

Nine month' Interim Report  
Januar 1 to September 30, 2008  
(IFRS)





## Contents

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	<b>Page</b>
<b>Key data</b>	<b>3</b>
<b>Group Management Report</b>	<b>4</b>
<b>Consolidated Balance Sheet</b>	<b>13</b>
<b>Consolidated Income Statement</b>	<b>15</b>
<b>Cash Flow Statement</b>	<b>17</b>
<b>Development in capital accounts</b>	<b>18</b>
<b>Notes to the Financial Consolidated Statements (IFRS)</b>	<b>19</b>
<b>Important Dates/Contact/Imprint</b>	<b>32</b>

### Note

Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

## JAXX key data

## JAXX KEY DATA (IFRS)

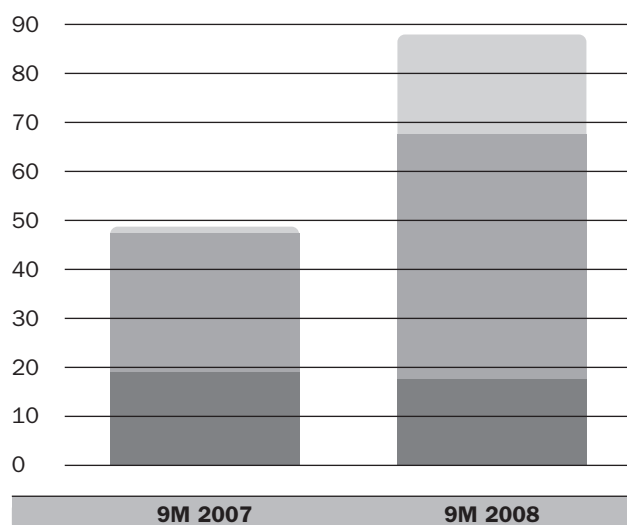
Income Statement	9M 2008	9M 2007	Q3 2008	Q3 2007	Q2 2008	Q1 2008
	T€	T€	T€	T€	T€	T€
Gross sales	126,296	92,243	42,934	32,455	41,420	41,942
Betting stakes handled	39,562	44,206	14,304	15,722	11,592	13,666
Revenues	86,734	48,037	28,630	16,733	29,828	28,276
EBITDA	5,671	5,118	1,750	1,243	1,852	2,069
EBIT	-769	-4,056	-232	-1,897	-159	-377
Consolidated earnings	-1,244	-4,559	-454	-2,844	-270	-520
Earnings per share (€)	-0,08	-0,31	-0,03	-0,19	-0,02	-0,03
Employees (average for the period)	183	148	189	147	180	181
Revenue per employee	474	325	151	114	166	156
Personnel expenses per employee	41	41	14	14	15	13

Balance Sheet	30/09/2008	31/12/2007
	T€	T€
Non-current assets	41,972	37,476
Monetary holdings	10,125	13,808
Shareholders' equity	37,260	36,093
Balance sheet total	64,276	59,154
Equity ratio	58.0 %	61.0 %

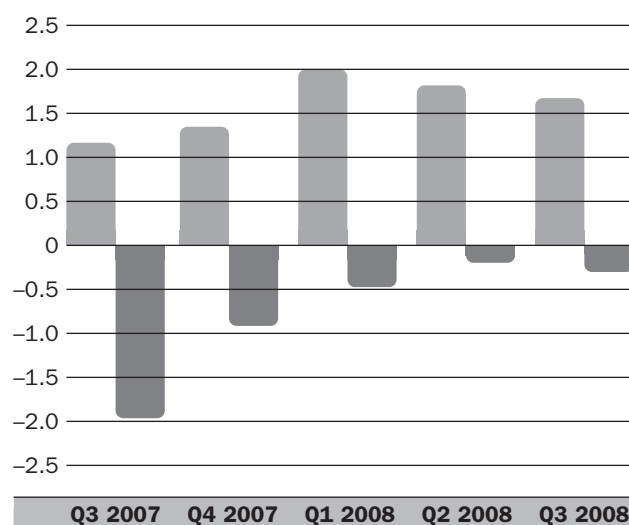
## SALES (EUR million)

■ Lottery   ■ Sports Betting   ■ Horse Betting



## EBITDA/EBIT (EUR million)

■ EBITDA   ■ EBIT





## Interim Group Management Report of JAXX AG at September 30, 2008

The company has been operating under the name of "JAXX AG" since the end of June, the Shareholders' Meeting having approved the change of name on May 21, 2008. The change was entered on the Commercial Register on June 20, 2008.

### 1. Business and general situation

#### a. Development of the general economic situation

The overall economic situation in Germany and Europe deteriorated sharply in the third quarter of 2008. The crisis on financial markets, coupled with high commodity prices, prompted a marked downturn in economic activity. Fears of a recession moreover drove down the population's consumer confidence.

The market for gaming in Germany is increasingly suffering the consequences of the State Treaty on gaming, which took effect at the start of the year. The companies that constitute the German lottery and pools organisation, which continue to run an extensive distribution network and maintain a strong advertising presence, saw their sales dip year on year by a mere five per cent in the first nine months of 2008; casino operators and other lottery businesses, on the other hand, have reported a slump in sales by as much as 50 per cent.

Elsewhere in Europe, the company believes that the market for gaming continues to benefit from ongoing liberalisation. However, no detailed figures on sales for the individual market segments are available yet.

### b. Regulatory developments

From a regulatory viewpoint, the picture on the European gaming market remains mixed.

In mid-August the Federal Supreme Court announced its verdict on the competition dispute between the Federal Competition Authority and the state lottery companies. The BGH ruled in the last instance that the lottery companies may not boycott sales from commercial gaming agents such as JAXX. The company believes that this ruling provides the basis for extensive compensation claims against individual lottery companies which have illegally hindered the business of the JAXX Group in the past. Initial claims have already been lodged.

A further positive verdict was reached by the Berlin Administrative Court in September. That court established that the central regulations of the State Treaty on gaming are not applicable to commercial lottery agents because the treaty fails to comply with European law. A competitor of JAXX had brought the lawsuit. The judges in Berlin deemed it incompatible with the free movement of services in Europe that, based on the current State Treaty on gaming, commercial gaming agents should already have to apply for separate permits in each federal state in 2008 in order to operate on the internet. They ruled that this aspect of the State Treaty on gaming may not be enforced. The ban on internet agency operations to be enforced from 2009 was also declared to be in conflict with European law and inapplicable.



In mid-October Yves Bot, the Advocate General of the European Court of Justice (ECJ), published his concluding arguments in a legal dispute between Portugal and a private betting provider. In his plea, the lawyer reasserts the stance already taken in other ECJ proceedings that state gaming monopolies are only compatible with the free movement of services in Europe if the states are motivated by the concern to protect against gambling addiction rather than by financial motives. The question of whether that is the case in each member state must, however, be left to the national court to decide. It is unclear whether the ECJ judges will subscribe to his concluding arguments. The ruling is expected in several months' time.

In October the Federal Constitutional Court decided not to accept the appeal by a JAXX competitor on a constitutional issue against various aspects of the State Treaty on gaming. It argued that the serious restriction of the constitutional right to freedom of occupation was justified and proportionate in view of the statutory goals of preventing and combating gambling addiction. However, the Federal Constitutional Court's deliberations were limited to the question of whether a monopoly was formally permissible and did not deal with the actual unconstitutional nature of the monopoly. Nor did the Federal Constitutional Court comment on the compatibility of the State Treaty on gaming with European law.

## c. Business performance

The third quarter again bears testimony to the growing independence of the JAXX Group from the German lottery market. Whereas sales handled on behalf of the German lottery companies continue to fall, there was a substantial rise in sales in the Sports Betting and Horse Betting segments and in the Spanish lottery market rose. The investments myBet.com (sports betting), SPORTWETTEN.DE AG (horse betting) and DigiDis (lottery agent in Spain) performed extremely well and were for the most part able to increase their profitability.

Overall, consolidated revenues rose yet again to EUR 28.6 million in the third quarter of 2008, an increase of 71 per cent on the prior-year period. For the first nine months of the year, revenues rose by 81 per cent from EUR 48.0 million to EUR 86.7 million. EBIT improved substantially in the third quarter of 2008 from EUR -1.897 million to EUR -232 thousand. Cumulatively, EBIT after nine months therefore amounted to EUR -769 thousand (9M/2007: EUR -4.056 million).

