

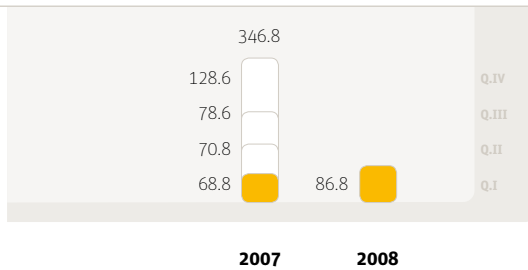
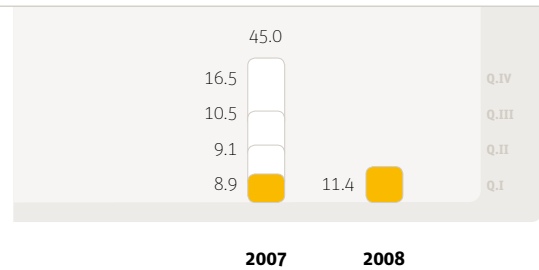
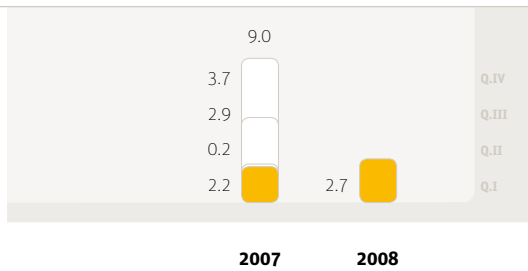
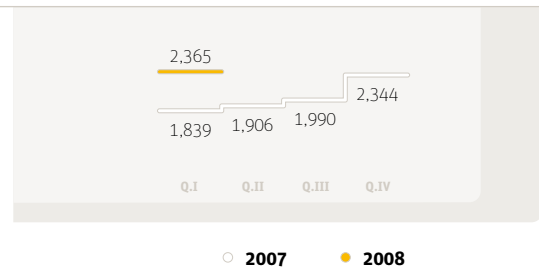
SOLID GROWTH IN TURBULENT TIMES

<i>BILLINGS Q.I</i>	<i>+26.2%</i>
<i>REVENUE Q.I</i>	<i>+27.7%</i>
<i>EBIT Q.I</i>	<i>+22.3%</i>
<i>REGISTERED CUSTOMERS Q.I</i>	<i>+33 THOUSAND</i>

QUARTERLY REPORT Q.I 2008

1 JAN.–31 MAR.



Q.1 2008**PERFORMANCE Q.1****BILLINGS** in EUR million**REVENUE** in EUR million**EBIT** in EUR million**REGISTERED CUSTOMERS** in thousand**CONTENTS**

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

FOREWORD

Ladies and gentlemen,

Despite adverse external conditions, the Tipp24 Group continued to make dynamic progress in the first quarter of 2008: we once again achieved double-digit growth in both billings (+26.2%) and revenue (+27.7%). These increases result mainly from the strong growth in our customer base following the record jackpot in the fourth quarter of 2007.

At the same time, we improved EBIT by 22.3%. However, this growth was proportionately lower than that of revenue. This was partly due to start-up costs for the establishment of our UK business and the new skill-based games division. In addition, the introduction of the new State Treaty on Gaming on 1 January 2008 led to significant cost increases: considerable costs were incurred for legal advice to clarify the current situation, and sharper measures for the protection of minors impeded registration of new customers and led to increased marketing costs. These mechanisms constitute a genuine hurdle in the registration process and significantly restrict the development of new customer figures. At the beginning of the year, we were also forced to discontinue our marketing of the state-run sporting bet Oddset and the Keno lottery.

Following the expansion of our activities with our entry into the UK market in November 2007, we took a further step in this strategic direction in March 2008 by acquiring the assets of Enter.TV GmbH, an innovative supplier of skill-based games, and thus expanding our product range.

In accordance with the growth and strategic alignment of Tipp24 AG, the Supervisory Board appointed two new Executive Board members as of 1 April 2008: Marcus Geiß (37), General Manager of Puntogioco24 since 2003 and Head of Corporate Development since mid 2007, will be the Executive Board member with responsibility for this division and for more recent foreign business. Petra von Strombeck (38), Head of Marketing since November 2007, will have Executive Board responsibility for this division, which is also to be expanded internationally.

