 January 2008 of the German State Treaty on Gaming (Glücksspiel-Staatsvertrag – GlStV), Tipp24 has discontinued its marketing of the state-run sporting bet Oddset, the Keno lottery and scratch cards. Outside Germany, we have been active on the Spanish market since 2002 with Ventura24 S.L., on the Italian market since early 2005 with Puntogioco24 s.r.l., and on the UK market since November 2007 with MyLotto24 Ltd.. According to our own estimates, we enjoy a leading position in the online brokerage of state-owned and state-licensed lottery products in Germany with a market share of over 60% – measured by billings.

#### THREAT TO BUSINESS MODEL IN GERMANY

In our opinion, Germany's State Treaty on Gaming («Glücksspiel-Staatsvertrag» – GlStV), which came into effect on 1 January 2008, contravenes anti-trust, constitutional and EU law. This assessment is supported by a wide range of expert opinions with respect to constitutional and EU law prepared by highly reputable professors of law, as well as by the Scientific Services of the state parliaments of Schleswig-Holstein and Lower Saxony, the verdicts of national and European courts, the resolutions and warnings of Germany's anti-trust authorities and a written rejection of key legislation passages from the European Commission as part of infringement proceedings already instituted. These interim financial statements were therefore prepared on the assumption that the company will continue trading.

#### END OF ECONOMIC UPSWING

The global economy is under considerable pressure at present. As a result of the property crisis and the ensuing problems for the finance sector, the US economy can no longer be counted on to drive global growth. Prospects are equally dismal in many other countries. At the same time, inflation is picking up pace around the world – largely as a consequence of the relentless increase in raw material prices.

In the Euro zone, there was still healthy growth in the spring of 2008. Although consumer spending remained modest, there was a marked increase in capital spending on equipment and buildings. The pace of growth varied however throughout Europe: there was exceptionally strong GDP growth in Germany while other member states had to settle for comparatively modest increases. The economy is expected to cool further in the coming period as prospects have been dampened by high oil and food prices, the recent strengthening of the Euro against the US Dollar and the continuing uncertainty of the financial markets.

#### MARKET AND SECTOR – SITUATION STILL UNRESOLVED

The intensive political and legal discussions concerning Germany's gaming market and the respective legislation continued to dominate our segment during the first half of the current fiscal year. The following significant legal decisions were made:

- The new **State Treaty on Gaming (GlStV) came into effect** in Germany on 1 January 2008. It contains regulations which seriously impede significant parts of Tipp24 AG's business activities, or even forbid them completely. According to the wording of the new legislation, the online brokerage of gaming is highly restricted in 2008 and will be completely prohibited from 2009 onwards. During a transition phase in 2008, Tipp24 must seek permission for its activities in all 16 federal states of Germany – something which was not required prior to the introduction of the new legislation. There is no legal claim to the granting of these licences.

**Q.I–II 2008**

- On 31 January 2008 the **European Commission** resolved to institute **formal infringement proceedings against the Federal Republic of Germany**, referring specifically to the new State Treaty on Gaming of 1 January 2008. The Commission made it clear that should no changes be made to the current legislation, it would file a suit with the European Court of Justice. In its detailed letter to the German government, as the party responsible, it criticized in particular the general Internet ban, the ban on Internet advertising and the regulations regarding approval procedures for private gaming brokers. The institution of formal infringement proceedings, especially in connection with its comprehensive justification, may represent a major aspect for Tipp24 in defence of its current business model. On 20 May 2008, the German government (as the body responsible) submitted a reply to the EU Commission's detailed letter.
- Since the introduction of the GlStV on 1 January 2008, **expedited motions** brought by betting shop operators expressing doubts about the legality of the new law with regard to constitutional and EU legislation **have been successful** in at least 17 administrative courts in 20 cases.

**RESEARCH & DEVELOPMENT**

In the first six months of the current fiscal year, our R&D activities focused on the updating and internationalisation of our gaming software. In cooperation with external service companies, we expect to complete the project on schedule in 2009.

Apart from this project, our other development activities focused on the following new products and product modifications:

- Integration of an innovative navigation for »Quicktipp« games in the basket
- Integration of the new Lotto features »Jackpot Hunter«, »Editing for repeat tickets« and »Postdating tickets for future draws«
- Development of an »Easter Lotto« syndicate
- Development of an »Summer Lotto« syndicate
- Introduction of a lottery number archive
- Introduction of a new Lotto minisite
- Launch of syndicate products on the basis of the Spanish lotteries (Primitiva, El Gordo de la Primitiva Club, Bono Loto)
- Relaunch of the »MyLotto24« website

In addition to meeting GlStV requirements by adapting various aspects of our software, we also introduced the following new technologies and carried out the following optimizations:

- Further development of software systems to analyse gaming behaviour of our customers
- Launch of an enhanced credit card validation system
- Ongoing adaptation of security systems to the latest standards
- Ongoing development of software systems for expanded capacity

The above-mentioned projects were successfully completed by our in-house development departments during the first six months of 2008 – except for the updating of gaming software. We also acquired external R&D know-how for certain projects during this period. The new product developments made a major contribution towards raising revenue. In the first six months of the current fiscal year, an average of 65 employees were involved with R&D activities on a full-time or part-time basis. R&D expenses amounted to around EUR 1,749 thousand and resulted mainly from personnel costs.

## EARNINGS, FINANCIAL POSITION AND NET ASSETS

### EARNINGS

Compared with the growth rates of previous years, the Tipp24 Group made much more modest progress in the period under review. Two special items are to be considered when comparing figures with those of the previous year:

- In line with the new legal regulations of the GlStV introduced on 1 January 2008, Tipp24 is obliged to tighten its mechanisms for the protection of minors when registering new customers. This involves checks with the German credit reference agency («Schufa») and successfully passing the «PostIdent» identification process. These requirements constitute a genuine hurdle in the registration process, significantly restrict the development of new customer figures and result in greatly increased customer acquisition costs in Germany.
- Due to the introduction on 1 January 2008 of the GlStV, Tipp24 has discontinued its marketing of the state-run sporting bet Oddset, the Keno lottery and scratch cards. In fiscal year 2007, these products accounted for around 7.5% of domestic billings.

### EBIT

In the first six months of the current fiscal year there was year-on-year growth in **EBIT** of 86.5% to EUR 4,398 thousand (prior year: EUR 2,358 thousand), while the EBIT margin grew by 7.3%-points to 20.4%. However, the second quarter of 2007 was burdened by two special items amounting to EUR 1,772 thousand. After adjustment for these two items, the year-on-year growth in EBIT would have amounted to 6.5%.