JAXX AG successfully placed a convertible bond bearing interest at 6.66 per cent on the capital market in September. A total of 161,830 debentures, which can each be converted into ten JAXX shares, were issued at a unit price of EUR 26.00. The units not taken up by the existing shareholders by virtue of their subscription right were taken on by institutional investors. JAXX AG has thus accrued a total of EUR 4.2 million from the proceeds of the issue. The additional financial resources are to be used to finance its further growth and increase its independence from the German lottery market.

### ■ Sports Betting

Sales for the Sports Betting segment of EUR 16.7 million in the third quarter reflected the typical seasonal pattern in being slightly lower than for the second quarter, which had been boosted by Euro 2008. Compared with the previous year, the growth trend in the Sports Betting segment remains absolutely intact. Sales were up 68.2 per cent on the third quarter of 2007, with the figure for the nine-month period up 80.4 per cent from EUR 27.4 million to EUR 49.4 million.

The result for the segment is still substantially diminished by the development of UK business, in particular from increased marketing expenditure from canvassing for new business.



## ■ Horse Betting

Sales in the Horse Betting segment reached EUR 20.2 million after nine months and were generated almost in entirety by SPORTWETTEN.DE AG (EUR 18.8 million), which has been consolidated since the start of the year. In September JAXX AG increased its interest in the German market leader for online horse betting to 65.1 per cent.

As an initial step, integration of the horse betting activities of SPORTWETTEN.DE AG into the JAXX platform was completed during the third quarter. SPORTWETTEN.DE AG is in addition able to report significant sales successes, including the early extension of the contract with Phumelela Gold Enterprises, which markets English and South African flat racecourses.

## ■ Lotteries

Lottery and horse betting stakes handled amounted to EUR 39.6 million in the first nine months of 2008 and were therefore eleven per cent down on the prior-year period. Business processed on behalf of the lottery companies and racecourses in the third quarter of 2008 amounted to EUR 14.3 million, equivalent to a downturn of nine per cent compared with the prior-year quarter. The fall in the volume of lottery business handled in Germany is much sharper because the overall volume of business handled is being made good by substantial growth in the Spanish market.

Whereas online sales handled in Germany fell by over 30 per cent due to the effects of the State Treaty on gaming, sales in Spain soared by over 270 per cent. The start of ticket sales for the Spanish Christmas lottery in August and new marketing partnerships and syndicate products offer the prospect of a further rise in the sales figure.

Stakes processed via terrestrial sales channels at SCHLECKER markets were up by around 30 per cent compared with the nine-month period of the previous year.

Syndicate business in Germany was cut back by approximately a further 20 per cent by way of a step-by-step exit from this area of business in the third quarter of 2008.

## 2. Financial performance

Consolidated revenues rose by 81 per cent in the first nine months of the 2008 financial year compared with the prior-year period, from EUR 48.0 million to EUR 86.7 million. This includes bookmaking revenues (betting stakes for own book) amounting to EUR 68.6 million. The stakes processed by JAXX mainly on behalf of lottery companies and to some extent for the racing associations' totalisers fell by eleven per cent to EUR 39.6 million. Gross consolidated sales (revenues plus betting stakes handled) thus amounted to EUR 126.3 million (+37 per cent).

79 per cent of revenue in the first three quarters of 2008 comprised betting stakes for own book, five per cent was commission on lottery stakes and 15 per cent was club membership fees, service fees and handling fees. Further income was generated in the form of fees for software development and licence income. 57 per cent of proceeds came from sports betting, 23 per cent from horse betting and 20 per cent from lotteries.

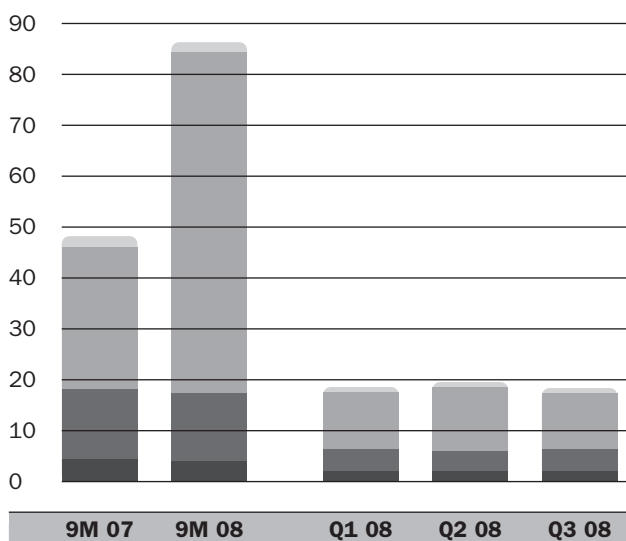
Revenue rose by 71 per cent from EUR 16.7 million in the third quarter of 2007 to EUR 28.6 million in the third quarter of 2008, with the company SPORTWETTEN.DE AG, which has been included in consolidation since the start of this year, contributing EUR 6.3 million of this amount. Betting stakes fell from EUR 15.7 million to EUR 14.3 million; gross sales amounted to EUR 42.9 million.



REVENUE	9M 2008 T€	9M 2007 T€	Change %	Q1 2008 T€	Q2 2008 T€	Q3 2008 T€	Q3 2007 T€	Change %
Gross sales	126,296	92,243	+37	41,942	41,420	42,934	32,455	+32
Betting stakes handled	39,562	44,206	-11	13,666	11,592	14,304	15,722	-9
Revenues of which	86,734	48,037	+81	28,276	29,828	28,630	16,733	+71
• commissions	3,891	4,215	-7.7	1,191	1,399	1,301	1,445	-10
• handling fees	12,926	14,025	-7.8	4,824	3,689	4,413	4,482	-1.5
• bookmaking revenues	68,581	28,373	+142	21,937	24,185	22,459	10,279	+118

**DEVELOPMENT IN REVENUE**

(Sales EUR million)



Source: JAXX AG

- Others
- Sports Betting
- Handling
- Commissions

The cost of materials, which largely comprises payouts of betting winnings, rose substantially as a result of the sharp increase in betting stakes. The cost of materials was up 145 per cent on the same period of the previous year, from EUR 22.0 million to EUR 53.9 million; the figures for the third quarter showed a rise of 116 per cent, from EUR 8.2 million to EUR 17.7 million.

Personnel expenses were up 25 per cent to EUR 7.5 million in the first nine months of 2008 in essence as a result of the acquisition of SPORTWETTEN.DE AG. In the third quarter of 2008, personnel expenses amounted to EUR 2.6 million, as against EUR 2.1 million in the third quarter of 2007.

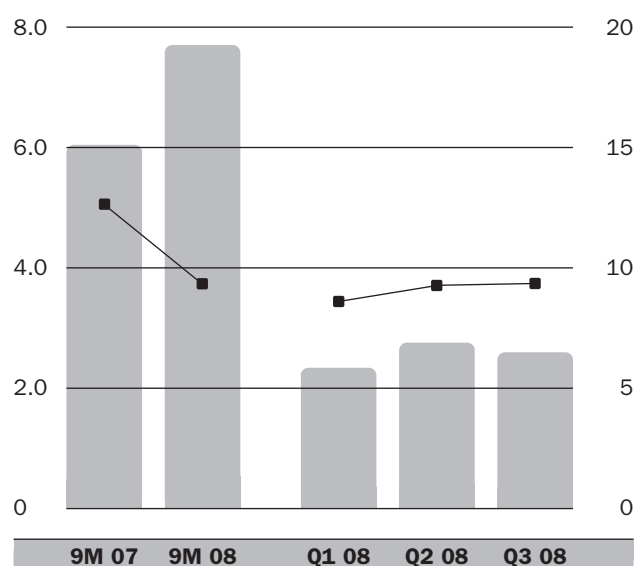


The average number of employees rose to 183 compared with 148 in the first nine months of the previous year, mainly due to the acquisition of SPORTWETTEN.DE AG. Per capita expenditure is on a par with the prior-year period at EUR 41 thousand. Per capita revenues continued to rise strongly from EUR 325 thousand to EUR 474 thousand. The personnel expenses ratio has therefore fallen from 12.6 to 8.7 per cent for the nine-month period. In addition to performance-related pay components, the Management Board, managing directors and employees are able to share in the company's economic development via a stock options scheme. The stock options schemes are explained in the notes to the consolidated financial statements in the 2007 Annual Report, in section 8.8.