Jens Schumann will assume the newly created position of Chairman of the Executive Board and be responsible for the areas of Strategy, Lobbying and Public Relations. Dr. Hans Cornehl has been appointed Deputy Chairman of the Executive Board and will be responsible for Finance, HR and Technology, as well as the company's Spanish business. The service agreements with Dr. Hans Cornehl and Jens Schumann were extended, as scheduled, by four years.

The new State Treaty on Gaming, which came into effect in Germany on 1 January 2008, contains regulations which seriously impede significant parts of our business activities, or even forbid them completely. It has since been attacked by various sides: on 31 January, the European Commission resolved to institute formal infringement proceedings against the Federal Republic of Germany, and 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 numerous lower courts. These reactions support our positive assessment of the future development of Tipp24 AG which is excellently positioned in a promising market. We believe that these potential and actual restrictions are contrary to valid law. However, it is difficult to predict the time frame and financial extent of these restrictions. Against this backdrop, any growth forecast for the current fiscal year involves considerable uncertainties. We expect customer growth of at least 100 thousand new customers and an increase in billings, revenue and EBIT of at least 10%. 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.

With best regards,

Jens Schumann
Marcus Geiß

Dr. Hans Cornehl
Petra von Strombeck

Q.1 2008

KEY CONSOLIDATED FIGURES OF TIPP24 AG ACC. TO IFRS

		Q.1 2008	Q.1 2007	Change
Billings	EUR thousand	86,794	68,777	+26.2%
Revenues	EUR thousand	11,373	8,908	+27.7%
Gross margin	%	13.1	13.0	+0.1%-points
EBIT	EUR thousand	2,687	2,197	+22.3%
EBIT margin	%	23.6	24.7	-1.1%-points
Net profit	EUR thousand	1,876	1,637	+14.6%
Net operating margin	%	16.5	18.4	-1.9%-points
Acquisition costs per new customer	EUR	78.30	26.49	+195.6%
Cash flow from operating activities	EUR thousand	1,616	3,135	-48.5%
Equity	EUR thousand	55,868	58,873	-5.1%
Registered customers (31 Mar.)	thousand	2,365	1,839	+28.6%
Employees (31 Mar.)		185	144	+28.5%

(Rounding differences due to presentation in EUR thousand)

INVESTOR RELATIONS

NEGATIVE MARKET TREND DRAGS DOWN SHARE PRICE

PERFORMANCE OF THE TIPP24 SHARE



Q.1 2008**KEY FIGURES PER SHARE**

Day of initial listing	12.10.2005
Year-opening price	EUR 15.33
Market capitalization (01.01.2008)	EUR 136 million
Closing price at the end of period	EUR 13.41
Market capitalization (31.03.2008)	EUR 119 million
Highest price (02.01.2008)	EUR 15.33
Lowest price (29.01.2008)	EUR 12.00
Number of shares	8,872 thousand
Average daily trading (until 31.03.2008)	14,059 shares
Earnings per share (undiluted and diluted)	EUR 0.23

SHAREHOLDER SERVICE

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

Stock markets got off to a cautious start in the first quarter of 2008. As the global financial crisis deepened, the SDax index fell by 13.5% – from 5,191.56 to 4,488.35 points – during the period under review.

The Tipp24 share was unable to escape this negative market trend: against a backdrop of continuing regulatory discussions and the introduction of the State Treaty on Gaming, the share price fell from EUR 14.38 to EUR 13.41 during the first quarter.

Due to the low liquidity of the Tipp24 share, we were unable to complete our second share buyback programme, announced on 8 October 2007, as planned on 31 March 2008. With the approval of the Supervisory Board on 26 March 2008, we therefore decided to extend the share buyback programme until 31 August 2008. By the end of the reporting period, we had purchased a total of 331,846 treasury shares during the course of the second share buyback programme. Together with the treasury shares from our first share buyback programme (443,615 Tipp24 shares), Tipp24 AG held a total of 775,461 treasury shares (8.74% of capital stock) as of 31 March 2008.

In the first quarter of 2008, investor relations activities once again focused on discussions with current and potential investors concerning the present regulatory environment.