While revenues grew by 20.1% to EUR 21,564 thousand, there was a total year-on-year increase in operating expenses of 8.9% to EUR 16,559 thousand, including the above mentioned special items of the previous year.

Group EBIT continued to be strongly influenced by operations in Germany, which contributed EUR 5,350 thousand (+121.7%) in the first six months. Adjusted for the above mentioned special items, the increase amounted to 27.8%. The domestic EBIT margin grew by 13.2%-points (adjusted 1.9%-points) to 28.6%, even though the segment was burdened by start-up costs for the development of Skill-Based Games and increased other operating expenses for legal and project consultation services. Start-up costs for our newly founded UK subsidiary MyLotto24 Ltd. placed a burden on the «Abroad» segment, where EBIT amounted to EUR –952 thousand (prior year: EUR –55 thousand).

**Consolidated net profit** rose by 75.2% to EUR 3,482 thousand (prior year: EUR 1,987 thousand). The Group's tax rate fell by 10.9%-points to 31.4%, compared to the same period last year. There were positive effects on earnings after tax from the Corporate Tax Reform introduced in Germany on 1 January 2008, with reduced tax rates of 32.3%, and from effects resulting from various financial investments. Start-up losses from our «Abroad» segment cannot be netted with the positive results of other subsidiaries.

Earnings per share (undiluted and diluted) grew from EUR 0.23 to EUR 0.43.

### REVENUES UP 20.1%

Due to the unfavourable jackpot situation and the above mentioned restrictions to the registration process, the increase in **registered customers** during the first six months of 2008 amounted to just 60 thousand (prior year: 136 thousand). We also sold outstanding receivables from 17 thousand inactive customers to a debt collection agency and deleted these customers from our client base.

**Billings** reached EUR 162,285 thousand, corresponding to a year-on-year increase of 16.3%.



**Q.I–II 2008**

At 13.3% the ratio of billings to revenues – the **gross margin** – was above the prior-year figure of 12.9% (+0.4%-points). The increase resulted mainly from more favourable commissions for lottery products in Germany. The ratio continued to be much higher in our Abroad segment, where gross margin reached 23.7% compared with 12.4% for the Germany segment (prior year: Abroad 24.2%; Germany 12.0%).

**Revenues** – consisting mainly of commissions and additional fees – rose by 20.1% to EUR 21,564 thousand in the period under review. Revenues in Germany were up 19.3% on the prior-year period to EUR 18,685 thousand and dominated total revenues with a share of 86.7%. Domestic billings grew by 15.4% to EUR 150,142 thousand. In our Abroad segment we raised billings by 28.1% to EUR 12,170 thousand in the first six months of the current fiscal year.

Half-year comparison Q.I–II 2008	Q.I–II 2008		Q.I–II 2007		Change
	EUR thousand	%	EUR thousand	%	
Billings	162,285		139,583		+16.3%
Remitted stakes less commissions	140,721		121,626		+15.7%
<b>Revenues</b>	<b>21,564</b>	<b>100.0</b>	<b>17,958</b>	<b>100.0</b>	<b>+20.1%</b>
Personnel expenses	-6,219	-28.8	-5,199	-28.9	+19.6%
Other operating expenses	-10,929	-50.7	-10,408	-58.0	+5.0%
Less other operating income	589	2.7	401	2.2	+46.8%
<b>Operating expenses</b>	<b>-16,559</b>	<b>-76.8</b>	<b>-15,205</b>	<b>-84.7</b>	<b>+8.9%</b>
<b>EBITDA</b>	<b>5,005</b>	<b>23.2</b>	<b>2,753</b>	<b>15.3</b>	<b>+81.8%</b>
Depreciation/amortization	-607	-2.8	-394	-2.2	+54.0%
<b>EBIT</b>	<b>4,398</b>	<b>20.4</b>	<b>2,358</b>	<b>13.1</b>	<b>+86.5%</b>
Revenues from financial activities	866	-4.0	1,092	-6.1	-20.7%
Expenses from financial activities	-190	-0.9	-7	-0.0	>100%
<b>Financial result</b>	<b>676</b>	<b>3.1</b>	<b>1,085</b>	<b>6.0</b>	<b>-37.7%</b>
<b>Net result before taxes</b>	<b>5,074</b>	<b>23.5</b>	<b>3,444</b>	<b>19.2</b>	<b>+47.4%</b>
Income taxes	-1,592	-7.4	-1,456	-8.1	+9.3%
<b>Consolidated net profit</b>	<b>3,482</b>	<b>16.1</b>	<b>1,987</b>	<b>11.1</b>	<b>+75.2%</b>
<b>Breakdown of other operating expenses</b>					
Total marketing expenses	-5,821	-27.0	-5,190	-28.9	+12.2%
– Marketing expenses for own clients	-4,453	-20.6	-3,677	-20.5	+21.1%
– Business Service commissions	-1,369	-6.3	-1,512	-8.4	-9.5%
Total direct costs of operations	-1,306	-6.1	-1,485	-8.3	-12.1%
Total other costs of operations	-3,801	-17.6	-3,733	-20.8	+1.8%
<b>Other operating expenses</b>	<b>-10,929</b>	<b>-50.7</b>	<b>-10,408</b>	<b>-58.0</b>	<b>+5.0%</b>

(Rounding differences due to presentation in EUR thousand)

**Q.I-II 2008***Development of key income statement positions*

**Personnel expenses** rose by 19.6% over the prior-year period to reach EUR 6,219 thousand for the period under review. After adjustment for a special charge of EUR 350 thousand in the second quarter of 2007, the increase amounted to 28.3% and was thus proportionately stronger than the growth in revenues. This was due mainly to the hiring of new staff for our UK business from September 2007 and for our Skill-Based Games business from February 2008. As expected, no significant revenue has been realised from the new Skill-Based Games division as yet. The personnel expense ratio fell by 0.1%-points to 28.8% (adjusted: +1.8%-points). At the end of the quarter, the number of employees amounted to 184 (prior year: 147).

