

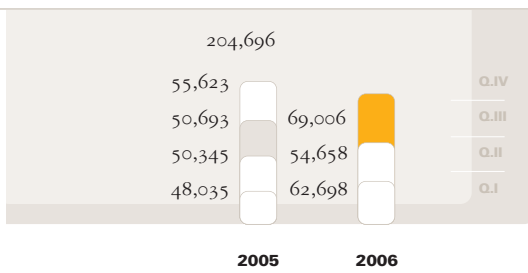
STEADY COURSE IN CHOPPY WATERS

9-month Report | 01.01.—30.09.2006

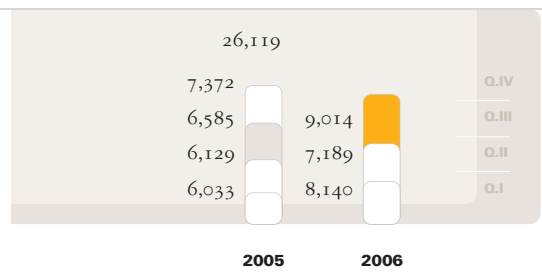
<i>BILLINGS Q.I-III</i>	<i>+ 25.0%</i>
<i>REVENUES Q.I-III</i>	<i>+ 29.9%</i>
<i>EBIT Q.I-III</i>	<i>+ 21.2%</i>
<i>REGISTERED CUSTOMERS Q.I-III</i>	<i>+ 259 thousand</i>

Q3 06

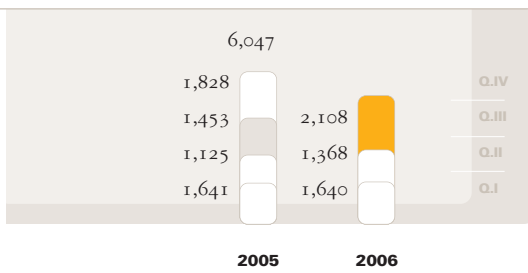
BILLINGS IN EUR THOUSAND



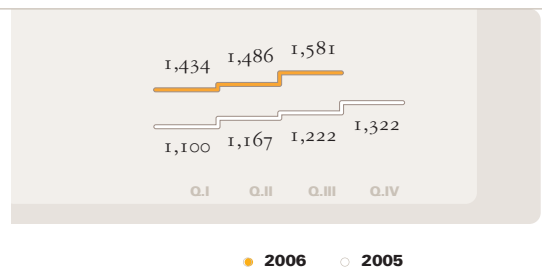
REVENUES IN EUR THOUSAND



EBIT IN EUR THOUSAND



REGISTERED CUSTOMERS IN THOUSAND



CONTENTS

Foreword... **1** | Investor Relations... **2** | Interim Group Management Report... **4**
 Interim Consolidated Financial Statements ... **18**

FOREWORD

Ladies and gentlemen, We are pleased to report that Tipp24 AG's positive development remained unbroken in the third quarter of 2006. Despite the regulatory uncertainties dominating our market environment, we remained firmly on course: billings (+ 25%), revenues (+ 30%) and EBIT (+ 21%) all reached double-digit growth once again.

The outstanding occurrence of the reporting period was the exceptionally high jackpot of EUR 27 million in the last draw of the third quarter – which eventually reached a record level of EUR 35 million in the first week of October. Such developments always have an extremely positive impact on our business: in the first week of October we gained over 100 thousand new customers in Germany.

At the same, however, the continuation of intensive political and legal discussions concerning the future of the German market served to dampen demand for the Tipp24 share, which reached its lowest price so far in the third quarter. Apart from this effect, there have been no direct implications for our business activity, although we expect the discussions to continue unabated. Our legal position is strengthened on the one hand by constitutional law, antitrust law and European law. On the other hand, Germany's state premiers are planning to adopt a resolution on 13 December 2006 concerning the State Treaty on Gaming which, in the worst case, could still wholly or partially eliminate our business basis.

We are particularly encouraged by the further year-on-year increase in the proportion of foreign revenues to 12.4% – even though our activities in Italy continue to be severely restricted.

Irrespective of the fact that we continue to regard our prospects as excellent – assuming the legal conditions remain unchanged – with further dynamic growth of the online lottery market, on 6 October we adjusted the forecast of 50% EBIT growth contained in our half-year report. Contrary to our prior assumptions, we currently no longer expect the »ExtraLotto« New Year's Eve lottery to be held this year – a development which will have a significant negative impact on the growth of revenues and earnings in the current fiscal year.

For the fiscal year 2006 we therefore forecast only a slight year-on-year increase in EBIT (2005: EUR 6.0 million). We continue to expect sales growth of 30–40% and an increase in new registered customers of 300–400 thousand in 2006.

With best regards,

The Executive Board

Dr. Hans Cornehl, Marc Peters, Jens Schumann

Q.III 2006

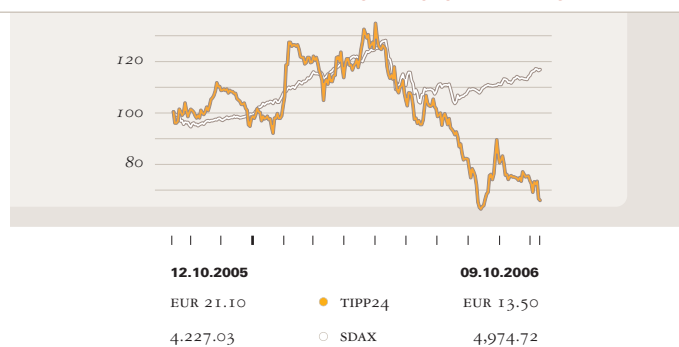
KEY CONSOLIDATED FIGURES OF TIPP24 AG ACC. TO IAS/IFRS

		Q.I-III 2006	Q.I-III 2005	CHANGE %
Billings	EUR THOUSAND	186,362	149,073	+ 25.0
Revenues	EUR THOUSAND	24,344	18,746	+ 29.9
Gross margin	%	13.1	12.6	+ 0.5% POINTS
EBIT	EUR THOUSAND	5,116	4,220	+ 21.2
EBIT margin	%	21.0	22.5	- 1.5% POINTS
Net profit	EUR THOUSAND	5,718	2,291	+ 149.6
Acquisition costs per new customer	EUR	22.60	20.96	+ 7.8
Cash flow from operating activities	EUR THOUSAND	5,968	5,705	+ 4.6
Equity	EUR THOUSAND	58,923	10,111	+ 482.8
Registered customers (as of 30 September)	THOUSAND	1,581	1,222	+ 29.4
Employees (as of 30 September)		151	118	+ 28.0