INTERIM GROUP MANAGEMENT REPORT

BUSINESS AND 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 discontinued its marketing of the state-run sporting bet Oddset and the Keno lottery as of this date. We also offer selected partners with high-reach websites the complete handling of their Internet lottery activities. 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.

SLOWDOWN IN ECONOMIC GROWTH

There was a marked deterioration in the global economic situation in the first quarter of 2008. Both the assessment of the current situation and the prospects for the coming months are worse than in 2007. The US subprime crisis is not only affecting the USA, but also the financial systems of the UK, Switzerland, Ireland and Germany. According to the latest forecasts, the effects are expected to be worst in the first half of 2008 and thereafter gradually less severe. As a result of the deepening crisis on the financial markets, the threat of recession in the USA, high inflation and the growing strength of the Euro, the prospects for economic growth in the Euro zone are gradually deteriorating. The steady increase in global prices for raw materials, fuel and food place a further burden on the markets. Despite these factors, however, the German economy is still displaying growth at present.

MARKET AND SECTOR – UNRESOLVED SITUATION

The intensive political and legal discussions concerning Germany's gaming market and the respective legislation continued to play a key role in our sector during the first quarter 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. Advertising on the Internet, for example, is completely prohibited: 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.
- 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 justification, may represent a major aspect for Tipp24 in defence of its current business model.

Q.1 2008

- 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 lower courts of eleven administrative districts (Arnsberg, Berlin, Braunschweig, Frankfurt/M., Giessen, Kassel, Mainz, Minden, Munich, Neustadt/W., Stuttgart).

RESEARCH & DEVELOPMENT

In the first three months of the current fiscal year, our development activities focused on the following new products and product modifications:

- Integration of an innovative navigation for »Quicktipp« games in the basket,
- Development of an »Easter Lotto« syndicate,
- Introduction of a lottery number archive,
- Launch of syndicate products on the basis of Spanish lotteries (Primitiva, El Gordo de la Primitiva, Bono Loto).

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

- Further development of software systems to analyze 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 three months of 2008. 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 three months of the current fiscal year, an average of 60 employees were involved with R&D activities on a full-time or part-time basis. R&D expenses amounted to around EUR 737 thousand and resulted mainly from personnel costs.

EARNINGS, FINANCIAL POSITION AND NET ASSETS**EARNINGS**

The Tipp24 Group successfully continued its dynamic growth course of the past few years in the period under review. In comparison with the previous year, there were two **special items** to consider:

- 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 discontinued its marketing of the state-run sporting bet Oddset and the Keno lottery as of this date. In fiscal year 2007, these products accounted for around 5% of domestic billings.

Q.1 2008**EBIT**

In the first three months of the current fiscal year there was year-on-year growth in **EBIT** of 22.3% to EUR 2,687 thousand (prior year: EUR 2,197 thousand), while the EBIT margin fell by 1.1%-points to 23.6%. EBIT was burdened above all by the negative contribution of the »Abroad« segment amounting to EUR -567 thousand (prior-year: EUR 72 thousand), resulting mainly from start-up costs in the UK.

In total, there was a year-on-year increase in other operating expenses of 29.0% to EUR 8,396 thousand, compared with an increase in revenues of 27.7% to EUR 11,373 thousand.

The development of EBIT continued to be strongly influenced by the company's German operations, which contributed EUR 3,158 thousand (+48.6%) in the first three months. The domestic EBIT margin grew by 4.7% points to 32.3%, even though start-up costs for the development of skill-based games and increased other operating expenses for legal and project consultation services mainly affected the company's German operations.

Consolidated net profit rose by 14.6% to EUR 1,876 thousand (prior year: EUR 1,637 thousand). The Group's tax rate worsened by 3.0%-points to 43.0%, compared to the same period last year, as start-up costs for our UK subsidiary could not be netted with German earnings.

Reduced tax rates of 32.3% resulting from the Corporate Tax Reform introduced in Germany on 1 January 2008 had a beneficial impact on German post-tax earnings.

Earnings per share (undiluted and diluted) grew from EUR 0.19 to EUR 0.23.

Revenues up 27.7%

Due to the unfavourable jackpot situation and the above mentioned restrictions to the registration process, the increase in **registered customers** during the first three months of 2008 amounted to just 33 thousand (prior year: 69 thousand). We also sold outstanding receivables from 12 thousand inactive customers to a debt collection agency and deleted these customers from our client base. **Billings** reached EUR 86,794 thousand, corresponding to a year-on-year increase of 26.2%.