There was a year-on-year rise in other operating expenses of 5.0% to EUR 10,929 thousand in the first six months of the fiscal year. The development in detail was as follows:

- **Marketing expenses** rose by 12.2% to EUR 5,821 thousand (27.0% of revenues; -1.9%-points). They are divided into marketing expenses for our own customers and commissions paid to Business Service partners. Marketing expenses for our own customers were up 21.1% to EUR 4,453 thousand in the period under review, compared to last year. This figure also includes fees of EUR 225 thousand for conducting the PostIdent process in Germany. Commissions to Business Service partners fell by 9.5% to EUR 1,369 thousand, due to lower billings for this product.
- **Direct operating expenses** fell to EUR 1,306 thousand in the first six months and were thus 12.1% below the prior-year figure. They accounted for 0.8% of billings (prior year: 1.1%). In relation to revenues, this cost ratio fell by 2.2%-points to 6.1%. Once again, there were positive effects from improvements in the dunning process and from the sale of receivables to collection agencies.
- **Other operating expenses** rose by 1.8% to EUR 3,801 thousand (prior year: EUR 3,733 thousand). Adjusted for special charges of EUR 1,422 thousand in the second quarter of 2007, the rise amounted to 64.5%. This increase was largely due to legal advice in connection with the current difficult regulatory situation, as well as consultancy costs for labour-intensive development projects, especially with regard to the renewal and internationalisation of the gaming operation platform.

The development of **other operating income** was 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 grew in the first six months by EUR 213 thousand (+54.0%) to EUR 607 thousand. This development is in line with the volume of investments made.

**HEALTHY FINANCIAL POSITION**

On 13 May 2008, Tipp24 completed the second share buyback programme which it announced on 5 October 2007. Together with the shares purchased during the first share buyback programme, Tipp24 AG now holds a total of 887,231 treasury shares (10% minus one share of share capital).

Tipp24 AG also distributed a total of EUR 3,993 thousand in its first dividend payment of 50 cents per no-par value share with dividend rights. Compared with the balance sheet date, equity capital fell by EUR 3,800 thousand to EUR 51,830 thousand, while the equity ratio grew by 5.4%-points from 60.6% to 66.0% over the same period. The balance sheet total fell by 14.5% to EUR 78,481 thousand.

**Q.I–II 2008**

Due to the high jackpot-related gaming volume in December 2007 there was a temporary increase in balance sheet items connected with gaming operations as of the balance sheet date. These items returned to normal operational levels in the course of the first six months. Other assets grew by 53.9% as a result of the settlement of receivables from customer winnings outstanding on the balance sheet

date and the processing of payment transactions. Other liabilities fell by 25.6% to EUR 19.9 million, mainly due to a decrease in liabilities from gaming operations. These largely resulted from customer winnings from draws held prior to 31 December 2007 which were not paid out January 2008.

<b>Other liabilities</b> in EUR thousand	<b>30 Jun. 2008</b>	<b>31 Dec. 2007</b>
Liabilities for gaming operations	17,957	24,677
Liabilities for taxes	379	1,375
Liabilities relating to social security	76	65
Others	1,523	695
	<b>19,934</b>	<b>26,811</b>

*(Rounding differences due to presentation in EUR thousand)*

**Investment analysis**

In the period under review, we made total investments of EUR 4,433 thousand. The continued renewal of software systems for international gaming operations accounted for the major share of this amount. A further share of total investment was allocated to the acquisition of assets belonging to Enter.TV GmbH, an innovative supplier of Skill-Based Games, by Tipp24 AG in March 2008. We also invested in the improvement of our gaming software and continually developed our live systems. We will continue to expand these systems in 2008 in line with growing capacity requirements and the ongoing development of security standards. We also plan to continually update our office systems.

**Liquidity analysis**

At EUR 2,510 thousand, **cash flow from operating activities** was significantly lower than in the previous year (EUR 5,157 thousand). The difference was mainly due to comparatively high trade payables as of the balance sheet date – caused by increased marketing during the record jackpot period in December 2007 – which were settled in the first six months.

**Cash flow from investing activities** amounted to EUR –4,287 thousand (prior year: EUR 1,890 thousand).

**Cash flow from financing activities** amounted to EUR –7,386 thousand and was caused by the above mentioned share buyback program and the dividend paid out on 30 May 2008. In the previous year it amounted to EUR –7,972 thousand. As a result of the aforementioned investments, **free cash flow** amounted to EUR –1,777 thousand in the period under review (prior year: EUR 7,047 thousand).

**Q.I-II 2008**

<b>Key cash flow positions</b> in EUR thousand	<b>Q.I-II 2008</b>	<b>Q.I-II 2007</b>
Cash flow from operating activities	2,510	5,157
Cash flow from investing activities	-4,287	1,890
Cash flow from financing activities	-7,386	-7,972
<b>= Net inflow/outflow from of funds</b>	<b>-9,164</b>	<b>-925</b>
+ Cash, cash equivalents and securities at the beginning of the period	65,821	60,703
+ Non-disclosed profit/loss	74	-142
- Change in cash, cash equivalents and securities	-250	61
<b>= Cash, cash equivalents and securities at the end of the period</b>	<b>56,480</b>	<b>59,697</b>

(Rounding differences due to presentation in EUR thousand)

**ASSET SITUATION**

The assets of Tipp24 mainly comprise current assets amounting to EUR 67,617 thousand (31 December 2007: EUR 84,526 thousand). In turn, these mainly consist of cash, cash equivalents and securities (EUR 56,480 thousand), other assets and prepaid expenses (EUR 6,572 thousand), short-term financial assets (EUR 3,998 thousand) and pledged cash (EUR 550 thousand). Moreover,

Tipp24 has intangible assets (mainly software) amounting to EUR 5,060 thousand, property, plant and equipment (mainly hardware and office equipment) amounting to EUR 2,697 thousand, long-term financial assets totalling EUR 3,000 thousand and deferred tax assets amounting to EUR 107 thousand.

<b>Other assets</b> in EUR thousand	<b>30 Jun. 2008</b>	<b>31 Dec. 2007</b>
Receivables from gaming operations	5,341	12,860
Prepaid expenses	782	672
Others	449	713
	<b>6,572</b>	<b>14,245</b>

(Rounding differences due to presentation in EUR thousand)

### **ASSESSMENT OF THE ECONOMIC POSITION**

The current regulatory situation bears the risk of at least medium-term disruption, up to the complete prohibition of our present business model in Germany as of 1 January 2009 – particularly as a result of the GlStV, which has been ratified by all German states. This could thus have a considerable impact on the earnings, financial position and net assets of the Company. Nevertheless, we regard Tipp24's situation as generally robust: Tipp24 has sufficient resources to successfully prevail even in the face of significant negative regulatory conditions. Above all, however, in view of the obvious incompatibility of current gaming legislation in Germany with EU, constitutional and antitrust law, it seems unlikely that such legislation can prevail in the long term. At the same time, the Executive Board sees the opportunity for sustained encouraging growth in the future. In comparison with other sectors, the online lottery market in Germany – as well as in Spain, Italy and the UK – is still underdeveloped. It therefore seems probable that the sector can look forward to significant growth in the coming years. Tipp24 is excellently positioned to benefit strongly from such 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 extensive financial liquidity, mainly from equity capital. This gives us considerable scope to grasp future growth opportunities – for example by means of acquisitions.