TIPP24 SHARE

UNCERTAIN ENVIRONMENT DAMPENS DEVELOPMENT

PERFORMANCE OF THE TIPP24 SHARE



KEY FIGURES PER SHARE (XETRA)

Highest price (2 May 2006)	EUR 27.84
Lowest price (10 August 2006)	EUR 12.61
Share price (1 January 2006)	EUR 20.30
Share price (30 Sep. 2006)	EUR 14.82
Earnings per share (<i>undiluted</i>)	EUR 0.64
Market capitalization (1 January 2006)	EUR 180.11 million
Market capitalization (30 Sep. 2006)	EUR 131.49 million

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, Berenberg Bank, Sal Oppenheim, Citigroup
Reuters	TIMGn.DE
Bloomberg	TIM GR

Following a weak second quarter, the share markets began to gain ground again in the third quarter of the year: the SDAX opened on the first trading day of the period at 4,715.90 points and closed on the last trading day at 4,930.43 points, representing growth of 4.5%.

In a market dominated by the insecurity of the regulatory environment (to be explained in more detail in the following management report), the Tipp24 share suffered considerable losses: it fell to an all-time low of EUR 12.61 in the third quarter.

Our investor relations activities focused of course on explaining the current regulatory environment. We held numerous face-to-face talks and conference calls in order to inform the capital market about the opportunities and risks for Tipp24 resulting from the current legal discussions.

INTERIM GROUP MANAGEMENT REPORT

BETWEEN SUPER JACKPOT AND REGULATORY DISCUSSIONS

BUSINESS AND ECONOMIC CONDITIONS

SUCCESSFUL BUSINESS MODEL

Tipp24 AG markets 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. Tipp24 AG also offers selected partners with high-reach websites the complete handling of their internet lottery activities. We have also been active on the Spanish market since 2002 with Ventura24 S.L. and on the Italian market – with restrictions – since early 2005 with Puntogioco24 srl., which both offer comparable product portfolios and business models.

ECONOMY DISPLAYING SUSTAINED GROWTH

The global economy has continued to expand strongly in 2006. Over the last few months, however, there has been a marked slowdown in the pace of growth. A noticeable decline in the utilization of economic capacities is expected in the coming months, especially in the USA, combined with a slowdown in the growth of consumer spending. The Euro zone economies continued to enjoy strong growth with further acceleration in general economic output. Inflation is expected to fall slightly in the coming months – provided that oil prices remain stable.

MARKET AND SECTOR: INTENSIVE POLITICAL AND LEGAL DISCUSSIONS CONTINUE

The first nine months of the current fiscal year were dominated by intensive political and legal discussions about Germany's gaming market and its respective legal conditions. These were based on various verdicts, official decisions and political statements of intent at the highest level. The main stations will be described below. There are no direct effects on Tipp24's business activities at present. However, we do see new opportunities and new risks for our further business development, which will be discussed in detail in the corresponding sections of this report.

- On 28 March 2006 the **Federal Constitutional Court** (Bundesverfassungsgericht – BVerfG) announced its long-awaited **verdict on the legality of private sports betting** in Germany. The essence was that the current sports betting monopoly was unconstitutional, but that it could continue to exist providing it ensured effective measures to combat addictive gambling in future. The state was instructed to either redesign its product by late 2007 in such a way that it met requirements for combating gambling addiction (e.g. restricted access, information instead of advertising), or to open the market for private companies. It was also stated that the current legislation would remain valid until the end of 2007. As a consequence, nearly all the federal states and their respective lottery companies decided to first take effective measures to combat addictive gambling and in particular to restrict advertising for sports betting.

- On 22 June 2006 the Federal Constitutional Court's verdict of 28 March 2006 and its decision on the sports betting monopoly was welcomed at the **Minister President Conference** in Berlin. The participants agreed that the state lottery monopoly should be maintained and further developed on the basis of the verdict. A working party was commissioned to develop a **new State Treaty on Gaming** which would regulate sports betting within the framework of the state monopoly and in line with the Federal Constitutional Court's requirements. This draft treaty is to be presented at the Minister President Conference on 13 December 2006. The new State Treaty on Gaming is to be limited to four years.
- On 12 August 2006 the regional lottery companies and the Deutsche Lotto- und Totoblock (DLTB) were notified by the **Federal Cartel Authority** of various infringements of German and European antitrust law. In detail, it is forbidden to
 - prevent commercial game brokers from setting up stationary brokerage stands for lotteries e.g. in supermarkets and petrol stations,
 - create a geographical market division between the 16 German lottery companies and
 - to register bets collected by commercial game brokers with the aim of dividing the bets between federal states in a non-competitive way.
- On 8 September 2006 the **Regional Appeal Court (OLG) Düsseldorf** issued an **interim order in favor of Deutsche Lotto- und Totoblock (DLTB)**.
- In September 2006 the amended **draft version of a new State Treaty on Gaming** was published which provides for significant restrictions for the marketing and advertising of all forms of gaming, especially via the internet.