At 13.1% the ratio of billings to revenues in the first nine months – **gross margin** – was largely unchanged from the prior-year figure of 13.0%. Compared with the previous quarter, gross margin grew by 0.1%-points. The ratio continued to be much higher in our »Abroad« segment, where gross margin reached 23.1% compared with 12.2% for the Germany segment (prior year: Abroad 23.9%; Germany 12.1%).

Revenues – consisting mainly of commissions and additional fees – rose by 27.7% to EUR 11,373 thousand in the period under review. Revenues in Germany were up 26.8% on the prior-year period to EUR 9,770 thousand and dominated total revenues with a share of 85.9%. Domestic billings grew correspondingly by 25.3% to EUR 79,882 thousand. In our Abroad segment we raised billings by 37.4% to EUR 6,925 thousand in the first three months.

Q.1 2008

First quarter comparison Q.1 2008	Q.1 2008		Q.1 2007		Change
	EUR thousand	%	EUR thousand	%	
Billings	86,794		68,777		+26.2%
Remitted stakes less commissions	75,421		59,869		+26.0%
Revenues	11,373	100.0	8,908	100.0	+27.7%
Personnel expenses	-2,979	-26.2	-2,417	-27.1	+23.3%
Other operating expenses	-5,909	-52.0	-4,387	-49.2	+34.7%
Less other operating income	493	4.3	297	3.3	+66.1%
Operating expenses	-8,396	-73.8	-6,507	-73.0	+29.0%
EBITDA	2,977	26.2	2,402	27.0	+24.0%
Amortization/depreciation	-290	-2.6	-204	-2.3	+42.1%
EBIT	2,687	23.6	2,197	24.7	+22.3%
Financial result	606	5.3	535	6.0	+13.1%
Net result before taxes	3,292	29.0	2,733	30.7	+20.5%
Income taxes	-1,416	-12.5	-1,095	-12.3	+29.3%
Consolidated net profit	1,876	16.5	1,637	18.4	+14.6%
Breakdown of other operating expenses					
Total marketing expenses	-3,326	-29.2	-2,551	-28.6	+30.4%
- Marketing expenses for own clients	-2,589	-22.8	-1,819	-20.4	+42.3%
- Business Service commissions	-737	-6.5	-731	-8.2	+0.8%
Total direct costs of operations	-798	-7.0	-733	-8.2	+8.9%
Total other costs of operations	-1,785	-15.7	-1,103	-12.4	+61.8%
Other operating expenses	-5,909	-52.0	-4,387	-49.2	+34.7%

(Rounding differences due to presentation in EUR thousand)

Development of key income statement positions

There was a year-on-year increase in **personnel expenses** of 23.3% to EUR 2,979 thousand in the period under review. The overall increase in personnel expenses was proportionately lower than the rise in revenues and consequently the personnel expense ratio decreased by 0.9%-points to 26.2%. At the end of the quarter, the number of employees amounted to 185 (144).

There was a year-on-year rise in **other operating expenses** of 34.7% to EUR 5,909 thousand in the first three months of the fiscal year. The development in detail was as follows:

- **Marketing expenses** rose by 30.4% to EUR 3,326 thousand (29.2% of revenues; +0.6%-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 42.3% to EUR 2,589 thousand in the period under review, compared to last year. Commissions to Business Service partners rose by 0.8% to EUR 737 thousand.
- The increase in **direct operating expenses** of 8.9% to EUR 798 thousand was proportionately much lower than the rise in billings. They accounted for 0.9% of billings (prior year: 1.1%). In relation to revenues, this cost ratio fell by 1.2%-points to 7.0%.

Q.1 2008

There was a positive effect from the realization of increased receivables resulting from the exceptionally high jackpot in December 2007.

- **Other operating expenses** rose by 61.8% to EUR 1,785 thousand (prior year: EUR 1,103 thousand). This increase was largely due to legal advice in connection with the current difficult regulatory situation, as well as consultancy costs for complex development projects, especially with regard to the renewal and internationalisation of gaming operation software.

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 three months by EUR 86 thousand (+42.1%) to EUR 290 thousand. This development is in line with the volume of investments made.

