

Tipp24.de

WE MAKE WINNERS!

THE NO. 1 FOR ONLINE LOTTERY

ANNUAL REPORT 2007

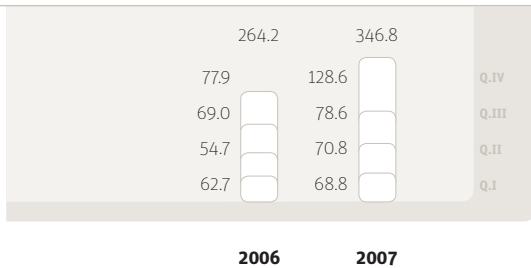


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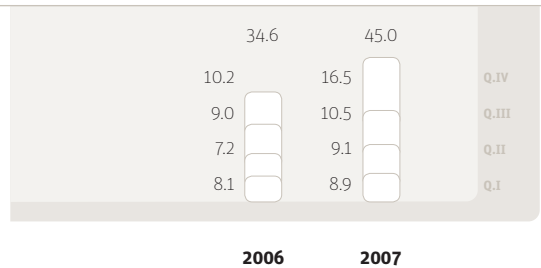
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TIPP24 IS GERMANY'S LEADING ONLINE LOTTERY BROKER
WITH A MARKET SHARE OF MORE THAN 60% AND 2.3 MILLION
REGISTERED CUSTOMERS FOR WHOM WE PROVIDE A WIDE
RANGE OF STATE-OWNED LOTTERY PRODUCTS. OUR BUSINESS
BOASTS DYNAMIC GROWTH, RIGHT FROM THE START,
COUPLED WITH HIGH SCALABILITY AND PROFITABILITY.

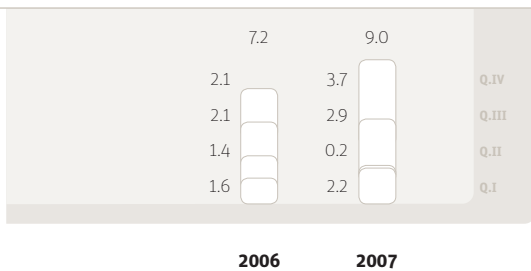
BILLINGS in EUR million



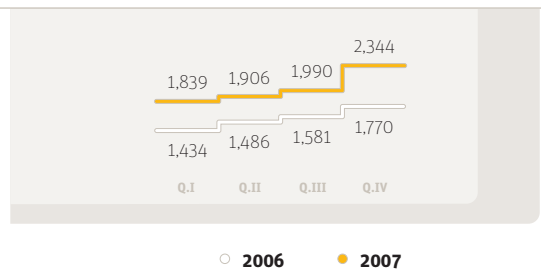
REVENUES in EUR million



EBIT in EUR million



REGISTERED CUSTOMERS in thousand



FOREWORD

Ladies and gentlemen,

Following protracted discussions on the German gaming market, the 16 state parliaments ratified a new State Treaty on Gaming in the fourth quarter of 2007, which came into force on 1 January 2008. However, questions concerning the legality of our business model have still not been answered: not only numerous renowned legal experts and institutions, such as the Federal Cartel Office, the EU Commission and the Scientific Services of the state parliament of Schleswig-Holstein, believe that the State Treaty on Gaming contravenes constitutional, antitrust and EU law. We unreservedly share this view.

Successful development. In spite of these adverse circumstances, we are pleased to be able to inform you about the continued successful development of Tipp24 AG in fiscal year 2007. We succeeded in raising Group revenue by 30.1%, EBIT in Germany exceeded the EUR 10 million-mark for the first time, and our consolidated EBIT margin was just below the prior-year level at 19.9%. Without the special items explained in our Management Report, it would have risen to 23.8% – despite additional heavy expenditure for lobbying and legal advice concerning the regulatory environment and start-up costs for the foundation of our new subsidiaries in the UK.

Record jackpot. The largest jackpot in German Lotto history (EUR 43 million) triggered a huge wave of interest in the lottery: on the day of the record jackpot draw, 20 times more new customers registered (over 42 thousand) than for a normal draw. Up to 41 thousand customers per hour submitted their tickets via Tipp24. In total, we gained 574 thousand new customers in 2007 – 350 thousand in the fourth quarter alone. As this strong growth occurred mostly towards year-end, the average billings of all active customers was slightly down on the previous year at EUR 588. Against this backdrop, we were able to raise our market share for online lottery in Germany to over 60% – based on our own calculations.

UK market entry. In line with our strategy of strengthening foreign business by entering further European countries, we founded the wholly-owned subsidiary MyLotto24 Ltd. in Great Britain during the past year. In November 2007 we went online with a new business model: MyLotto24 Ltd. offers bets on the outcome of European lotteries and gives customers the chance of far greater winnings than the UK's »National Lottery« jackpot. MyLotto24 is the only company in Great Britain to offer bets on foreign jackpots.

First-ever dividend. Our strongly positive figures clearly illustrate the scalability and sustainability of our business model. We believe that the EUR 60 million in funds which we have generated from our encouraging performance over the past few years, as well as from our IPO, are sufficient to realize the expected growth opportunities. We are therefore planning to propose our first-ever dividend payment of 50 cents per share for fiscal year 2007 at the Annual Shareholders' Meeting. As we believe our share of the dynamic online lottery market can be further stabilized and expanded, this will mark the start of regular dividend payments.

Positive outlook. We believe that the State Treaty on Gaming contravenes various laws and is unlikely to survive in the long term. However, it is difficult to predict the time frame and financial scope of the possible and actual restrictions which may result from it. 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. As of 2008, only those new customers in Germany who have successfully completed the »PostIdent« process will be registered. We forecast 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. In addition, our considerable equity-financed liquidity position gives us considerable scope to grasp available growth opportunities – in the form of acquisitions, for example.

Thank you! Over the past year our employees once again displayed excellent performance levels. Record results such as those achieved during the run-up to Germany's highest-ever jackpot could not have been achieved without exceptional dedication and personal commitment – despite the ongoing regulatory uncertainties. We would like to take this opportunity to thank all employees of the Tipp24 Group in all four countries for their efforts and for their loyalty to the company.

We also thank the shareholders of Tipp24 AG for their trust and ongoing support.

With best regards,



Dr. Hans Cornehl



Jens Schumann

MANAGEMENT BOARD OF TIPP24 AG



DR. HANS CORNEHL

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



JENS SCHUMANN

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

JACKPOT TIME

RECORD JACKPOT – OUR E-MAIL AND TELEPHONE HOTLINES WERE LITERALLY BOMBARDED: IN NORMAL TIMES WE RECEIVE AN AVERAGE 20,000 MAILS AND CALLS PER MONTH; DURING THE MEGA JACKPOT PERIOD THERE WERE 150,000 IN 3 WEEKS! A REAL CHALLENGE, AND ONE WHICH OUR CUSTOMER SERVICE STAFF MASTERED WITH APLOMB.

150,000

customer contacts in 3 weeks

BUSINESS MODEL & POSITIONING

TIPP24 BUSINESS MODEL

Tipp24 is Europe's leading online lottery broker with a market share of over 60% in Germany. We offer our 2.3 million registered customers first-class lottery services ensuring safe and convenient participation in state-licensed lotteries. Our successful business is based on our own high-performance platforms, our long-term and stable partnerships with state lottery companies and sales partners and our extensive process know-how.

TIPP24 POSITIONING

Tipp24 is an independent broker of gaming agreements between its customers and the respective state gaming operators. As such, we are exposed to no significant product nor bookmaking risks. Our strong brand creates direct relationships with loyal customers, whom we can offer additional products and services. Our high level of billings has given us a strong negotiating position with lottery operators and enabled us to achieve consistently high commission rates.

Our sustainable and successful business model in Germany was expanded to the Spanish market in 2002 and to Italy in 2005. As of 6 November 2007, we have also been operating a unique variant of our business model on the UK market: in contrast to our other markets, we take bets on the outcome of European lotteries and offer customers the possibility to win much higher prizes than the National Lottery jackpot.

OUR USP's

- Wide and established product range
- Unique positioning in Germany and Europe
- Safe and reliable transaction technology
- Robust and scalable business model
- Direct contact to loyal customers
- Effective and efficient marketing
- Powerful technology
- Excellent relations to gaming operators



JACKPOT TIME

THE BUILD-UP OF A MEGA JACKPOT CAUSES A PROPORTIONATELY HIGHER NUMBER OF PLAYERS TO GAMBLE ON THE CHANCE OF REALIZING THEIR **WILDEST DREAMS: THE NUMBER OF SUBMITTED TICKETS WAS 200% HIGHER THAN USUAL AT 41,000 PER HOUR. ONE OF THESE CUSTOMERS WAS LUCKY AND WON AROUND EUR 15 MILLION VIA TIPP24!**

13.736

tickets per hour, € 10 million jackpot

41,007

tickets per hour, € 43 million jackpot

17,857

tickets per hour, € 15 million jackpot

THE YEAR'S HIGHLIGHTS

MEGA JACKPOT!

The fourth quarter of 2007 saw the draw for Germany's largest-ever lottery jackpot: EUR 43 million. Over 42 thousand new customers registered on the day of the record jackpot draw alone – 20 times more than for a normal draw. This surge in interest was also felt by our website: At peak times our website was visited by up to 50 thousand customers. This represents a 20 to 30-fold increase in load for our servers and underlines the reliability, security and scalability of our proprietary technology.

WWW.MYLOTTO24.CO.UK

In 2007 Tipp24 AG founded its new wholly-owned UK subsidiary »MyLotto24 Ltd.«, complete with betting licence. On November 6 last year, Tipp24 launched its new online business model under the web address www.mylotto24.co.uk: the company MyLotto24 Ltd. takes bets on the outcome of European lotteries and thus offers customers the chance to win much higher prizes than those of the National Lottery jackpot.

INTERNATIONAL DATA CENTRE IN LONDON

In order to expand our technical infrastructure, we set up an international data centre at our London facility during the past year. The aim is to benefit from the location's superior connections to major international Internet nodes.

HIGH JACKPOT – CUSTOMER SURGE

Whenever the jackpots of state-run lotteries offer players the hope of exceptional winnings – generally when jackpots are particularly high –, Tipp24 regularly experiences a particularly strong increase in registered customers and billings. Thanks to

the highest jackpot in German »Lotto« history, we were able to add over 350 thousand new customers in the fourth quarter alone.

JACKPOT TIME

BIG JACKPOTS GENERATE HIGH AWARENESS: OVER 42,000 NEW CUSTOMERS FOUND THEIR WAY TO US IN THE RUN-UP TO THE EUR 43 MILLION JACKPOT ON 5 DECEMBER 2007. OUR HIGH-PERFORMANCE SYSTEMS WERE EASILY CAPABLE OF DEALING WITH OVER 16,000 WEBSITE VISITORS SIMULTANEOUSLY.

42,746

new customers in one day

MARKET & ENVIRONMENT

DYNAMIC MARKET GROWTH

Europe accounts for around half of the global lottery market's growth. Its five most important markets are Italy, Spain, Germany, France and the UK. Tipp24 is represented in four of these nations and is market leader in three. The online segments of these lottery markets are also expected to grow faster than the market as a whole. The possible onset of a deregulation process on Europe's lottery markets would add further impetus to the already strong growth of the online segment. Tipp24 is excellently positioned to actively utilize this tremendous potential.

REGULATORY ENVIRONMENT

With the introduction of the State Treaty on Gaming in Germany (GlStV) on 1 January 2008, the marketing of all forms of gaming – including lotteries – will be banned as of 1 January 2009. The legality of this state treaty, however, is extremely contentious: highly reputable legal experts and supreme authorities, including the EU Commission, have judged the new gaming legislation to be illegal.

OUR ASSESSMENT

Despite the current legal environment, Tipp24 AG assumes that it can continue its business activities in Germany. In our opinion, it is unthinkable that a law which is so obviously illegal – in numerous aspects – can be enforceable in German and European courts, even in the medium term. Those with political responsibility for this legislation must

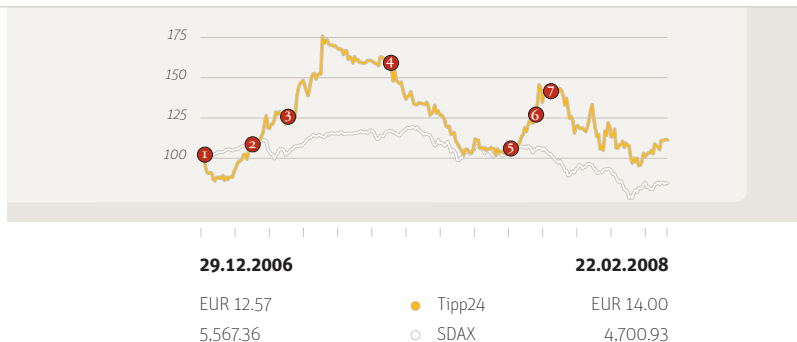
have realized – with the institution of infringement proceedings at the latest – that they will not be able to defend the law in court. We believe that this will create new scope for politicians to adapt the legislation to the real situation. Above all, this would mean the end of prohibition for online marketing.

SHARE & CORPORATE GOVERNANCE

TIPP24 OUTPERFORMS SDAX

THE STOCK MARKETS CONTINUED TO MAKE GOOD PROGRESS IN 2007. GLOBAL ECONOMIC FORCES HELPED BOOST SHARE PRICES AROUND THE WORLD – A DEVELOPMENT WHICH WAS REFLECTED IN PARTICULAR BY THE MAIN GERMAN INDEX: THE DAX GREW BY 22.3%, THE MDAX BY 4.9%. ONLY THE SDAX FELL BY 6.8% – IN CONTRAST TO THE PREVIOUS YEAR, INVESTOR INTEREST FOCUSED MAINLY ON LARGE CAP COMPANIES.

PERFORMANCE OF THE TIPP24 SHARE



1 *2 January 2007*

Receipt of an order from the state administration of Saxony-Anhalt forbidding business activity in Saxony-Anhalt.

2 *12 February 2007*

Tipp24 AG decides to implement a share buyback programme for 5% of share capital.

3 *22 March 2007*

The EU Commission informed the German government in a »Detailed Opinion« as part of the notification process for the Draft State Treaty on Gaming (GlStV-E) that the GlStV-E represented an infringement of EU legislation in several points.

4 *June 2007*

The Minister President of Schleswig-Holstein is the last of Germany's state premiers to sign the GlStV-E, thereby smoothing the way for the law's ratification.

5 *5 October 2007*

Tipp24 AG decides to implement a further share buyback programme for 5% of share capital.

6 *26 October 2007*

The significant investment of Günther Holding GmbH in Tipp24 AG awakes takeover speculation on the capital market.

7 *November 2007*

North Rhine-Westphalia is the first federal state to ratify the GlStV-E.

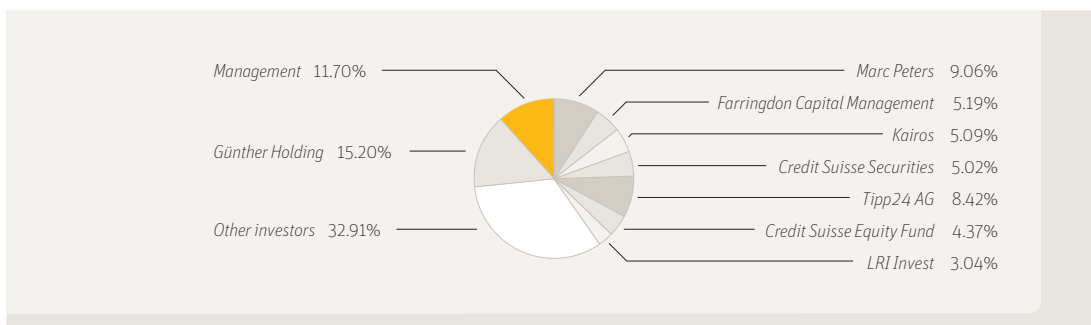
PERFORMANCE

The Tipp24 share made slight progress again in 2007. Despite strong fluctuation – which in particular reflected the intensive regulatory discussions in Germany – the share performed well over the year as a whole, with growth of 14.4%. Following an all-time low in January 2007 of EUR 10.82, favourable regulatory news helped push the share price up to EUR 22.10 in April. With the ratification of the State Treaty on Gaming by all federal states in December – and thus the risk of at least medium-term disruption or complete prohibition of our current business model in Germany – the share fell back to EUR 14.38 by year-end.

The Tipp24 share is listed for trading on the Regulated Market of the Frankfurt Stock Exchange, as well as for unofficial trading on the other German stock exchanges. We meet the internationally valid transparency requirements of all shares listed in the »Prime Standard« segment of the Frankfurt Stock Exchange.

DIVIDEND

As a consequence of the excellent progress made over the past few years, the Executive Board proposes to pay a first-ever dividend of 50 cents per share for the fiscal year 2007.

SHAREHOLDER STRUCTURE**KEY SHARE FIGURES**

Day of initial listing	12.10.2005
Year-opening price	EUR 12.93
Market capitalization (Year-opening)	EUR 114.72 million
Year-end price	EUR 14.38
Market capitalization (Year-end)	EUR 127.58 million
Highest price (18.04.2007)	EUR 22.10
Lowest price (11.01.2007)	EUR 10.82
Number of shares	8,872 thousand
Average daily trading (until 31.12.2007)	36,374
Earnings per share (undiluted and diluted)	EUR 0.74

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, Morgan Stanley, Sal. Oppenheim, Warburg/SES
Reuters	TIMGn.DE
Bloomberg	TIM GR

SHAREHOLDER STRUCTURE

There have been significant changes in our shareholder structure compared with the previous year: our circle of shareholders has been joined by a new and expressly long-term investor, Günther Holding, with considerable knowledge of the German lottery market based on its many decades of experience.

IR ACTIVITIES

In the period under review we once again pursued our investor relations targets – to maintain an open and ongoing exchange of information with the capital market – by participating in numerous roadshows and capital market conferences in all the major financial centres of Europe. The main focus of our investor relations work was the explanation of the current regulatory discussions.

Due to the favourable economic conditions, Tipp24 conducted two share buyback programmes in the past fiscal year, each for almost 5% of share capital. The first programme was launched in February and completed in July 2007 after exhausting the maximum volume. The second programme, launched on 8 October 2007, will be completed by no later than 31 March 2008. As of 22 February, we have purchased 303,849 shares in this programme, corresponding to 3.42% of share capital. In total, Tipp24 AG held 747,467 treasury shares as of this date, representing 8.42% of share capital.

CORPORATE GOVERNANCE

Responsible and sustained value growth

Good corporate governance is a central aspect of our corporate policy which extends to every area of the company: a management and control system based on responsible and long-term value growth. In addition to organizational and business policy principles, it comprises the internal and external mechanisms for controlling and monitoring the company. These include, in particular, the efficient cooperation between Executive Board and Supervisory Board, the transparent communication of company activities and the respect of shareholder interests.

Good corporate governance promotes the trust of national and international investors, financial markets, business associates, employees and the general public in the management and monitoring of a company. Tipp24 has always attached great importance to these principles. Tipp24 generally follows the recommendations of the German Corporate Governance Code (GCGC) in its current version of 14 June 2007 (www.corporate-governance-code.de). The exceptions are listed and explained in our Declaration of Conformity below. The currently valid version of our Declaration of Conformity (together with our company articles and codes of procedure) is also posted on our website at www.tipp24-ag.de and thus permanently available to all shareholders. Declarations of Conformity which are no longer valid are kept there for a period of five years each. We would like to highlight certain areas of our Corporate Governance policy in the following.

Close cooperation between Executive Board and Supervisory Board

The Executive Board and Supervisory Board of Tipp24 AG work closely together. The Executive Board reports regularly and comprehensively to the Supervisory Board about all relevant questions of corporate planning and strategic development, as well as about the course of business and the Group's current position, including an assessment of risks. All deviations in the development of business from targets and budgets, as well as the Group's strategic alignment and future development, are immediately reported to the Supervisory Board. The rules of procedure of the Executive Board include provisions regarding the necessary approval of the Supervisory Board for significant business transactions.