### **SUBSEQUENT EVENTS**

There were no major events subsequent to the reporting period which had a significant effect on the business development of our Group.

### **RISK REPORT**

In our annual report 2007, we described in detail all risks in connection with our business activities, as well as the management of these risks and systems to recognize such risks at an early stage. The risks can be divided mainly into market risks, legal risks resulting from the regulatory environment for the operations of Tipp24, business risks, risks from the processing of gaming operations personnel risks and general business risks. In addition to this description of our risks, we would like to focus in particular on the following risks:

#### **LEGAL RISKS**

##### *State Treaty on Gaming*

In the follow-up to the verdict of the Federal Constitutional Court (Bundesverfassungsgericht – BVerfG) of 28 March 2006, there have been various judicial verdicts, official directives and political statements of intent at various levels (including the very highest) with regard to the regulation of the gaming sector, some of which are highly contradictory. The respective state authorities are mainly pursuing a policy of strictly defending the state's gaming monopoly while extending it to a marketing monopoly under the guise of effectively combating gambling addiction. In this connection, the state premiers of all Germany's federal states have signed a **State Treaty on Gaming** (GlStV), which was ratified by their respective parliaments. The GlStV contains a general prohibition of marketing for all gaming products, including lotteries, via the Internet as well as sweeping restrictions, for example in the field of advertising in Germany from 1 January 2009 onwards.

**Q.I-II 2008**

The GlStV came into effect on 1 January 2008. A one-year grace period until the end of 2008 is planned for existing market players, like Tipp24, which nevertheless constitutes an actual significant barrier, especially with regard to online brokerage and gaining new customers for online brokerage.

The legality of the GlStV is highly controversial. Reputable legal experts, such as Prof. Dr. jur. Rupert Scholz (University of Munich, emer.), Prof. Dr. jur. Clemens Weidemann (University of Würzburg), Prof. Dr. jur. Bodo Pieroth (University of Münster), Prof. Dr. jur. Hans-Detlef Horn (University of Marburg) and Prof. Dr. jur. Georg Hermes (University of Frankfurt) have documented its illegality regarding constitutional and EU law in expert opinions made available to us. Moreover, an expert opinion published on 4 October 2007 by the Scientific Services of the state parliament of Schleswig-Holstein also came to the conclusion that the GlStV contravenes EU law and is unconstitutional, at least with regard to gaming brokers. The Scientific Services of the state parliament of Lower Saxony come to the same conclusion with regard to contravening EU law. Due to EU legislation, a notification process had to be instituted with the EU Commission in December 2006 for draft version of the GlStV. On 22 March 2007 the German government was informed in a »Detailed Opinion« that the notified GlStV contravened EU legislation in significant areas. As the representative of the federal states at EU level, the German federal government was ordered to review and revise the critical points of the notified GlStV by 23 April 2007. In their reply, the federal states insisted on their draft treaty. This led the EU Commission to write a further letter in which additional infringements of the GlStV against EU law were specified. Despite the infringements against applicable EU law highlighted by the EU Commission, the Minister Presidents of the individual federal states signed the notified GlStV in its current version and had it ratified by their respective state parliaments. As a reaction to this step, the EU Commission instituted formal infringement

proceedings against the Federal Republic of Germany in late January 2008. In an extensive accompanying letter, the German government (as representative of the federal states) was called upon to submit a response. This response was submitted to the EU Commission on 20 May 2008.

The GlStV, and subsequent legislation passed on the basis of the GlStV, would mean the complete elimination of Tipp24's current business basis in Germany from 1 January 2009 onwards. However, the probability that in such a case Tipp24 would receive temporary legal protection for the continuation of its activities in Germany from the respective courts can be regarded as fairly high. This assessment is based primarily on the fact that the provisions contravene EU law, as expressed by the EU Commission in their »Detailed Opinion«, in further official pronouncements of the EU Commission to the German government in the past year and in the accompanying letter to the German government as part of infringement proceedings instituted by the EU Commission. Our assessment is similarly supported by various expert opinions and comments made by renowned law professors, which state that the central legal provisions restricting Tipp24's activities contravene basic civil rights. In cases brought before various administrative courts in the first half of 2008 by affected private suppliers of gaming and regarding the legality of the GlStV, temporary legal protection has been granted with regard to the continuation of their activities. According to the GlStV, permission is required in every federal state for the Internet brokerage of lotteries in 2008. There is also doubt regarding constitutional law as to the legality of this statutory permission requirement and the attendant regulations. Tipp24 already took the precaution of applying for such permission in November 2007. In most cases, no decision has been taken regarding the applications. Tipp24 has been granted permission by two states, and has been rejected by five. Tipp24 has filed an action against these last decisions.

**Q.I-II 2008*****Electronic betting in Italy***

From 4 July 2006 to 27 August 2007 the website of Puntogioco24 was blocked due to a directive issued by the Italian authorities. It was therefore not possible for Tipp24 AG to carry out its business activities in Italy. Puntogioco24 took legal action and claimed for damages. A final ruling on the matter is expected in the second half of 2008. In May 2005, the public prosecutor had 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. Criminal proceedings instituted on 12 July 2006 at trial court ended on 27 September 2007 with an acquittal. No appeal was submitted by the public prosecutor. The verdict is therefore final. Tipp24 does not believe that Puntogioco24's activities breach the above mentioned 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; the lottery player therefore has a direct claim to the prize proceeds. The website of Puntogioco24 is currently blocked once again without reason. In our opinion, and on the basis of the

court verdict, this blockade contravenes valid law. Even in the case of a permanent blockade, no adverse effect on revenues or earnings is expected. Due to the previous long-term blockade, no significant contribution of Puntogioco24 was included in Tipp24's sales forecasts and the company is not currently generating profit. However, the great potential which the Italian market offers for Tipp24, already indicated during the establishment of business prior to the blockade, would no longer be accessible to Tipp24 in the longer term. The investments made by Tipp24 in Puntogioco24 so far consist mainly of its cumulative start-up losses.