Other operating expenses increased by 48 per cent in the first nine months of 2008 compared with the prior-year period, from EUR 16.5 million to EUR 24.4 million. In addition to sales-related costs such as commission shares to be passed on to venture partners (EUR 6.5 million) and collection and bank charges (EUR 1.15 million), particularly legal and consultancy costs (EUR 2.1 million) and marketing expenses (EUR 8.3 million) were higher. The rise in marketing spending was prompted by increased canvassing for new business for the products on offer in Spain and the UK. The rise in most expense items compared with the prior-year period resulted from the acquisition of SPORT-

**DEVELOPMENT IN PERSONNEL EXPENSES**

(EUR million/per cent)



Source: JAXX AG

- Personnel costs
- Expenses ratio

WETTEN.DE AG. The expenses ratio nevertheless fell from 34 per cent to 28 per cent as a result of increased sales. Marketing costs as a proportion of revenue amounted to around 9.6 per cent in the first nine months of 2008, compared with 10.3 per cent in the prior-year period.

DEVELOPMENT OF THE PRINCIPAL EXPENSE ITEMS	9M 2008 T€	9M 2007 T€	Change %	Q1 2008 T€	Q2 2008 T€	Q3 2008 T€	Q3 2007 T€	Change %
Cost of purchased materials	53,929	22,020	+145	17,274	18,977	17,678	8,180	+116
Personnel expenses	7,539	6,036	+25	2,298	2,661	2,578	2,067	+25
Employees (average)	183	148		181	180	189	147	
Other operating expenses of which	24,379	16,475	+48	7,378	8,420	8,580	5,710	+50
• marketing	8,302	4,963	+67	2,245	2,511	3,546	1,511	+135
• legal and consultancy costs	2,064	1,720	+20	516	883	665	727	-8.5



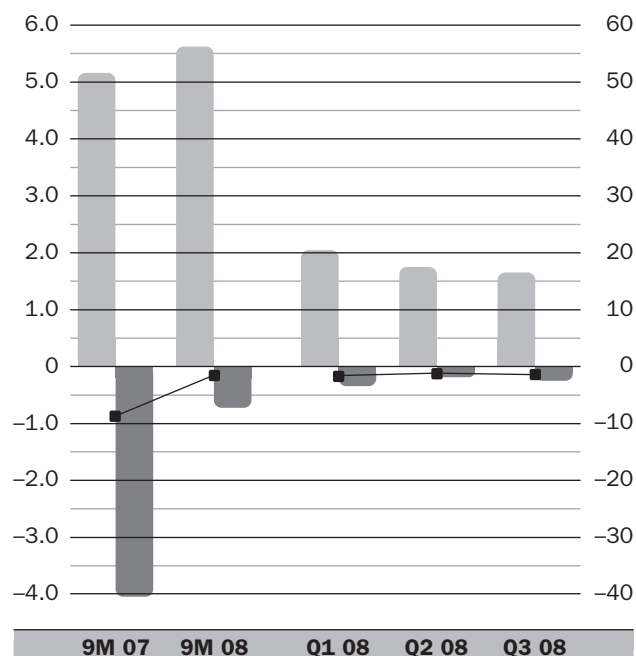
Earnings before interest, taxes, depreciation and amortisation (EBITDA) for the first nine months of 2008 were almost eleven per cent up on the prior-year period at EUR 5,671 thousand. EBITDA for the third quarter was up 41 per cent, from EUR 1,243 thousand for the 2007 period to EUR 1,750 thousand in 2008.

Depreciation and amortisation as a result of the capitalisation of the acquisition costs for syndicate contracts fell sharply as a result of the slimming-down of the portfolio. In the third quarter of 2008, depreciation and amortisation amounted to only EUR 1,983 thousand, as against EUR 3,140 thousand in the third quarter of 2007. For the nine-month period, depreciation and amortisation reached EUR 6,440 thousand as against EUR 9,174 thousand in the previous year. Earnings before interest and taxes (EBIT) improved substantially from EUR –1,897 thousand in the third quarter of 2007 to EUR –232 thousand in the third quarter of 2008. Year on year, EBIT improved from EUR –4,056 thousand for the first nine months of 2007 to EUR –769 thousand for the same period of 2008.

The consolidated result for the third quarter of 2008 reached EUR –454 thousand, compared with EUR –2,844 thousand for the third quarter of 2007. For the nine-month period, the result was improved from EUR –4,559 thousand in 2007 to EUR 1,244 thousand in 2008. SPORTWETTEN.DE AG, which has been included in consolidation since January, contributed EUR 371 thousand to the improved result. The loss contributed by the British subsidiary JAXX UK Ltd. of approx. EUR 1,500 thousand is largely attrib-

**DEVELOPMENT IN EARNINGS (EBITDA/EBIT)**

(EUR million/per cent)



Source: JAXX AG

- EBITDA
- EBIT
- EBIT-Marge

table to start-up investment. Earnings per share amounted to EUR –0.08, compared with EUR –0.31 in the first nine months of 2007.

EARNINGS	9M 2008 T€	9M 2007 T€	Change %	Q1 2008 T€	Q2 2008 T€	Q3 2008 T€	Q3 2007 T€	Change %
EBITDA	5,671	5,118	+11	2,069	1,852	1,750	1,243	+41
EBIT	-769	-4,056	-81	-377	-160	-232	-1,897	-88
Consolidated earnings	-1,244	-4,559	-73	-520	-270	-454	-2,844	-84
Earnings per share	-0.08	-0.31		-0.03	-0.02	-0.03	-0.19	



### 3. Financial position

Operating activities during the first nine months of the 2008 financial year were financed from cash flow from operations. The acquisition of the shares in SPORTWETTEN.DE AG as well as other investments were financed in part from monetary holdings.

The issuance of the 2008/2013 convertible bond bearing interest at 6.66 per cent resulted in the accrual of EUR 4.2 million in cash.

The overall cash flow after the first nine months of 2008 amounted to EUR –3.7 million. Cash and cash equivalents totalled EUR 10.1 million at September 30, 2008. In its finance management approach, JAXX strives for predominantly short-term investments of a money market character with a balanced risk/reward ratio. Over and above this, it invests to a limited extent in financial instruments in order to optimise the low performance of the assets over the full year.

LIQUIDITY	30/09/2008 T€	31/12/2007 T€
Monetary holdings	10,125	13,808
Liquidity ratio 2	146 %	144 %

### 4. Net worth

Net worth showed a rise of EUR 4.5 million at September 30, 2008 compared with the reporting date of December 31, 2007. The increase is largely due to the acquisition of SPORTWETTEN.DE AG. Current assets grew by EUR 0.6 million to EUR 22.3 million.

The accumulated shareholders' equity showed an increase of EUR 1.2 million since the reporting date of December 31, 2007, to EUR 37.3 million. With a balance sheet total of EUR 64.3 million, the equity ratio is 58.0 per cent.

The non-current liabilities have risen by EUR 3.8 million to EUR 11.8 million as a result of the rise in deferred tax liabilities and the issuance of the convertible bond. The current liabilities rose by EUR 0.2 million to EUR 15.3 million at September 30, 2008.

SHAREHOLDERS' EQUITY AND BORROWED CAPITAL	30/09/2008 T€	31/12/2007 T€
Shareholders' equity	37,260	36,093
Borrowed capital (long-term)	11,760	8,000
Equity ratio	58.0 %	61.0 %

#### ■ Voting rights

At the reporting date of September 30, 2008, the free float as defined by Deutsche Börse accounted for 100 per cent of the capital stock of JAXX AG, amounting to EUR 16,021,264. The company has not been notified of any major shareholdings representing more than ten per cent. There exist no special restrictions concerning voting rights or the transfer of shares, or shares bearing special rights that bestow powers of control. Nor have any particular stipulations regarding the control of voting rights been agreed if employees hold a share of the capital and do not exercise their rights of control directly.