Directors' Dealings acc. to § 15a WpHG

According to § 15a WpHG (German Stock Trading Law), members of the Executive Board and Supervisory Board must immediately declare any purchase or sale of Tipp24 shares, as well as related financial instruments. Tipp24 AG did not receive any such notification in the fiscal year 2007.

REMUNERATION REPORT

Remuneration of the Supervisory Board

The Annual Shareholders' Meeting of Tipp24 AG of 10 August 2005 adopted a remuneration system for the Supervisory Board which consists of a fixed payment, a performance-oriented bonus, further benefits and the reimbursement of expenses. The remuneration regulations were adopted for the fiscal year 2005 and the following years, unless a different resolution was adopted for the future by a subsequent Annual Shareholders' Meeting. This remuneration is based on the responsibility and scope of activities, as well as on the economic situation and success of the company. Moreover, the Company bears the cost of premium for suitable insurance coverage regarding legal liability from Supervisory Board activities (D&O insurance).

In addition to the reimbursement of their expenses, members of the Supervisory Board thus receive a fixed annual payment of EUR 12 thousand on completion of the respective fiscal year.

As well as this fixed amount, members of the Supervisory Board also receive a performance-based annual payment based on consolidated EBIT, whereby this additional performance-based remuneration is limited to a total amount of no more than EUR 6 thousand.

Moreover, the members of the Supervisory Board receive a performance-based annual payment with a long-term incentive effect based on consolidated earnings per share. This additional remuneration is also limited to an amount of no more than EUR 6 thousand.

The Chairman of the Supervisory Board receives two-and-a-half times, the Deputy Chairman one-and-a-half times the above-mentioned fixed and variable remuneration amounts.

in EUR	2006	Fixed salary	Other benefits	Variable remuneration	2007
Klaus F. Jaenecke	60,708.33	30,000.00	16,114.58	21,250.00	67,364.58
Dr. Hans-Wilhelm Jenckel	42,708.33	18,000.00	16,114.58	12,750.00	46,864.58
Annet Aris	33,708.33	12,000.00	16,114.58	8,500.00	36,614.58
Total	137,124.99	60,000.00	48,343.74	42,500.00	150,843.74

Remuneration of the Executive Board

The annual remuneration of the Executive Board is determined by the Supervisory Board of Tipp24 AG and agreed with all members of the Executive Board. It consists of fixed and variable remuneration components and is largely based on the regulations of the GCGC. In the case of premature termination, the service contracts of Executive Board members do not include any specific severance pay provisions. No pension benefit commitments have been made to members of the Executive Board.

The remuneration of the Executive Board members consists of a fixed basic salary of EUR 190 thousand and a variable component. 50% of this variable component is based on revenue growth of the current and past year and 50% on the growth and absolute size of the EBIT margin

in the current fiscal year. On achievement of the targets, the variable component amounts to 55% of the fixed component. If targets are exceeded, the variable component can rise to around 110% of the fixed amount. There is also a long-term variable component, which is based on the growth of the 3-year average of earnings per share. On achievement of the targets, this component can also reach up to 55% of the fixed component. In exceptional circumstances, the Supervisory Board can adjust the variable components by up to 50%, upwards or downwards.

The amount and structure of the remuneration package is continually monitored by the Supervisory Board and is agreed and updated with each member of the Executive Board.

in EUR	2006	Fixed salary	Other benefits	Variable remuneration	2007
Dr. Hans Cornehl	223,700.33	189,468.00	20,143.23	66,658.00	276,269.23
Marc Peters	220,890.92	94,734.00	8,057.30	0.00	102,791.30
Jens Schumann	220,892.63	189,468.00	20,143.23	66,658.00	276,269.23
Total	665,483.88	473,670.00	48,343.76	133,316.00	655,329.76

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

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

Tipp24 AG complies with the 14 June 2007 version of the conduct recommendations made by the governmental Commission of the German Corporate Governance Code for corporate management and monitoring as published by the German Ministry of Justice in the official part of the electronic Federal Gazette and will continue to comply with them with the following exceptions:

3.8 – D&O insurance deductible

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

4.2.1 – Appointment of a Board Chairman

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

5.3.1, 5.3.2 and 5.3.3 – Formation of committees, setting up of Audit and Nomination Committees

Since in accordance with the company statute the Supervisory Board of Tipp24 AG comprises only three persons, the Supervisory Board has formed no committees, and in particular no Audit Committee nor Nomination Committee.

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

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

Since submitting its last Declaration of Conformity in January 2007, Tipp24 AG has complied with all recommendations of the German Corporate Governance Code in the version dated 12 June 2006 and 14 June 2007, with the exception of recommendations made under 3.8, 4.2.1, 5.3.1, 5.3.2, 5.3.3 and 7.1.4.

Hamburg, 26 November 2007

For the
Supervisory Board


Klaus F. Jaenecke

For the
Executive Board


Dr. Hans Cornehl, Jens Schumann

GROUP MANAGEMENT REPORT

MEGA-JACKPOT DRIVES GROWTH

2007 CONTINUED TO BE DOMINATED BY THE ONGOING POLITICAL AND LEGAL DISCUSSIONS SURROUNDING THE GERMAN GAMING MARKET AND ENDED WITH THE RATIFICATION OF A NEW – AND WE BELIEVE ILLEGAL – STATE TREATY ON GAMING. NEVERTHELESS, WE ONCE AGAIN SUCCEEDED IN SIGNIFICANTLY RAISING REVENUES OF THE TIPP24 GROUP BY 30.1%. AT 19.9% THE EBIT MARGIN REMAINED RELATIVELY STABLE AT THE PRIOR-YEAR LEVEL. AFTER ADJUSTMENT FOR THE SPECIAL ITEMS REPORTED IN THE SECOND QUARTER (ELIMINATED ASSETS IN THE FORM OF CONSULTING SERVICES FROM FISCAL YEAR 2006 AND ONE-OFF PERSONNEL EXPENSES), THE FIGURE ROSE TO 23.8% – DESPITE BEING BURDENED BY FURTHER EFFECTS.

In addition to considerable costs for lobbying and legal advice concerning the regulatory discussions and start-up costs for our new UK subsidiary, we used the favourable jackpot situation in the fourth quarter to significantly strengthen our marketing activities. As a result, we were able to achieve exceptional growth in new customers of 574 thousand. With regard to customer demand, the online lottery market continues to offer considerable growth potential. Market deregulation would also provide additional attractive opportunities for expansion. Tipp24 is excellently positioned to exploit such opportunities.

THREAT TO BUSINESS MODEL IN GERMANY

The above-mentioned legal and political discussions ended in the fourth quarter with the ratification by all federal German states of a new State Treaty on Gaming («Glücksspiel-Staatsvertrag» – GlStV), which came into effect on 1 January 2008. The GlStV already represents a considerable threat in fiscal year 2008 (ban on all Internet advertising) and will lead to the banning of our business model from 2009 onwards (ban on brokering public gaming via the Internet). According to our assessment of the new legislation, it contravenes anti-trust, constitutional and EU law. This assessment is supported by a wide range of expert opinions with respect to constitutional and EU law prepared by highly reputable professors of law, as well as by the Scientific Services of the state parliaments of Schleswig-Holstein and Lower Saxony, the verdicts of national and European courts, the resolutions and warnings of Germany's anti-trust authorities and a written rejection of key legislation passages from the European Commission as part of an official notification process. These annual financial statements were therefore prepared on the assumption that the company will continue trading.

BUSINESS & ECONOMIC CONDITIONS

BUSINESS MODEL

Tipp24 brokers state-licensed and guaranteed gaming products via electronic media, especially the Internet. In 2007, its product portfolio comprised the products of the »Deutscher Lotto- und Totoblock« (DLTB), the class lotteries, the German TV lottery and value-added combined products. With the introduction of the State Treaty on Gaming on 1 January 2008, Tipp24 decided to discontinue its brokerage of the state-operated sports betting system »Oddset« and to reduce the number of possibilities to play »Keno« from six to two times per week. In addition, we offer selected partners with high-reach websites the complete handling of their Internet lottery activities. Outside Germany, we have been represented on the Spanish market by Ventura24 S.L. since 2002, on the Italian market by Puntogioco24 s.r.l. since early 2005 and on the UK market by MyLotto24 Ltd. since 6 November 2007. 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.

End user business in Germany

The processing of our business is handled by our 100% subsidiary GSG Lottery Systems (GSG), which maintains business relations with the partner lottery companies. On the basis of GSG's receiving-agent agreements with eight federal state lottery companies (Baden-Württemberg, Brandenburg, Bremen, Hamburg, Hesse, Lower Saxony, Rhineland-Palatinate and Schleswig-Holstein), we are able to acquire any amount of any of the lottery products offered by the German Lotto and Toto Bloc (DLTB) on behalf of our customers, within the framework of the current regulatory environment. Any technical difficulties affecting a particular partner can be seamlessly bypassed through the use of completely separate connection systems.

In the period under review, the handling of »Klassenlotterie« tickets was governed by an agreement with the state-accredited lottery agency Schumann OHG, whose shareholders were the Executive Board members Jens Schumann and Dr. Hans Cornehl until 31 December 2007. With the introduction of the State Treaty on Gaming on 1 January 2008, the state-accredited lottery agency Schumann OHG now trades under the name Schumann e. K., and is managed solely by the Executive Board member Jens Schumann. It conducts its operations on the basis of a sales agreement with the management of the North German State Lottery (Norddeutsche Klassenlotterie – NKL) and by way of appointment by the management of the South German State Lottery (Süddeutsche Klassenlotterie – SKL). As with the German Lotto and Toto Bloc products, there are no restrictions as to the quantity of lottery tickets purchased. Due to the monthly turnover of the »Klassenlotterie« draws, system redundancy requirements are relatively low.

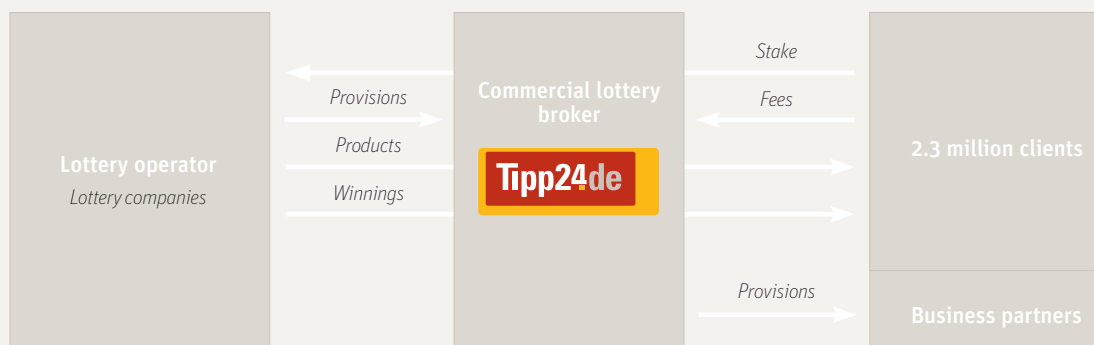
End user business abroad

In Spain, our 100% subsidiary Ventura24 currently offers the national 6 out of 49 lottery (La Primitiva) and related lottery teams, the Christmas lottery (Sorteo de Navidad), the European lottery EuroMillones and a number of other Spanish lotteries. The product range of our 100% subsidiary in Italy (Puntogioco24) currently comprises the national 6 out of 90 lottery (SuperEnalotto) as well as related lottery teams. In the UK, our wholly-owned subsidiary MyLotto24 Ltd. currently offers the possibility to bet on

the outcome of foreign lotteries. Players can also bet on the German Glücksspirale lottery. Our revenues in Spain and Italy are mainly generated by additional fees which we charge players. Revenues in the UK are generated from stakes received less the prize money distributed.

Business services

In addition to our end user business, we also offer our so-called business service partners in Germany the chance to operate lottery services on their own websites and under their own names, using Tipp24's transaction platform for the technical processing. We generally receive a one-time setup fee for this service from our business service partners and grant them a share of the commissions from the lottery companies, based on billings for the relevant customers and of the additional fees they charge, in each case in accordance with the relevant agreement between the parties. In the course of the GlStV implementation, this business model will be terminated in 2008 in favour of direct processing by Tipp24 under our own brand.



Success factors

The competitive strengths of Tipp24 lie especially in our marketing expertise, our integration in a proven network of numerous state lottery companies and online sales partners, our high degree of processing know-how and the reliability of our proprietary technology. A further success factor are the good and direct relationships we enjoy with our loyal customers.

SIGNIFICANT ECONOMIC AND LEGAL FACTORS AFFECTING BUSINESS

Large jackpots

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

Such jackpots are comprised of stakes bet by players who did not meet the conditions for winning prizes and which are then paid out to the winners on top of regular prizes in a subsequent draw. In the German 6 out of 49 number lottery, this relates in particular to the combination of six correct numbers and the bonus number.

Product portfolios of the lottery companies

The development of our revenues may be positively influenced by the further development of product portfolios offered by the Spanish and Italian lottery companies. Against the current legal backdrop in Germany, however, no significant impetus is expected from new product developments of the local lottery companies.

Regulatory environment of the European gaming market

The business success of Tipp24 is dependent on there being no changes to the regulatory framework in which Tipp24 operates which would require a restriction of our activities. The ratification of the GlStV in Germany may lead to a significant restriction of our present business model, at least in the short- to medium-term. We believe that it is highly likely a temporary injunction will be grant-

ed for those aspects of the GlStV which are particularly critical for our business, considering the obvious illegality of the GlStV with regard to anti-trust, constitutional and European legislation. Our assessment is supported by a wide range of expert opinions with respect to constitutional and EU law prepared by well-known professors of law, as well as by the Scientific Services of the state parliaments of Schleswig-Holstein and Lower Saxony, the verdicts of national and European courts, the resolutions and warnings of Germany's anti-trust authorities and a written rejection of key legislation passages from the European Commission as part of an official notification process.

Moreover, there are also strong indications that the gaming market in Germany and the rest of Europe may be liberalized in the medium term, influenced by the European Community and legislation of the European Court of Justice. In the course of such a deregulation process, we see an opportunity for us to market products from other European countries in the countries where Tipp24 is already active, thereby increasing our revenues. We would also have the opportunity to penetrate markets in further European countries, offering both our existing product range and products from different European countries.

Using the Internet as a sales channel

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

VALUE-DRIVEN CORPORATE DEVELOPMENT

Basis: value of customer base

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

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

Number of registered and active customers

Our aim is to significantly raise the number of registered customers in the current year and over the medium term. Due to the uncertain legal situation in our main market of Germany, it would not be prudent to make more forecasts regarding new customer figures. However, we still aim to stabilize the average activity rate within the statistical deviations caused by the random distribution of high jackpots at around 30%.

The number of customer registrations is principally driven by continually optimized marketing activities. We concentrate primarily on online activities, which we conduct in cooperation with other partners or directly by ourselves. In 2007, growth in the number of registered customers was once again proportionately much stronger than in the previous year – due in particular to the favourable jackpot situations (EUR 15 million or more) in the third and fourth quarters of the period under review. The largest lottery jackpot in German history (EUR 43 million) in the fourth quarter of 2007 resulted in an exceptional increase in new customers, billings and the activity rate of our existing customers.

One main focus of our activities is the retention of existing customers, whom we inform regularly – depending on their playing behaviour and the respective current appeal of specific products – via e-mail, text messages or our website.

The average activity rate remained stable at 28.7% in the past year.

Billings per active customer and gross margin

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

Billings generated by customers in Germany comprise the stake money that is remitted to the gaming operators. In return, we receive commissions from the gaming operators for these stakes. Moreover, we charge our customers additional fees for specific products. In Italy and Spain, all products have been marketed so far with an additional fee.

We plan to maintain **gross margin** (defined as the ratio of revenues to billings) at least at its current level in 2008 and in the medium-term. The figure is heavily influenced by our German operations at present. In Spain and Italy, as well as in the UK, gross margins are significantly higher than in Germany. Comparatively stronger growth in these markets raises the overall level of gross margins.

In 2007 billings per active customer remained relatively stable at EUR 588 (2006: EUR 598). Due to the highest jackpot in the history of German Lotto, we were able to gain over 350 thousand new customers in the fourth quarter alone. These were only able to contribute to billings in the fourth quarter, however, which resulted in a slight reduction in average billings for all active customers. We expect to hold billings per customer in the corridor of the previous years at around EUR 600 for the current fiscal year. We aim to achieve this by means of customer

retention activities and regular updating of our lottery product portfolio. Significant legal restrictions on the German market would possibly lead to a reduction of this key performance indicator.

Acquisition costs per new customer

As described above, revenues from the brokerage of gaming products depend strongly on the number of registered customers. Consequently, revenue growth is highly dependent on the number of new customers gained. We devote the major share of our »Marketing expenses for own customers« to the acquisition of new customers. A smaller proportion is used for ongoing retention of existing players. Marketing expenses for own customers significantly influence the profitability of Tipp24. The efficiency of these expenses depends in particular on the level of prices in the advertising market, the marketing mix chosen and the cost-effectiveness of the marketing methods used.

In fiscal 2007, the favourable jackpot situation of the fourth quarter helped us to maintain acquisition costs per new customer at EUR 20.11, despite the strong expected rise in advertising costs. In the first three quarters, average acquisition costs per new customer had reached around EUR 27. Due in particular to far stricter regulations regarding the protection of minors in 2008, we expect this level of the first three quarters of 2007 to increase by at least 10 to 15% or more. Our aim is to limit increases as far as possible. To this end, we permanently review and optimize our marketing measures. Furthermore, we regular check – both for online and offline advertising – as to whether there are new possibilities of informing potential customers about our brand and services, in order to stabilize the efficiency of our marketing measures and increase their reach.

Personnel expenses

In consideration of the fact that personnel expenses represent our second largest expenditure (after marketing), reducing the ratio of personnel costs to total revenues remains one of our major objectives. Despite high one-off costs in the second quarter, we were able to achieve this in 2007. We aim to reduce the ratio further in fiscal 2008 and to maintain this low level in the medium term.

Development of key earnings ratios

We benefit from considerable economies of scale, which enable us to steadily raise our **EBIT margin**: without including special items, the ratio increased to 23.8% in 2007. In the period under review, however, there were special items which we announced in the second quarter: eliminated assets in the form of consulting services from fiscal year 2006 and non-recurring personnel expenses resulted in a one-off reduction in the EBIT margin in 2007. Consequently, the ratio was below the prior-year figure (21.0%) at 19.9%.

At 13.9% **net operating margin** was well below the prior-year level of 21.5% – due mainly to special tax items from the investment of a large proportion of liquid funds in reverse convertible transactions in the first half of fiscal 2006. **Return-on-equity** fell to 11.3% (prior year: 12.3%) in the period under review, as a result of the lower net profit.

		2003	2004	2005	2006	2007	Target 2008*	Medium term
Number of registered customers	Thsd.	675	1,031	1,322	1,770	2,344	↗	↑
Average activity rate	%	30.3	30.9	28.6	28.6	28.7	↔	↔
Number of active customers in fiscal year	Thsd.	169	264	336	442	589	↗	↑
Billings per active customer	EUR	620	584	609	598	588	↔	↗
Gross margin	%	13.4	12.7	12.8	13.1	13.0	↔	↗
Acquisition costs per new customer	EUR	17.52	17.01	20.12	18.81	20.11	↗	↗
Personnel expense ratio	%	30.4	28.3	26.8	23.9	23.0	↘	↘
EBIT margin	%	7.1	16.4	23.2	21.0	19.9	↗	↑
Net operating margin	%	21.3	8.1	12.7	21.5	13.9	↗	↑
Return-on-equity	%	49.4	20.1	6.2	12.3	11.3	↗	↑

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

Average activity rate: The relationship between the number of active customers per fiscal year and the number of registered customers per fiscal year.

Number of active customers in fiscal year: Product of the average activity rate and the average number of registered customers in the fiscal year.

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

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

Personnel expense ratio: Personnel expenses in relation to revenues.