RESEARCH & DEVELOPMENT

In the first nine months of 2006, our development activities focused on the following new products and product modifications:

- New development of the »ARD-Fernschlotterie« product (TV lottery show) for the German market,
- New development of the Spanish standard lottery products »BonoLoto«, »La Quiniela« and »El Gordo«,
- Improved functionality of the Italian product »SuperEnalotto«,
- Modification of the »Oddset« tickets for best-possible user-friendliness,

- Modification of the »Lotto« ticket for best-possible user-friendliness,
- Preparations for business expansion with WEB.DE,
- Electronic link with the state lottery companies of Bremen and Baden-Württemberg.

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

- Development of software systems to analyze gaming behavior of our customers,
- Ongoing adaptation of security systems to the latest standards,
- Ongoing development of software systems for expanded capacity,
- Launch of a new database archiving system.

All the above-mentioned projects were completed by our in-house development departments. We did not acquire any external R&D know-how.

At the end of the first nine months, 59 employees were involved with R&D activities on a full-time or part-time basis. R&D expenses amounted to EUR 2.0 million and resulted mainly from personnel costs.

EARNINGS, FINANCIAL POSITION AND NET ASSETS

EARNINGS

Tipp24 successfully continued its growth in the third quarter of 2006. In comparison with the previous year, there was one **special effect** to consider:

- The draw for the biggest ever jackpot (EUR 35 million) in the history of German lottery in the third/fourth quarter of 2006 led to an exceptional increase in new customers, billings and the activity rate of existing customers.

Apart from the above mentioned special effect, we did not observe any specific seasonal or economic influences in the third quarter.

Q.III 2006

	Q.I–III 2006		Q.I–III 2005		CHANGE	
	EUR THOUSAND	%	EUR THOUSAND	%	EUR THOUSAND	%
Billings	186,362		149,073		37,289	25.0
Remitted stakes less commissions	162,018		130,327		31,691	24.3
Revenues	24,344	100.0	18,746	100.0	5,598	29.9
Personnel expenses	- 5,894	24.2	- 5,003	26.7	- 891	17.8
Other operating expenses	- 13,047	53.6	- 9,230	49.2	- 3,817	41.4
Less other operating income	240	1.0	165	0.9	75	45.5
Operating expenses	- 18,701	76.8	- 14,068	75.0	- 4,633	32.9
EBITDA	5,643	23.2	4,679	25.0	964	20.6
Amortization/depreciation	- 528	2.2	- 459	2.4	- 69	15.0
EBIT	5,116	21.0	4,220	22.5	896	21.2
Financial result	611	2.5	177	0.9	434	245.2
Net profit before taxes	5,727	23.5	4,397	23.5	1,330	30.2
Income taxes	- 9	0.0	- 2,106	11.2	2,097	- 99.6
Net profit	5,718	23.5	2,291	12.2	3,427	149.6
Breakdown of other operating expenses						
Marketing expenses	8,246	33.9	5,143	27.4	3,103	60.3
– Marketing expenses for own customers	5,852	24.0	4,004	21.4	1,848	46.2
– Business Service commissions	2,393	9.8	1,139	6.1	1,254	110.1
Direct operating costs	2,142	8.8	2,004	10.7	138	6.9
Other costs of operations	2,659	10.9	2,082	11.1	577	27.7
Other operating expenses	13,047	53.6	9,230	49.2	3,817	41.4

(Rounding differences due to presentation in EUR thousand)

Development of earnings

In the first nine months of the current fiscal year we succeeded in raising **EBIT** by 21.2%, compared with the same period last year, to EUR 5,116 thousand. The EBIT margin fell by 1.5% points to 21.0%. Although revenues grew by 29.9% to EUR 24,344 thousand, there was a year-on-year increase in operating expenses of 41.4% to EUR 13,047 thousand.

This strong rise in costs was due mainly to marketing expenses, which accounted for 33.9% of revenues (prior year: 27.4%). (Further details are provided in the section »Development of key income statement positions«).

The development of EBIT continued to be influenced mainly by the company's »Germany« segment, which contributed EUR 5,204 thousand in the first nine months.

The domestic EBIT margin fell by 4.5% points to 24.4%, due mainly to the above-mentioned cost effects. The »Abroad« segment almost reached break-even in the first nine months of 2006 with an EBIT of EUR - 88 thousand, compared with EUR - 760 thousand in the previous year.

Earnings after tax grew by 149.6% over the same period last year to reach EUR 5,718 thousand. There was a corresponding increase in net operating margin after tax of 11.3% points to 23.5%. This strong increase, compared with EBIT, is due to tax income of EUR 2,325 thousand resulting from the investment of liquid funds in reverse convertible transactions in the first half-year. This is a one-off effect which will have a beneficial impact on the Group's tax ratio for the year as a whole in 2006.

Earnings per share (undiluted) grew in the first nine months from EUR 0.34 to EUR 0.64, compared with the same period last year. In order to guarantee comparability, the share figures for the periods before the capital increase from company funds of 24 August 2005 – during which two further shares were issued per share – have been adjusted by a factor of three pursuant to IAS 33. The increase in earnings per share (+ 88.2%) is less than the total increase in net profit, due to the effect of the capital increase of 2,176,000 shares during the initial public offering.

Development of revenues

In the first nine months of the current fiscal year, there was a year-on-year increase in **registered customers** of 359 thousand to 1,581 thousand. Compared with the balance sheet date, we gained a total of 259 thousand registered customers in the first three quarters of 2006.

Due to the very favorable jackpot situation in the third quarter, we were able to gain 95 new customers in this period. Billings reached EUR 186,362 thousand – representing a year-on-year increase of 25.0%.

The ratio of billings to revenues – **gross margin** – increased by 0.5% points to 13.1%. This was due mainly to the larger proportion of billings in our »Abroad« segment, where the gross margin reached 26.5% and was thus considerably higher than the 12.2% gross margin of our »Germany« segment (prior year: Abroad 27.0%; Germany 12.0%).