The conditional and approved capital, over and above the subscribed capital, are explained in detail in the Notes to the Consolidated Financial Statements, on page 77 onward of the 2007 Annual Report. No authorisation of the Management Board to purchase treasury shares exists.



In accordance with the articles of incorporation, the Management Board of JAXX AG comprises one or more persons. The Supervisory Board may appoint a Management Board Chairman and a Management Board Deputy Chairman. Amendments to the articles of incorporation must be carried by a three-quarters majority of the Shareholders' Meeting. The Supervisory Board may perform amendments to the articles of incorporation that relate to the wording alone.

#### ■ Director's Holdings

The shareholdings of directors on either corporate body at September 30, 2008 are as follows:

Name	Position	Type of security	Position at 31/12/2007	Additions	Disposals	Position at 30/09/2008
Rainer Jacken	Management Board spokesman	Shares	1,333	0	0	1,333
		Options	27,667	0	0	27,667
Mathias Dahms	Management Board	Shares	3,722	0	0	3,722
		Options	22,474	0	0	22,474
Stefan Hänel	Management Board	Shares	5,220	0	0	5,220
		Options	22,480	0	0	22,480
Frank Motte	Supervisory Board	Shares	4,972	0	0	4,972
		Convertible bond	1,243	0	0	1,243

## 5. Report on post-balance sheet date events

No events of particular significance occurred after the balance sheet date.



## 6. Opportunities and risks report

A comprehensive analysis of the principal opportunities and risks that could have an impact on the economic and financial position of the JAXX Group and a description of the risk management system are published in the 2007 Annual Report. The assessment of risks and opportunities has been affected by the decision of the Federal Constitutional Court not to accept an appeal on a constitutional issue. The possibility can no longer be excluded that business operations in Germany will be halted either temporarily or permanently in certain areas from 2009 due to the legal situation there, and it may be necessary to test the relevant loss carry-forwards for impairment.

## 7. Report on expected developments

JAXX AG will in future place even greater emphasis on the development of business activities beyond the sphere of the German lottery market. The successful, profitable growth of the investments in the companies myBet.com (QED), DigiDis and SPORTWETTEN.DE is to be given a further push, while lottery agency business in Germany will continue to fall, reflecting the adverse regulatory environment. In view of the chaotic legal situation, it is not currently possible to make a serious forecast of business performance in Germany.

The Management Board expects that the Spanish subsidiary DigiDis will already compensate for a significant portion of the anticipated fall in sales from lottery agency business in Germany from next year. In view of the higher margins in the Spanish market, its contribution to earnings may even outweigh the downturn in Germany. DigiDis' management already expects the subsidiary to contribute EUR 0.5 million towards earnings in the 2008 financial year. Profits are set to treble in 2009. SPORTWETTEN.DE AG, too, expects to post a profit of EUR 0.6 million in 2008.

The sports betting subsidiary myBet.com has made an outstanding start to the last quarter of the year and already posted record sales in October. In terms of overall earnings, however, the Sports Betting segment as a whole will not show a net profit within the JAXX Group because of the significant start-up losses of the British subsidiary JAXX UK Ltd. It aims to break even by the start of 2009.

Expenditure for legal consultancy and legal disputes in connection with the regulatory developments will again impose an additional burden on the result in the fourth quarter. The Management Board of JAXX AG nevertheless stands by its expectation of double-digit sales growth for 2008 as a whole, along with a clearly positive result.

This Interim Group Management Report contains predictive statements and information – in other words, statements about events that lie ahead rather than in the past. These predictive statements can be identified by words such as “expect”, “anticipate”, “intend”, “plan”, “believe”, “aim”, “estimate”, “assess” and similar. Such predictive statements are based on our present expectations and on certain assumptions. They therefore entail a number of risks and uncertain factors. The business activities, success, business strategy and results of JAXX are influenced by a great many factors, many of which are beyond the control of JAXX. These factors may mean that the actual results, achievements and performance of the JAXX Group could depart substantially from the figures used to indicate results, achievements or performance, whether explicitly or implicitly, in the predictive statements.

Altenholz, November 5, 2008

Rainer Jacken

Mathias Dahms

Stefan Hänel



## Consolidated Balance Sheet at September 30, 2008

ASSETS	Note	30/9/2008 T€	31/12/2007 T€
<b>A. NON-CURRENT ASSETS</b>		<b>41,972</b>	<b>37,476</b>
<b>I. Intangible assets</b>	<b>6.1.1</b>	<b>27,862</b>	<b>18,444</b>
1. Goodwill		16,375	10,977
2. Other intangible assets		11,487	7,467
<b>II. Property, plant and equipment</b>	<b>6.1.2</b>	<b>5,794</b>	<b>6,049</b>
1. Land and buildings		1,152	1,192
2. Other plant and equipment		3,315	3,530
3. Payments on account		1,327	1,327
<b>III. Financial assets</b>	<b>6.1.3</b>	<b>6</b>	<b>4,466</b>
Investments in associates		6	4,466
<b>IV. Deferred taxes</b>	<b>6.1.4</b>	<b>8,310</b>	<b>8,517</b>
<b>B. CURRENT ASSETS</b>		<b>22,304</b>	<b>21,678</b>
<b>I. Inventories</b>	<b>6.2.1</b>	<b>61</b>	<b>26</b>
<b>II. Receivables and other assets</b>	<b>6.2.2</b>	<b>11,239</b>	<b>7,116</b>
1. Trade accounts receivable		4,574	3,792
2. Miscellaneous assets		6,664	3,324
<b>III. Cash and cash equivalents</b>	<b>6.2.3</b>	<b>10,125</b>	<b>13,808</b>
of which freely available (net cash)		8,429	11,133
<b>IV. Prepaid expenses</b>	<b>6.2.4</b>	<b>880</b>	<b>728</b>
<b>TOTAL ASSETS</b>		<b>64,276</b>	<b>59,154</b>



## Consolidated Balance Sheet at September 30, 2008

SHAREHOLDERS' EQUITY AND LIABILITIES	Note	30/09/2008 T€	31/12/2007 T€
<b>A. Shareholders' equity</b>		<b>37,260</b>	<b>36,093</b>
I. Share capital	<b>6.3.1</b>	16,021	16,002
II. Additional paid-in capital	<b>6.3.4</b>	55,981	55,139
III. Accounting loss	<b>6.3.5</b>	-37,334	-35,608
IV. Exchange differences on translation		145	61
V. Minority interest	<b>6.3.6</b>	2,447	499
<b>B. Non-current liabilities</b>		<b>11,760</b>	<b>8,000</b>
1. Deferred tax liabilities	<b>6.4.1</b>	1,746	575
2. Tax on profit	<b>6.4.1</b>	76	62
3. Bonds	<b>6.4.2</b>	8,850	5,414
4. Finance lease liabilities	<b>6.4.2</b>	1,013	1,949
5. Due to banks	<b>6.4.2</b>	75	0
<b>C. Current liabilities</b>		<b>15,256</b>	<b>15,061</b>
1. Bonds	<b>6.4.2</b>	96	91
2. Due to banks	<b>6.5.2</b>	974	946
3. Current finance lease liabilities	<b>6.4.2</b>	1,250	1,236
4. Trade accounts payable	<b>6.5.2</b>	3,938	3,273
5. Other financial liabilities	<b>6.5.2</b>	6,965	6,545
6. Other accrued expenses	<b>6.5.1</b>	1,979	2,938
7. Deferred tax liabilities	<b>6.5.3</b>	55	32
<b>Total shareholders' equity and liabilities</b>		<b>64,276</b>	<b>59,154</b>