***BUSINESS RISKS***

Tipp24 has signed agreements with nine German lottery companies which regulate Tipp24's online brokerage of state-licensed lottery products, and in particular transaction processing and the commissions paid for such brokerage. These agreements can be terminated by either party at short notice. Should the majority of these state lottery companies, or even all of them, decide to terminate their agreements with Tipp24, this might impede or even prevent direct transaction processing with the state lottery companies. This might result in a reduction of the average commission fee, and thus of our gross margin.

## **FORECAST REPORT**

Due to the regulations of the current GlStV, significant restrictions of our business activities in Germany are already possible during the current fiscal year. The main reasons for this are the law's provisions requiring a license for our business activities in each individual federal state and the possible restrictions of our advertising activities. In addition, there are already increased costs for new customer acquisition in order to meet the requirements for the protection of minors («PostIdent« process), as well as the termination of the products Oddset, scratch cards and Keno. We believe that these potential and actual restrictions are contrary to valid law. However, it is difficult to predict in which time frame and to which financial extent these restrictions will take hold. Against this backdrop, any growth forecast for the current fiscal year involves considerable uncertainties – which still apply. We therefore confirm the forecast made in our last annual report: we expect customer growth of at least 100 thousand new customers. As of 2008, only those new customers in Germany who have successfully completed the «Post-Ident« process will be registered. We expect an increase in billings, revenue and EBIT of at least 10%. This increase results partly from the positive effects of customer growth in the past year. Following the current transition phase of the European lottery markets, we expect a return to our historically proven medium-term growth targets – an annual increase in revenue of 30% and a disproportionately stronger increase in EBIT.

## **OPPORTUNITIES**

As a result of the above-mentioned discussions of the legal framework, we believe it is unlikely that Germany's legislators will act against valid law and political common sense by restricting the growing market of online lottery brokerage. Recently announced verdicts, especially of the Federal Constitutional Court and the Federal Cartel Authority, as well as various temporary verdicts at German administrative courts in the first half of 2008 with reference to European law, as well as supplementary regulations and official pronouncements on a European level, may result in steps towards deregulation in the medium term with a direct or indirect impact on lotteries. As an internationally aligned company, Tipp24 may benefit more than average from such a development: our German customers, above all, would gain 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 to freely pursue its business interests.



Q.I–II 2008

## CONSOLIDATED INCOME STATEMENT FOR THE PERIOD 1 JANUARY TO 30 JUNE ACC. TO IFRS

	Q.II 2008	Q.II 2007	Q.I–II 2008	Q.I–II 2007
in EUR				
Billings	75,491,850.00	70,806,227.82	162,285,418.27	139,583,428.67
Remitted stakes less commissions	-65,300,400.72	-61,756,551.75	-140,721,404.75	-121,625,501.79
<b>Revenue</b>	<b>10,191,449.28</b>	<b>9,049,676.07</b>	<b>21,564,013.52</b>	<b>17,957,926.88</b>
Other operating income	96,145.09	104,626.87	589,129.66	401,396.45
<b>Total operating performance</b>	<b>10,287,594.37</b>	<b>9,154,302.94</b>	<b>22,153,143.18</b>	<b>18,359,323.33</b>
<b>Operating expenses</b>				
Personnel expenses	-3,239,696.01	-2,781,827.91	-6,219,130.49	-5,198,654.98
Amortization/depreciation on intangible assets and property, plant and equipment	-316,631.77	-189,798.08	-606,940.11	-394,112.77
Other operating expenses	-5,019,501.81	-6,021,447.35	-10,928,633.25	-10,408,088.33
Marketing expenses	-2,495,664.06	-2,639,283.64	-5,821,441.96	-5,189,924.65
Direct costs of operations	-508,106.29	-752,458.97	-1,306,171.36	-1,485,263.92
Other costs of operations	-2,015,731.46	-2,629,704.74	-3,801,019.93	-3,732,899.76
<b>Result from operating activities</b>	<b>1,711,764.78</b>	<b>161,229.60</b>	<b>4,398,439.33</b>	<b>2,358,467.25</b>
Financial revenues	258,217.61	551,464.56	865,735.92	1,092,150.56
Financial expenses	-187,984.26	-1,614.68	-189,789.64	-6,914.37
<b>Financial result</b>	<b>70,233.35</b>	<b>549,849.88</b>	<b>675,946.28</b>	<b>1,085,236.19</b>
<b>Result from ordinary activities</b>	<b>1,781,998.13</b>	<b>711,079.48</b>	<b>5,074,385.61</b>	<b>3,443,703.44</b>
Income taxes	-175,920.03	-361,101.55	-1,592,079.86	-1,456,325.50
<b>Consolidated net profit</b>	<b>1,606,078.10</b>	<b>349,977.93</b>	<b>3,482,305.75</b>	<b>1,987,377.94</b>
Earnings per share (undiluted and diluted; in EUR/share)	0.20	0.04	0.43	0.23
Weighted average of ordinary shares outstanding (undiluted and diluted, in units)	8,037,696	8,573,585	8,079,960	8,716,751

Q.I–II 2008

## CONSOLIDATED BALANCE SHEET AS OF 30 JUNE ACC. TO IFRS

	30 Jun. 2008	31 Dec. 2007
<b>ASSETS</b> in EUR		
<b>Current assets</b>		
Cash, cash equivalents and securities	56,480,313.32	65,820,775.65
Pledged cash	550,000.00	300,000.00
Short-term financial assets	3,998,080.00	4,144,200.00
Trade receivables	11,767.42	6,955.12
Income tax refund claims	5,190.89	8,965.81
Other assets and prepaid expenses	6,571,801.24	14,245,207.31
<b>Total current assets</b>	<b>67,617,152.87</b>	<b>84,526,103.89</b>
<b>Non-current assets</b>		
Intangible assets	5,059,616.68	1,581,953.18
Other equipment, furniture & fixtures and leased assets (property, plant and equipment)	2,697,113.86	2,349,101.53
Financial assets	3,000,000.00	3,000,000.00
Deferred tax assets	107,060.04	281,761.02
<b>Total non-current assets</b>	<b>10,863,790.58</b>	<b>7,212,815.73</b>
	<b>78,480,943.45</b>	<b>91,738,919.62</b>
<b>EQUITY AND LIABILITIES</b> in EUR		
<b>Current liabilities</b>		
Trade payables	2,458,564.97	5,958,519.16
Other liabilities	19,933,951.87	26,810,648.21
Deferred income	216,024.12	416,233.67
Income tax liabilities	2,067,905.78	1,693,382.74
Provisions	855,719.99	894,893.95
<b>Total current liabilities</b>	<b>25,532,166.73</b>	<b>35,773,677.73</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	1,118,762.58	335,258.61
<b>Total non-current liabilities</b>	<b>1,118,762.58</b>	<b>335,258.61</b>
<b>Equity</b>		
Subscribed capital	8,872,319.00	8,872,319.00
Capital reserves	41,143,321.36	41,143,321.36
Other reserves	167,150.91	62,943.49
Retained earnings	16,375,970.83	16,886,209.08
Own shares	-14,728,747.96	-11,334,809.65
<b>Total equity</b>	<b>51,830,014.14</b>	<b>55,629,983.28</b>
	<b>78,480,943.45</b>	<b>91,738,919.62</b>