*subject to unchanged regulatory environment

STRATEGY: MULTI-DIMENSIONAL GROWTH

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

- continue growing in our core market Germany by **attracting new customers**,
- strengthen our **foreign business** by achieving growth in Spain, Italy and the UK, as well as penetrating further European nations,
- continually improve the quality and scope of our product range with the aim of achieving sustainable **first-class service**,
- achieve additional growth in existing and new European markets with a **European product portfolio** following a possible deregulation of the European lottery markets.

This growth can be accelerated by means of acquisitions, using the freely available liquid funds of around EUR 66 million as well as the treasury shares acquired during the period under review as part of two share buyback programmes and amounting to 7.37% of capital stock (654,047 shares).

Due to the uncertain legal situation of the German gaming market, we have temporarily postponed all decisions concerning the specific use of available liquidity for growth activities. As a consequence of our very encouraging performance over the past few years, we are proposing a first-ever dividend payment of 50 cents per share for fiscal year 2007. Once the legal parameters have been settled, we will examine and implement the possible strategic and tactical measures. In our investment activities we aim to ensure in general that there is no medium-term erosion of Tipp24's key financial parameters – especially gross margin, net operating margin and return-on-equity.

We expect the expansion of our product portfolio to generate a considerable additional boost to average billings per active customer. The international expansion of business is aimed in particular at raising the number of registered and – consequently – the number of active customers.

MANAGEMENT & CONTROL

Management team

As of 1 July 2007 the Executive Board has consisted of two members, who lead the Tipp24 Group in cooperation with an operating management team comprising divisional managers for Marketing, Corporate Development, Human Resources, Technology and Finance in Germany, the General Managers of the foreign subsidiaries and a group of further management staff. Marc Peters, joint founder and long-serving member of the Executive Board of Tipp24 AG, retired from the Executive Board on 30 June 2007 at his own request.

Remuneration of Executive Board members

The remuneration of the Executive Board members consists of a fixed basic salary of EUR 190 thousand and a variable component. 50% of this variable component is based on revenue growth of the current and past year and 50% on the growth and absolute size of the EBIT margin in the current fiscal year. On achievement of the targets, the variable component amounts to 55% of the fixed component. If targets are exceeded, the variable component can rise to around 110% of the fixed amount. There is also a long-term variable component, which is based on the growth of the 3-year average of earnings per share. On achievement of the targets, this component can also reach up to 55% of the fixed component. In exceptional circumstances, the Supervisory Board can adjust the variable components by up to 50%, upwards or downwards.

Remuneration of Supervisory Board members

In addition to the reimbursement of their expenses, members of the Supervisory Board receive a fixed gross annual payment of EUR 12 thousand on completion of the respective fiscal year.

As well as this fixed amount, members of the Supervisory Board also receive a performance-based annual payment which depends on consolidated EBIT, whereby this additional performance-based remuneration is limited to a total amount of no more than EUR 6 thousand.

Moreover, the members of the Supervisory Board receive a performance-based annual payment with a long-term incentive effect which depends on consolidated earnings per share. This additional remuneration is also limited to an amount of no more than EUR 6 thousand.

The Chairman of the Supervisory Board receives two-and-a-half times, the Deputy Chairman one-and-a-half times the above-mentioned fixed and variable remuneration amounts.

Remuneration of the second management tier: 15–25% variable

In addition to their fixed basic salary, the divisional heads in Germany also receive a variable remuneration component. Depending on their respective position, this amounts to 15–25% of fixed salary and is based both on the achievement of the Group's economic growth targets (revenues, EBIT) as well as on the individual achievement of internal targets, such as the successful and punctual implementation of projects. Moreover, the divisional heads participate in our stock option programme. The General Managers of our foreign subsidiaries are paid in the same way, whereby the agreed economic targets relate to their respective regional objectives.

Research & Development

The research activities of Tipp24 mainly focus on evaluating new technologies and development procedures. We attach far more importance to our development activities, which focus mainly on the following three areas:

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

The first two areas are covered exclusively by our IT team. The third area also receives considerable input from various company divisions – especially marketing.

In fiscal 2007, our development activities focused mainly on the following new products and product enhancements:

- Development of various lottery number generators, such as »Lotto Horoscope«, »Lotto Ball Chase« and »Lotto Duo«,
- Development of scratch cards for the German federal state of Lower Saxony,
- Development of the temporary »Summer Lotto« syndicate,
- Improvement of existing products, such as the revamping of Glücksspirale tickets,
- Creation of a new gaming experience for the Keno product by changing the bet generating feature,
- Adaptation of systems to meet the requirements of the State Treaty on Gaming.

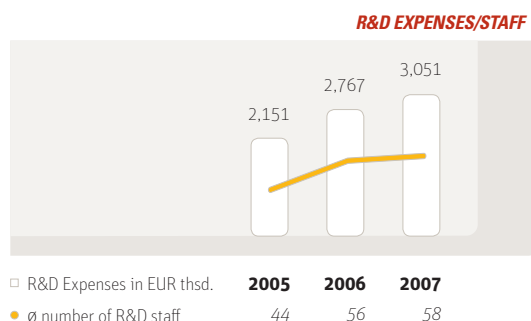
Furthermore, we introduced the following new technologies and carried out the following optimizations:

- Further development of systems for verifying customer data,
- Improvement of gaming services,
- Further development of software systems to analyze gaming behaviour of our customers,
- 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 in 2007. In addition, we also acquired external R&D know-how in 2007. The new product developments and enhancements made major contributions to our increased revenues.

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

In fiscal 2007 an average of 58 employees were involved in R&D activities on a full-time or part-time basis. R&D expenses amounted to EUR 3,051 thousand and resulted mainly from personnel costs.



OVERVIEW OF BUSINESS DEVELOPMENT

GENERAL ECONOMIC CONDITIONS

Global economic growth losing momentum

The global economy enjoyed a further year of strong growth in 2007, reaching a figure of 5.2%. However, cyclical risks have also grown noticeably in many countries, resulting in a significant deterioration of the global economic climate in the fourth quarter of 2007. Assessments of the current situation and expectations for the coming six months all had to be revised. This deterioration of the global economic climate affects the major global regions of Western Europe, North America and Asia, whereby the strongest slowdown has been recorded in North America and in particular in the USA. As a reaction to turbulence on the international financial markets (subprime crisis), triggered by the US real estate crisis, and worsening economic prospects, the US Federal Reserve slackened its monetary reins considerably in autumn 2007.

Euro zone upswing continues

There was healthy economic growth in the Euro zone during autumn 2007. GDP grew by 0.7% in the third quarter, following 0.3% in the second. Against a backdrop of favourable labour market figures, consumer spending enjoyed lively growth. Following a temporary period of stagnation, capital investments were also up. The balance of trade worsened slightly, as exports failed to keep pace with a dynamic increase in imports. Growth in GDP was particularly strong in Germany, France and the Netherlands. This acceleration in economic activity had already been reflected in an improvement in business confidence indicators, which rose again from the second to the third quarters. In the meantime, however, there are clear signs that economies are cooling in the fourth quarter. Partly due to increased oil prices and a revaluation of the Euro against the US Dollar, the future economic outlook is being viewed far more pessimistically.

Slowdown in German economic growth

The German economy continues to make good progress, despite losing much of its former momentum. In spite of a massive increase in value added tax, the upturn started in 2005 remains unbroken. The main domestic and international drivers were strong enough to outweigh the restrictive effects of the government's fiscal policy. Despite the strong revaluation of the Euro against the US Dollar, growth was once again driven by exports and the dynamic global economy. Although growth in exports was not quite as strong as in 2006, its average contribution to overall growth in 2007 was similar to that of 2006. The favourable economic climate also had a significant impact on Germany's labour market and led to a noticeable improvement in employment figures: the number of people in employment grew by 627,000 to 40.3 million in 2007. There was a similar decline in the unemployment statistics: by the end of 2007, the figure had fallen to 8.1% (prior year: 9.6%).

MARKET AND SECTOR

Intensive political and legal discussions continue

In the period under review, the legislative basis for the brokerage of lotteries and gaming in Germany was rooted, on the one hand, in the laws of the respective states («Länder») and, on the other, in the penal regulations of federal law. In the case of state legislation, there were the State Treaties on Lottery Law – implemented by all states and setting the requirements of all states with regard to the commercial brokering of lotteries and gaming – as well as the related implementing laws in certain states. On the other hand, there were the state lottery laws which included both formal regulations and actions constituting criminal and non-criminal offences.

The fiscal year under review was dominated by intensive political and legal discussions about Germany's gaming market and its respective legal conditions. These were based on various court verdicts, official decisions and political statements of intent at the highest level. The main stations are described below:

- In early January 2007 the **state administration of Saxony-Anhalt** served an injunction forbidding Tipp24 AG from carrying out its business operations in Saxony-Anhalt. According to the wording of the injunction, this affects both the brokerage of participation in lotteries in Saxony-Anhalt, especially as the commercial organizer of lottery teams, and advertising for lotteries which are illegal in Saxony-Anhalt and which can be called up in Saxony-Anhalt. The prohibition had immediate effect. Tipp24 has filed for temporary legal protection with the relevant administrative court. Tipp24 was allowed to continue its operations until a court decision has been made.
- On 8 March 2007 the **administrative court of Halle** confirmed the suspension of the ban on Tipp24's operations in Saxony-Anhalt as ordered by the state administration of Saxony-Anhalt. The judges also declared that they were considering referring the law to Germany's Constitutional Court.
- On 21 March 2007 the **EU Commission** informed the German government in a letter of formal notice regarding infringement proceedings that § 284 of the German penal code – under which it is illegal to advertise, organize or operate public gaming without official permission – represented an infringement of the EU's free movement of services. The Commission had carefully investigated current legislation in Germany and listed a number of inconsistencies which constituted an infringement of EU law.
- On 22 March 2007 the **EU Commission** informed the German government in a »Detailed Opinion« as part of the notification process for the Draft State Treaty on Gaming (GlStV-E) of the German government, that the GlStV-E represented an infringement of EU legislation in the following points:
 - The explanations to the notified draft do not contain any data to support claims that there is an actual danger of gambling addiction on the Internet in Germany, which represents a threat to the fundamental interests of the German public. Furthermore, there was no presentation of an assessment of the consequences nor studies to prove such claims.
 - The GlStV-E does not meet requirements regarding appropriateness in achieving the declared goal, as it applies to lotteries and sports betting but not to games of chance which represent a much higher risk of addiction. Games with a far greater potential for addiction, such as gambling machines or horse-racing bets, are not covered by the ban.
 - Furthermore, the GlStV-E does not meet requirements regarding adequacy. There are less restrictive measures to combat gambling addiction and protect minors than a complete Internet ban. Moreover, the intended registration of customers on the Internet is particularly well suited to identifying and limiting potential gambling addiction.

- On 26 April 2007 the **administrative court of Halle** suspended proceedings concerning the prohibition of our business activities in Saxony-Anhalt and simultaneously decided to refer the decision to Germany's Federal Constitutional Court as to whether gaming legislation in Saxony-Anhalt was irreconcilable with basic constitutional law (Grundgesetz) insofar as the aforementioned regulation introduces a statutory permission requirement for the private brokerage of directly or indirectly organized gaming (Lotto, Toto etc.) without determining at the same time a transitional period for brokerage activities already existing. At the moment, Tipp24 is allowed to continue its business activities in Saxony-Anhalt.
- Subsequent to the »Detailed Opinion« submitted as part of the formal notification process, the **EU Commission** issued a further statement on 14 May 2007 concerning the Draft State Treaty on Gaming (GlStV-E) of the German government. Considerable objections were expressed as to the compliance with EU law of the planned restrictions of free movement of capital, advertising restrictions, the limitation of sales outlets, restricted distribution channels and competition restrictions. The German government was called upon to comment on these objections within two months.
- On 8 June 2007 the **Regional Appeal Court of Düsseldorf** confirmed the decision of the Federal Cartel Authority of 23 August 2006 which stated that the bloc agreement of »Deutscher Lotto- und Totoblock« and the resulting regionalization of the lottery business contravened Community law. In the simultaneous proceedings concerning provisional legal protection, the German Federal Court of Justice (BGH) also confirmed in principle the illegality of the regional cartels of the state lotteries. This regionalization is an integral part of the new State Treaty on Gaming.
- On 24 July 2007 the **administrative court of Stuttgart** issued a suspension order in a trial to prohibit the brokerage of sports betting and referred the dispute to the European Court of Justice (ECJ) for a preliminary ruling on two legal questions. In its justification for referral, the administrative court of Stuttgart assumes that a national monopoly of certain games of chance, as is currently the case in Germany, contravenes Art. 43 and 49 of EU law.
- On 24 September 2007 the **EU Commission** informed the German government in a letter published in the press that a law passed to implement or execute a state treaty must be separately notified. This applies at least in those cases where the implementation or execution legislation intensifies the State Treaty on Gaming. In the aforementioned letter the EU Commission cites several examples which require notification. Any contempt of this notification obligation would render the legislation non-applicable.
- During the course of the fourth quarter, the various **federal states** ratified the State Treaty on Gaming. In some cases, this happened under considerable pressure from the respective state governments or the Minister Presidents themselves, e.g. in Hamburg, Schleswig-Holstein and Lower Saxony. The governments of Lower Saxony and Schleswig-Holstein even ignored expert opinions prepared by the Scientific Services of their respective state parliaments, in which the illegality of the State Treaty on Gaming with respect to constitutional and EU law was clearly ascertained.

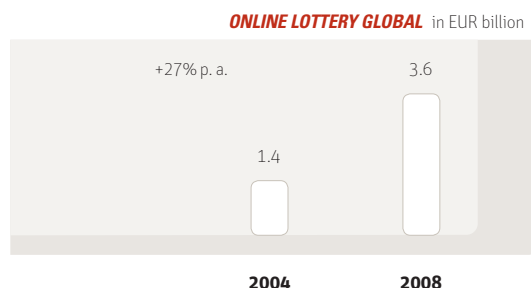
Lottery market shows global growth of 3.3%

The global lottery market accounts for the largest share of the global gambling market (total volume 2006: EUR 153 billion; source: La Fleur's 2007 World Lottery Almanac, »La Fleur's«) and has displayed constant growth rates over the past few years (source: Global Betting and Gambling Consultants, The Global Betting and Gambling Report 2004/05, »GBGC«).

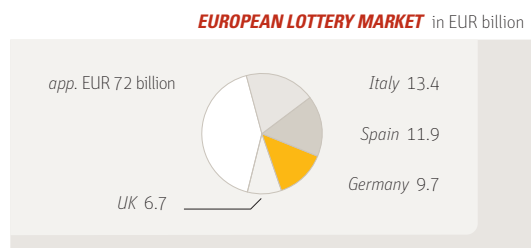
The European nations account for a market volume of around EUR 72 billion, or approximately 50%. The largest European markets are Germany, Spain and Italy, which together make up around 50% of the European market with some EUR 35 billion.

The 16 companies of the German Lotto and Toto Bloc (DLTB) once again suffered a slight decline in revenues in 2007 of around 2.0% to EUR 7.46 billion (prior year: EUR 7.61 billion). We believe that this decline resulted from a partial restriction of advertising activities in connection with the regulatory discussions. There was a particularly strong decline in revenues from the state-run sports betting game »Oddset«. Although DLTB's top-revenue product, »6 from 49 Lotto«, was only down 0.9% on 2006 to around EUR 5 billion (source: DLTB), this was still rather disappointing considering the record-breaking Lotto jackpot in December.

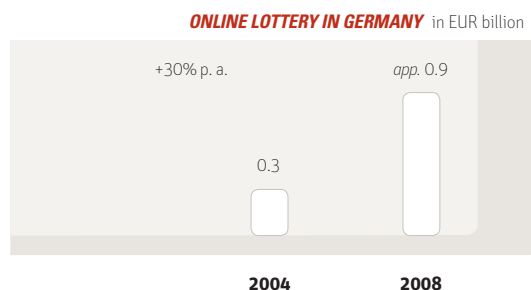
With a gambling volume of around EUR 11.9 billion (2006), the Spanish lottery market is the second largest in Europe. The Italian market is the largest with a gambling volume of around EUR 13.4 billion in 2006 (source: La Fleur's). In our opinion, the online proportion of the lottery market in both countries is still insignificant and results mainly from our own pioneering work. E-commerce markets are also still in their infancy in both countries. Their development is approximately 2-3 years behind that of the German market. The gambling volume of the UK market was around EUR 6.7 billion in 2006.



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



Source: La Fleur's 2007 World Lottery Almanac



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

SIGNIFICANT EVENTS FOR BUSINESS DEVELOPMENT

Ongoing regulatory discussions in Germany

The continuation of regulatory discussions in Germany had a direct impact on the development of our business for a number of reasons: we incurred considerable lobbying costs in order to position Tipp24 in connection with the impending legislation changes. As a result of the regulatory discussions, all state lottery companies discontinued their online activities at the end of 2006, with the exception of Lower Saxony and North Rhine-Westphalia. This had a positive influence on our new customer acquisition activities in the period under review. The state lottery of Hamburg recommenced its online activities on 1 September 2007.

Blockade of our Italian website ended

In mid 2006 the relevant authorities blocked access to the website of our Italian subsidiary, resulting in a significant restriction of its business and in particular to our growth in Italy. In September 2007 the blockade was lifted without any explanation. A verdict in this matter is expected in the first half of 2008.

UK market entry

In the period under review we entered the UK market via our new wholly-owned subsidiary »MyLotto24 Ltd«. On 6 November 2007 Tipp24 went online with a new business model under the website address www.mylotto24.co.uk: on the basis of the corresponding licence, MyLotto24 Ltd. offers bets on the outcome of European lotteries.

Customers have the opportunity to place individual bets on 1, 2, 3, 4, or 5 correct numbers, e.g. for the Italian SuperEnalotto, and receive better odds than competitors offer. In addition, customers can bet on the jackpots of foreign lotteries, whereby these jackpots are much higher than those of the national UK lotteries.

Concluding assessment of business development

The Executive Board of Tipp24 judges business development to have been generally good in 2007. We achieved our objectives with regard to the development of billings and revenues. The only exception was our original EBIT target, which we failed to achieve due to the above-mentioned special items.

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 are also additional risks. Due to the low volume of our relatively young business in Italy, the limitation of activities in the first three quarters of 2007 only had a minor negative influence on the Group's revenue development.

Against this backdrop, we regard the continuing dynamic growth of our German business as a particular success. According to our estimations, our market share amounts to over 60%. As in the previous year, we also grew faster than our private competitors again in 2007 and were thus able to expand our relative market share. In summary, therefore, we believe that the dynamic development of the online lottery market and excellent positioning of Tipp24 in this market were confirmed again in the past year.

EARNINGS, FINANCIAL POSITION AND NET ASSETS

EARNINGS

Continued growth

The Tipp24 Group successfully continued its dynamic growth of the past few years in fiscal 2007. However, its progress was hampered considerably by two non-recurring expenses:

- Consultancy charges from 2006 amounting to EUR 1.422 thousand for specific projects relating to the implementation of the Group's acquisition strategy and incurred mainly in the previous year were capitalized. Against the backdrop of ongoing discussions in the regulatory environment, the respective projects have now been indefinitely postponed and the assets concerned were eliminated in the second quarter of 2007 with an effect on earnings.
- There was a one-off personnel charge of EUR 350 thousand in the second quarter.

Moreover, in comparison with the previous year the following further special items have to be considered:

- The chance omission of high jackpots in Germany in the first three quarters of 2007 dampened the development of new customer figures and the activity rate of existing customers in this period.
- The draw for Germany's highest-ever lottery jackpot (EUR 43 million) in the fourth quarter of 2007, and the accompanying targeted marketing activities, resulted in an exceptionally strong increase in new customers, billings and the activity rate of existing customers in this period. At the same time, the above-mentioned marketing activities for the jackpot resulted in a proportionately higher increase in marketing expenses than revenues.

- The foundation of our new subsidiary in the UK, MyLotto24 Ltd., incurred considerable start-up costs in the second half of 2007. These are disclosed under »Other costs of operations«.
- The ongoing regulatory discussions led to additional lobbying costs.

In total, we succeeded in raising the number of registered customers in fiscal 2007 and thus also raised billings and revenues compared with the previous year. These increases were in line with our expectations. After adjustment for the two non-recurring expenses, we were also able to meet our high EBIT expectations.