## Consolidated Income Statements for the period January 1 to September 30, 2008

	Note	30/09/2008	30/09/2007	Change		31/12/2007
		T€	T€	T€	%	T€
<b>Gross sales</b>		<b>126,296</b>	<b>92,243</b>	<b>34,054</b>	<b>36.9</b>	<b>142,776</b>
<b>Betting stakes</b>		<b>39,562</b>	<b>44,206</b>	<b>-4,644</b>	<b>-10.5</b>	<b>68,925</b>
<b>1. Sales</b>	<b>4.2</b>	<b>86,734</b>	<b>48,037</b>	<b>38,697</b>	<b>80.6</b>	<b>73,851</b>
<b>2. Production for own assets capitalised</b>	<b>4.3</b>	<b>1,644</b>	<b>1,205</b>	<b>440</b>	<b>36.5</b>	<b>1,176</b>
<b>3. Other operating income</b>	<b>4.4</b>	<b>3,140</b>	<b>407</b>	<b>2,732</b>	<b>607.8</b>	<b>1,108</b>
<b>4. Cost of purchased materials</b>	<b>4.5</b>	<b>53,929</b>	<b>22,020</b>	<b>31,909</b>	<b>144.9</b>	<b>35,032</b>
Cost of purchased services		53,929	22,020	31,909	144.9	35,032
<b>5. Personnel expenses</b>	<b>4.6</b>	<b>7,539</b>	<b>6,036</b>	<b>1,503</b>	<b>24.9</b>	<b>8,243</b>
a) Salaries		6,466	5,208	1,258	24.2	7,100
b) Social insurance		1,073	828	245	29.6	1,143
<b>6. Depreciation and amortisation on intangible assets and on property, plant and equipment</b>	<b>4.7</b>	<b>6,440</b>	<b>9,174</b>	<b>-2,734</b>	<b>-29.8</b>	<b>11,387</b>
<b>7. Other operating expenses</b>	<b>4.8</b>	<b>24,379</b>	<b>16,475</b>	<b>7,904</b>	<b>48.0</b>	<b>26,349</b>
<b>Operating profit/loss</b>		<b>-769</b>	<b>-4,056</b>	<b>3,287</b>	<b>81.0</b>	<b>-4,876</b>
<b>8. Other interest and similar income</b>	<b>4.9</b>	<b>249</b>	<b>260</b>	<b>-11</b>	<b>-4.1</b>	<b>84</b>
<b>9. Interest and similar expenses</b>	<b>4.9</b>	<b>363</b>	<b>242</b>	<b>120</b>	<b>49.7</b>	<b>383</b>
<b>Finance result</b>	<b>4.9</b>	<b>-115</b>	<b>18</b>	<b>-133</b>	<b>-728.7</b>	<b>-299</b>
<b>10. Result before tax</b>	<b>4.10</b>	<b>-883</b>	<b>-4,038</b>	<b>3,155</b>	<b>78.1</b>	<b>-5,175</b>
<b>11. Income tax</b>	<b>4.11</b>	<b>-360</b>	<b>852</b>	<b>-1,212</b>	<b>-142.3</b>	<b>-524</b>
<b>12. Adjustment for tax on loss carry-forwards</b>	<b>4.11</b>	<b>0</b>	<b>-1,373</b>	<b>1,373</b>	<b>100.0</b>	<b>0</b>
<b>13. Net profit/loss for the period</b>	<b>4.12</b>	<b>-1,244</b>	<b>-4,559</b>	<b>3,315</b>	<b>72.7</b>	<b>-5,699</b>
14. Minority interest in earnings		-181	186			28
15. Earnings less minority interest		-1,425	-4,373			-5,671
<b>16. Loss carry-forward from previous year</b>		<b>-35,608</b>	<b>-28,137</b>			<b>-28,137</b>
17. Put option of minority interest in QED, reported under borrowed capital		-300	0			-1,800
<b>18. Accounting loss</b>		<b>-37,334</b>	<b>-32,510</b>			<b>-35,608</b>
<b>19. Earnings per share</b>						
Basic earnings per share (€)		-0.08	-0.31			-0.38
Diluted earnings per share (€)		-0.08	-0.31			-0.38

## Consolidated Income Statements for the period July 1 to September 30, 2008

	Note	Q3 2008 T€	Q3 2007 T€	Q2 2008 T€	Q1 2008 T€
<b>Gross sales</b>		<b>42,935</b>	<b>32,455</b>	<b>41,420</b>	<b>41,942</b>
<b>Betting stakes</b>		<b>14,304</b>	<b>15,722</b>	<b>11,592</b>	<b>13,666</b>
<b>1. Sales</b>	<b>4.2</b>	<b>28,630</b>	<b>16,733</b>	<b>29,828</b>	<b>28,276</b>
<b>2. Production for own assets capitalised</b>	<b>4.3</b>	<b>743</b>	<b>411</b>	<b>577</b>	<b>324</b>
<b>3. Other operating income</b>	<b>4.4</b>	<b>1,215</b>	<b>56</b>	<b>1,506</b>	<b>419</b>
<b>4. Cost of purchased materials</b>	<b>4.5</b>	<b>17,678</b>	<b>8,180</b>	<b>18,978</b>	<b>17,274</b>
Cost of purchased services		17,678	8,180	18,978	17,274
<b>5. Personnel expenses</b>	<b>4.6</b>	<b>2,580</b>	<b>2,067</b>	<b>2,661</b>	<b>2,298</b>
a) Wages and salaries		2,221	1,784	2,257	1,988
b) Social insurance		359	283	404	310
<b>6. Depreciation and amortisation on intangible assets and on property, plant and equipment</b>	<b>4.7</b>	<b>1,983</b>	<b>3,140</b>	<b>2,011</b>	<b>2,446</b>
<b>7. Other operating expenses</b>	<b>4.8</b>	<b>8,580</b>	<b>5,710</b>	<b>8,420</b>	<b>7,378</b>
<b>Operating profit/loss</b>		<b>-232</b>	<b>-1,897</b>	<b>-159</b>	<b>-377</b>
<b>8. Other interest and similar income</b>	<b>4.9</b>	<b>12</b>	<b>87</b>	<b>72</b>	<b>165</b>
<b>9. Interest and similar expenses</b>	<b>4.9</b>	<b>115</b>	<b>75</b>	<b>113</b>	<b>135</b>
<b>Finance result</b>	<b>4.9</b>	<b>-103</b>	<b>12</b>	<b>-41</b>	<b>30</b>
<b>10. Result before tax</b>	<b>4.10</b>	<b>-335</b>	<b>-1,885</b>	<b>-201</b>	<b>-347</b>
<b>11. Income tax</b>	<b>4.11</b>	<b>-118</b>	<b>414</b>	<b>-69</b>	<b>-173</b>
<b>12. Adjustment for tax on loss carry-forwards</b>	<b>4.11</b>	<b>0</b>	<b>-1,373</b>	<b>0</b>	<b>0</b>
<b>13. Net profit or loss for the period</b>	<b>4.12</b>	<b>-454</b>	<b>-2,844</b>	<b>-270</b>	<b>-520</b>
14. Minority interest in earnings		-181	64	106	-107
15. Earnings less minority interest		-635	-2,780	-164	-627
<b>16. Loss carry-forward from previous quarter</b>		<b>-37,199</b>	<b>-29,730</b>	<b>-36,235</b>	<b>-35,608</b>
17. Put option of minority interest in QED, reported under borrowed capital		500	0	-800	0
<b>18. Accounting loss</b>		<b>-37,334</b>	<b>-32,510</b>	<b>-37,199</b>	<b>-36,235</b>
<b>19. Earnings per share</b>					
Basic earnings per share (€)		-0.03	-0.19	-0.02	-0.03
Diluted earnings per share (€)		-0.03	-0.19	-0.02	-0.03