Q.I-II 2008

## CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD 1 JANUARY TO 30 JUNE

	Q.I-II 2008	Q.I-II 2007
in EUR		
Result from operating activities	4,398,439.33	2,358,467.25
<i>Adjustments for:</i>		
Amortization/depreciation on non-current assets	606,940.11	394,112.77
<i>Changes in:</i>		
Trade receivables	-4,812.30	-11,755.00
Other assets	7,673,406.07	1,544,981.48
Trade payables	-3,499,954.19	-366,414.02
Other liabilities	-6,876,696.34	871,071.71
Provisions	-39,173.96	140,852.46
Deferred income	-200,209.55	-144,180.90
Other interest and similar income	865,735.92	1,092,150.56
Interest expenses and similar expenses	-189,789.64	
Earned surplus	30,674.18	40,600.00
Taxes paid	-254,994.66	-763,161.58
<b>Cash flow from operating activities</b>	<b>2,509,564.97</b>	<b>5,156,724.73</b>
Investments for financial investments	146,120.00	2,226,694.44
Disbursements in intangible assets	-3,725,023.87	-183,232.72
Disbursements in property, plant and equipment	-708,174.36	-153,272.17
<b>Cash flow from investing activities</b>	<b>-4,287,078.23</b>	<b>1,890,189.55</b>
Purchase of own shares	-3,393,938.31	-7,972,178.60
Dividends paid to shareholders of the parent company	-3,992,544.00	0.00
<b>Cash flow from financing activities</b>	<b>-7,386,482.31</b>	<b>-7,972,178.60</b>
Change in cash, cash equivalents and securities	-9,163,995.57	-925,264.32
Cash, cash equivalents and securities at the beginning of the period	65,820,775.65	60,702,758.83
Change of cash from exchange rate differences	-1,875.00	0.00
Non-disclosed profit/loss	75,408.24	-142,320.04
Change in pledged cash and cash equivalents	-250,000.00	61,387.20
<b>Cash, cash equivalents and securities at the end of the period</b>	<b>56,480,313.32</b>	<b>59,696,561.67</b>
<b>Composition of cash, cash equivalents and securities at the end of the period</b>		
Cash on hand, bank balances and checks	10,854,542.22	33,257,689.91
Current investments	46,175,771.10	26,438,871.76
Pledged cash, cash equivalents and securities	-550,000.00	0.00
	<b>56,480,313.32</b>	<b>59,696,561.67</b>

Q.I-II 2008

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

in EUR	Subscribed Capital	Capital Reserves	Other Reserves	Retained Earnings	Own Shares	Total Equity
<b>As at 1 January 2007</b>	<b>8,872,319.00</b>	<b>41,143,321.36</b>	<b>21,690.02</b>	<b>10,614,350.65</b>	<b>0.00</b>	<b>60,651,681.03</b>
Own shares	0.00	0.00	0.00	0.00	-7,972,178.60	-7,972,178.60
Share-based payments	0.00	0.00	0.00	40,600.00	0.00	40,600.00
<i>Unrealised gains/losses</i>	<i>0.00</i>	<i>0.00</i>	<i>-142,320.04</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
<i>Foreign currency translation</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
Total result recognized directly in equity	0.00	0.00	-142,320.04	0.00	0.00	0.00
Net profit for the period	0.00	0.00	0.00	1,987,377.94	0.00	1,987,377.94
Total net profit for the period	0.00	0.00	-142,320.04	1,987,377.94	0.00	1,845,057.90
<b>As at 30 June 2007</b>	<b>8,872,319.00</b>	<b>41,143,321.36</b>	<b>-120,630.02</b>	<b>12,642,328.59</b>	<b>-7,972,178.60</b>	<b>54,565,160.33</b>
Own shares	0.00	0.00	0.00	0.00	-3,362,631.05	-3,362,631.05
Share-based payments	0.00	0.00	36,085.00	-40,600.00	0.00	-4,515.00
<i>Unrealised gains/losses</i>	<i>0.00</i>	<i>0.00</i>	<i>239,120.90</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
<i>Foreign currency translation</i>	<i>0.00</i>	<i>0.00</i>	<i>-91,632.39</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
Total result recognized directly in equity	0.00	0.00	147,488.51	0.00	0.00	0.00
Net profit for the period	0.00	0.00	0.00	4,284,480.49	0.00	4,284,480.49
Total net profit for the period	0.00	0.00	147,488.51	4,284,480.49	0.00	4,431,969.00
<b>As at 31 December 2007</b>	<b>8,872,319.00</b>	<b>41,143,321.36</b>	<b>62,943.49</b>	<b>16,886,209.08</b>	<b>-11,334,809.65</b>	<b>55,629,983.28</b>
Own shares	0.00	0.00	0.00	0.00	-3,393,938.31	-3,393,938.31
Share-based payments	0.00	0.00	30,674.18	0.00	0.00	30,674.18
Dividend payment	0.00	0.00	0.00	-3,992,544.00	0.00	-3,992,544.00
<i>Unrealised gains/losses</i>	<i>0.00</i>	<i>0.00</i>	<i>75,408.24</i>	<i>0.00</i>	<i>0.00</i>	<i>75,408.24</i>
<i>Foreign currency translation</i>	<i>0.00</i>	<i>0.00</i>	<i>-1,875.00</i>	<i>0.00</i>	<i>0.00</i>	<i>-1,875.00</i>
Total result recognized directly in equity	0.00	0.00	73,533.24	0.00	0.00	73,533.24
Net profit for the period	0.00	0.00	0.00	3,482,305.75	0.00	3,482,305.75
Total net profit for the period	0.00	0.00	73,533.24	3,482,305.75	0.00	3,555,838.99
<b>As at 30 June 2008</b>	<b>8,872,319.00</b>	<b>41,143,321.36</b>	<b>167,150.91</b>	<b>16,375,970.83</b>	<b>-14,728,747.96</b>	<b>51,830,014.14</b>

Q.I-II 2008

## SEGMENT REPORTING

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

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 basically equates to the geographical location of the respective customers.