DEVELOPMENT OF EARNINGS

In fiscal 2007 we raised **EBIT** by 23.5% to EUR 8,949 thousand, while the EBIT margin was below the prior-year level at 19.9% (prior year: 21.0%). We succeeded in decreasing the marketing expense ratio by 0.5%-points to 33.8% as well as the personnel expense ratio by 0.9%-points to 23.0% – despite the above-mentioned non-recurring costs in the second quarter. While the ratio for direct cost of gaming operations was largely stabilized at 8.8% (prior year: 8.7%), other operating costs climbed 3.6%-points to 14.8% of revenues.

As in previous years, our **German operations** dominated the development of the Tipp24 Group. The EBIT contribution of this market grew by 37.5% to EUR 10,076 thousand in 2007, representing an increase in the EBIT margin in Germany of 0.9%-points, from 24.3% to 25.2% – despite the above-mentioned non-recurring costs. Adjusted for non-recurring costs, EBIT in Germany grew by 61.7% to EUR 11,848 thousand (EBIT margin: 29.6%).

When comparing only the fourth quarters, EBIT in Germany grew by 102.5% to EUR 4,301 thousand with a leap in revenues of 69.3% to EUR 15,024 thousand. This increase was mainly due to the EUR 43 million record jackpot in the fourth quarter. Additional expenses in the middle six-figure euro range for lobbying activities in the fourth quarter of the previous year, however, had a negative impact on EBIT.

Earnings of our **foreign subsidiaries** in the period under review amounted to EUR -1,076 thousand (prior year: EUR -83 thousand). This figure is dominated by the start-up costs for our market entry in the UK. Due to the lack of relevant jackpots in the EuroMillones lottery, our Spanish operations were unable to make a positive contribution to EBIT.

Due to the far higher average level of cash and cash equivalents, the Group's **financial result** doubled in 2007, compared with 2006, to EUR 2,243 thousand (prior year: EUR 1,121 thousand). This strong increase resulted mainly from the first half of 2006, when we invested a large proportion of our liquid funds in tax-efficient reverse convertible transactions. As a result, the average level of cash and cash equivalents fell in 2006 as well as the financial result, in comparison with 2007.

	1 Jan.–31 Dec. 2007		1 Jan.–31 Dec. 2006		change %
	EUR thsd.	%	EUR thsd.	%	
Billings	346,776		264,235		31.2
Remitted stakes less commissions	-301,802		-229,660		31.4
Revenues	44,974	100.0	34,575	100.0	30.1
Personnel expenses	-10,324	-23.0	-8,277	-23.9	24.7
Other operating expenses	-25,774	-57.3	-18,742	-54.2	37.5
Less other operating income	944	2.1	431	1.2	119.1
Operating expenses	-35,154	-78.2	-26,588	-76.9	32.2
EBITDA	9,820	21.8	7,987	23.1	22.9
Amortization and depreciation	-871	-1.9	-743	-2.1	17.2
EBIT	8,949	19.9	7,244	21.0	23.5
Financial result	2,243	5.0	1,121	3.2	100.1
Earnings before taxes	11,192	24.9	8,365	24.2	33.8
Income taxes	-4,920	-10.9	-921	-2.7	434.5
Profit	6,272	13.9	7,445	21.5	-15.8
Breakdown of other operating expenses					
Marketing expenses	-15,186	-33.8	-11,847	-34.3	28.2
– Marketing expenses for own customers	-11,550	-25.7	-8,435	-24.4	36.9
– Business Service commissions	-3,636	-8.1	-3,413	-9.9	6.5
Direct operating expenses	-3,941	-8.8	-3,016	-8.7	30.7
Other expenses of operations	-6,647	-14.8	-3,879	-11.2	71.4
Other operating expenses	-25,774	-57.3	-18,742	-54.2	37.5

(Rounding differences due to presentation in EUR thousand)

Consolidated net profit fell by 15.8% to EUR 6,272 thousand, compared with the previous year. Net operating margin after tax decreased correspondingly by 7.6%-points to 13.9%. The decline was proportionately much higher than EBIT, due to the non-recurring tax effects which had a correspondingly favourable impact on the tax ratio in fiscal 2006 as a whole.

When comparing only the fourth quarters, consolidated net profit grew by 37.3% to EUR 2,370 thousand. As described above, additional expenses in the middle six-figure euro range for lobbying activities in the fourth quarter of 2006 had a negative impact on earnings.

In the period under review **return on equity** fell from 12.3% to 11.3%.

Earnings per share (undiluted and diluted) fell from EUR 0.84 to EUR 0.74 in fiscal 2007.

Net profit for the year acc. to HGB of Tipp24 AG

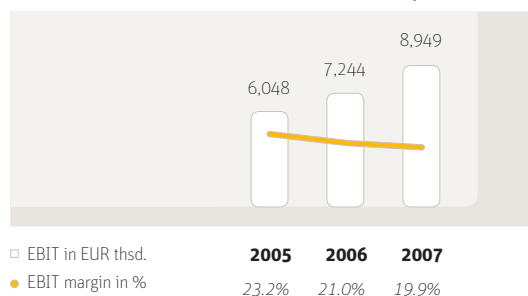
amounted to EUR 5,978 thousand in 2007. The Executive Board proposes to pay a first-ever dividend of 50 cents per share for the fiscal year 2007.

DEVELOPMENT OF REVENUES

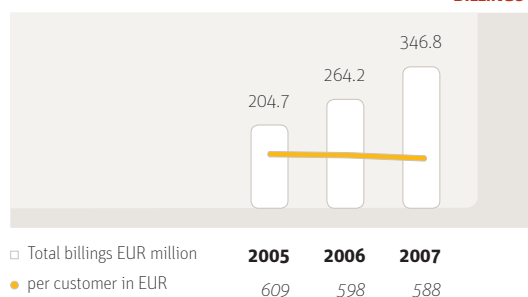
The number of **registered customers** grew by 574 thousand in fiscal 2007 to reach 2,344 thousand. Due to the favourable jackpot situation in the fourth quarter, growth was 126 thousand higher than in the previous year (448 thousand). In the last three months of 2007 alone, growth was up 165 thousand on the prior-year period with 354 thousand newly registered customers.

The **active customer ratio** remained virtually unchanged at 28.7% (prior year: 28.6%). At EUR 588, billings per active customer almost reached the figure of 2006 (EUR 598). Overall, we succeeded in raising **billings** by 31.2% to EUR 346,776 thousand in the period under review. The ratio of billings to revenues – our **gross margin** – also remained relatively stable at 13.0% (prior year: 13.1%).

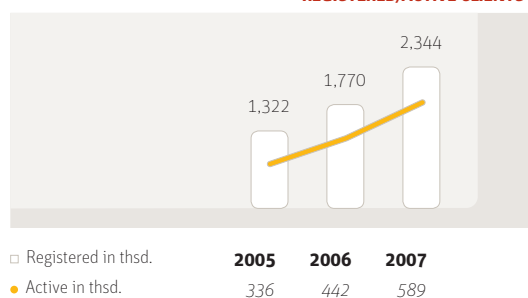
EBIT/EBIT MARGIN



BILLINGS



REGISTERED/ACTIVE CLIENTS



We were therefore able to raise **total revenues** by 30.1% to EUR 44,974 thousand. Revenues were once again dominated by the contribution of our German operations, which accounted for 89.0% of total revenues in fiscal 2007. They were up 32.5% on the prior-year period to EUR 40,018 thousand. Domestic billings grew similarly by 31.8% to EUR 325,540 thousand, while gross margin remained steady at 12.3%. Growth in Germany was thus slightly stronger than the Group average. In addition to the record jackpot in Germany, the main cause of this development was the lack of any relevant jackpots in our main foreign market, Spain, throughout the year.

In a comparison of the fourth quarter figures, billings were up 65.1% to EUR 128,600 thousand and revenues up by 61.1% to EUR 16,483 thousand. Gross margin fell slightly from 13.1% to 12.8%.

DEVELOPMENT OF ORDERS

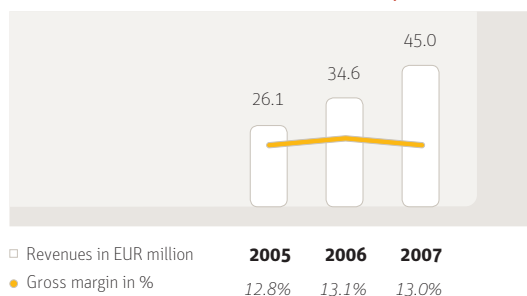
Due to the nature of our business model it is not expedient to disclose the development of orders. Customer orders are regularly carried out very soon after receipt.

DEVELOPMENT OF KEY INCOME STATEMENT POSITIONS

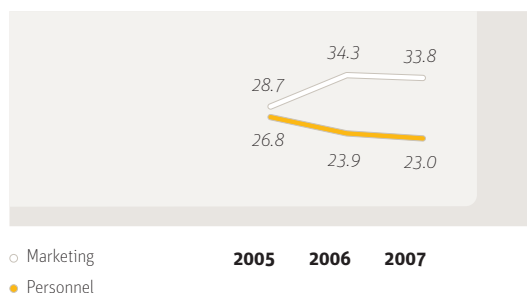
In the period under review, **personnel expenses** grew by 24.7% to EUR 10,324 thousand, compared with the previous year. There were two non-recurring additional expenses in the second quarter amounting to around EUR 350 thousand. In total, the increase in personnel expenses was proportionately less than the rise in revenues, and consequently the personnel expense ratio fell by 0.9%-points to 23.0%.

Other operating expenses grew by 37.5% in 2007 to EUR 25,774 thousand. When comparing fourth quarter figures, there was an increase of 76.8% to EUR 10,166 thousand.

REVENUES/GROSS MARGIN



COST RATIOS in %



In the fiscal year, the development in detail was as follows:

- **Marketing costs** rose by 28.2% to EUR 15,186 thousand (33.8% of revenues; -0.5%-points). They consist of marketing expenses for our own customers and commissions paid to Business Service partners. In 2007, marketing expenses for our own customers were up 36.9% to EUR 11,550 thousand. The amount of commissions paid to Business Service partners grew by 6.5% to EUR 3,636 thousand, compared with the previous year.
- **Direct operating expenses** grew by 30.7% – and thus in line with billings – to EUR 3,941 thousand in 2007. They represented 1.1% of total billings (prior year: 1.1%).
- **Other operating expenses** increased by 71.4% to EUR 6,647 thousand (prior year: EUR 3,879 thousand). The increase resulted mainly from special items (elimination of assets in the form of consultancy services) amounting to EUR 1.4 million in the second quarter of 2007, as well as start-up costs for our new UK subsidiaries. Additional costs were also incurred for legal advice and lobbying activities in connection with the current regulatory environment.

The development of **other operating income** was 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 by EUR 128 thousand (+17.2%) to EUR 871 thousand. This increase is in line with investments made.

FINANCIAL POSITION

Principles and objectives of financial management

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

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

Financial analysis

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

- **High short-term other liabilities** – both toward customers from advance payments and toward game operators from tickets already brokered but not yet paid – due on a daily basis. These are covered principally by liquidity or similarly short-term receivables from lottery companies for brokered bets or payment transaction partners, banks and credit card companies, with maturities of one day to one week.

In the period under review, short-term other liabilities grew by 42.5% to EUR 26,810 thousand (prior year: EUR 18,810 thousand).

- **A high level of equity** derived partly from accumulated profits, less loss carryforwards, and from capital contributions in the company's early phase (1999 and 2000), as well as from the additional equity generated by our IPO. There are no significant long-term liabilities.

Against this backdrop, our key performance indicator with regard to financial analysis is the company's equity ratio (i.e. the relation between equity and total capital). In line with our financial management targets, we decreased this ratio by 12.7%-points to 60.6% (prior year: 73.3%). Equity capital was reduced in particular during our share buyback programme by EUR 11,335 thousand.

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

Off-balance-sheet financial instruments do not play a significant role in financing the Tipp24 Group. The Group has taken out a bank guarantee facility in the amount of EUR 180 thousand in order to secure future obligations under rental agreements for office space. Furthermore, the Group has off-balance-sheet future obligations from operating lease agreements for offices, company cars and technical equipment in the amount of EUR 1,324 thousand.

Investment analysis

In the period under review, we made total investments of EUR 3,214 thousand in software (EUR 1,536 thousand), hardware (EUR 1,585 thousand) and furniture, fixtures and office equipment (EUR 93 thousand). The major share of this total was accounted for by the expansion of our infrastructure, especially for the setting up of an international data centre at our London facility. This location was mainly chosen because of its far superior connections to major international Internet nodes. We also began the launch of a new software release for our international gaming operations. Further investment projects in the period under review included the expansion of our analysis and accounting systems as well as gaming operation 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

Cash flow

At EUR 17,886 thousand, **cash flow from operating activities** was much higher than in the previous year (EUR 8,360 thousand). Compared with the same period last year, the balance of changes in other assets and other liabilities in the period under review – which mainly reflect the accounting of gaming operations (receivables from banks and credit card companies, receivables/payables from/to lottery organizers, payables to customers) – made a significantly higher contribution to cash flow (EUR +3,319 thousand, prior year: EUR –869 thousand). This change is within the usual statistical variation in the processing of gaming activities. Moreover, cash flow resulting from changes in trade payables grew by EUR 2,954 thousand to EUR 3,836 thousand, compared with the previous year.

Key cash flow positions in EUR thsd.	2007	2006
Cash flow from operating activities	17,886	8,360
Cash flow from investing activities	-1,200	-4,769
Cash flow from financing activities	-11,335	0
= Net increase/decrease in cash and cash equivalents	5,351	3,591
Cash, cash equivalents and securities at the beginning of the period	60,703	57,174
Non-cash income from securities	97	0
Net change in cash and cash equivalents from securities	-239	-61
= Cash, cash equivalents and securities at the end of the period	65,912	60,703

Cash flow from investing activities fell by EUR 3,570 thousand, compared with the previous year, to EUR -1,200 thousand. Although we invested much more in technical infrastructure in 2007 (EUR 3,214 thousand, prior year: EUR 769 thousand), we made financial investments of EUR 4,000 thousand in the previous year and sold a financial investment amounting to EUR 2,014 thousand in the period under review.

Cash flow from financing activities amounted to EUR -11,335 thousand (prior year: EUR 0 thousand) and resulted exclusively from the company's share buyback programme. **Free cash flow** was well above the prior-year level at EUR 16,686 thousand.

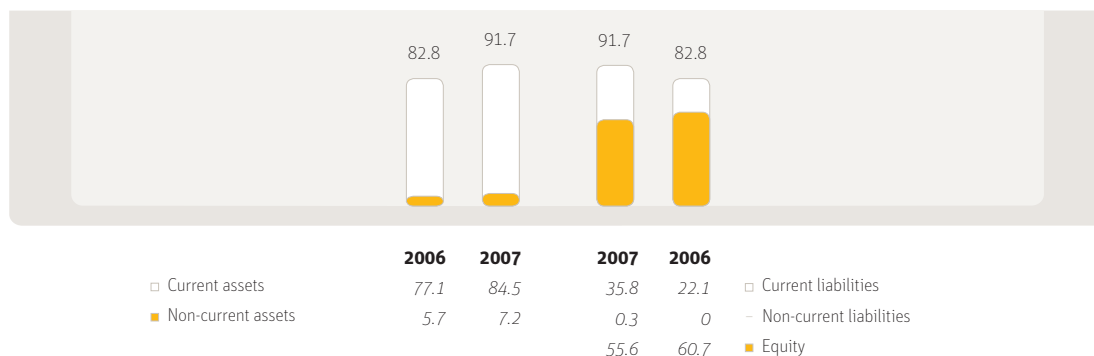
Liquidity ratios

In general, our liquidity is strongly influenced by the extremely high amounts of liquid funds resulting from our IPO and accumulated historical profits.

In order to judge the liquidity situation of Tipp24 AG, we regularly employ the so-called **quick ratio**. In addition to short-term securities with a capital guarantee and redeemable on demand, this ratio also considers current receivables. The latter are mainly from solvent companies and relate to betting operations. They are ongoing receivables and all settled in the first few days of the subsequent fiscal year. They consist of receivables from banks and credit card companies for customer payments as well as from lottery companies for security retainers and winnings not yet paid out to customers. With the exception of low liability amounts resulting from finance leases, Tipp24 has no long-term debts. Compared with the previous year, the quick ratio fell during fiscal 2007 from 341.1% to 232.2%.

	2007	2006
Quick ratio* = $\frac{\text{monetary current assets excluding any prepaid expenses}}{\text{total debt}}$	232.2%	341.1%

* Corresponds to current ratio, as Tipp24 has no inventories.

BALANCE SHEET STRUCTURE in EUR million

As of the balance sheet date, existing balances were invested as follows: EUR 3.0 million in long-term financial assets with a capital guarantee, EUR 55.0 million in immediately redeemable money market fund units bearing a capital guarantee and a fixed and variable interest component, as well as EUR 4.1 million in short-term investments.

Capital costs

Tipp24's debts consist mainly of other liabilities, especially from betting operations. There is no interest-bearing debt. We calculate the cost of equity at 7.9%. This figure comprises a risk-free basic interest rate of 3.9% plus a risk premium of 4.0%, which results from the general market risk premium of 4.0% plus a beta factor of 1.0. The beta factor is based on daily covariance to the DAX index (beta factor 0.69) and was raised to 1.0 to reflect the current external legal circumstances of the entire sector. Due to the absence of interest-bearing debt, average capital costs as of the balance sheet date amounted to 7.9% (prior year: 9.0%).

Other liabilities

Our other liabilities consist mainly of liabilities to players from advance payments as well as to gaming companies from billings not yet paid. These liabilities are subject to considerable statistical fluctuations depending on any claims to major winnings originating before the balance sheet date not yet settled. Moreover, they are heavily dependent on the day of the week on which the cut-off date falls, due to the weekly nature of the games and the settlement day of certain gaming companies. Other liabilities were EUR 8.0 million above the prior-year level at EUR 26.8 million.

ASSET SITUATION**Asset structure analysis**

The assets of Tipp24 mainly comprise current assets amounting to EUR 84,526 thousand (prior year: EUR 77,054 thousand). In turn, these consist largely of cash, cash equivalents and securities (EUR 65,821 thousand), receivables from lottery organizers from winnings of brokered tickets (EUR 7,137 thousand), receivables from banks and credit card companies for customer payments (EUR 5,041 thousand) and security retainers (EUR 681 thousand) of the state lottery companies. We also held EUR 4,144 thousand in short-term financial investments as of the balance sheet date.

The development of assets reflects increased billings, the development of earnings and effects from our share buyback programme.

Moreover, Tipp24 has intangible assets – mainly software – amounting to EUR 1,582 thousand, property, plant and equipment – mainly hardware and office equipment – amounting to EUR 2,349 thousand, long-term financial assets totalling EUR 3,000 thousand and deferred tax assets on tax loss carryforwards amounting to EUR 282 thousand.

Assets not recognized

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

- **Customers:** about 30% of Tipp24’s registered customers are regular players, i.e. participate actively at least once per month. Apart from short-term fluctuations, there has not been any sign of a decrease in their activity so far. In consideration of the regular future cash flows which these customers are likely to provide, they are our most essential asset.
- **Brand:** the Tipp24 brand, registered in 2005 as a word trademark, has achieved a considerable awareness level in Germany thanks to continual advertising since operations commenced. It therefore represents a significant asset for us.
- **Software:** the software systems used by Tipp24 for its gaming operations are mainly self developed. Considerable costs were incurred during development, in particular personnel expenses for software developers and others involved in the process. Not all criteria prescribed by IAS 38.57 were fulfilled for these development costs. For this reason, we have not capitalized our own software developments.

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

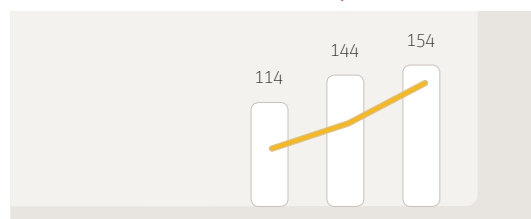
Tipp24 has future obligations from agreements totalling EUR 864 thousand. These consist of obligations from cooperation, insurance, maintenance and license agreements. There are also liabilities from an operating lease with a cash value of EUR 1,324 thousand.