SOLID FINANCIAL POSITION

On 5 October 2007, Tipp24 announced the implementation of a second share buyback programme under which up to 443,616 shares were to be acquired between 8 October 2007 and no later than 31 March 2008. Due to the low liquidity of the Tipp24 share during this period, we were unable to purchase the desired quantity. With the approval of the Supervisory Board on 26 March 2008, Tipp24 therefore decided to extend the share buyback programme until 31 August 2008.

As of the balance sheet date, equity capital rose slightly by EUR 0.3 million to EUR 55.9 million. In comparison with 31 December 2007, there was a corresponding increase in the equity ratio of 5.3%-points, from 60.6% to 65.9%. The balance sheet total fell by 7.7% to EUR 84.7 million. 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 and a subsequent fall in the course of the first quarter. Other assets fell by 46.0%, largely 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 17.8% to EUR 22.0 million, mainly due to a decrease in liabilities from gaming operations. These largely result from customer winnings from draws held prior to 31 December 2007 which were not paid out January 2008.

Other liabilities in EUR thousand	31 Mar. 2008	31 Dec. 2007
Liabilities for gaming operations	20,219	24,677
Liabilities for taxes	206	1,375
Liabilities relating to social security	76	65
Others	1,541	695
	22,045	26,811

(Rounding differences due to presentation in EUR thousand)

Q.I 2008**Investment analysis**

In the period under review, we made total investments of EUR 2,222 thousand. The major share of this total was accounted for by the continuation of a new software release for international gaming operations. A large proportion of this investment volume also flowed into the assumption of assets belonging to Enter.TV GmbH, an innovative supplier of skill-based games, by Tipp24 AG in March 2008. This acquisition represents a further major step in the company's strategy of adding new products to its portfolio. We also invested in improving our gaming software. Apart from this, further investment projects in the first three months included the expansion of our accounting system and the ongoing development of 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 1,616 thousand, **cash flow from operating activities** was significantly lower than in the previous year (EUR 3,135 thousand). The difference was 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 quarter.

Cash flow from investing activities rose by EUR –2,028 thousand, compared with the previous year, to EUR –2,222 thousand.

Cash flow from financing activities amounted to EUR –1,595 thousand and was caused by the above mentioned share buyback program. In the previous year it amounted to EUR –3,371 thousand. At EUR –606 thousand (prior year: EUR 2,941 thousand), **free cash flow** was below the prior-year level as a result of the above mentioned investment in the period under review.

Key cash flow positions in EUR thousand	Q.I 2008	Q.I 2007
Cash flow from operating activities	1,616	3,135
Cash flow from investing activities	-2,222	-194
Cash flow from financing activities	-1,595	-3,371
= Net increase/decrease in cash and cash equivalents	-2,201	-430
Cash and cash equivalents at beginning of the period	65,821	60,703
Non-disclosed profit/loss	-54	-70
Change in cash from foreign exchange fluctuation	-2	0
Change in pledged cash and cash equivalents	0	61
= Cash and cash equivalents at end of the period	63,565	60,264

(Rounding differences due to presentation in EUR thousand)

ASSET SITUATION

The assets of Tipp24 mainly comprise current assets amounting to EUR 75,664 thousand (31 December 2007: EUR 84,526 thousand). In turn, these consist largely of cash, cash equivalents and securities (EUR 63,565 thousand), as well as receivables from banks and credit card companies for customer payments (EUR 3,633 thousand), receivables from lottery organizers resulting from winnings of brokered tickets (EUR 2,206 thousand) and from security retainers (EUR 718 thousand).

The development of assets largely reflects the development of earnings and billings. Moreover, Tipp24 has intangible assets (mainly software) amounting to EUR 3,481 thousand, property, plant and equipment (mainly hardware and office equipment) amounting to EUR 2,381 thousand, long-term financial assets totalling EUR 3,000 thousand and deferred tax assets amounting to EUR 160 thousand.

Other assets in EUR thousand	31 Mar. 2008	31 Dec. 2007
Receivables from gaming operations	6,557	12,860
Prepaid expenses	763	672
Others	377	713
	7,696	14,245

(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

Following a renewed official order of the Italian authorities, the website of our Italian subsidiary www.punto-gioco24.it can no longer be accessed via Italian Internet providers as of 11 April 2008. This constitutes a significant restriction of our business activities in Italy once again. We are currently examining which steps can be taken.