We were thus able to achieve a more than proportional increase in **revenues** – consisting mainly of commissions and additional fees – of 29.9% to EUR 24,344 thousand.

Revenues were once again dominated by the contribution of our German operations, which accounted for 87.6% of total revenues in the first nine months of 2006. They were up 23.6% on the prior-year period to EUR 21,318 thousand. Billings in Germany grew by 21.9% to EUR 174,952 thousand, while gross margin was slightly up on the prior-year level at 12.2%. The contribution of our foreign operations grew from 8.0% in the first nine months of 2005 to 12.4% in the period under review.

Development of orders

Owing to the nature of our business 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 17.8% to EUR 5,894 thousand in the first nine months of 2006, due mainly to the recruitment of further staff. The increase in personnel expenses was proportionately less than the rise in revenues and consequently the personnel expense ratio fell further to 24.2% (26.7%). At the end of the third quarter, the number of employees amounted to 151 (118). There were an average of 143 employees (110) in the first nine months of 2006.

Other operating expenses saw year-on-year growth of 41.4% to EUR 13,047 thousand in the first nine months. The development in detail was as follows:

- **Marketing expenses** rose by 60.3% to EUR 8,246 thousand (33.9% of revenues). They are divided into marketing expenses for our own customers and commissions paid to Business Service partners. Marketing expenses for our own customers grew by 46.2% to EUR 5,852 thousand, compared to last year. We used the favorable jackpot situation in the first quarter of 2006 to strengthen our customer canvassing activities. Whereas we strongly reduced marketing expenses for our own customers in the second quarter, due to the unfavorable jackpot situation, we used the extremely high jackpot in the third quarter to strengthen customer canvassing activities once again. Commissions to Business Service partners were up 110.1% to EUR 2,393 thousand, compared with the same period last year. This increase resulted from the rapid expansion of activities with WEB.DE (since May 2006) and the acquisition of the new Business Service partners T-Online (since September 2005) and RTLtipp.de (since May 2005).
- **Direct operating expenses** grew by 6.9% – and thus much more slowly than billings – to EUR 2,142 thousand and accounted for 1.1% of total billings (prior year: 1.3%). Due to improved conditions for payment transactions and more efficient protection against payment defaults, we continued to achieve economies of scale.
- The year-on-year increase in **other operating expenses** of 27.7% (EUR 2,082 thousand) to EUR 2,659 thousand in the first nine months resulted from an increase in the proportion of fixed costs due to IPO-related expenses. Moreover, the increase in headcount led to an increase in office costs and further costs were incurred by test and analysis projects in connection with the expansion of our business activities.

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 grew in the first nine months of 2006 by EUR 69 thousand (15.0%) to EUR 528 thousand. This development is in line with the volume of investments made.

FINANCIAL POSITION

Due to the positive result earned so far in the present fiscal year, equity rose by EUR 5.7 million to EUR 58.9 million. Compared with the balance sheet of December 31, 2005, however, there was a decrease in the equity ratio of 1.4% points, from 73.7% to 72.3%. This was due to an increase in the balance sheet total resulting from increased liabilities for gaming operations and other assets caused by the favorable jackpot situations.

Other liabilities rose by 9.3% to EUR 18,794 thousand, due mainly to an increase in liabilities for gaming operations. Due to the favorable jackpot situation in the third quarter, liabilities were much higher on 30 September 2006 than on 31 December 2005 – both to customers for winnings not yet remitted and to lottery companies for tickets not yet paid.

Other liabilities IN EUR	30 Sep. 2006	31 Dec. 2005
Liabilities for gaming operations	17,721,031.25	15,342,259.91
Liabilities for taxes	521,679.84	391,633.62
Liabilities relating to social security	65,692.98	164,119.17
Others	485,596.75	1,296,550.46
	18,794,000.82	17,194,563.16

Investment analysis

In the period under review, we made total investments of EUR 7,041 thousand. The major share of this total was accounted for by two short-term financial investments with capital guarantee and fixed and variable interest components, in which we invested EUR 6,500 thousand. The remaining amount was devoted mainly to developing our German operations (software EUR 104 thousand, hardware EUR 190 thousand and EUR 60 thousand for furniture, fixtures and office equipment). Outside Germany, investments focused on technical and office fittings for our subsidiaries (EUR 187 thousand).

The main investment projects in the first nine months were the expansion of our live systems, the further growth-related increase in office space and the launch or further development of mobile sales channels.

We will continue to expand our live systems in 2006 in line with growing capacity needs and the continuing development of security standards. We also plan to regularly update our office systems.

Liquidity analysis

Key cash flow positions IN EUR THOUSAND	Q.I–III 2006	Q.I–III 2005
Cash flow from operating activities	5,968	5,705
Cash flow from investing activities	- 7,041	- 873
Cash flow from financing activities	0	4
= Net increase/decrease in cash and cash equivalents	- 1,073	4,836
+ Cash and cash equivalents at beginning of the period	57,173	12,892
- Change in pledged cash and cash equivalents	- 61	310
= Cash and cash equivalents at end of the period	56,039	18,038

(Rounding differences due to presentation in EUR thousand)

At EUR 5,968 thousand, **cash flow from operating activities** was slightly higher than in the previous year. Contrary to the same period last year, the balance of changes in other assets and other liabilities in the first nine months of 2006 – which mainly reflect the accounting of gaming operations (receivables from banks and credit card companies, receivables/payables from/to lottery organizers, payables to customers) – did not make a significant contribution to cash flow.

In the first half-year dividend income from reverse convertible transactions amounted to EUR 9,278 thousand. A compensation payment of the same amount and a borrowing fee of EUR 440 thousand were transferred to the borrower. At the same time, interest income of EUR 1,054 thousand was received from the investment of liquid funds – also as security for the above mentioned transactions. The corporation tax losses resulting from the compensation payment led to tax income of EUR 2,325 thousand in the first

nine months of 2006, which will have a beneficial impact on the Group's tax ratio for 2006 as a whole. In the current year, Tipp24 has made tax prepayments (after consideration of tax rebates) of EUR 894 thousand. This amount is based on the company's past business development. The company has income tax refund claims of EUR 668 thousand.