Employees

In addition to the members of its Executive Board and one General Manager in Spain, Italy and the UK, respectively, the Tipp24 Group had an average of 154 full-time employees (year-end: 169) and six apprentices in 2007. The fluctuation rate was 17.8% and the average age 31.75. There were also an average of 48 student helpers, generally working a 20-hour week.

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

NUMBER OF EMPLOYEES/PERSONNEL EXPENSES



□	number of employees	2005	2006	2007
●	Personnel expenses	6,990	8,277	10,324
		in EUR thsd.		

All employees regularly take part in training activities within their respective departments. Around 5% of total working hours are dedicated to this purpose. Moreover, EUR 199 thousand was invested in external training activities in 2007.

Based on current information, Tipp24 regularly ensures compliance with all industrial health and safety standards required by law. In 2007, there were three industrial accidents.

Other intangible assets

We regard the value of our excellent relations to the lottery companies as significant – especially as they enable us to recognize new developments of importance for our company at a very early stage.

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

OVERALL STATEMENT TO ECONOMIC POSITION

Management's assessment of the economic position

The current regulatory situation, in particular following the ratification of the State Treaty on Gaming by Germany's federal states, bears the risk of a significant disruption, up to the complete prohibition of our present business model in Germany from 1 January 2009 onwards, and could thus have a seriously negative impact on the earnings, financial position and 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.

At the same time, the Executive Board sees the opportunity for sustained encouraging growth in future. This was confirmed once again by our success in fiscal 2007. In comparison to other sectors, the online lottery market in Germany, as well as in Spain, Italy and the UK, is underdeveloped. Against this backdrop, it seems likely that the sector will enjoy considerable growth in the coming years. Tipp24 is excellently positioned to benefit strongly from this development.

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

Influence of balance sheet policy on the economic position

Our balance sheet consists to a large extent of liquid funds covered by equity, which provide a solid basis for our growth strategy and for any new growth opportunities resulting from a change in the regulatory environment. In the long term, we aim to reduce the current equity ratio of 60.6% through further investments in the expansion of business to around 35%, while achieving a return-on-equity ratio of over 30%.

DISCLOSURES PURSUANT TO THE GERMAN TAKEOVER DIRECTIVE IMPLEMENTATION ACT (§ 315 (4) HGB)

The following mandatory disclosures are in compliance with the German Takeover Directive Implementation Act passed on 8 July 2006 in accordance with § 315 German Commercial Code (HGB):

- The Company's subscribed capital equals its share capital of EUR 8,872,319.00. It is fully paid and divided into 8,872,319 no-par value registered shares.
- The following direct or indirect holdings in the company's share capital, in excess of 10% of total voting rights, were reported to the company pursuant to § 21 WpHG during the period under review or at an earlier point and did not change during the period under review:

Name, location	Shareholding	Reported
Günther Holding GmbH, Hamburg	15.20%	17 December 2007
Jens Schumann, Hamburg	10.18%	11 November 2005

- In accordance with § 84 and § 85 of the German Stock Corporation Act (AktG), the Supervisory Board is responsible for appointing and dismissing members of the Executive Board. In § 5 of the Articles of Tipp24 AG, it is further specified that the Supervisory Board appoints the members of the Executive Board, determines their number and regulates the division of responsibility.
- Pursuant to § 119 (1) No. 5 AktG, resolutions concerning changes of the Company's Articles must be adopted by the Annual Shareholders' Meeting. The corresponding specific rules of procedure are listed in §§ 179, 181 AktG in conjunction with § 15 of the Articles of Tipp24 AG.

- The resolution of the Annual Shareholders' Meeting of 15 September 2005 authorizes the Executive Board, with the consent of the Supervisory Board, to increase the Company's share capital on one or more occasions in the period up to 31 July 2010 by up to EUR 3,331,136.00 by issuing new shares against cash contributions or contributions in kind (Authorised Capital I). Moreover, the Company is authorized to increase its share capital in the period up to 31 December 2010 by up to EUR 500,000.00 by issuing new shares (Conditional Capital I). It serves to ensure that subscription rights can be exercised for stock options issued by the Company between 1 January 2006 and 31 December 2010 as part of the 2005 stock option plan. At the Annual Shareholders' Meeting of 24 May 2007, the Executive Board was also authorized to purchase shares in the Company up to a relative amount of approximately 10% of share capital, corresponding to 887,231 shares. This authorization shall also enable the Company to quickly dispose of a sufficient number of its own shares for the acquisition of companies, or investments in other companies, and to offer such shares as compensation to the seller without having to use the Stock Exchange.

Explanatory report of the Executive Board regarding the details provided pursuant to § 315 (4) HGB:

- As of 31 December 2007, the Company's share capital amounts to EUR 8,872,319.00 and is divided into 8,872,319 registered no-par value shares. Each share entitles the owner to one vote and is decisive for profit participation.
- The Company is managed and represented by the Executive Board. In accordance with § 84 AktG, the Supervisory Board is responsible for appointing and dismissing members of the Executive Board. Mr. Marc Peters retired from the Executive Board with effect from 30 June 2007. No successor was appointed.

- The last amendment to the Articles was made during the Annual Shareholders' Meeting of 24 May 2007; § 3 of the Articles was adapted to the Transparency Directive Implementation Act.
- In the period under review, the Executive Board utilized its authorization to buy back Company shares. As of 31 December 2007, a total of 654,047 shares, or 7.37% of share capital, were bought back.

SUBSEQUENT EVENTS

The new State Treaty on Gaming (GlStV) came into effect in Germany on 1 January 2008. It contains regulations which seriously impede significant parts of Tipp24 AG's business activities, or even forbid them completely. According to the wording of the new legislation, advertising on the Internet, for example, is completely prohibited, while the online brokerage of gaming is highly restricted in 2008 and 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 – a regulation which was previously not planned. There is no legal claim to the granting of these licences. As already explained, the Company believes that the State Treaty on Gaming contravenes current anti-trust, constitutional and EU law in numerous aspects. Should the authorities apply the corresponding laws, Tipp24 believes there is a strong possibility that its activities will be protected by temporary injunctions awarded in the case of legal action being taken. A similar result was already achieved in spring 2007 in a dispute with the state of Saxony-Anhalt at the administrative court of Halle.

We are convinced that our products and services comply fully with the new provisions of the GlStV and meet all requirements for the transitional year 2008. To this end, for example, we have tightened our youth protection mechanisms, discontinued the product Oddset and limited the number of possible participations in the lottery Keno to two draws per week. Moreover, we will adapt the lottery services of our so-called former Business Service partners, via the portals of T-Online, WEB.DE and RTL.DE (Gambelino), in such a way that customers now play directly via Tipp24.

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 game brokers. The institution of formal infringement proceedings, especially in connection with its justification, may represent a major aspect for the Company in the defence of its current business model.

RISK REPORT

RISK MANAGEMENT

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

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

In 2007 we refined our existing risk management system in line with the dynamic development of our company. Our high-performance system enables us to quickly recognize relevant risks for the company, as well as to evaluate such risks and take measures as quickly as possible. For the implementation of our early warning system, we observe guidelines based on the scope of our current activities and the size of Tipp24 AG.

Tipp24's risk management can be described as follows:

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

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

Our risk management system is firmly anchored at management level and is continually monitored and updated. The Executive Board is regularly informed about the risk evaluation results. We are convinced that the early warning and management systems we have implemented are well suited to quickly recognizing and dealing with dangers for Tipp24 resulting from possible risks. In fiscal 2007 we formally documented the risk recognition system. It is regularly monitored and adapted where necessary.

PRESENTATION OF INDIVIDUAL RISKS

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

Market risks

Our business is dependent on the development of the markets in which we operate. In particular, a negative development of the lottery markets, due for example to a decline in advertising, a reduction in the product portfolio of game operators or a statistically unusually long period without relevant jackpots may all negatively impact our growth.

Furthermore, our growth is strongly dependent on the prices in the respective advertising markets, especially the online markets. A significant increase in prices would raise costs per registered customer and thus have a negative effect on our growth and profitability.

The entry of further competitors into the lottery markets, especially online, may also restrict our further growth.

Finally, there is a possibility that use of the Internet itself may decline. This would also have a significant detrimental effect on Tipp24's business activities. We believe, however, that this is unlikely to happen.

Legal risks

- **Introduction of the State Treaty on Gaming (GlStV)**

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.

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. 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 and in the infringement proceedings instituted by the EU Commission just one month after the State Treaty on Gaming came into force. 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.

• **Gaming law in Saxony-Anhalt**

In early February 2006, the state administration of Saxony-Anhalt informed us that, in their opinion, Tipp24 was contravening the gaming laws of the state of Saxony-Anhalt. According to these laws, game brokers offering lottery products in Saxony-Anhalt and charging additional fees are required to apply for state permission, whereby the state was at liberty to grant such permission at its own discretion. According to the relevant authorities, they cannot consider granting such a permit as lottery offerings are only allowed to be brokered from and to Saxony-Anhalt and lotteries of other German states are not permitted in Saxony-Anhalt. According to the gaming law, permits are only granted for Saxony-Anhalt if they are in line with the objective of the law. This would not be the case, for example, if the brokerage served to spread the offering and gaming in general without this being required in the interests of preventing gaming addiction.

Similar to the State Treaty on Gaming, which partially mirrors the gaming law of Saxony-Anhalt, there are serious doubts about the legality of the law with regard to constitutional and EU legislation. In early January 2007 the state administration of Saxony-Anhalt served an injunction forbidding Tipp24 AG from carrying out its business operations in Saxony-Anhalt as a consequence of this law.

According to the wording of the injunction, this affects both the brokerage of participation in lotteries in Saxony-Anhalt, especially as the commercial organizer of lottery teams, and advertising for lotteries which are illegal in Saxony-Anhalt and which can be called up in this state. The ban became effective immediately. Tipp24 filed a suit and for temporary injunction with the respective administrative court. The administrative court has suspended the ban until a decision has been reached in the principal proceedings. The court has referred the lottery law of Saxony-Anhalt to the Federal Constitutional Court for a decision in the principal proceedings, as it believes it contravenes basic constitutional law. A decision in the principal proceedings cannot be made before this examination. Should Tipp24 AG be permanently prevented from carrying out its business in Saxony-Anhalt, this would lead to a reduction in revenue in the middle six-figure euro range per year and a similar decrease in EBIT, based on the company's business volume in fiscal 2007 from the moment of the effective prohibition. In addition, Tipp24 may face non-criminal, and possibly also criminal sanctions.

- **Federal Cartel Authority verdict**

In its decision of 23 August 2006, confirmed on 23 October by the cartel division of the Regional Appeal Court (OLG) Düsseldorf, the Federal Cartel Authority issued a warning to the regional lottery companies and the »Deutscher Lotto- und Totoblock« (DLTB) with regard to a lifting of the »Regional Principle«. In particular, the online activities of individual lottery companies should be expanded to the whole Federal Republic. All Germany's state lottery companies – with the exception of Hamburg, Lower Saxony and North Rhine-Westphalia – subsequently discontinued their internet offers. Nevertheless, the expansion of online activities to the whole of Germany by these three states, and further states in future, could lead to increased competition and thus have an adverse effect on the future business development of Tipp24 in Germany.

- **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 ruling on the matter is expected in the first half of 2008. In May 2005, the public prosecutor had launched a preliminary investigation against the managing director of Puntogioco24 on suspicion of a breach of the ban on accepting bets via electronic communications media without authorization or without being properly engaged to accept bets via this form of media. Criminal proceedings instituted on 12 July 2006 at trial court ended on 27 September 2007 with an acquittal. The public prosecutor is entitled to appeal, but has not yet taken such action.

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. Because of this direct relationship, the lottery player has a direct claim to the prize proceeds. There is a risk that our website might be blocked again 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 currently not 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

- **Financing and currency risks**

As the Group conducts the majority of its business in the Euro zone there is no currency risk for its core activities. The foreign subsidiaries in Italy and Spain operate within the Euro zone, while the newly founded UK subsidiary – which still represents only a minor share of the Group's total business – only exposes the Group to a currency risk regarding the British Pound. This risk is very limited as operating activities are mainly conducted in the local currency. The subsidiary's profit margin will thus not be affected by currency fluctuations. Foreign subsidiary operations are completely autonomous within their respective markets. This is underlined by the fact that they have local general managers. Group financing of foreign subsidiaries is controlled as part of our monitoring of operating 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.

Risks in the processing of gaming operations

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

We counter the risk of a failure of all relevant components for gaming operations (e.g. database servers, application servers, web servers, firewalls, routers) by either using redundant systems or entering into maintenance contracts with correspondingly short reaction times.

Personnel risks

Even with careful selection and responsible staff management, it cannot be ruled out that a significant number of even experienced employees may leave the company within a short period of time. At the same time, the recruitment of new staff for these vacant positions may be time-consuming and costly. Despite the stand-in regulations we have implemented, this could have a material effect on Tipp24's net assets, financial position and results of operations. We carefully select our new recruits, often with the help of personnel consultants. Responsibilities, goals and key success parameters are also discussed on a regular basis with each employee. Performance checks are carried out to ascertain whether these goals and parameters have been fulfilled and feedback given to employees in regular performance reviews. These reviews are also used to determine employee satisfaction. We regularly evaluate the results of these reviews in order to counter any undesired trends.

General business risks

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

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

If gaps or defects in the existing organizational and risk monitoring system become evident in ongoing practice, or if we fail to create appropriate structures and systems promptly in connection with the planned further growth, this could lead to an impaired ability to recognize and manage risks, trends and undesirable developments in a timely manner.

CONCLUDING STATEMENT CONCERNING THE GROUP'S RISK SITUATION

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

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

After evaluating the current and future risk factors, we do not see any risks which endanger the continued existence of Tipp24. We do not believe that the risks emanating from the above-mentioned regulatory situation, involving a discontinuation of our current business in Germany, endanger the continued existence of Tipp24 for the following reasons:

To the best of our knowledge, the major restrictions for our business resulting from the State Treaty on Gaming (GlStV) represent a gross contravention of German constitutional law and EU legislation. Moreover, they are also in conflict with the rulings of the Federal Cartel Authority. We therefore assume that such restrictions cannot be implemented, or at least not in the long term.

Even in the case of a lasting, legally valid implementation of the GlStV, we do not believe our existence is endangered. By shifting the main focus of our strategy to the development of foreign markets and the diversification of our product portfolio – as well as further business alternatives still to be examined – we believe that our business can still be continued on a long-term and profitable basis.

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

FORECAST REPORT

GROUP ALIGNMENT

On the assumption that the present business model remains largely unchanged in the coming two business years, Tipp24 plans in general to further pursue the 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. Furthermore, we intend to expand our activities in the rest of Europe.

EXPECTED ECONOMIC CONDITIONS

General economy

Following the robust development of the global economy in 2007, growth in 2008 is expected to be a little weaker. This slowdown will affect all three major economic regions, i.e. Western Europe, North America and Asia. GDP growth will also be less pronounced in the Euro zone. As a result of rising inflation, growth in consumer spending is expected to be no more than modest. Moreover, capital spending will also grow more slowly, especially as we seem to have passed the zenith of the current investment cycle. In Germany, overall economic output is expected to slow further. Domestic demand will be severely dampened by an expected fall in capital spending and consumer spending will not start to pick up until later in the year, as employment increases and purchasing power is bolstered again. GDP is expected to grow by 1.8% in 2008 (source: ifo economic forecast 2008).

Sector

The European gaming markets, especially Germany and Italy, are currently in the middle of intensive political and legal discussions about the future regulatory conditions. Against this backdrop, the risk of significant additional restrictions of these markets, especially for the online segment, has grown – as to has the possibility of initial steps being taken to open up the markets by means of pan-European deregulation.

Expected earnings position

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. 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.

Expected financial position

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

We plan to greatly expand our investment activities in 2008. In particular, we are preparing a new release of gaming software. In addition, we shall continue our current level of investment with the aim of steadily raising the performance of our gaming systems, regularly updating our security systems and software, setting up new workstations and replacing outdated hardware. We expect a total investment volume of around EUR 7–8 million for 2008.

Opportunities

In 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 supplementary regulations 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.

CONCLUDING STATEMENT

The GlStV 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. At the same time, the Executive Board sees the opportunity for sustained encouraging progress in future. Tipp24 operates in a highly dynamic online lottery market offering considerable long-term growth potential. Moreover, there are further opportunities for growth from entry into new markets and the diversification of our product portfolio. The possible deregulation of the European lottery markets offers additional growth potential. Tipp24 is well placed to take full advantage of this excellent potential.

CONSOLIDATED INCOME STATEMENT

FOR THE PERIOD 1 JANUARY TO 31 DECEMBER ACC. TO IFRS

		2007	2006
in EUR	Notes		
Billings		346,776,139.27	264,235,397.22
Remitted stakes less commissions		-301,801,785.01	-229,660,001.97
Revenue		44,974,354.26	34,575,395.25
Other operating income	20	944,238.34	430,920.26
Other operating income		45,918,592.60	35,006,315.51
Operating expenses			
Personnel expenses	18	-10,324,014.31	-8,276,873.21
Amortization/depreciation on intangible assets and property, plant and equipment	10, 11	-871,082.49	-743,120.53
Other operating expenses	19	-25,774,473.29	-18,742,267.65
Total marketing expenses		-15,186,391.67	-11,847,475.91
Total direct costs of operations		-3,940,880.74	-3,016,121.74
Total other costs of operations		-6,647,200.88	-3,878,670.00
Result from operating activities		8,949,022.51	7,244,054.12
Financial revenues		2,251,680.64	1,568,381.32
Financial expenses		-8,450.86	-447,092.46
Financial result	21	2,243,229.78	1,121,288.86
Result from ordinary activities		11,192,252.29	8,365,342.98
Income taxes	22	-4,920,393.86	-920,508.78
Consolidated net profit		6,271,858.43	7,444,834.20
Earnings per share (undiluted and diluted; in EUR/share)	23	0.74	0.84
Weighted average of ordinary shares outstanding (undiluted and diluted, in units)		8,524,199	8,872,319

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER ACC. TO IFRS

		31 Dec. 2007	31 Dec. 2006
ASSETS in EUR	Notes		
Current assets			
Cash & cash equivalents	6	65,820,775.65	60,702,758.83
Pledged cash	6	300,000.00	61,387.20
Short-term financial assets	6	4,144,200.00	6,013,814.44
Trade receivables	7	6,955.12	18,170.27
Income tax refund claims	8	8,965.81	693,610.49
Other assets and prepaid expenses	9	14,245,207.31	9,564,270.87
Total current assets		84,526,103.89	77,054,012.10
Non-current assets			
Intangible assets	10	1,581,953.18	372,831.08
Other equipment, furniture & fixtures and leased assets (property, plant and equipment)	11	2,349,101.53	1,216,717.32
Financial assets	12	3,000,000.00	3,000,000.00
Deferred tax assets	22	281,761.02	1,150,826.72
Total non-current assets		7,212,815.73	5,740,375.12
		91,738,919.62	82,794,387.22

		31 Dec. 2007	31 Dec. 2006
EQUITY AND LIABILITIES in EUR			
	Notes		
Current liabilities			
Trade payables	14	5,958,519.16	2,122,606.59
Other liabilities	14	26,810,648.21	18,810,222.09
Deferred income	16	416,233.67	379,478.02
Income tax liabilities	14	1,693,382.74	445,105.32
Provisions	15	894,893.95	371,045.17
Total current liabilities		35,773,677.73	22,128,457.19
Non-current liabilities			
Deferred tax liabilities	22	335,258.61	14,249.00
Total non-current liabilities		335,258.61	14,249.00
Equity			
Subscribed capital	17	8,872,319.00	8,872,319.00
Capital reserves	17	41,143,321.36	41,143,321.36
Other Reserves	17	62,943.49	21,690.02
Retained earnings		16,886,209.08	10,614,350.65
Own shares		-11,334,809.65	0.00
Total equity		55,629,983.28	60,651,681.03
		91,738,919.62	82,794,387.22