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. 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. It has until mid June to comply.

Q.1 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 quarter 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 one. Tipp24 has filed an action against this last decision.

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 first quarter 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. We are not currently aware of any appeal submitted by the public prosecutor.

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 by an official order. On the basis of a recent court verdict, we believe 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 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*Risks from significant agreements*

Tipp24 has signed agreements with eight 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 Oddset product and the restriction of the Keno product.

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 «PostIdent» 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 quarter 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.

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CONSOLIDATED INCOME STATEMENT FOR THE PERIOD 1 JANUARY TO 31 MARCH ACC. TO IFRS

	Q.I 2008	Q.I 2007
in EUR		
Billings	86,793,568.28	68,777,200.85
Remitted stakes less commissions	-75,421,004.04	-59,868,950.04
Revenue	11,372,564.24	8,908,250.81
Other operating income	492,984.57	296,769.58
Total operating performance	11,865,548.81	9,205,020.39
Operating expenses		
Personnel expenses	-2,979,434.48	-2,416,827.07
Amortization/depreciation on intangible assets and property, plant and equipment	-290,308.34	-204,314.69
Other operating expenses	-5,909,131.44	-4,386,640.98
Marketing expenses	-3,325,777.90	-2,550,641.01
Direct costs of operations	-798,065.07	-732,804.95
Other costs of operations	-1,785,288.47	-1,103,195.02
Result from operating activities	2,686,674.55	2,197,237.65
Financial revenues	607,518.31	540,686.00
Financial expenses	-1,805.38	-5,299.69
Financial result	605,712.93	535,386.31
Result from ordinary activities	3,292,387.48	2,732,623.96
Income taxes	-1,416,159.83	-1,095,223.95
Consolidated net profit	1,876,227.65	1,637,400.01
Earnings per share (undiluted and diluted; in EUR/share)	0.23	0.19
Weighted average of ordinary shares outstanding (undiluted and diluted, in units)	8,146,417	8,808,252

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CONSOLIDATED BALANCE SHEET AS OF 31 MARCH ACC. TO IFRS

	31 Mar. 2008	31 Dec. 2007
ASSETS in EUR		
Current assets		
Cash, cash equivalents and securities	63,564,785.29	65,820,775.65
Pledged cash	300,000.00	300,000.00
Short-term financial assets	4,094,480.00	4,144,200.00
Trade receivables	3,951.24	6,955.12
Income tax refund claims	4,856.90	8,965.81
Other assets and prepaid expenses	7,696,371.72	14,245,207.31
Total current assets	75,664,445.15	84,526,103.89
Non-current assets		
Intangible assets	3,481,069.11	1,581,953.18
Other equipment, furniture & fixtures and leased assets (property, plant and equipment)	2,380,741.53	2,349,101.53
Financial assets	3,000,000.00	3,000,000.00
Deferred tax assets	160,090.22	281,761.02
Total non-current assets	9,021,900.86	7,212,815.73
	84,686,346.01	91,738,919.62
EQUITY AND LIABILITIES in EUR		
Current liabilities		
Trade payables	3,078,636.60	5,958,519.16
Other liabilities	22,044,695.00	26,810,648.21
Deferred income	254,633.22	416,233.67
Income tax liabilities	2,348,533.36	1,693,382.74
Provisions	470,173.15	894,893.95
Total current liabilities	28,196,671.33	35,773,677.73
Non-current liabilities		
Deferred tax liabilities	621,761.12	335,258.61
Total non-current liabilities	621,761.12	335,258.61
Equity		
Subscribed capital	8,872,319.00	8,872,319.00
Capital reserves	41,143,321.36	41,143,321.36
Other reserves	19,458.39	62,943.49
Retained earnings	18,762,436.73	16,886,209.08
Own shares	-12,929,621.92	-11,334,809.65
Total equity	55,867,913.56	55,629,983.28
	84,686,346.01	91,738,919.62