Cash flow from investing activities grew by EUR 6,168 thousand, compared with the previous year, to EUR 7,041 thousand. The increase was mainly due to the financial investment, described above, of EUR 6,500 thousand.

The cash flow from our IPO in October 2005 was the main reason for the strong year-on-year increase in cash and cash equivalents. The company's **cash and cash equivalents** consist mainly of bank balances (EUR 7,216 thousand) and money market fund units bearing a capital guarantee and a six-monthly interest guarantee (EUR 48,823 thousand). There are no other currency, interest or exchange rate risks.

ASSET SITUATION

The assets of Tipp24 mainly comprise current assets amounting to EUR 73,347 thousand (EUR 64,840 thousand as of Dec. 31, 2005). In turn, these consist largely of cash, cash equivalents and securities (EUR 56,039 thousand), short-term financial assets (EUR 6,533 thousand) and other assets (EUR 9,949 thousand).

The change in other assets compared with December 31, 2005 results mainly from changes in receivables from gaming operations, similar to changes in liabilities for gaming operations, and is in line with usual operating fluctuations for this item.

Tipp24 also has intangible assets – mainly software – amounting to EUR 396 thousand, property, plant and equipment – mainly hardware and office equipment – amounting to EUR 1,200 thousand and held-to-maturity financial assets totaling EUR 5,000 thousand. The remaining deferred tax assets amounted to EUR 1,524 thousand at the end of the quarter.

ASSESSMENT OF THE ECONOMIC POSITION

We continue to regard the economic position of the Tipp24 Group as very stable with excellent development prospects. This was confirmed once again by our success in the first nine months of 2006. Tipp24 is excellently positioned to benefit strongly from the ongoing growth of those online lottery markets in which we operate. The changing political and legal conditions in Germany may lead to significant additional prospects for our business. Against the backdrop of recent developments in Germany's regulatory environment, however, there also additional risks.

Due to the low volume of our relatively young business in Italy, the current significant limitation of activities has only had a minor negative influence on the Group's expected revenue development so far.

The IPO of Tipp24 AG greatly enhanced our scope to grasp growth opportunities – for example through acquisitions. We have largely completed preparations for the first steps in this direction. These steps will be implemented in the near future subject to major decisions still pending in the regulatory environment.

Other assets and prepaid expenses IN EUR	30 Sep. 2006	31 Dec. 2005
Receivables from gaming operations	8,553,517.01	6,763,245.63
Prepaid expenses	756,615.63	113,700.38
Other	638,817.27	326,114.34
	9,948,949.91	7,203,060.35

SUBSEQUENT EVENTS

In September/October the largest ever jackpot (EUR 35 million) in the history of the German »Lotto« was drawn – resulting in an exceptional increase in new customers, billings and the activity rate of our existing customers. With the aid of targeted marketing activities, we were able to use this extremely favorable environment to gain over 100 thousand new registered customers in Germany for the Tipp24 Group in the first week of October alone.

On 6 October 2006, Tipp24 informed the capital market in an ad hoc announcement (acc. to §15 WpHG) that – contrary to previous expectations – it no longer expects the »ExtraLotto« New Year's Eve lottery to be held this year. According to the company's estimations, this will have a significant negative effect on the expected growth of revenues and earnings of the Tipp24 Group in its current fiscal year. At the same time, the above-mentioned marketing activities relating to the unusually high jackpot led to a proportionately higher increase in marketing expenses compared with revenues. The company therefore expects a short-term, additional reduction in EBIT margin in the current fiscal year, as earnings from newly acquired customers in the remaining months of this year are unlikely to compensate for the cost of acquiring these customers. Consequently, we have adjusted our EBIT forecast for the current fiscal year.

At the Minister President Conference on 20 October 2006, the state premiers confirmed their intention to maintain the state monopoly for gaming and betting with a new State Treaty on Gaming. The draft version proposes to ban advertising and marketing of gaming products via the internet, although there are to be exceptions for lottery products with two or less draws per week. However, the exceptions have been formulated in such a way that, if the draft were implemented, the acquisition of new customers would at least be seriously impeded. Moreover, private gaming brokers would need a license for each individual federal state – there would be no legal claim to receiving such a license even if the aforementioned conditions were met. Legal opinions, however, (including those of Prof. Dr. Pieroth of the University of Münster and Prof. Dr. Horn of the University of Marburg) question the constitutional legality of this and other regulations in the draft. Furthermore, the EU's Internal Market Commissioner, Mr. McCreevy, publicly aired considerable doubts as to whether the draft was in line with current EU legislation. A decision of the cartel division of the Regional Appeal Court (OLG) Düsseldorf in mid October supported this opinion by confirming a decision of the Federal Cartel Authority of 22 August 2006, which stated that the state lotteries are not allowed to hinder the activities of private gaming brokers.

Should the current draft version of the new State Treaty on Gaming be adopted and ratified unchanged, we believe there is a danger that the business activities of Tipp24 may be severely restricted or even prevented. The company is therefore currently undertaking intensive PR work and lobbying on this topic. As a consequence, we expect to incur additional costs in the middle six-figure euro range in the fourth quarter of 2006. Despite these extra burdens, however, the Tipp24 Group continues to uphold its revised forecast of 6 October for the current fiscal year – especially with regard to the slight year-on-year increase in EBIT (2005: EUR 6.0 million).