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

		2007	2006
in EUR	Notes		
Result from operating activities		8,949,022.51	7,244,054.12
<i>Adjustments for:</i>			
Amortization/depreciation on non-current assets	10, 11	871,082.49	743,120.53
Loss on the disposal on non-current assets	10, 11	984.83	43,743.14
<i>Changes in:</i>			
Trade receivables		11,215.15	147,609.59
Other assets	9	-4,680,936.44	-2,484,210.52
Trade payables		3,835,912.57	881,893.88
Other liabilities	14	8,000,426.12	1,615,658.92
Provisions	15	523,848.78	85,394.08
Deferred Income	16	36,755.65	198,516.35
Other interest and similar income		2,251,680.64	1,590,071.34
Non-cash expenses		36,085.00	24,494.44
Fee for share loan		0.00	-440,340.31
Interest expenses and similar expenses		-8,450.86	-6,752.15
Taxes paid		-1,941,596.45	-1,283,294.86
Cash flow from operating activities		17,886,029.99	8,359,958.55
Proceeds from/disbursements for financial investments	12	2,013,814.44	-4,000,000.00
Investments in intangible assets	10	-1,476,688.32	-218,134.70
Investments in property, plant and equipment	11	-1,736,885.31	-551,289.65
Cash flow from investing activities		-1,199,759.19	-4,769,424.35
Own shares		-11,334,809.65	0.00
Cash flow from financing activities		-11,334,809.65	0.00
Change in cash, cash equivalents and securities		5,351,461.15	3,590,534.20
Cash, cash equivalents and securities at the beginning of the period		60,702,758.83	57,173,611.83
Non-cash income from securities		96,800.86	0.00
Change in cash from foreign exchange fluctuation	6	-91,632.39	0.00
Change in pledged cash and cash equivalents	6	-238,612.80	-61,387.20
Cash, cash equivalents and securities at the end of the period		65,820,775.65	60,702,758.83
Composition of cash, cash equivalents and securities at the end of the period			
Cash on hand, bank balances and checks		11,139,348.87	5,098,626.77
Current securities		54,981,426.78	55,665,519.26
Pledged cash, cash equivalents and securities		-300,000.00	-61,387.20
		65,820,775.65	60,702,758.83

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR	Share Capital	Capital Reserves	Other Reserves	Retained Earnings	Own Shares	Total Equity
As at 1 January 2006	8,872,319.00	41,143,321.36	0.00	3,169,516.45	0.00	53,185,156.81
Unrealised gains	0.00	0.00	21,690.02	0.00	0.00	21,690.02
Net profit for the period 2006	0.00	0.00	0.00	7,444,834.20	0.00	7,444,834.20
As of 31 December 2006	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

NOTES TO THE CONSOLIDATED STATEMENTS AS AT 31 DECEMBER 2007 ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

1 GENERAL INFORMATION

Tipp24 AG, Hamburg (hereinafter referred to as Tipp24 AG) was formed in 1999 in Hamburg. Tipp24 AG is the parent company of the Group (hereinafter referred to as Tipp24), which also comprises the Group companies GSG Lottery Systems GmbH, Hamburg (hereinafter referred to as GSG), Schumann OHG, Hamburg (hereinafter referred to as Schumann OHG), Ventura24 S.L., Madrid, Spain (hereinafter referred to as Ventura24), Puntogioco24 s.r.l., Monza, Italy (hereinafter referred to as Puntogioco24), MyLotto24 Ltd., London, UK (hereinafter referred to as MyLotto24), Tipp24 Services Ltd., London, UK (hereinafter referred to as Tipp24 Services) and Tipp24 Operating Services Ltd., London, UK (hereinafter referred to as Tipp24 Operating Services).

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

Tipp24 has been profitable since 2002. Tipp24's business was initially concentrated exclusively in Germany but has since expanded internationally. In 2002, Tipp24 entered the Spanish market through its subsidiary Ventura24, in 2005 it entered the Italian market through its subsidiary Puntogioco24, and in 2007 it entered the UK market through its subsidiary MyLotto24. Business operations in Germany are processed via the website www.tipp24.de, in Spain via www.ventura24.es, in Italy via www.puntogioco24.it, and in the UK via www.mylotto24.co.uk. Tipp24 AG's registered offices are located at Falkenried-Piazza, Strassenbahnring 11-13, 20251 Hamburg, Germany.

The balance sheet date is 31 December 2007. Fiscal year 2007 covered the period from 1 January 2007 to 31 December 2007.

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

These consolidated financial statements as of 31 December 2007 were prepared and approved for publication in accordance with a resolution of the Executive Board of 22 February 2008. The general shareholders' meeting still has the fundamental right to alter the consolidated financial statements after they have been approved for publication.

2 GENERAL ACCOUNTING PRINCIPLES

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

2.1 Significant accounting policies

2.1.1 General

The consolidated financial statements of Tipp24 AG as of 31 December 2007 were prepared in accordance with the valid IFRS and IFRIC of the International Accounting Standards Board (IASB), as applied in the EU, as of the balance sheet date.

The accounting and valuation principles applied correspond with the methods used in the previous year, with the following exceptions:

In the period under review, the Group applied the following new and revised IFRS standards and interpretations for the first time. The application of these new or revised IFRS standards and interpretations did not, however, have any impact on the consolidated annual financial statements.

- IFRS 7 »Financial Instruments: Disclosures«
- IAS 1 »Presentation of Financial Statements« regarding notes on capital
- IFRIC 8 Scope of IFRS 2
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 10 Interim Financial Reporting and Impairment

The main effects of these changes were as follows:

IFRS 7 Financial Instruments

This standard requires disclosures which enable users to judge the significance of financial instruments for the Group's financial position and profitability, as well as the type and extent of the risk resulting from such financial instruments. The corresponding new disclosures are spread throughout the entire financial statements. Their application has no impact on the Group's net assets, financial position and earnings. The respective comparative information was provided.

IAS 1 Presentation of Financial Statements

The new disclosures arising from this change enable users to judge the Group's aims, methods and processes with regard to capital management. The new disclosures are presented in Note 27.6.

IFRIC 8 Scope of IFRS 2

This interpretation requires the application of IFRS 2 for all transactions in which a company cannot specifically identify some or all of the goods or services received. This applies in particular if the consideration given for equity instruments granted by the company appears to be less than the fair value. As the Group only grants equity instruments to employees as part of its stock compensation plan, the application of this interpretation has no effect on the Group's net assets, financial position and earnings.

IFRIC 9 Reassessment of Embedded Derivatives

As the Group has no embedded derivatives which must be separated from a host contract, this interpretation has no effect on the Group's net assets, financial position and earnings.

IFRIC 10 Interim Financial Reporting and Impairment

This interpretation regulates that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost shall not be reversed. As the Group has not made any such impairment reversals of in the past, this interpretation has no effect on the Group's net assets, financial position and earnings.

The Group did not apply the following published but not yet mandatory standards.

- IAS 1 Presentation of Financial Statements (revised): This standard was revised in order to enhance the benefit of information contained in the financial statements. In particular, it introduces a statement of comprehensive income. This may affect other information published by the Company.
- Amendments to IAS 23 Regarding Treatment of Borrowing Costs: Whereas the expensing of borrowing costs attributable to the acquisition, construction or production of qualifying assets was previously an accounting policy option, it will be mandatory in future. As the Group does not currently finance any qualifying assets by means of debt, this revision is not expected to have any effect on the consolidated financial statements.
- IFRS 8 Operating Segments: This standard requires the disclosure of information about the Group's operating segments and replaces the obligation to specify primary (business segments) and secondary (geographical segments) segment report formats for the Group. The Group has determined that the previously identified segments according to IAS 14 Segment Reporting correspond to the segments according to IFRS 8.
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions: According to this interpretation, all agreements under which employees are granted rights to a company's equity instruments are to be accounted for as equity-settled share-based payment transactions, even if the company acquires the instrument from a third party or if the shareholders provide the required equity instruments. No effect is expected from initial adoption.
- IFRIC 12 Service Concession Arrangements: No effects are expected from initial adoption.
- IFRIC 13 Customer Loyalty Programmes: According to this interpretation, benefits granted to customers (e.g. »points«) should be treated as separate revenue, independent of the transaction in which they were granted. Part of the fair value of the proceeds received should therefore be allocated to the benefits granted (points) and deferred as a liability. The deferred portion shall only be recognized as revenue in the period in which the benefits (points) are exercised or expire. As the Group does not currently operate any customer loyalty programmes, this interpretation is not expected to have any impact on the consolidated financial statements.

- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: This interpretation provides guidelines to determine the limit on a surplus from a defined benefit plan, which may be capitalized as an asset according to IAS 19 Employee Benefits. As the Group currently has no pension obligations, this interpretation is not expected to have any impact on its net assets, financial position and earnings.

2.1.2 Basis of preparation

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

2.1.3 Measurement currency

The measurement currency is the euro (EUR). Unless otherwise stated, amounts are stated in euros and cents.

2.1.4 Estimates and assumptions

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

In addition, the following forward-looking assumptions and margins of error as of the balance sheet date mean that there is a risk that the carrying values of assets and liabilities may need to be amended in future:

Share-based payment

The cost of granting stock options to employees is measured by the Group using the fair value of these stock options at the moment they were granted. A valuation process has been determined to estimate their fair value; this depends on the conditions attached when granted. The valuation process also requires consideration of further relevant data, in particular the expected option term, volatility and dividend yield, as well as the corresponding assumptions. These assumptions and the related procedures are disclosed in Note 17.4.

Deferred tax assets

Deferred tax assets are recognized for all unused tax loss carryforwards to the extent that it appears probable that taxable income will be available, so that the loss carryforwards can actually be used. When determining the amount of the deferred tax assets, management must make estimations regarding the expected time and size of the future taxable income, as well as future tax planning. Further details are provided in Note 22.

Development costs

Development costs for intangible assets are capitalized in accordance with the accounting and measurement methods stated in Note 2.1.6. Initial capitalization of costs is based on management estimations as to the proof of the asset's technical and economic feasibility. In order to determine the expected future benefit, management must make assumptions about the size of expected future cash flows from assets, the discount rates to be applied and the period of the expected future cash flows generated by the asset.

2.1.5 Consolidation principles

The consolidated financial statements include Tipp24 AG as the parent company and the subsidiaries it controls. Control is assumed to exist if the parent company holds more than 50% of the voting rights in an entity and is able to determine its financial and operating policies so as to obtain benefits from its activities. Tipp24 AG holds 100% of the shares in GSG, Ventura24, Puntogioco24, Mylotto24, Tipp24 Operating Services UK and Tipp24 Services UK.

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

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

Intragroup expenses and income, profits from intragroup transactions, receivables and liabilities between consolidated companies are eliminated.

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

2.1.6 Intangible assets

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

Purchased intangible assets are disclosed in the consolidated financial statements. In the case of self-produced intangible assets, only development costs for externally purchased components are capitalized. The estimated useful life of intangible assets varies between three and five years.

Patents, trademarks and licenses

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

Software

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

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

Research and development expenses

Research and development expenses for self-developed software are recognized in the period in which they are incurred. Capitalizable development costs are the exception, provided that they completely fulfil the following criteria:

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

In 2007, research and development expenses of EUR 3,051 thousand were recognized, compared with EUR 2,767 thousand in 2006. The Company capitalized those development costs which met the criteria of IAS 38.57.

2.1.7 Property, plant and equipment

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

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

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

	Years
Technical equipment	2–14
Office equipment	3–25

2.1.8 Impairment or write-backs of non-current assets

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

2.1.9 Leasing

Finance leases

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

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

Operating leases

Lease payments under an operating lease, whereby all main risks associated with the leasing object are retained by the lessor, are recognized as an expense on a straight-line basis over the lease term.

2.1.10 Recognition and measurement of financial instruments

Financial instruments are divided into four categories: held-for-trading financial instruments; held-to-maturity financial instruments; loans and receivables originated by the entity; and available-for-sale financial assets.

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

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

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

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

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

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

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

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

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

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

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

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

In addition, a smaller proportion is invested in a financial instrument which generates a performance profit from the price development of selected share pairs. Other securities were classified as held-to-maturity financial instruments and carried at cost. Tipp24 uses these instruments for the long-term investment of a basic amount of cash and cash equivalents resulting from negative net working capital. In detail, these include a »Zinssammler« product, a type of bearer bond on the issuer with variable interest coupon and a swing certificate with minimum and variable coupon components.

2.1.11 Trade receivables

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

2.1.12 Other assets

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

2.1.13 Cash, cash equivalents, securities and current financial assets

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

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

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

We also refer to our comments in Section 6, »Cash, cash equivalents, securities and current financial assets«.

2.1.14 Trade payables and other liabilities

Trade payables and other liabilities are disclosed at amortized cost.

2.1.15 Other provisions

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

2.1.16 Share-based payment

On 19 February 2007, the International Accounting Standards Board (IASB) adopted IFRS 2 »Share-based payment«, which addresses the recognition and measurement of share-based payment instruments.

A share-based payment is a transaction in which the entity receives or acquires goods or services either as consideration for its equity instruments or by incurring liabilities for amounts based on the price of the entity's shares or other equity instruments of the entity. IFRS 2 distinguishes between three different types of share-based payment:

- Equity-settled share-based transactions are settled with equity instruments and measured using fair value at the time of granting.
- Cash-settled share-based payment transactions are settled in cash, but whose amount depends on an equity instrument of the company and are measured using fair value as of the balance sheet date.
- Transactions in which one or both entities can choose whether to settle the transaction in cash or by issuing an equity instrument.

The stock options issued by the Company are classified as share-based payment transactions, whereby the method of settlement is at the Company's discretion.

The standard provides for all share-based payment instruments issued to employees to be expensed as personnel expenses.

2.1.17 Income taxes

Tax expenses are determined on the basis of the profit or loss recorded for the period and take account of current and deferred taxes. Deferred taxes are recognized using the liability method for all temporary differences between the value of an asset in the commercial balance sheets pursuant to IFRS and its value in the tax balance sheets according to local law of the consolidated companies, if it is probable that the temporary differences will be reversed in later fiscal years. Deferred tax claims and debts are measured using the legally binding tax rates as of the balance sheet date for the period in which the asset will be recognized or the debt settled.

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

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

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

2.1.18 Revenue

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

Ventura24 and Puntogioco24 receive advance payments from some of their customers for subscriptions. Payments received are deferred and the revenue pursuant to IAS 18 is only recognized when the lottery ticket information has been passed on to the lottery organizer and confirmation of receipt of the information has been obtained.

2.1.19 Interest income

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

2.1.20 Operating expenses

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

2.1.21 Borrowing costs

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

2.1.22 Contingent liabilities

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

2.1.23 Segment reporting

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

Tipp24 AG has chosen geographical segments as its primary reporting format as the Company's risks and return on equity are mainly influenced by the fact that it operates in different countries (Germany, Spain, Italy and the UK). The Company distinguishes between the segments »Germany« and »Abroad«. This segment reporting format reflects the internal organizational and management structure of Tipp24 AG, whereby the Management Board

manages the segment's activities on the basis of the respective income statements. So far, the Group's assets, equity and liabilities have been managed centrally and not according to separate geographic segments.

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

2.1.24 Events after the balance sheet date

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

3 CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement is prepared pursuant to IAS 7. A distinction is made between cash flows from operating, investing and financing activities.

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

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

4 SEGMENT REPORTING

The Group distinguishes between the 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.

in EUR thsd.	Germany		Abroad		Consolidation		Consolidated	
	1 Jan.-31 Dec.		1 Jan.-31 Dec.		1 Jan.-31 Dec.		1 Jan.-31 Dec.	
	2007	2006	2007	2006	2007	2006	2007	2006
Billings	325,540	246,942	21,235	17,293	0	0	346,776	264,235
Revenue	40,018	30,194	4,956	4,381	0	0	44,974	34,575
Depreciation/amortization	756	664	115	79	0	0	871	743
EBIT	10,076	7,327	-1,127	-83	0	0	8,949	7,244
Financial result							2,243	1,121
Income taxes							-4,920	-921
Consolidated net profit							6,272	7,445
Assets	32,170	81,789	6,477	4,992	53,092	-3,986	91,739	82,794
Debts	29,913	18,504	5,625	4,198	571	-559	36,109	22,143
Investments	1,918	4,565	1,295	205	0	0	3,214	4,769

The segment result of the »Germany« segment includes the elimination of capitalized consultancy services amounting to EUR 1,422 thousand as a significant non-cash expense. 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.

5 STRUCTURE OF TIPP24

The following changes were made to the structure of the Tipp24 AG Group in fiscal year 2007. MyLotto24, Tipp24 Services and Tipp24 Operating Services were founded in fiscal year 2007. Puntogioco24 was formed in fiscal 2004, while Ventura24, Schumann OHG and GSG were formed in fiscal 2001. All companies have been consolidated within the Group since their formation.

6 CASH, CASH EQUIVALENTS, SECURITIES AND CURRENT FINANCIAL ASSETS

in EUR	31 Dec. 2007	31 Dec. 2006
Cash on hand, bank balances and checks		
Bank balances	11,095,304.68	5,054,591.22
Cash on hand	44,044.19	44,035.55
	11,139,348.87	5,098,626.77
Current securities	54,981,426.78	55,665,519.26
	66,120,775.65	60,764,146.03
Pledged cash, cash equivalents and securities	-300,000.00	-61,387.20
	65,820,775.65	60,702,758.83

The current securities disclosed as of 31 December 2007 relate to shares in money market funds of Deutsche Bank AG acquired as a short-term investment with a one-day value date, as well as of Commerzbank with a two-day value date. The carrying amount was calculated as the market value of the shares on the balance sheet date. Money market investments amounted to a total of EUR 54,981 thousand on the balance sheet date. The money market funds represent a part of the Company's short-term cash management.

In addition, short-term financial assets amounting to EUR 4,144 thousand were held as of 31 December 2007. They concern a product which profits from the value development of selected share pairs. As of the balance sheet preparation date, these papers lay above their issuance price. The shares are also equipped with a 100% capital guarantee of the investment company.

Pledged cash amounting to EUR 300 thousand refers to collateral provided to the state lottery company of Bremen.

7 TRADE RECEIVABLES

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

8 INCOME TAX REFUND CLAIMS

As of the balance sheet date for the fiscal year 2007, the Company had claims to income tax refunds amounting to EUR 9 thousand.

9 OTHER ASSETS AND PREPAID EXPENSES

in EUR	31 Dec. 2007	31 Dec. 2006
Receivables from gaming operations	12,859,682.77	7,406,566.09
Receivables from lottery operators	7,137,438.04	3,796,757.69
Receivables payment systems	5,041,345.76	2,646,509.40
Security retainers	680,898.97	963,299.00
Prepaid expenses	672,292.81	1,520,383.67
Others	713,231.73	637,321.11
Tickets not sold	126,732.50	375,740.00
Receivables from employees	61,987.34	72,732.02
Creditors with debit balances	34,499.68	105,871.59
Other	490,012.21	82,977.50
	14,245,207.31	9,564,270.87

Security retainers were mainly requested by Northwest Lotto and Toto Hamburg (EUR 250 thousand), Northwest Lotto Schleswig-Holstein (EUR 180 thousand) and Lotterie-Treuhandgesellschaft mbH Hessen (EUR 200 thousand), as a minimum amount to cover current bets.

The amount is contractually stipulated as a percentage of average weekly revenue in a specified period of time. Security retainers do not bear interest.

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

10 INTANGIBLE ASSETS

With regard to the development of intangible assets, we refer to the following table.

in EUR	2007	2006
Cost as of 1 January	2,030,275.94	1,939,872.78
Additions, acquired individually	507,336.68	218,134.70
Additions, self-produced	969,351.64	0.00
Disposals	0.00	-127,731.54
Cost as of 31 December	3,506,964.26	2,030,275.94
Accumulated amortization as of 1 January	-1,657,444.86	-1,493,559.46
Amortization during the fiscal year	-288,382.78	-251,223.81
Reclassifications	20,816.56	0.00
Disposals	0.00	87,338.41
Accumulated amortization as of 31 December	-1,925,011.08	-1,657,444.86
Carrying amount as of 31 December	1,581,953.18	372,831.08

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

There are no restrictions on rights of disposal for the above-mentioned intangible assets. Once again, no assets were pledged as collateral for liabilities.