Q.I 2008

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

	Q.I 2008	Q.I 2007
in EUR		
Result from operating activities	2,686,674.55	2,197,237.65
<i>Adjustments for:</i>		
Amortization/depreciation on non-current assets	290,308.34	204,314.69
<i>Changes in:</i>		
Trade receivables	3,003.88	-19,199.16
Other assets	6,602,664.50	980,652.52
Trade payables	-2,879,882.56	-362,365.11
Other liabilities	-4,765,953.21	44,343.41
Provisions	-424,720.80	55,998.85
Deferred income	-161,600.45	-125,875.10
Other interest and similar income	607,518.31	540,686.00
Interest expenses and similar expenses	-1,805.38	-5,299.69
Non-cash expenses	11,883.29	0.00
Taxes paid	-352,253.61	-375,405.21
Cash flow from operating activities	1,615,836.86	3,135,088.85
Investments in intangible assets	-2,018,649.72	-90,289.22
Investments in property, plant and equipment	-202,996.84	-103,634.40
Cash flow from investing activities	-2,221,646.56	-193,923.62
Own shares	-1,594,812.27	-3,370,971.92
Cash flow from financing activities	-1,594,812.27	-3,370,971.92
Change in cash, cash equivalents and securities	-2,200,621.97	-429,806.69
Cash, cash equivalents and securities at the beginning of the period	65,820,775.65	60,702,758.83
Non-cash income from securities	-53,493.39	-70,259.30
Change in cash from foreign exchange fluctuation	-1,875.00	0.00
Change in pledged cash and cash equivalents	0.00	61,387.20
Cash, cash equivalents and securities at the end of the period	63,564,785.29	60,264,080.04
Composition of cash, cash equivalents and securities at the end of the period		
Cash on hand, bank balances and checks	12,182,036.24	9,570,084.82
Current securities	51,682,749.05	50,693,995.22
Pledged cash, cash equivalents and securities	-300,000.00	0.00
	63,564,785.29	60,264,080.04

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR	Share Capital	Capital Reserves	Other Reserves	Retained Earnings	Own Shares	Total Equity
As at 1 January 2007	8,872,319.00	41,143,321.36	21,690.02	10,614,350.65	0.00	60,651,681.03
Own shares	0.00	0.00	0.00	0.00	-11,334,809.65	-11,334,809.65
Share-based payments	0.00	0.00	36,085.00	0.00	0.00	36,085.00
<i>Unrealised gains</i>	<i>0.00</i>	<i>0.00</i>	<i>96,800.86</i>	<i>0.00</i>	<i>0.00</i>	<i>96,800.86</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>-91,632.39</i>
Total result recognized directly in equity	0.00	0.00	5,168.47	0.00	0.00	5,168.47
Net profit for the period 2007	0.00	0.00	0.00	6,271,858.43	0.00	6,271,858.43
Total net profit for the period 2007	0.00	0.00	5,168.47	6,271,858.43	0.00	6,277,026.90
As at 31 December 2007	8,872,319.00	41,143,321.36	62,943.49	16,886,209.08	-11,334,809.65	55,629,983.28
Own shares	0.00	0.00	0.00	0.00	-1,594,812.27	-1,594,812.27
Share-based payments	0.00	0.00	11,883.29	0.00	0.00	11,883.29
<i>Unrealised gains</i>	<i>0.00</i>	<i>0.00</i>	<i>-53,493.39</i>	<i>0.00</i>	<i>0.00</i>	<i>-53,493.39</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	-55,368.39	0.00	0.00	-55,368.39
Net profit for the period 2008	0.00	0.00	0.00	1,876,227.65	0.00	1,876,227.65
Total net profit for the period 2008	0.00	0.00	-55,368.39	1,876,227.65	0.00	1,820,859.26
As at 31 March 2008	8,872,319.00	41,143,321.36	19,458.39	18,762,436.73	-12,929,621.92	55,867,913.56

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SEGMENT REPORTING

Q.I in EUR thousand	Germany		Abroad		Consolidation		Consolidated	
	1 Jan.-31 Mar.		1 Jan.-31 Mar.		1 Jan.-31 Mar.		1 Jan.-31 Mar.	
	2008	2007	2008	2007	2008	2007	2008	2007
Billings	79,882	63,737	6,925	5,040	0	0	86,794	68,777
Revenue	9,770	7,703	1,602	1,205	0	0	11,373	8,908
Depreciation/amortization	225	182	38	22	0	0	290	204
EBIT	3,158	2,125	-576	72	0	0	2,687	2,197
Financial result							606	535
Income taxes							-1,416	-1,095
Consolidated net profit							1,876	1,637
Assets	29,852	28,576	5,122	32	49,712	52,151	84,686	80,759
Debts	22,302	18,143	4,759	34	1,757	3,709	28,818	21,886
Investments	2,165	175	56	19	0	0	2,222	194

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 more or less equates to the geographical location of the respective customers.