RISK REPORT

In our annual report 2005, 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 operating risks, market risks and risks resulting from the regulatory environment for the operations of Tipp24. In addition to this description of our risks, we would like to focus in particular on the following risks from the regulatory environment:

– Verdicts and political discussions concerning the gaming market

In the follow-up to the verdict of the Federal Constitutional Court (Bundesverfassungsgericht – BVerfG) of 28 March 2006, the respective state authorities are currently mainly pursuing the possibilities of effectively combating gambling addiction. Any further permanent restriction of advertising for the state-run sports betting product Oddset – especially while at the same time tolerating the advertising activities of private sports betting suppliers – might negatively impact the Oddset billings of Tipp24. Should – in addition to the BVerfG's demands – not only advertising for sports betting but also for other lottery products be restricted or even abandoned, this might have a significant adverse effect on the development of the lottery market and thus also on the future business development of Tipp24.

– *Political and legal uncertainties in the follow-up to the Bundesverfassungsgericht verdict*

In the follow-up to the Bundesverfassungsgericht verdict there have been various judicial verdicts, official directives and political statements of intent – as already described in the section »Market and Sector« – at various levels (including the very highest) with regard to the regulation of the gaming sector, some of which are highly contradictory. In this connection, the handling of the lotteries was also variously discussed. In particular, it is expected that a new State Treaty on Gaming will be concluded by the end of the year. In the current draft version of such a new State Treaty, for example, advertising for gaming and the marketing of all such games, including lotteries, via the internet is forbidden. The possibility cannot be excluded that these verdicts, directives and political discussions may result in the issuing of laws, ordinances or other directives which together may have a significant adverse effect on the development of the lottery market and thus also on the future business development of Tipp24. In particular, the issuing of legislation based on the above-mentioned draft State Treaty could result in the complete elimination of Tipp24's business basis.

– *Federal Cartel Authority verdict*

Furthermore, the warning of the Federal Cartel Authority (Bundeskartellamt) to the regional lottery companies and the Deutsche Lotto- und Totoblock (DLTB) with regard to a lifting of the »Regional Principle« and a possible expansion of online activity of individual lottery companies to the whole Federal

Republic could lead to increased competition and thus have an adverse effect on the future business development of Tipp24 in Germany.

– *Lottery law in Saxony-Anhalt*

In early February 2006, the state lottery of Saxony-Anhalt informed us that, in their opinion, Tipp24 was contravening the lottery laws of the state of Saxony-Anhalt. We received a letter with the same content from the respective authorities of Saxony-Anhalt in late March 2006. 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 since mid-2005 due to the afore mentioned regulation.

Furthermore, Tipp24 believes that the legality of the lottery law of Saxony-Anhalt is at least questionable. This law goes far beyond merely specifying the details of the existing State Treaty on Gaming. 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. An extensive report published in early April 2006 by Prof. em. Dr. Klaus Lüderssen of the University of Frankfurt/Main, supports Tipp24's interpretation of the law.

Irrespective of the actual legal validity of Saxony-Anhalt's lottery law, Tipp24 may be forbidden to broker lottery products without additional fees, at least until the matter is finally settled. Tipp24 would then 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 connection Tipp24 might be exposed to administrative and possibly criminal law sanctions.

– *Termination of agreements between state lottery companies and Tipp24*

Tipp24 has signed agreements with eight 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, and have further significant adverse effects on Tipp24's net assets, financial position and results of operations.

– *Electronic betting in Italy*

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. In April 2006 an official hearing period began on this topic. On 12 July 2006 criminal proceedings were finally instituted. At the same time, since 4 July 2006 the website of Puntogioco24 has been blocked due to a directive issued by the Italian authorities. It is therefore not possible for Tipp24 AG to carry out its business activities in Italy at present. An injunction against this directive has been applied for.

Tipp24 does not believe that Puntogioco24's activities breach the above mentioned provisions as 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.

There is a significant risk that the blocking of our website might be upheld and that our business in Italy might have to be completely terminated. This would result in a minor single-digit percentage reduction of our revenue expectations for the current year. No adverse effect on earnings is expected in such a case, as Puntogioco24 is still generating start-up losses. The investments made by Tipp24 in Puntogioco24 so far consist mainly of its cumulative start-up losses.

FORECAST REPORT

Assuming the current legal conditions remain unchanged, Tipp24 generally expects to continue its growth strategy of the past few years 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 further products. At the same time, we are preparing market entry in at least one further European market.

Against this background we expect to attract 300 to 400 thousand new registered customers per year and raise billings and revenues by 30–40% p.a. in each of the next two years. Due to the negative effect described in »Subsequent Events« on page 13, we expect EBIT to increase only slightly in the current year, as compared with the previous year (2005: EUR 6.0 million).

OPPORTUNITIES

As a result of the above-mentioned legal discussions, we do not expect German legislators to act against valid law and political common sense by restricting the growing online lottery market.

The various recent verdicts, especially that of the BVerfG, the decision of the Federal Cartel Authority (Bundeskartellamt) and the respective EU regulations might result in deregulation measures in the medium term, which could also directly or indirectly affect the lottery business. As an internationally operating company, Tipp24 may benefit more than average from this development. In particular, it would allow our German customers access to further highly attractive foreign products and enable Tipp24 to enter new markets with its existing products. Deregulation would also possibly result in a complete clarification of the legal situation in Italy and thus provide our Italian subsidiary Puntogioco24 with the opportunity to carry out its activities without restrictions.