## Cash Flow Statement for the period January 1 to September 30, 2008

	30/09/2008 T€	30/09/2007 T€	31/12/2007 T€
• Net profit/loss for the period	-1,244	-4,559	-5,699
• Depreciation of fixed assets	6,440	9,174	11,387
• Increase/decrease in long-term accruals	14	0	6
• Finance income	-249	-260	-84
• Interest expense	363	242	383
• Other non-cash expenses and income/deferred taxes	-1,094	-661	-514
• Profit/loss from the disposal of fixed assets	0	-36	-36
<b>Cash flow before changes to working capital</b>	<b>4,230</b>	<b>3,900</b>	<b>5,443</b>
• Change in inventories, receivables and other assets	-2,280	-1,322	-1,028
• Change in liabilities and other items on the shareholders' equity and liabilities side	-638	492	32
• Increase/decrease in short-term accruals	-1,199	123	1,339
<b>Cash flow from operating activities</b>	<b>113</b>	<b>3,193</b>	<b>5,786</b>
• Interest paid	-231	-242	-340
<b>Cash flow from operating activities</b>	<b>-118</b>	<b>2,951</b>	<b>5,446</b>
• Cash receipts from disposals of fixed assets		34	34
• Cash payments for investments in fixed assets	-4,349	-9,153	-11,283
• Cash payments for investments in consolidated companies		0	0
• Increase in investment in QED		-548	-548
• Acquisition of investment in SPORTWETTEN.DE AG	-2,854	-1,249	-4,463
• Interest received	249	260	84
<b>Cash flow from investing activities</b>	<b>-6,954</b>	<b>-10,657</b>	<b>-16,176</b>
• Cash receipts/payments from the issue of bonds and from the raising of loans/finance leases	4,208	-878	8,576
• Cash receipts/payments for current investments	0	2,395	2,579
• Repayments of bonds and loans	-818	-90	-1,136
<b>Cash flow from financing activities</b>	<b>3,389</b>	<b>1,427</b>	<b>10,019</b>
<b>Overall effective adjustment</b>	<b>-3,683</b>	<b>-6,279</b>	<b>-711</b>
<b>Cash and cash equivalents at the start of the period</b>	<b>13,808</b>	<b>14,519</b>	<b>14,519</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>10,125</b>	<b>8,241</b>	<b>13,808</b>
• Progression from financial resources to net cash position	10,125	8,241	13,808
• Betting stakes passed on	1,626	1,924	2,604
• Securities provided	71	1,039	71
<b>Net cash position</b>	<b>8,429</b>	<b>5,278</b>	<b>11,133</b>

## Development in capital accounts for the period January 1, 2007 to September 30, 2008

T€	Share capital	Additional pay-in capital	Accounting loss	Exchange differences	Minority interest	Total	Bonds, convertible
<b>Position at December 31, 2006</b>	<b>14,563</b>	<b>52,112</b>	<b>-28,137</b>	<b>0</b>	<b>497</b>	<b>39,035</b>	<b>88</b>
Interst on bond						0	43
Issue of convertible bond October 2007		910				910	8,846
Conversion of bond	1,427	2,045				3,472	-3,472
Premiums earned from employee stock options		66				66	
Exercising of employee stock options	12	6				18	
Purchase/capital increase, myBet (QED)					-36	-36	
Put option of minority interest in QED			-1,800			-1,800	
Capital increase for DigiDis					66	66	
Exchange differences on translation 12-month result, 2007			-5,671	61	-28	-5,699	
<b>Position at December 31, 2007</b>	<b>16,002</b>	<b>55,139</b>	<b>-35,608</b>	<b>61</b>	<b>499</b>	<b>36,093</b>	<b>5,505</b>
Conversion of bond	1	2				3	
Interest on bond						0	75
Exercising of employee stock options						0	
Exchange differences on translation				95		95	
Acquisition of SPORTWETTEN.DE AG investment					2,040	2,040	
3-month result, 2008			-627		107	-520	
<b>Position at March 31, 2008</b>	<b>16,003</b>	<b>55,141</b>	<b>-36,235</b>	<b>157</b>	<b>2,646</b>	<b>37,712</b>	<b>5,580</b>
Conversion of bond	14	23				37	
Interest on bond						0	-52
Exercising of employee stock options		3				3	
Put option of minority interest in QED			-800			-800	
Exchange differences on translation				-6		-6	
Acquisition of SPORTWETTEN.DE AG investment					-158	-158	
6-month result, 2008			-164		-106	-270	
<b>Position at June 30, 2008</b>	<b>16,017</b>	<b>55,167</b>	<b>-37,199</b>	<b>151</b>	<b>2,383</b>	<b>36,519</b>	<b>5,528</b>
Conversion of bond	4	7				11	-51
Issue of convertible bond September 2008		805				805	3,398
Interest on bond						0	69
Exercising of employee stock options		3				3	
Put option of minority interest in QED			500			500	
Capital increase for minority interest in QED					12	12	
Exchange differences on translation				-6		-6	
Acquisition of SPORTWETTEN.DE AG investment					-129	-129	
9-month result, 2008			-635		181	-454	
<b>Position at September 30, 2008</b>	<b>16,021</b>	<b>55,981</b>	<b>-37,334</b>	<b>145</b>	<b>2,447</b>	<b>37,260</b>	<b>8,945</b>



## **JAXX AG Interim Report at September 30, 2008**

## **Consolidated Financial Statements at September 30, 2008 (IFRS)**

### **Notes on consolidation and measurement**

## **1. General principles**

The JAXX Group is a leading agent and licensed organiser of gaming. The Interim Consolidated Financial Statements at September 30, 2008 of JAXX AG, with its registered office in Altenholz, near Kiel, Germany, are in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) that are to be applied in the EU, as well as with the requirements of commercial law pursuant to Section 315a Para.1 of German Commercial Code. In agreement with IAS 34 “Interim Financial Reporting”, a shorter reporting scope is chosen for the representation of these Consolidated Financial Statements than for the representation of the Consolidated Financial Statements at December 31, 2007. Separate Consolidated Financial Statements and a separate group management report in accordance with the requirements of German Commercial Code are not prepared. The Consolidated Financial Statements comply with all IFRS the application of which was mandatory by the balance sheet date.

Unless indicated otherwise in these Notes, the same recognition and measurement principles as for the Consolidated Financial Statements for the 2007 financial year are applied for the nine-month report. For further details, we accordingly refer to the Consolidated Financial Statements at December 31, 2007. In the opinion of the Management Board, the Interim Consolidated Financial

Statements reflect all the customary, routinely performed adjustments that are necessary in order to present the net worth, financial performance and financial position of the group appropriately. From January 1, 2008 JAXX applies IFRS 8 “Operating Segments”, principally with the result that the segments are composed according to products. In future, business will be represented according to the business areas Lotteries, Sports Betting and Horse Betting, as well as the holding company. The respective reference figures for the previous year have been adjusted accordingly.

## **2. Consolidation**

### **2.1 Consolidated companies**

In the first nine months of 2008 JAXX acquired a 65.09 per cent interest in SPORTWETTEN.DE AG (SPAG), which had been included in the Consolidated Financial Statements for the previous year merely according to the equity method, on the basis of an interest of 34.73 per cent. The company together with its subsidiaries was fully consolidated with effect from January 1, 2008. Its inclusion in the Interim Consolidated Financial Statements of JAXX at September 30, 2008 is based on provisional, unaudited consolidated financial statements of SPORTWETTEN.DE AG at December 31, 2007 and September 30, 2008.



A further subsidiary, C-Serve Ltd., was established in the context of the expansion of business activities in the UK. Its share capital is GBP 100 and is 100 per cent allocable to the JAXX Group. The company is not yet trading.

## 2.2 Acquisitions

The preparations made in the second half of 2007 for the acquisition of SPORTWETTEN.DE AG, a company that is the market leader in Germany for the brokering and organising of horse betting, were completed at the start of January 2008. Upon completion of the acquisition, JAXX achieved its aim of control over the company by holding 59.58 per cent of the shares carrying voting rights. The purchase price including costs allocable to the acquisition amounted to EUR 7,589 thousand at the time of acquisition and was paid in cash.

Cash and cash equivalents acquired amounted to EUR 893 thousand. The purchase price allocation has not yet been definitively completed. Based on a provisional purchase price allocation, EUR 1,993 thousand were allocated to intangible, depreciable assets (customer base, video archive) that are subject to depreciation, and EUR 1,447 thousand to the non-depreciable intangible assets (brands, licences of no determinable useful life) as well as EUR 2,235 thousand (EUR 1,163 thousand goodwill plus EUR 1,072 thousand deferred tax on identifiable intangible assets) reported as goodwill. The goodwill reflects the anticipated synergy benefits and growth prospects of SPORTWETTEN.DE AG following completion of its restructuring. Marginal adjustments were made to the figures for the interim financial statements, as updated accounting information from SPORTWETTEN.DE AG is now available.