Segment assets do not include deferred taxes, refund claims, shares in money market funds or short-term financial assets. Segment liabilities do not include deferred taxes, tax liabilities or interest-bearing liabilities. The prior-year figures were adjusted accordingly.

SELECTED EXPLANATORY NOTES

GENERAL

This quarterly report of Tipp24 AG as at 31 March 2008 was 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 to 31 March 2008.

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

There has been a change in the scope of consolidation. Tipp24 Entertainment GmbH, which will offer skill-based games in future, was acquired by Tipp24 AG in 2008. There were acquisition costs of EUR 29 thousand. At the time of acquisition, there was no difference between carrying value and fair value.

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

in %	31 Mar. 2008	31 Dec. 2007	Initial consolidation
Ventura24 S.L., Madrid, Spain	100	100	2001
GSG Lottery Systems GmbH, Hamburg, Germany	100	100	2001
Puntogioco24 srl., 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, Germany, was included in the consolidated financial statements, even though Tipp24 AG does not hold an equity interest or voting rights in it.

EQUITY

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

In the period under review, the Executive Board made use of its authorization to buy back Company shares. As of 31 March 2008 a total of 121,414 shares or 1.37% of capital stock had been bought back. As a result, the number of shares outstanding fell from 8,218,272 to 8,096,858 during the period under review.

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 12 thousand for

share-based remuneration was recognized in personnel expenses in the first quarter 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 staff 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 2008	Q.I 2007	Q.I 2008	Q.I 2007
	Carried in equity		Carried in income statement	
Bank balances, cash on hand and securities	0	0	44,930	29,444
Other primary financial assets				
Available-for-sale financial assets	-53,493	-70,259	560,783	505,942
Other financial assets (short-term)	0	0	-74,068	-173,640
	-53,493	-70,259	486,715	332,302

Net losses from other financial assets include expenses from payment default and income from the sale of these receivables.

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

Interest rate risk

in EUR	up to 1 year	1-2 years	2-3 years	Total
31 Mar. 2008				
<i>Variable interest rates</i>				
Bank balances and securities	12,082,610	0	0	12,082,610
Other primary financial assets				
Held-to-maturity investments	0	3,000,000	0	3,000,000
Financial assets held for trading	51,532,749	0	0	51,532,749
31 Dec. 2007				
<i>Variable interest rates</i>				
Bank balances and securities	11,095,305	0	0	11,095,305
Other primary financial assets				
Held-to-maturity investments	0	3,000,000	0	3,000,000
Financial assets held for trading	54,981,427	0	0	54,981,427

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.

INTANGIBLE ASSETS

In March 2008, Tipp24 AG assumed the assets of Enter.TV GmbH, an innovative supplier of skill-based games. This investment repre-

sents a further major step in the company's strategy of adding new products to its portfolio.

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. Sannwald Jaenecke & Cie. GmbH, Munich, Germany, in which Supervisory Board Chairman Mr Klaus F. Jaenecke holds an inter-

est, provided the Company with consultancy services for which it received total fees of EUR 9 thousand. Remuneration was in line with standard market conditions. During the period under review, the Company also acquired planning services amounting to EUR 20 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

Dr. Hans Cornehl 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 F. 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 first quarter of 2008 (Directors' Dealings). As of 31 March 2008 the members of the Executive Board held the following amounts of shares in Tipp24 AG:

Directors' Holdings

Shares	31 Dec. 2007	Additions	Disposals	31 Mar. 2008
Dr. Hans Cornehl	134,695	0	0	134,695
Jens Schumann	903,518	0	0	903,518

Hamburg, 24 April 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

FINANCIAL CALENDAR

29 May 2008	Annual General Meeting
4 August 2008	Half-Year Report 2008
3 November 2008	Nine-Month Report 2008
in November 2008	Analyst Conference (Frankfurt am Main, Germany)

EDITOR

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