Q.II in EUR thousand	Germany		Abroad		Consolidation		Consolidated	
	1 Apr.-30 Jun.		1 Apr.-30 Jun.		1 Apr.-30 Jun.		1 Apr.-30 Jun.	
	2008	2007	2008	2007	2008	2007	2008	2007
Billings	70,260	66,346	5,245	4,460	-13	0	75,492	70,806
<b>Revenue</b>	<b>8,915</b>	<b>7,954</b>	<b>1,276</b>	<b>1,095</b>	<b>0</b>	<b>0</b>	<b>10,191</b>	<b>9,050</b>
Depreciation/amortization	252	168	65	22	0	0	317	190
<b>EBIT</b>	<b>2,192</b>	<b>288</b>	<b>-480</b>	<b>-127</b>	<b>0</b>	<b>0</b>	<b>1,712</b>	<b>161</b>
Financial result							70	550
Income taxes							-176	-361
<b>Consolidated net profit</b>							<b>1,606</b>	<b>350</b>
<b>Assets</b>	<b>26,818</b>	<b>42,589</b>	<b>5,438</b>	<b>3,307</b>	<b>-7,061</b>	<b>-31</b>	<b>25,195</b>	<b>45,865</b>
<b>Debts</b>	<b>19,925</b>	<b>18,861</b>	<b>4,833</b>	<b>3,595</b>	<b>-1,295</b>	<b>-271</b>	<b>23,464</b>	<b>22,185</b>
Reconciliation to the balance sheet							53,286	45,874
<b>Total assets</b>							<b>78,481</b>	<b>91,739</b>
Reconciliation to the balance sheet							3,187	13,924
<b>Total debts</b>							<b>26,651</b>	<b>36,109</b>
<b>Investments</b>	<b>2,020</b>	<b>80</b>	<b>192</b>	<b>62</b>	<b>0</b>	<b>0</b>	<b>2,212</b>	<b>143</b>

**Q.I-II 2008**

Q.I-II in EUR thousand	Germany		Abroad		Consolidation		Consolidated	
	1 Jan.-30 Jun.		1 Jan.-30 Jun.		1 Jan.-30 Jun.		1 Jan.-30 Jun.	
	2008	2007	2008	2007	2008	2007	2008	2007
Billings	150,142	130,083	12,170	9,501	-26	0	162,285	139,583
<b>Revenue</b>	<b>18,685</b>	<b>15,657</b>	<b>2,879</b>	<b>2,301</b>	<b>0</b>	<b>0</b>	<b>21,564</b>	<b>17,958</b>
Depreciation/amortization	477	350	130	44	0	0	607	394
<b>EBIT</b>	<b>5,350</b>	<b>2,413</b>	<b>-952</b>	<b>-55</b>	<b>0</b>	<b>0</b>	<b>4,398</b>	<b>2,358</b>
Financial result							676	1,085
Income taxes							-1,592	-1,456
<b>Consolidated net profit</b>							<b>3,482</b>	<b>1,987</b>
<b>Assets</b>	<b>26,818</b>	<b>42,589</b>	<b>5,438</b>	<b>3,307</b>	<b>-7,061</b>	<b>-31</b>	<b>25,195</b>	<b>45,865</b>
<b>Debts</b>	<b>19,925</b>	<b>18,861</b>	<b>4,833</b>	<b>3,595</b>	<b>-1,295</b>	<b>-271</b>	<b>23,464</b>	<b>22,185</b>
Reconciliation to the balance sheet							53,286	45,874
<b>Total assets</b>							<b>78,481</b>	<b>91,739</b>
Reconciliation to the balance sheet							3,187	13,924
<b>Total debts</b>							<b>26,651</b>	<b>36,109</b>
<b>Investments</b>	<b>4,185</b>	<b>256</b>	<b>248</b>	<b>81</b>	<b>0</b>	<b>0</b>	<b>4,433</b>	<b>337</b>

Segment assets do not include deferred taxes, tax refund claims, shares in money market funds nor long- or short-term financial assets. Segment liabilities do not include deferred taxes, tax liabilities or interest-bearing liabilities. These items were summarised in the item »Reconciliation with the balance sheet«. The prior-year figures were adjusted accordingly.

## SELECTED EXPLANATORY NOTES

### GENERAL

The condensed consolidated interim report for the first half of 2008 was approved for publication by a resolution of the Executive Board on 24 July 2008.

The condensed consolidated interim report for the first half of 2008 was prepared in accordance with IAS 34 (Interim Financial Reporting).

The condensed consolidated interim report does not include all information and disclosures required by the consolidated annual financial statements and is therefore to be read in conjunction with the consolidated annual financial statements as of 31 December 2007.

The reporting period is 1 January to 30 June 2008.

The same accounting policies and calculation methods were used for this interim report as for the consolidated financial statements as at 31 December 2007.

The basis of consolidation consists of the subsidiaries listed below, in which the Company holds/held the following interests:

in %	30 Jun. 2008	31 Dec. 2007	Initial consolidation
Ventura24 S.L., Madrid, Spain	100	100	2001
GSG Lottery Systems GmbH, Hamburg, Germany	100	100	2001
Puntogioco24 s.r.l., Monza, Italy	100	100	2004
MyLotto24 Ltd., London, Great Britain	100	100	2007
Tipp24 Operating Services Ltd., London, Great Britain	100	100	2007
Tipp24 Services Ltd., London, Great Britain	100	100	2007
Tipp24 Entertainment GmbH, Hamburg, Germany	100	-	2008

In accordance with IAS 27 and SIC 12.10, Schumann e.K., Hamburg, was included in the consolidated financial statements, even though Tipp24 AG does not hold an equity interest or voting rights in it.

### EQUITY

In the period under review, the Executive Board made use of its authorization to buy back Company shares. A total of 233,184 shares or 2.63% of capital stock was bought back during the period under review. The number of shares outstanding fell from 8,218,272 to 7,985,088 during the period under review. The share buyback programme was thus completed. An amount of EUR 3,993 thousand was also paid in dividends.