JAXX acquired a further 300,000 shares in the second quarter of 2008, at a purchase price of EUR 327 thousand. This increased its interest to 62.36 per cent. The top-up investment results in a further increase in goodwill of EUR 186 thousand.

A further 295,000 shares were acquired in the third quarter, at a purchase price of EUR 295 thousand. This brought the interest up to 65.09 per cent. The top-up investment led to a further increase in goodwill of EUR 148 thousand.

The increase in the scope of consolidation affects the income statement as shown below:

	T€
Sales/betting stakes	18,828
Cost of purchased materials/ betting winnings	16,567
<b>Gross profit/hold</b>	<b>2,261</b>
Distribution costs	320
Depreciation of property, plant and equipment	247
Personnel expenses	1,095
Other operating income	-857
Other operating expenses	1,124
	<b>1,930</b>
<b>Operating profit/loss</b>	<b>331</b>
Interest income	-57
Interest expense	16
<b>Finance result</b>	<b>-40</b>
<b>Result before tax</b>	<b>371</b>
Income taxes	0
<b>Result after tax</b>	<b>371</b>



The following assets and liabilities were moreover included in the Interim Consolidated Financial Statements of JAXX at the date of inclusion of SPORTWETTEN.DE AG, initially at carrying amounts:

	01/01/2008 T€
<b>Non-current assets</b>	
Property, plant and equipment	656
Intangible assets	670
Goodwill	2,843
Other non-current assets	0
<b>Total non-current assets</b>	<b>4,170</b>
<b>Current assets</b>	
Cash & cash equivalents	893
Trade accounts receivable	283
Prepaid expenses and other current assets	1,721
<b>Total current assets</b>	<b>2,896</b>
<b>Total assets</b>	<b>7,066</b>
<b>Current liabilities</b>	
Trade accounts payable	1,182
Other current liabilities	263
Tax accruals	370
Other accrued expenses	241
<b>Total current liabilities</b>	<b>2,056</b>
<b>Total equity and liabilities</b>	<b>7,066</b>

### 3. Principles of recognition and measurement

Unless separately indicated, the principles of recognition and measurement correspond to the principles already indicated for the Consolidated Financial Statements at December 31, 2007.

## 4. Notes to the Consolidated Income Statement

### 4.1 Realisation of expenses and revenues

Expenses and revenues for the period under review are realised according to the same principles outlined in the 2007 Consolidated Financial Statements.

### 4.2 Sales

SALES	30/09/2008 T€	30/09/2007 T€
Commissions	3,891	4,215
Handling fees	12,926	14,025
Fees	33	145
Betting stakes	68,581	28,373
Other	1,302	1,279
	<b>86,734</b>	<b>48,037</b>

Sales overall virtually doubled compared with the first nine months of 2007 as a result of the strong growth of myBet and the inclusion of SPORTWETTEN.DE AG in consolidation. Of the total growth of EUR 38,697 thousand, SPORTWETTEN.DE AG accounts for around EUR 18,800 thousand and myBet for EUR 21,400 thousand.

### 4.3 Production for own assets capitalised

There is a considerable level of software to be capitalised as a result of the further development of the platforms, particularly of the international services JAXX.COM in the UK, of the myBet Group and of SPORTWETTEN.DE AG. The self-produced software modules amounting to EUR 1,644 thousand in the first nine month comprise predominantly payment, sports betting, horse betting and poker modules.



#### 4.4 Other operating income

OTHER OPERATING INCOME	30/09/2008 T€	30/09/2007 T€
Income from the reversal of accruals	731	85
Income from the reduction in impairment losses on receivables	3	0
Income from the disposal of fixed assets	1,661	29
Other income	744	294
	<b>3,140</b>	<b>407</b>

Other operating income rose as a result of the sale of syndicate contracts, reflecting the gradual withdrawal from domestic business in that product area. These proceeds compensated for the resulting fall in handling income as reported under sales (4.2).

#### 4.5 Cost of purchased materials

MARGIN/HOLD	30/09/2008 T€	30/09/2007 T€
Betting stakes	68,581	28,373
Betting winnings	53,573	21,825
Hold	15,008	6,548
Hold in %	22	23

The cost of purchased materials totalling EUR 53,292 thousand substantially comprises winnings paid out as a result of sports and horse betting business. The fall in the margin is attributable to the higher horse betting stakes following the consolidation of SPORTWETTEN.DE AG, which has an average margin of 14 per cent and therefore dilutes the overall margin.

#### 4.6 Personnel expenses

The rise in personnel expenses of 25 per cent has been prompted almost entirely by the acquisition of SPORTWETTEN.DE AG. The value of the stock options issued to employees is likewise included in salary expenses pursuant to IFRS 2 / IAS 19, at the amount of EUR 6 thousand. There were 189 employees at the reporting date (previous year 156). The average number of employees for the first nine months of the year was 183 (previous year 148). SPORTWETTEN.DE AG has 29 employees.

#### 4.7 Depreciation and amortisation

The reduction already implemented in the portfolio of syndicate contracts is now affecting depreciation and amortisation. In the first nine months of 2008, the volume of depreciation and amortisation was significantly down (-29.8 per cent) on the reference period. The volume of depreciation and amortisation will continue to fall in future, as existing contracts are expiring.



#### 4.8 Other operating expenses

OTHER OPERATING EXPENSES	30/09/2008 T€	30/09/2007 T€
Marketing/Sales/IR	8,302	4,963
Commissions for venture partner	6,449	4,822
Legal and consultancy costs	2,064	1,720
Other operating expenses	1,154	763
Collection and bank charges	1,150	501
Expenses for premises	887	453
Disposal of operating assets	526	31
Membership and other fees, insurance	440	311
Data lines	405	470
Hosting	401	493
Other services	356	0
Travel expenses, entertainment costs	351	344
Costs of annual accounts and audit	298	71
Losses on receivables	282	473
Telephone	223	122
IT service and maintenance	212	256
Vehicle costs	202	166
Exchange differences on translation	121	0
Bookkeeping costs	95	26
Office supplies	89	31
Other operating supplies	85	50
Other personnel costs	71	59
New customer bonus for syndicates	67	0
Ancillary costs of monetary movements	63	311
Periodicals and books	29	13
Supervisory Board remuneration	26	26
Computer leasing	25	3
Allocation to specific/general bad debt charges	16	0
	<b>24,379</b>	<b>16,475</b>

Rapid growth in the sports betting area is the main factor behind the rise in expenses, in particular for the items marketing, commissions and payment transaction costs. Legal and consultancy costs have likewise risen compared with the first nine months of 2007. The increase in expenses overall is EUR 7,904 thousand (+48 per cent).

#### 4.9 Interest result and other financial result

Interest income stems mainly from interest receivable by SPORTWETTEN.DE AG from input tax receivable, and from time deposit investments of JAXX AG. The interest expense comprises EUR 98 thousand for finance lease liabilities and due to banks, as well as EUR 218 thousand for bonds.

#### 4.10 Result before tax

The consolidated nine-month result before tax is EUR –883 thousand, compared with EUR 4,038 thousand in the prior-year period. This result is largely attributable to the start-up of business operations in the UK and corresponds to the loss of the subsidiary JAXX UK Ltd.

#### 4.11 Income tax

Income tax includes corporate taxes such as corporation and trade tax, or similar taxes of domestic and foreign companies. Deferred tax assets have been created to make use of the company's anticipated losses. Taxes on gains by subsidiaries were provided for and deferred tax assets reversed. Overall, the improved financial performance particularly of the subsidiaries in Spain, Austria and Malta results in a tax expense from the liquidation of deferred tax assets.



#### 4.12 Net profit/loss for the period

The net loss for the nine-month period is EUR –1,244 thousand, as against EUR –4,559 thousand for the prior-year period.

### 5. Notes to the Cash Flow Statement

The negative cash flow for the period broadly corresponds to the balance of the purchase price paid for the shares in SPORTWETTEN.DE AG. JAXX generated a slightly negative cash flow of EUR –118 thousand from operating activities.

Based on the developments of the first nine months and the outlook for the next quarter, JAXX expects to record a balanced cash flow in the 2008 financial year.