11 PROPERTY, PLANT AND EQUIPMENT

With regard to the development of property, plant and equipment, we refer to the following table.

in EUR	2007	2006
Cost as of 1 January	2,619,724.85	2,548,184.94
Additions	1,736,885.31	551,289.65
Reclassifications	0.00	-14,781.77
Disposals	-39,560.33	-464,967.97
Cost as of 31 December	4,317,049.83	2,619,724.85
Accumulated depreciation as of 1 January	-1,403,007.53	-1,372,728.78
Depreciation during the fiscal year	-582,699.71	-491,896.71
Reclassifications	-20,816.56	0.00
Disposals	38,575.50	461,617.96
Accumulated depreciation as of 31 December	-1,967,948.30	-1,403,007.53
Carrying amount as of 31 December	2,349,101.53	1,216,717.32

There are currently no assets from financial leases.

12 FINANCIAL ASSETS

Securities included under financial assets amounting to EUR 3,000,000.00 were carried at acquisition cost using the effective interest rate method.

These securities are a type of bearer bond on the issuer Deutsche Bank, which is linked to the 6-month Euribor (»Zinssammler«).

On the semi-annual coupon payment days (31 May and 30 November), a coupon amounting to 4.10% per half-year is paid for those business days on which the 6-month Euribor was listed below certain barriers. The product has a maturity until 30 November 2009 and is carried as a held-to-maturity financial instrument. It is secured by a 100% capital guarantee of the issuer.

13 LIABILITIES FROM FINANCIAL LEASES

There are no liabilities from financial leases at present.

14 OTHER LIABILITIES

in EUR	31 Dec. 2007	31 Dec. 2006
Liabilities from gaming operations	24,676,781.47	17,755,681.87
Liabilities to players	19,049,030.62	13,592,936.00
Liabilities to lottery companies	4,259,057.31	3,655,591.39
Liabilities to game brokers	266.90	0.00
Liabilities to Business Service partners	1,368,426.64	507,154.48
Tax liabilities	1,374,502.45	365,994.35
VAT	1,156,055.42	174,011.60
Wage and church tax	218,447.03	191,982.75
Liabilities for social security		
Social security contributions	64,755.27	89,941.78
Other liabilities	694,609.02	598,604.09
Outstanding invoices	42,300.48	43,117.63
Advance payments received	66,939.28	0.00
Severance pay	150,000.00	0.00
Holiday obligations	255,932.51	218,226.23
Liabilities relating to the preparation/audit of the financial statements	43,979.96	82,080.00
Other	135,456.79	255,180.23
	26,810,648.21	18,810,222.09

All other liabilities are due in less than one year.

15 PROVISIONS

in EUR	As of 1 Jan. 2007	Utilization	Income from reversal	Allocation	As of 31 Dec. 2007
Provision for bonuses	346,252.91	221,435.69	124,817.22	872,825.69	872,825.69
Provision for litigation	24,792.26	2,724.00	0.00	0.00	22,068.26
Total	371,045.17	224,159.69	124,817.22	872,825.69	894,893.95

Bonus provisions include a long-term amount of EUR 100 thousand which is expected to fall due in three years. Otherwise, all provisions are expected to be used within one year.

16 DEFERRED INCOME

The company disclosed deferred income of EUR 416 thousand. It relates to payments received prior to 31 December 2007 yet

which can only be recognized when the service is provided in the following year.

17 EQUITY

17.1 Share capital

The Company's share capital equals its capital stock of EUR 8,872,319.00 is fully deposited and is divided into 8,872,319 non-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 December 2007 a total of 654,047 shares or 7.37% capital stock had been bought back. During the period under review the number of outstanding shares therefore fell from 8,872,319 to 8,218,272.

Development of outstanding shares

in shares

As of 31 December 2006	8,872,319
Change in 2007	-654,047
As of 31 December 2007	8,218,272

17.2 Authorized and Conditional Capital

Authorized Capital I of up to a total of EUR 3,331,136.00 and Conditional Capital of up to a total of EUR 500,000.00 remain unchanged as of the balance sheet date.

As part of the third tranche of the Stock Option Plan 2005, the Executive Board resolved on 13 February 2008 to offer entitled employees a total of 25 thousand stock options. The offer must be accepted by 1 March 2008, otherwise it expires.

17.3 Capital reserves

Capital reserves remain unchanged as of the balance sheet date at EUR 41,143,321.36.

No stock options have so far been offered to members of the Executive Board.

17.4 Share-based payment

As part of the creation of Conditional Capital I at the Annual Shareholders' Meeting of 7 September 2005, the Executive Board was authorized to establish a stock option plan (Stock Option Plan 2005). The stock options are limited to a period of up to five years and intended exclusively for issue to members of the Executive Board, selected executives and other key employees of the Company as well as the general management, selected executives and key employees of associated companies, as defined by § 15, German Stock Corporation Law (AktG). As part of the first two tranches of the Stock Option Plan 2005, 20 thousand shares have been issued to entitled employees to date.

The stock option plan of Tipp24 AG is a share-based payment system, whereby the method of compensation is at the Company's discretion. It is the declared guideline of the Company that the transaction be settled via equity instruments, whereby fair value is calculated at the time of granting. As of fiscal year 2007, the Company measures the Stock Option Plan 2005 of Tipp24 AG using financial valuation methods according to the Black-Scholes-Merton formula. A total amount of EUR 36 thousand (prior year: EUR 0) for share-based payments was recognized in personnel expenses in fiscal year 2007.

With the introduction of the Stock Option Plan 2005, stock options were granted to those employees entitled in two annual tranches. The stock options from both tranches can be exercised no sooner than two years after the respective date of issuance and within a period of three years. Options can only be exercised if an absolute or relative performance target is reached at the end of the lock-up period. At the end of the exercise period, any options which have not been exercised will expire.

In order to determine if and to what extent performance targets have been achieved, the average share price or average index of two periods (reference period and performance period) are compared with each other. The reference period consists of the 20 consecutive trading days prior to the issuance date. The performance period are the last 20 trading days before the lock-up period ends. The average share price is calculated as the average of the closing prices of the Tipp24 share in XETRA trading (or the successor system of Deutsche Börse AG).

The absolute performance target depends on the performance of the Tipp24 share and is said to be achieved if its price increases by at least 20% (final price over issuance price).

The relative performance target is linked to the performance of the Tipp24 share relative to the SDax index. The relative performance target is achieved if the share's performance during the above mentioned performance period exceeds the index by at least 20%.

If no performance target is reached at the end of the lock-up period, the options of that tranche expire without replacement.

Performance during the fiscal year

The following table illustrates the performance of the share options and the weighted average exercise price (WAEP) during the fiscal year.

	December 2007 Number	December 2007 WAEP	December 2006 Number	December 2006 WAEP
Share-based payments				
Outstanding at beginning of the reporting period	0.00	0.00	0.00	0.00
Granted during the reporting period	38,000.00	2.32	0.00	0.00
Forfeited during the reporting period	18,000.00	2.28	0.00	0.00
Exercised during the reporting period	0.00	0.00	0.00	0.00
Expired during the reporting period	0.00	0.00	0.00	0.00
Outstanding at end of the reporting period	20,000.00	3.16	0.00	0.00
Exercisable at end of the reporting period	0.00	0.00	0.00	0.00

Underlying parameters

The following table contains the underlying parameters for the valuation of both tranches of the Share Option Plan of Tipp24 AG.

Underlying parameters

	Tranche 1	Tranche 2
Share-based payments		
Dividend yield (%)	0.0	0.0
Expected volatility (%)	25.3	49.0
Risk-free interest rate (%)	3.2	4.1
Anticipated term of option (years)	2	2
Weighted average share price (Euro)	24.80	14.90
Model applied	Black-Scholes-Merton formula	

The anticipated term of the options is based on historical data and does not necessarily correspond to the actual exercise behaviour of the entitled persons. Expected volatility is based on the assumption that historical volatilities can be applied to future trends, whereby actual volatility may differ from these assumptions.

17.5 Unrealized gains

This reserve includes changes in the fair value of available-for-sale financial investments of EUR 118,000.00 (prior year: EUR 22,000.00).

17.6 Foreign currency translation

The reserve for foreign currency translation serves to recognize differences between GBP and Euro from the translation of annual financial statements of the Company's UK subsidiaries (EUR -91,632.89).

18 PERSONNEL EXPENSES

in EUR	2007	2006
Wages & salaries	8,724,984.15	6,836,089.39
Social security	1,599,030.16	1,440,783.82
	10,324,014.31	8,276,873.21

In Germany, pension insurance contributions of EUR 469 thousand (prior year: EUR 409 thousand) were made by the employer. The proportion of employer social security contributions accounted for by pension insurance contributions is not disclosed by the authorities in Spain and Italy.

19 OTHER OPERATING EXPENSES

in EUR	2007	2006
Marketing expenses for own customers	11,582,974.83	8,434,661.02
Business Service commissions	3,636,360.09	3,412,814.89
Total marketing expenses	15,219,334.92	11,847,475.91
Handling of customer payments	1,915,841.90	1,446,936.18
Elimination of receivables and other assets	1,118,245.65	837,303.21
Data communication	597,498.69	444,820.63
Gaming operation expenses	309,294.50	287,061.72
Total direct cost of operations	3,940,880.74	3,016,121.74
Legal and consulting fees	2,120,078.12	1,084,456.90
Elimination of capitalized consulting services*	1,422,251.26	0.00
Rent and leases	1,141,470.86	740,251.36
Representation expenses	329,247.20	202,903.25
Press & lobbying	296,942.78	418,082.55
Maintenance	0.00	340,349.61
Office expenses	241,611.18	191,673.21
Insurance	219,593.25	149,502.12
Non-deductible operating expenses	74,528.47	72,898.44
Other	768,534.51	678,552.56
Total other cost of operations	6,614,257.63	3,878,670.00
	25,774,473.29	18,742,267.65

* An amount of EUR 1,422 thousand was capitalized for consultancy services in 2006 regarding specific measures to implement the Company's acquisition strategy. Against the backdrop of the ongoing regulatory discussions, the corresponding projects have been postponed indefinitely and the respective assets were eliminated in the second quarter of 2007 with an effect on profit and loss.

20 OTHER OPERATING INCOME

in EUR	2007	2006
Income not relating to the period	467,225.73	83,334.75
Elimination of liabilities	0.00	122,946.94
Income from lottery tickets bought for own account	163,645.85	55,022.44
Reversal of provisions	124,817.22	22,499.96
Offsetting of benefits in kind	36,816.83	58,435.24
Other	151,732.71	88,680.93
	944,238.34	430,920.26

Income referring to other periods mainly concerns payments which the Company received in the course of the sale of adjusted receivables in the form of old-line factoring.

21 FINANCIAL RESULT

in EUR	2007	2006
Other interest and similar income		
Income on sale and other loans	1,488,278.12	960,773.69
Other interest and similar income	763,402.52	607,607.63
Financial income	2,251,680.64	1,568,381.32
Interest and similar income		
Dividend income from share loan transaction	9,277,637.55	9,277,637.55
Compensation payments for share loan transactions	-9,277,637.55	-9,277,637.55
Financial income	2,251,680.64	1,568,381.32
Interest and similar expenses		
Fee for share loan	0.00	-440,340.31
Interest expenses for current liabilities	-5,659.15	-6,752.15
Interest expenses for finance leases	0.00	0.00
Interest and similar expenses	-2,791.71	0.00
Financing costs	-8,450.86	-447,092.46
	2,243,229.78	1,121,288.86

In accordance with IAS 1.81 the financial result is disclosed separately in the income statement as income and expense. The prior-year figure was adjusted appropriately in the income statement.

The average interest income of financial assets in 2007 amounted to 3.6%, before considering tax aspects.

22 INCOME TAXES

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

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

Trade tax on income is levied on the taxable income of an entity, less income not subject to trade tax on income plus expenses not deductible for trade tax on income purposes. The effective trade tax on income rate depends on the municipality in which the entity maintains a permanent establishment for carrying on its operations. The effective trade tax on income rate for Hamburg in 2006 and 2007 was 19.03%. Trade tax on income was still deductible from the tax base for trade and corporate income tax in 2007.

A corporate income tax rate of 15.0% (prior year: 25.0%), a solidarity surcharge of 5.5% on assessed corporate income tax and trade tax on income of 16.45% (prior year: 19.03%) are used for calculating deferred taxes.

Deferred taxes under IAS 12 are calculated at the anticipated average tax rate at the time the differences are reversed (32.28%; prior year: 40.38%).

in EUR

	2007	2006
Actual tax expense	-3,837,550.45	-1,431,520.29
Tax expense/income from the use/recognition of deferred tax assets on loss carryforwards/temporary differences	-815,713.94	477,059.79
Tax expense/income from the recognition/reversal of deferred tax liabilities due to temporary differences	-267,129.47	33,951.72
Deferred taxes	-1,082,843.41	511,011.51
Actual and deferred income taxes	-4,920,393.86	-920,508.78
Earnings before taxes	11,192,252.29	8,365,342.98
Anticipated tax expense	-4,520,413.93	-3,378,659.80
Tax effects from not fully deductible operating expenses	-31,542.48	-16,596.43
Tax rate difference of foreign subsidiaries	-43,984.31	120,344.50
Tax effects of income not fully liable for tax	30,036.16	2,342,027.71
Effect of tax rate decrease from Corporate Tax Reform Act 2008	67,067.47	0.00
Unrecognized tax loss carryforwards	-420,984.99	0.00
Non-taxable expenses/income from consolidation	140.15	-206.08
Tax effects from previous years	-711.93	12,532.54
Other	0.00	48.78
Income taxes	-4,920,393.86	-920,508.78

Deferred tax assets and liabilities developed as follows:

in EUR	31 Dec. 2006	Income/expense	neutral (via equity)	31 Dec. 2007
Deferred tax assets				
Deferred tax assets on temporary differences	16,946.55	11,648.24	0.00	28,594.79
Deferred tax assets on tax loss carryforwards	1,133,880.17	-815,713.94	-65,000.00	253,166.23
Deferred tax assets	1,150,826.72	-804,065.70	-65,000.00	281,761.02

in EUR	31 Dec. 2006	Income/expense	neutral (via equity)	31 Dec. 2007
Deferred tax liabilities				
Deferred tax liabilities on temporary differences	14,249.00	278,777.71	42,231.90	335,258.61
Deferred tax liabilities	14,249.00	278,777.71	42,231.90	335,258.61

In fiscal year 2007, the parent company Tipp24 AG utilized all its deferred tax assets from tax loss carryforwards for generated profits.

Of the deferred tax assets carried by the Group, an amount of EUR 253 thousand refers to tax effects from losses generated by Ventura24. Based on current business planning, positive results and cash flows – and thus taxable income – are expected to be generated in future. Tax loss carryforwards are thus expected to be utilized in full in the future.

Due to their negative performance record and start-up losses, deferred taxes on tax loss carryforwards were recognized for other subsidiaries amounting to EUR 1,487 thousand as of 31 December 2007 (prior year: EUR 2,000 thsd.).

23 EARNINGS PER SHARE

Earnings per share (undiluted and diluted) decreased in the past fiscal year from EUR 0.84 to EUR 0.74 per share. Compared with the previous year, earnings per share performed better (-11.9%) than consolidated net profit (-15.8%), as the average number of weighted outstanding shares fell from 8,872,319 to 8,524,199 following the two share buyback programmes.

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

Diluted earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year (adjusted to account for the diluting effects from stock options). In fiscal year 2007, there was no dilutive effect from stock options, as the average share price during fiscal 2007 did not exceed the exercise price of the options.

24 PAID AND PROPOSED DIVIDENDS

Proposed for adoption by the Annual Shareholders' Meeting (as of 31 December 2007 not carried as liability).

Dividends on ordinary shares:

in EUR thsd.	2007	2006
Final dividend for 2007: EUR 0.50 per share	4,062	0.00

25 LEASES

25.1 Finance leases

The Company has no finance leases.

Tipp24 AG expensed rental payments for offices amounting to EUR 650 thousand and lease payments for seven vehicles amounting to EUR 41 thousand.

25.2 Operating leases

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

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

in EUR	31 Dec. 2007	31 Dec. 2006	31 Dec. 2007	31 Dec. 2006
	Minimum lease payments		Present value of the minimum lease payments	
Obligation from subsequent year	611,424.52	611,648.05	561,424.87	561,145.01
> 1 year–5 years	948,269.22	1,483,216.33	762,710.29	1,150,856.02
> 5 years	0.00	0.00	0.00	0.00
Total minimum lease obligations	1,559,693.74	2,094,864.38	1,324,135.16	1,712,001.03
Less interest	235,558.58	382,863.34	0.00	0.00
Present value of minimum obligations	1,324,135.16	1,712,001.04	1,324,135.16	1,712,001.03

25.3 Other financial obligations

In addition, other significant financial obligations arising from other contracts, including cooperating agreements, insurance contracts, license agreements and maintenance agreements are as follows:

in EUR	2008	2009	2010	2011	2012 and beyond	Total
Other contracts	762,604.65	57,632.91	4,400.00	1,200.00	38,400.00	864,237.56

26 RELATED PARTIES

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

26.1 Management agreement with Schumann OHG

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

Schumann OHG is not a subsidiary of Tipp24 AG from a corporate law perspective. The members of the Executive Board of Tipp24 AG (until 30 June 2007 Marc Peters and Jens Schumann, since 01 July 2007 Dr. Hans Cornehl and Jens Schumann) are the only partners in Schumann OHG. This structure is necessary since the class lotteries' current practice is only to issue sales licenses to natural persons or companies where neither the company's liability nor the liability of the direct or indirect partners is limited. A management agreement is in place between Tipp24 AG and

Schumann OHG governing the processing of game participation of class lottery customers by Schumann OHG. Under the terms of the agreement, Schumann OHG must pay all commissions and other brokerage fees collected in this context to Tipp24 AG. Tipp24 AG provides Schumann OHG with controlling, bookkeeping, marketing and technical services and bears the costs incurred by Schumann OHG in running its operations.

As Dr. Hans Cornehl (since 01 July 2007), Marc Peters (until 30 June 2007) and Jens Schumann operate Schumann OHG in the interest of Tipp 24 AG, Tipp24 AG has undertaken to indemnify them in the event of any personal claims by third parties arising from or in connection with the operation of Schumann OHG. Indemnification is limited to the extent that fulfilment of this indemnification may not cause Tipp24 AG to become insolvent or over-indebted.

26.2 Consultancy agreements with Jaenecke & Cie. GmbH

Jaenecke & Cie. GmbH, Munich, in which Supervisory Board Chairman Mr Klaus F. Jaenecke holds an interest, provided the Company with consultancy services relating to its acquisition strategy, for which it received total fees of EUR 12 thousand. Remuneration was in line with standard market conditions.

27 OBJECTIVES AND METHODS OF FINANCIAL MANAGEMENT

27.1 Financial instruments

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

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

Cash, cash equivalents and current securities

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

Non-current financial assets

The fair value of non-current financial assets is based on the issue price available for like or similar securities.

The fair value can differ considerably from the acquisition cost carried in the balance sheet. The amortized costs as of 31 December 2007 for the »Zinssammler« product amounted to EUR 3,000,000.00 (acquisition cost EUR 3,000,000.00). The product is equipped with a capital guarantee.

Current liabilities

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

Non-current liabilities

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

The following table illustrates the significance of net profits or losses from significant financial instruments.

Financial assets

in EUR	2007	2006	2007	2006
	Carried in equity		Carried in income statement	
Bank balances, cash on hand and securities	0.00	0.00	754,951.66	226,889.79
Other primary financial assets				
Available-for-sale financial assets	96,800.86	21,690.02	1,441,278.12	894,399.07
Held-to-maturity financial assets				
short-term	0.00	0.00	47,000.00	0.00
long-term	0.00	0.00	0.00	0.00
Other financial assets (short-term)	0.00	0.00	-787,553.15	-837,303.21
	96,800.86	21,690.02	700,724.97	57,095.86

Net profit from available-for-sale financial investments refers to realized (2007: EUR 1,441 thousand, prior year: EUR 894 thousand) and unrealized income (2007: EUR 97 thousand, prior year: EUR 21 thousand). Net profit from held-to-maturity financial

investments refers to realized income (2007: EUR 47 thousand, prior year: EUR 0). Net loss from other financial assets includes expenses from payment default and income from the sale of these receivables.