**Q.I-II 2008****SHARE-BASED REMUNERATION**

The stock option plan of Tipp24 AG is a share-based remuneration system with compensation via equity instruments, so that the fair value is calculated at the time of granting. As of fiscal year 2007, the Company values the stock option plan 2005 of Tipp24 AG using financial valuation methods according to the Black-Scholes-Merton formula. A total amount of EUR 31 thousand for share-

based remuneration was recognized in personnel expenses in the first half of 2008. In the course of the third tranche of the stock option plan 2005, the Executive Board resolved as of 13 February 2008 to offer eligible employees a total of 25 thousand options. These were all accepted.

**OBJECTIVES AND METHODS OF FINANCIAL MANAGEMENT**

Tipp24 operates a central financial management system. All key decisions concerning the company's financial structure are taken by the Executive Board. Financial management is generally undertaken at group level. The principles and objectives of financial management, as well as the risks the Company is exposed to, were presented in detail in our annual report 2007.

The following table shows the significance of net gains or losses from key financial instruments:

**Financial assets 2008 – income and expenses**

in EUR	Q.I-II 2008	Q.I-II 2007	Q.I-II 2008	Q.I-II 2007
	Carried in equity		Carried in income statement	
<b>Financial assets</b>				
<b>Bank balances, cash on hand and securities</b>			<b>92,267.17</b>	<b>293,188.23</b>
<b>Other primary financial assets</b>				
Financial assets available-for-sale	75,408.24	-142,320.04	583,679.11	792,047.96
<b>Financial result</b>	<b>-</b>	<b>-</b>	<b>675,946.28</b>	<b>1,085,236.19</b>
<b>Other financial assets (short-term)</b>			<b>131,555.98</b>	<b>-349,600.67</b>

The net amount from other financial assets includes expenses from payment default and income from the realisation of these receivables, which are contained in »Other income« or »Other expenditure«.



**Q.1–II 2008**

The following table shows the risk from changes in the interest rate:

**Interest rate risk**

in EUR	Short-term	Long-term	Total
<b>30 Jun. 2008</b>			
<b>Variable interest rates</b>			
Bank balances and securities	10,454,542.22		<b>10,454,542.22</b>
Pledged cash	550,000.00		<b>550,000.00</b>
Other financial assets			
Financial assets available for sale	737,547.49	3,998,080.00	<b>4,735,627.49</b>
Financial assets held to maturity		3,000,000.00	<b>3,000,000.00</b>
<b>Fixed interest</b>			
Other financial assets			
Financial assets available for sale	45,288,223.61		45,288,223.61
	<b>57,030,313.32</b>	<b>6,998,080.00</b>	<b>64,028,393.32</b>
<b>31. Dec. 2007</b>			
<b>Variable interest rates</b>			
Bank balances and securities	10,839,348.97		<b>10,839,348.97</b>
Pledged cash	300,000.00		<b>300,000.00</b>
Other financial assets			
Financial assets held for trading	54,981,426.78		<b>54,981,426.78</b>
Financial assets available for sale		4,144,200.00	<b>4,144,200.00</b>
Financial assets held to maturity		3,000,000.00	<b>3,000,000.00</b>
<b>Fixed interest</b>			
–			
	<b>66,120,775.75</b>	<b>7,144,200.00</b>	<b>73,264,975.75</b>

**Interest rate risk**

Tipp24 only invests in financial assets secured by a capital guarantee. Financial assets currently held bear no currency risk and only a very limited interest risk. The latter applies merely to a part of the potential yield, but not to the invested amounts. Due to an interest hedging product, any change in the interest rate has only an insignificant impact on consolidated pre-tax earnings.

Our diversified interest investment policy largely protects us from interest rate risks in the short term. For a total investment volume of around EUR 55 million, the remaining risk amounts to about EUR 25 thousand p.a. should short-term interest rates change by 50 base points.

## RELATED PARTIES

The members of Tipp24 AG's Executive Board and Supervisory Board, as well as their immediate relatives, are regarded as related parties in accordance with IAS 24. The transactions and legal relationships of the companies included in the consolidated financial statements with these persons are detailed in the annual report 2007. Jaenecke & Cie. GmbH, Munich, in which Supervisory Board Chairman Mr Klaus F. Jaenecke holds an interest, provided the Company with consultancy services for which it received total fees

of EUR 11 thousand in the period under review. Remuneration was in line with standard market conditions. During the period under review, the Company also acquired planning services amounting to EUR 17 thousand from the architecture firm of Dr.-Ing. Ulrich Cornehl in connection with various reconstruction projects. Ulrich Cornehl is the brother of the Executive Board member Dr. Hans Cornehl.

## OTHER DISCLOSURES

In the period under review, the Executive Board consisted of Dr. Hans Cornehl and Jens Schumann, and from 1 April 2008 onwards also of Petra von Strombeck and Marcus Geiß.

The members of the Supervisory Board were Klaus F. Jaenecke (Chairman), Oliver Jaster (Deputy Chairman) and Annet Aris. At the Annual General Meeting of 29 May 2008, Klaus F. Jaenecke and Annet Aris were re-elected. Dr. Hans Wilhelm Jenckel did not stand for re-election and was replaced by Oliver Jaster (Deputy Chairman) as the new member of the Supervisory Board.

The members of the Executive Board and Supervisory Board acquired or sold the following number of shares in Tipp24 AG in the first half of 2008 (Directors' Dealings). As of 30 June 2008 they held the following amounts of shares in Tipp24 AG (Directors' Holdings):

### Directors' Dealings & Holdings

Shares	31 Dec. 2007	Additions	Disposals	30 Jun. 2008
Dr. Hans Cornehl	134,695	0	0	134,695
Marcus Geiß	0	6,000	0	6,000
Jens Schumann	903,518	0	0	903,518

Hamburg, 24 July 2008

The Executive Board

**Jens Schumann**

(Chairman of the  
Executive Board)

**Dr. Hans Cornehl**

(Deputy Chairman  
of the Executive Board)

**Marcus Geiß**

**Petra von Strombeck**

## **RESPONSIBILITY STATEMENT**

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group interim management report includes a true and fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the group in the rest of the fiscal year.

Hamburg, 24 July 2008

Jens Schumann	Dr. Hans Cornehl
Marcus Geiß	Petra von Strombeck

## *FINANCIAL CALENDAR*

---

3 November 2008

Nine-Month Report 2008

11-12 November 2008

Analyst Conference (Frankfurt am Main, Germany)

### **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](http://www.tipp24-ag.de)