Q.III 2006

CONSOLIDATED INCOME STATEMENT ACC. TO IFRS

IN EUR	Q.III 2006	Q.III 2005	Q.I-III 2006	Q.I-III 2005
Billings	69,006,333.88	50,693,064.25	186,361,667.87	149,072,670.91
Remitted stakes less commissions	- 59,992,093.75	- 44,108,290.00	-162,018,111.91	-130,326,173.69
Revenue	9,014,240.13	6,584,774.25	24,343,555.96	18,746,497.22
Other operating income	23,438.10	90,259.81	239,949.69	164,769.61
Total operating performance	9,037,678.23	6,675,034.06	24,583,505.65	18,911,266.83
Operating expenses				
Personnel expenses	- 2,018,670.66	- 1,793,023.08	- 5,893,716.61	- 5,002,769.39
Amortization/depreciation on intangible assets and property, plant and equipment	- 165,447.28	- 162,376.54	- 527,711.26	- 458,731.43
Other operating expenses	- 4,745,555.32	- 3,265,494.77	- 13,046,573.93	- 9,229,772.08
Result from operating activities	2,108,004.97	1,454,139.67	5,115,503.85	4,219,993.93
Financial result	400,602.57	66,193.88	611,280.12	177,226.87
Result from ordinary activities	2,508,607.54	1,520,333.55	5,726,783.97	4,397,220.80
Income taxes	- 998,663.62	- 705,314.13	- 8,510.15	- 2,105,970.00
Consolidated net profit	1,509,943.92	815,019.42	5,718,273.82	2,291,250.80
Earnings per share (undiluted and diluted; in EUR/share)	0.17	0.12	0.64	0.34
Weighted average number of ordinary shares outstanding (undiluted and diluted)	8,872,319	6,696,273	8,872,319	6,696,273

Q.III 2006

CONSOLIDATED BALANCE SHEET ACC. TO IFRS

ASSETS IN EUR	30 Sep. 2006	31 Dec. 2005
Current assets		
Cash and cash equivalents	56,039,213.78	57,173,611.83
Pledged cash	61,387.20	0.00
Short-term financial assets	6,532,600.00	0.00
Trade receivables	96,655.09	165,779.86
Income tax refund claims	668,340.80	297,257.71
Other assets and prepaid expenses	9,948,949.91	7,203,060.35
Total current assets	73,347,146.78	64,839,709.75
Non-current assets		
Intangible assets	395,661.58	446,313.32
Other equipment, furniture and fixtures and leased assets	1,199,871.17	1,175,456.16
Financial assets	5,000,000.00	5,000,000.00
Deferred tax assets	1,524,262.90	673,766.93
Total non-current assets	8,119,795.65	7,295,536.41
	81,466,942.43	72,135,246.16
EQUITY AND LIABILITIES IN EUR	30 Sep. 2006	31 Dec. 2005
Current liabilities		
Trade payables	2,832,615.10	1,240,712.71
Current lease liabilities	0.00	37,475.65
Other liabilities	18,794,000.82	17,194,563.16
Deferred income	176,135.76	180,961.67
Income tax liabilities	352,654.77	0.00
Provisions	344,223.53	200,282.19
Total current liabilities	22,499,629.98	18,853,995.38
Non-current liabilities		
Non-current lease liabilities	0.00	47,893.25
Deferred tax liabilities	44,445.70	48,200.72
Total non-current liabilities	44,445.70	96,093.97
Equity		
Subscribed capital	8,872,319.00	8,872,319.00
Capital reserves	41,143,321.36	41,143,321.36
Other Reserves	19,436.12	0.00
Retained earnings	8,887,790.27	3,169,516.45
Total equity	58,922,866.75	53,185,156.81
	81,466,942.43	72,135,246.16

Q.III 2006

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD 1 JANUARY TO 30 SEPTEMBER

IN EUR	Q.I-III 2006	Q.I-III 2005
Cash flow from operating activities		
Result from operating activities	5,115,503.85	4,219,993.93
<i>Adjustments for:</i>		
Amortization/depreciation on non-current assets	527,849.60	458,731.43
Loss on the disposal of non-current assets	38,954.34	21,814.02
<i>Changes in:</i>		
Trade receivables	69,124.77	- 8,695.91
Other assets	- 2,745,889.56	- 1,517,205.57
Trade payables	1,591,902.39	347,576.36
Other liabilities	1,599,437.66	2,116,295.16
Provisions	58,572.44	221,685.00
Deferred income	- 4,825.91	0.00
Interest received and similar income	1,054,468.61	185,817.19
Fee for share loan	- 440,340.31	0.00
Interest paid and similar expenses	- 2,848.18	- 33,020.31
Taxes paid	- 894,353.34	- 307,782.02
Cash flow from operating activities	5,967,556.36	5,705,209.28
Cash flow from investing activities		
Cash received from the disposal of non-current assets	0.00	6,935.55
Disbursements for financial investments	- 6,500,000.00	0.00
Investments in intangible assets	- 118,794.08	- 266,953.10
Investments in property, plant and equipment	- 421,773.13	- 613,514.65
Cash flow from investing activities	- 7,040,567.21	- 873,532.20
Cash flow from financing activities		
Capital reserves	0.00	4,417.00
Cash flow from financing activities	0.00	4,417.00
Change in cash, cash equivalents and securities		
Change in cash, cash equivalents and securities	- 1,073,010.85	4,836,094.08
Cash, cash equivalents and securities at the beginning of the period	57,173,611.83	12,891,965.57
Change in pledged cash and cash equivalents	- 61,387.20	310,000.00
Cash, cash equivalents and securities at the end of the period	56,039,213.78	18,038,059.65
Composition of cash, cash equivalents and securities at the end of the period		
Cash on hand, bank balances and checks	7,215,728.51	15,805,066.20
Current investments	48,884,872.47	2,232,993.45
Pledged cash, cash equivalents and securities	- 61,387.20	0.00
	56,039,213.78	18,038,059.65