Financial assets

in EUR	2007	2006	2007	2006
	Book Value		Fair Value	
Bank balances, cash on hand and securities	11,139,348.87	5,098,626.77	11,139,348.87	5,098,626.77
Other primary financial assets				
Available-for-sale financial assets	59,125,626.78	59,654,839.26	59,125,626.78	59,654,839.26
Short-term financial assets	4,144,200.00	3,989,320.00	4,144,200.00	3,989,320.00
Current securities	54,981,426.78	55,665,519.26	54,981,426.78	55,665,519.26
Held-to-maturity financial assets	3,000,000.00	5,024,494.44	3,000,000.00	5,005,800.00
short-term financial assets	0.00	2,024,494.44	0.00	2,005,800.00
Current securities	3,000,000.00	3,000,000.00	3,000,000.00	3,000,000.00
Receivables from gaming operations	12,859,682.77	7,406,566.09	12,859,682.77	7,406,566.09
	74,985,309.55	72,085,899.79	74,985,309.55	72,067,205.35

Financial liabilities

in EUR	2007	2006	2007	2006
	Book Value		Fair Value	
Trade payables	-5,958,519.16	-2,122,606.59	-5,958,519.16	-2,122,606.59
Liabilities to players, lottery companies and Business Service partners	-24,676,781.47	-17,755,681.87	-24,676,781.47	-17,755,681.87

An explanation of individual items is provided in the corresponding Sections »Cash, cash equivalents, securities and current financial assets« (Note 6) and »Financial assets« (Note 12).

27.2 Credit risk

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

The Company collects the amounts owed by customers directly via direct debit or credit card. On the basis of many years of collected data, the risk of returned direct debits or credit card charges is statistically limited. Missing amounts from such cancellations are charged directly to operating expenses.

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

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

27.3 Liquidity risk

Due to the sufficiency of its liquid assets, the Company is not exposed to any liquidity risk.

27.4 Interest rate risk

in EUR	up to 1 year	1-2 years	2-3 years	Total
31 Dec. 2007				
<i>variable interest rates</i>				
Bank balances and securities	11,095,304.78	0.00	0.00	11,095,304.78
Other primary financial assets				
Held-to-maturity investments	0.00	3,000,000.00	0.00	3,000,000.00
Financial assets held for trading	54,981,426.78	0.00	0.00	54,981,426.78
31 Dec. 2006				
<i>variable interest rates</i>				
Bank balances and securities	5,054,591.22	0.00	0.00	5,054,591.22
Other primary financial assets				
Held-to-maturity investments	0.00	0.00	3,000,000.00	3,000,000.00
Financial assets held for trading	55,665,519.26	0.00	0.00	55,665,519.26

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.

Consolidated net profit before taxes is affected by a change in interest rates (due to their impact on variable interest-bearing financial assets) and its respective influence on interest income. With an average investment volume of EUR 66 million (prior year: EUR 53 million), an increase in interest rates of 100 base points would change interest income by EUR 664 thousand (prior year: EUR 530 thousand).

27.5 Currency risk

The Company was not exposed to any significant currency risk in the period under review.

27.6 Principles and objectives of financial management

Tipp24 operates a global financial management system. All key decisions concerning the company's financial structure are taken by the Executive Board.

Financial management is generally undertaken at group level with the following key objectives:

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

in EUR	2007	2006
Equity ratio	61%	73%
Cash and cash equivalents	65,820,775.65	60,702,758.83
Capital expenditures	3,213,573.63	4,769,424.35
Interest-bearing debt	0.00	0.00
Proposed dividend per share for the fiscal year	0.50	0.00

28 EVENTS AFTER THE BALANCE SHEET DATE

The new State Treaty on Gaming (GlStV) came into effect in Germany on 1 January 2008. It contains regulations which seriously impede significant parts of Tipp24 AG's business activities, or even forbid them completely. According to the wording of the new legislation, advertising on the Internet, for example, is completely prohibited, while the online brokerage of gaming is highly restricted in 2008 and 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 – a regulation which was previously not planned. There is no legal claim to the granting of these licences. As already explained, the Company believes that the State Treaty on Gaming contravenes current anti-trust, constitutional and EU law in numerous aspects. Should the authorities apply the corresponding laws, Tipp24 believes there is a strong possibility that its activities will be protected by

temporary injunctions awarded in the case of legal action being taken. A similar result was already achieved in spring 2007 in a dispute with the state of Saxony-Anhalt at the administrative court of Halle.

We are convinced that our products and services comply fully with the new provisions of the GlStV and meet all requirements for the transitional year 2008. To this end, for example, we have tightened our youth protection mechanisms, discontinued the product Oddset and limited the number of possible participations in the lottery Keno to two draws per week. Moreover, we will adapt the lottery services of our so-called former Business Service partners, via the portals of T-Online, WEB.DE and RTL.DE (Gambelino), in such a way that customers now play directly via Tipp24.

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 game brokers. The institution of formal infringement proceedings, especially in connection with its justification, may represent a major aspect for the Company in the defence of its current business model.

29 OTHER DISCLOSURES ACC. TO GERMAN COMMERCIAL LAW

29.1 Executive Board

The following persons held seats on the Executive Board in fiscal year 2007:

- Dr. Hans Cornehl, businessman, Finance, HR and Investor Relations, since 1 July 2007 also Technology
- Marc Peters, businessman, Marketing and Sales, until 30 June 2007
- Jens Schumann, businessman, Product, Technology and Strategy, since 1 July 2007 also Marketing and Sales

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

in EUR	2006	Fixed salary	Other benefits	Variable remuneration	2007
Dr. Hans Cornehl	223,700.33	189,468.00	20,143.23	66,658.00	276,269.23
Marc Peters	220,890.92	94,734.00	8,057.30	0.00	102,791.30
Jens Schumann	220,892.63	189,468.00	20,143.23	66,658.00	276,269.23
Total	665,483.88	473,670.00	48,343.76	133,316.00	655,329.76

On termination of his service contract, Mr. Marc Peters was paid an additional amount of EUR 350 thousand in the form of severance pay and compensation for a non-competition clause.

In fiscal year 2007, total remuneration of the Executive Board members amounted to EUR 655 thousand. Other benefits include costs for direct insurance as well as the proportionate premium for pecuniary damage liability insurance taken out by the Company for corporate bodies of legal entities.

29.2 Supervisory Board

The following persons held seats on the Supervisory Board in fiscal year 2007:

- Klaus F. Jaenecke, businessman, Chairman
- Dr. Hans-Wilhelm Jenckel, lawyer, Deputy Chairman
- Annet Aris, businesswoman, regular member

in EUR	2006	Fixed salary	Other benefits	Variable remuneration	2007
Klaus F. Jaenecke	60,708.33	30,000.00	16,114.58	21,250.00	67,364.58
Dr. Hans-Wilhelm Jenckel	42,708.33	18,000.00	16,114.58	12,750.00	46,864.58
Annet Aris	33,708.33	12,000.00	16,114.58	8,500.00	36,614.58
Total	137,124.99	60,000.00	48,343.74	42,500.00	150,843.74

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

29.3 »Directors' Dealings«

Shares and subscription rights held by executive bodies

The following table shows the number of shares held in Tipp24 AG by members of the corporate bodies as of 31 December 2007, as well as changes in shareholdings since 1 January 2007. Members of the corporate bodies do not hold any subscription rights to shares of Tipp24 AG.

Shares	31 Dec. 2006	Additions	Disposals	31 Dec. 2007
Dr. Hans Cornehl	134,695	0	0	134,695
Jens Schumann	903,518	0	0	903,518

29.4 Corporate Governance

Declaration of Conformity with the Recommendations of the »Government Commission on the German Corporate Governance Code«

In November 2007, the Executive Board and Supervisory Board submitted their declaration of conformity with the German Corporate Governance Code pursuant to § 161 AktG and made the declaration permanently available to shareholders via the Company's website.

29.5 Employees

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

	2007	2006	2007	2006
	Group		Tipp24 AG	
Executive Board	3	3	3	3
General Managers	3	2	0	0
Employees	154	144	96	91
Trainees	6	3	3	3
Temporary personnel	48		47	
Total	214	152	149	97

29.6 Auditing costs

The following fees were paid to the auditors of the annual financial statements, Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, in fiscal year 2007:

in EUR thsd.	2007	2006
Auditing fees	61	80
Tax consulting	34	0
Other auditing and assesment services	52	49
thereof for international partner companies of the auditing company	35	0
Other services preformed for the parent company or its subsidiaries	50	13
Total	197	142

29.7 Consolidated group

The consolidated group comprises the subsidiaries listed below, for which the respective present and past shareholdings are also stated. Tipp24 UK Ltd., Tipp24 Operating Services Ltd. and Tipp24 Services Ltd. were formed by Tipp24 AG in 2007. Acquisition costs of EUR 1 thousand were incurred in each case. Tipp24 UK Ltd. was renamed as MyLotto24 Ltd. on 29 October 2007. At the time of

formation there was no difference between book value and fair value. The results of the abbreviated fiscal year for these companies since their formation amounts to a total of EUR –1,042 thousand.

in %	2007	2006	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
MyLotto24 Ltd., London, UK	100	-	09/2007
Tipp24 Operating Services Ltd., London, UK	100	-	12/2007
Tipp24 Services Ltd., London, UK	100	-	12/2007

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

Hamburg, 22 February 2008

The Executive Board

Dr. Hans Cornehl

Jens Schumann

INDEPENDENT AUDITOR'S REPORT

We have issued the following opinion on the consolidated financial statements and the group management report:

»We have audited the consolidated financial statements prepared by the Tipp24 AG, Hamburg, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1 to December 31, 2007. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The

audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.«

Hamburg, 22 February 2008

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Klimmer	Hoyer
Wirtschaftsprüfer	Wirtschaftsprüfer

RESPONSIBILITY STATEMENT

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

Executive Board



Dr. Hans Cornehl



Jens Schumann

REPORT OF THE SUPERVISORY BOARD

Advising and monitoring management

The Supervisory Board of Tipp24 AG regularly monitored and advised the Executive Board in accordance with statutory obligations during the period under review. We were directly involved in all decisions of significance for the Company. Moreover, the Executive Board regularly informed the Supervisory Board fully and promptly, in oral and written reports, about all material issues of business planning and strategic development, about the course of events, the Group's current situation, including possible risks and the risk management system. Moreover, the Executive Board provided the Supervisory Board with comprehensive reports about the course of business, including the development of revenue and profitability, as well as the Company's current situation and business policy. These reports were presented to all members of the Supervisory Board. Based on these reports concerning Tipp24 AG, the Supervisory Board was able to monitor and advise on all important business activities. The Chairman of the Supervisory Board also met regularly with the Executive Board to exchange information and provide advice.

A total of four Supervisory Board meetings were held in fiscal year 2007, which were attended by all members. Further resolutions concerning current topics were adopted by circular written consent.

Main topics of discussion

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

- the development of sales and earnings, as well as the financial position, both of the Group as a whole and its subsidiaries operating in Germany, Spain, Italy and UK,
- corporate planning, including investment and personnel planning of the Group and its individual subsidiaries,
- the development of the regulatory and economic environment in those markets in which Tipp24 operates, focusing in particular on the development of the regulatory discussion relating to the State Treaty on Gaming in Germany,
- the strategic alignment and especially growth strategy of the Group,
- the ongoing development of the early risk warning systems and
- discussion and consultation of all business transactions requiring approval.

Composition of the Supervisory Board

The Supervisory Board of Tipp24 AG consists of three members. Chairman of the Supervisory Board is Klaus F. Jaenecke. He was appointed to the Supervisory Board together with Annet Aris on 10 August 2005. Dr. Hans-Wilhelm Jenckel is Deputy Chairman of the Supervisory Board. He has been a member of the Supervisory Board since 19 March 2001 and was re-elected on 10 August 2005.

Committees

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

Corporate Governance and the Declaration of Conformity

The Supervisory Board dealt in detail with the further implementation of measures recommended by the German Corporate Governance Code. On 26 November 2007, the Executive Board and Supervisory Board submitted a Declaration of Conformity, pursuant to § 161 German Stock Corporation Law (AktG) and made it permanently available to shareholders via the Company's website www.tipp24-ag.de.

Auditing of the parent company and consolidated annual financial statements

The annual financial statements and management report for fiscal 2007 of Tipp24 AG, as prepared by the Executive Board in accordance with the German Commercial Code (HGB), and the consolidated annual financial statements and Group management report prepared in accordance with International Financial Reporting Standards (IFRS) were audited by Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, which issued an unqualified audit certificate in each case. The audit also included an examination of the respective accounting systems. With the knowledge of these audit reports, the Supervisory Board also examined the annual financial statements, management report and proposal for appropriation of the balance sheet profit prepared by the Executive Board, as well as the consolidated annual financial statements and Group management report. At the Supervisory Board meeting on 26 March 2008, the chief auditors were on hand to report on the main results of their audit. The Supervisory Board concurred with the auditor's findings and, also on the basis of its own final examination, raised no objections. At its meeting on 26 March 2008, the Supervisory Board approved the annual financial statements prepared by the Executive Board as well as the consolidated annual financial statements. The annual financial statements are thus adopted. The Supervisory Board agrees with the proposal of the Executive Board with regard to the appropriation of the balance sheet profit for fiscal 2007.

Personnel

On 30 June 2007 Mr. Marc Peters, the Company's co-founder, retired from the Executive Board. The Supervisory Board thanked Mr. Marc Peters for his many years of successful service on behalf of the Tipp24 Group.

Concluding statement

The Supervisory Board would like to thank the Executive Board and all employees of the Tipp24 Group for their hard work and outstanding commitment over the past fiscal year. Even in times of considerable regulatory uncertainty, the Tipp24 team has not lost its focus on serving customers and once again ensured that the Company was able to continue its growth and success story with its dedication and innovative strength.

Hamburg, 26 March 2008



Klaus F. Jaenecke
(Chairman of the Supervisory Board)



MILESTONES

- 1999
 - *FOUNDATION OF COMPANY*
 - *FINANCING BY EARLYBIRD VENTURE CAPITAL*
- 2000
 - *LAUNCH OF WWW.TIPP24.DE WEBSITE*
- 2001
 - *SIGNING OF THE FIRST AGREEMENT WITH A STATE LOTTERY OPERATOR*
 - *MARKET LEADER FOR THE FIRST TIME*
- 2002
 - *BREAK-EVEN POINT REACHED*
 - *MARKET ENTRY IN SPAIN*
- 2003
 - *BILLINGS EXCEED EUR 100 MILLION FOR THE FIRST TIME*
- 2004
 - *CUSTOMER BASE OF 1 MILLION AT YEAR-END*
 - *LAUNCH OF BUSINESS SERVICES WITH WEB.DE*
- 2005
 - *MARKET ENTRY IN ITALY*
 - *EXPANSION OF BUSINESS SERVICES WITH RTLTIIPP.DE AND LOTTERIE.T-ONLINE.DE*
 - *INITIAL PUBLIC OFFERING*
- 2006
 - *BREAK-EVEN REACHED IN SPAIN*
 - *START OF POLITICAL AND LEGAL MARKET CHANGES DUE TO SPORTS BETTING VERDICT (BVERFG)*
- 2007
 - *MARKET ENTRY IN UK*
 - *MEGA JACKPOT IN GERMANY*
 - *RATIFICATION OF STATE TREATY ON GAMING IN GERMANY*
 - *CUSTOMER BASE OF OVER 2 MILLION AT YEAR-END*

KEY CONSOLIDATED FIGURES OF TIPP24 AG

As of 22 February 2008

		2007	2006	2005
Customers				
Number of registered customers (at year-end)	Thsd.	2,344	1,770	1,322
Number of registered new customers	Thsd.	574	448	291
Customer activity rate		28.7%	28.6%	28.6%
Average billings/customer	EUR	588	598	609
Acquisition costs per new customer	EUR	20.11	18.81	20.12
Income statement				
	EUR thsd.			
Billings		346,776	264,235	204,696
Revenue		44,974	34,575	26,119
EBIT		8,949	7,244	6,048
EBT		11,192	8,365	6,490
Net profit		6,272	7,445	3,318
Balance sheet				
	EUR thsd.			
Cash, cash equivalents and securities (incl. pledged cash, cash equivalents and securities)		66,121	60,764	57,174
Other current assets		18,405	16,290	7,666
Total non-current assets		7,213	5,740	7,296
ASSETS		91,739	82,794	72,135
Current liabilities		35,774	22,128	18,854
Non-current liabilities		335	14	96
Equity		55,630	60,652	53,185
EQUITY AND LIABILITIES		91,739	82,794	72,135
Cash flow				
	EUR thsd.			
Cash flow from operating activities		17,886	8,360	10,308
Cash flow from investing activities		-1,200	-4,769	-6,371
Cash flow from financing activities		-11,335	-	40,035
Personnel				
Number of employees (average no. of full-time staff without board members/managing directors/interns/apprentices)	No.	154	144	114
Personnel expenses	EUR thsd.	10,324	8,277	6,990
Expenses per employee	EUR thsd.	67	58	61
R&D expenses	EUR thsd.	3,051	2,767	2,151
R&D staff	No.	58	56	44
Share (from 2004)				
Average number of shares (undiluted)	No.	8,524,199	8,872,319	7,191,100
Earnings per share (undiluted)	EUR	0.74	0.84	0.46
Operating cash flow per share (undiluted)	EUR	2.10	0.94	1.43
Ratios				
	%			
Gross margin		13.0%	13.1%	12.8%
EBIT margin		19.9%	21.0%	23.2%
Net operating margin		13.9%	21.5%	12.7%
Return on equity (RoE)		11.3%	12.3%	6.2%

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

	2004	2003*	2002*	2001*	2000*	1999*
	1,031	675	441	323	121	0
	356	234	118	202	121	0
	30.9%	30.3%	31.4%	n/a	n/a	n/a
	584	620	591	n/a	n/a	n/a
	17.01	17.52	14.21	n/a	n/a	n/a
	154,094	104,812	70,926	42,933	5,200	0
	19,504	14,085	8,284	3,808	691	0
	3,207	1,000	1,019	-3,170	-5,364	-682
	3,324	1,070	1,055	-3,124	-5,695	-690
	1,575	2,994	1,752	-3,289	-5,697	-690
	13,202	8,251	4,217	2,100	3,878	269
	3,092	3,940	2,440	1,558	809	143
	2,602	3,845	2,104	1,371	1,366	220
	18,896	16,036	8,761	5,029	6,053	633
	10,955	9,872	5,797	3,897	1,659	1,068
	124	99	150	70	46	0
	7,817	6,065	2,814	1,062	4,349	-435
	18,896	16,036	8,761	5,029	6,053	633
	5,375	4,570	2,546	-1,321	-5,569	-412
	-600	-506	-399	-457	-1,304	-236
	175	-30	-30	0	10,481	917
	95	72	47	26	17	3
	5,522	4,285	3,021	2,005	1,076	81
	58	60	64	77	63	27
	1,938	1,420	n/a	n/a	n/a	n/a
	38	30	n/a	n/a	n/a	n/a
	6,451,928	n/a	n/a	n/a	n/a	n/a
	0.24	n/a	n/a	n/a	n/a	n/a
	0.83	n/a	n/a	n/a	n/a	n/a
	12.7%	13.4%	11.4%	8.9%	13.3%	n/a
	16.4%	7.1%	12.6%	-83.2%	-776.3%	n/a
	8.1%	21.3%	21.6%	-86.4%	-824.5%	n/a
	20.1%	49.4%	62.3%	-309.7%	-131.0%	158.6%

FINANCIAL CALENDAR 2008

27 March 2008	Annual Press Conference
5 May 2008	Report First Quarter 2008
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)

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