Q.III 2006

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

IN EUR	SHARE CAPITAL	CAPITAL RESERVES	OTHER RESERVES	RETAINED EARNINGS	TOTAL EQUITY
As at 1 January 2005	2,232,091.00	5,732,781.01	0.00	- 148,008.82	7,816,863.19
Net profit as of 30 September 2005	0.00	0.00	0.00	2,291,250.80	2,291,250.80
As at 30 September 2005	2,232,091.00	5,732,781.01	0.00	2,143,241.98	10,108,113.99
Capital reduction from redemption of shares	- 4,417.00	0.00	0.00	0.00	- 4,417.00
Capital increase from cash contribution	4,417.00	0.00	0.00	0.00	4,417.00
Capital increase from company funds	4,464,182.00	- 4,464,182.00	0.00	0.00	0.00
Capital increase from cash contribution of IPO	2,160,000.00	42,120,000.00	0.00	0.00	44,280,000.00
Capital increase from discounted employee shares	16,046.00	275,991.20	0.00	0.00	292,037.20
IPO expenses	0.00	- 4,228,897.71	0.00	0.00	- 4,228,897.71
Tax effect on costs of capital increase from IPO	0.00	1,707,628.86	0.00	0.00	1,707,628.86
Net profit 1 October to 31 December 2005	0.00	0.00	0.00	1,026,274.47	1,026,274.47
As at 1 January 2006	8,872,319.00	41,143,321.36	0.00	3,169,516.45	53,185,156.81
Unrealized income	0.00	0.00	19,436.12	0.00	19,436.12
Net profit for the period	0.00	0.00	0.00	5,718,273.82	5,718,273.82
As at 30 September 2006	8,872,319.00	41,143,321.36	19,436.12	8,887,790.27	58,922,866.75

Q.III 2006

SEGMENT REPORTING

Q.III

IN EUR THOUSAND	GERMANY		ABROAD		CONSOLIDATION		CONSOLIDATED	
	1 JULY— 30 SEP. 2006	1 JULY— 30 SEP. 2005	1 JULY— 30 SEP. 2006	1 JULY— 30 SEP. 2005	1 JULY— 30 SEP. 2006	1 JULY— 30 SEP. 2005	1 JULY— 30 SEP. 2006	1 JULY— 30 SEP. 2005
Billings	65,247	48,082	3,759	2,611	0	0	69,006	50,693
Revenue	8,015	5,908	999	676	0	0	9,014	6,584
Depreciation/amortization	143	146	23	17	0	0	165	163
EBIT	2,111	1,843	- 3	- 389	0	0	2,108	1,454
Financial result							401	66
Income taxes							- 999	- 705
Consolidated net profit							1,510	815
Assets	8,873	3,649	134	1,021	- 47	- 2,115	8,960	2,555
Debts	7,378	4,793	100	- 346	- 47	- 2,707	7,430	1,740
Investments	4,097	433	20	17	0	0	4,117	450

Q.I-III

IN EUR THOUSAND	GERMANY		ABROAD		CONSOLIDATION		CONSOLIDATED	
	1 JAN.— 30 SEP. 2006	1 JAN.— 30 SEP. 2005	1 JAN.— 30 SEP. 2006	1 JAN.— 30 SEP. 2005	1 JAN.— 30 SEP. 2006	1 JAN.— 30 SEP. 2005	1 JAN.— 30 SEP. 2006	1 JAN.— 30 SEP. 2005
Billings	174,952	143,505	11,410	5,568	0	0	186,362	149,073
Revenue	21,318	17,243	3,026	1,503	0	0	24,344	18,746
Depreciation/amortization	472	421	56	38	0	0	528	459
EBIT	5,204	4,980	- 88	- 760	0	0	5,116	4,220
Financial result							611	177
Income taxes							- 9	- 2,106
Consolidated net profit							5,718	2,291
Assets	81,699	26,285	3,462	2,124	- 3,694	- 4,199	81,467	24,210
Debts	19,983	15,170	2,828	1,644	- 267	- 2,714	22,544	14,100
Investments	6,853	849	187	31	0	0	7,041	880

ADDITIONAL NOTES

GENERAL

The 9-month financial statements of Tipp24 AG as at 30 September 2006 were prepared in accordance with the IFRS and IFRIC of the International Accounting Standards Board (IASB) as valid at the balance sheet date.

The period under review is from 1 January 2006 to 30 September 2006.

The same accounting policies and calculation methods were used for this interim report as for the consolidated financial statements as at 31 December 2005.

The basis of consolidation has not changed. It consists of the subsidiaries listed below, in which the Company holds/held the following interests:

	30 SEP. 2006 %	31 DEC. 2005 %	YEAR OF INITIAL CONSOLIDATION
Ventura24 S.L., Madrid/Spain	100	100	2001
GSG Lottery Systems GmbH, Hamburg	100	100	2001
Puntogioco24 s.r.l., Monza/Italy	100	100	2004

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

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 27. The transactions and legal relationships

of the companies included in the consolidated financial statements with these persons are detailed in the Annual Report 2005.

OTHER DISCLOSURES

In addition to the above mentioned special items, we did not observe any specific seasonal or cyclical influences on our business in the first half-year.

Dr. Hans Cornehl, Marc Peters and Jens Schumann were members of the Executive Board in the period under review.

The members of the Supervisory Board in the period under review were Klaus Jaenecke (Chairman), Dr. Hans-Wilhelm Jenckel (Deputy Chairman) and Annet Aris.

The members of the Executive Board and Supervisory Board did not acquire or sell shares in Tipp24 AG in the third quarter of 2006 (Directors' Dealings). As of 30 September 2006 the members of the Executive Board held the following amounts of shares in Tipp24 AG:

DIRECTORS' DEALINGS	AS OF 1 JAN. 2006	CHANGE	AS OF 30 SEP. 2006
<i>Executive Board</i>			
Dr. Hans Cornehl	134,695	0	134,695
Marc Peters	903,520	0	903,520
Jens Schumann	903,518	0	903,518
<i>Natural person in close relationship to Executive Board</i>			
Dr. Stephanie Cornehl	53,576	0	53,576
<i>Supervisory Board</i>			
Dr. Hans-Wilhelm Jenckel	17,517	- 17,517	0

Hamburg, November 2006

The Executive Board

Dr. Hans Cornehl Marc Peters Jens Schumann

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