### 6. Consolidated Balance Sheet

#### 6.1 Non-current assets

##### 6.1.1 Intangible assets

The intangible assets amount to EUR 27,862 thousand. The growth is largely attributable to the inclusion of SPORTWETTEN.DE AG in consolidation and the provisional purchase price allocation to intangible assets and goodwill.

##### 6.1.2 Property, plant and equipment

Property, plant and equipment barely changed compared with the position at December 31, 2007 due to low investment spending. The change relates principally to SPORTWETTEN.DE AG.

#### 6.1.3 Financial assets

The investment in Seepark Sellin AG is shown under financial assets. The investment in SPORTWETTEN.DE AG reported at December 31, 2007 is no longer included here following the comprehensive consolidation of the company.

#### 6.1.4 Deferred taxes

The item was liquidated due to the lesser use of loss carry-forwards.

### 6.2 Current assets

#### 6.2.1 Inventories

Inventories include infrastructure components for betting shops that are sold to the shops' franchisees.

#### 6.2.2 Receivables and other assets

This item comprises trade accounts receivable originating primarily from the settlement of commission, as well as miscellaneous assets. These include among other things receivables from payments of withholding tax, sales tax, guarantees and credit card payments, as well as other payment services. The growth is attributable to the change in consolidation, among other factors.



### 6.2.3 Cash and cash equivalents

Cash and cash equivalents amount to EUR 10,125 thousand and have fallen since December 31, 2007 principally as a result of payment of the balance of the purchase price for the takeover of SPORTWETTEN.DE AG. The level of cash shows a slight improvement compared with the first half of the financial year.

### 6.2.4 Prepaid expenses

Prepaid expenses resulting from payments which were made for expenses incurred in the subsequent periods are likewise reported under current assets. The rise is attributable to marketing campaigns paid for in advance of the start of the football season in England, and to the partnership with SCHLECKER.

## 6.3 Capital and reserves, minority interest

### 6.3.1 Share capital

The share capital of JAXX AG amounts to EUR 16,021,289 and is divided into the same number of no par value registered shares.

### 6.3.2 Approved capital

Following the registration of the resolutions from the Shareholders' Meeting of May 21, 2008 on June 20, 2008, the company has approved capital totalling EUR 7,957,602.

### 6.3.3 Conditional capital

Following the registration of the resolutions from the Shareholders' Meeting of May 21, 2008 on June 20, 2008, the company has conditional capital for the issuing of sub-

scription rights to employees totalling EUR 1,482,870 and conditional capital for the issuing of convertible bonds totalling EUR 6,428,509.

### 6.3.4 Reserves

The company has additional paid-in capital pursuant to Section 272 (2) of German Commercial Code totalling EUR 55,981 thousand. No further reserves exist.

### 6.3.5 Accounting loss

The accounting loss is comprised as follows:

ACCOUNTING LOSS	30/09/2008 T€
Loss carry-forward at 31/12/2007	-35,608
Minority interest in earnings	0
Periodenverlust 30/09/2008	-1,425
Reclassification of put option of minority interest in QED	-300
<b>Accounting loss</b>	<b>-37,334</b>

### 6.3.6 Minority interest

Interests of minority shareholders in the share capital and the additional paid-in capital are reported here. Minority interest in the result for the period relates to the other shareholders of the Spanish subsidiary DigiDis, of QED Ventures Ltd., Malta, and of SPORTWETTEN.DE AG. There was no netting of other interests in earnings, as the other minority shareholders do not respectively participate in earnings.



## 6.4 Long term debt

### 6.4.1 Deferred tax liabilities, income taxes

The deferred taxes relate to the temporary differences from the capitalisation of self-created intangible assets, the resulting amortisation and deferred tax liabilities on the intangible assets identified during purchase price allocation (Section 2.2.).

The tax accruals have increased particularly for income taxes, as a result of the change in consolidation.

### 6.4.2 Loans and bonds

LOANS AND BONDS T€	Total 30/09/2008	Total 31/12/2007	With a term to maturity of		
			less than 1 year	1–5 years	> 5 years
1. Finance lease liabilities	<b>2,263</b>	3,184	<b>1,250</b>	<b>1,013</b>	<b>0</b>
2. Bonds	<b>8,945</b>	5,505	<b>96</b>	<b>8,850</b>	<b>0</b>
3. Due to banks	<b>1,049</b>	946	<b>974</b>	<b>75</b>	<b>0</b>
	<b>12,258</b>	9,636	<b>2,320</b>	<b>9,938</b>	<b>0</b>

## 6.5 Current liabilities

### 6.5.1 Accrued expenses

The other accrued expenses have fallen considerably compared with the position at December 31, 2007. They are created for outstanding vacation leave, employee bonuses, industrial accident insurance contributions and suppliers' invoices (predominantly marketing expenses and legal and consultancy fees). All accrued expenses have short maturities, with a term of up to one year.



### 6.5.2 Current loans and liabilities, other liabilities

CURRENT LOANS AND LIABILITIES, OTHER LIABILITIES	Total 30/09/2008	Total 31/12/2007	With a term to maturity of		
			less than 1 year	1–5 years	> 5 years
<b>T€</b>					
1. Due to banks	0	0	0	0	0
2. Trade accounts payable	3,938	3,273	3,938	0	0
3. Other liabilities	6,965	6,545	6,965	0	0
	<b>10,902</b>	9,818	<b>10,902</b>	0	0

The other liabilities include liabilities from gaming operations.

### 6.5.3 Deferred tax liabilities

Game fees that have already been collected but do not produce revenue until the subsequent period are reported under this item.

## 7. Segment reporting

SEGMENT REPORTING T€	Horse Betting	Lottery	Sports Betting	Miscellan- eous	Consolidated transfers	Total
<b>External sales</b>	<b>20,235</b>	<b>17,106</b>	<b>49,394</b>	<b>0</b>	<b>0</b>	<b>86,734</b>
30/09/2007	995	19,663	27,379	0	0	48,037
<b>Sales with other segments</b>	<b>59</b>	<b>172</b>	<b>0</b>	<b>940</b>	<b>-1,171</b>	<b>0</b>
30/09/2007	0	7,482	0	1,878	-9,359	0
<b>Total sales</b>	<b>20,294</b>	<b>17,277</b>	<b>49,394</b>	<b>940</b>	<b>-1,171</b>	<b>86,734</b>
30/09/2007	1,035	27,105	27,379	1,878	-9,359	48,037
<b>Gross income</b>	<b>4,100</b>	<b>20,403</b>	<b>13,112</b>	<b>972</b>	<b>-997</b>	<b>37,588</b>
30/09/2007	0	27,362	6,801	1,749	-8,283	27,629
<b>EBITDA</b>	<b>706</b>	<b>7,571</b>	<b>-1,104</b>	<b>-1,579</b>	<b>78</b>	<b>5,671</b>
30/09/2007	0	7,035	-406	-1,424	-87	5,118
<b>Result for segment before interest and taxes</b>	<b>454</b>	<b>2,747</b>	<b>-1,674</b>	<b>-2,373</b>	<b>78</b>	<b>-769</b>
30/09/2007	0	-2,107	-671	-2,098	820	-4,056
<b>Net interest</b>	<b>-115</b>	<b>-1,420</b>	<b>-143</b>	<b>1,563</b>	<b>-1</b>	<b>-115</b>
30/09/2007	0	-1,637	-78	1,656	77	18
<b>Income taxes</b>	<b>-4</b>	<b>-498</b>	<b>-144</b>	<b>145</b>	<b>141</b>	<b>-360</b>
30/09/2007	1	550	60	35	-1,166	-521
<b>Net profit/loss for the period</b>	<b>335</b>	<b>829</b>	<b>-1,958</b>	<b>-664</b>	<b>213</b>	<b>-1,244</b>
30/09/2007	-155	-3,039	-689	-407	-269	-4,559
<b>Gross carrying value of assets</b>	<b>7,674</b>	<b>15,679</b>	<b>9,451</b>	<b>67,869</b>	<b>-36,396</b>	<b>64,276</b>
31/12/2007	455	31,829	9,492	64,853	-47,475	59,154
<b>Liabilities</b>	<b>5,794</b>	<b>44,055</b>	<b>10,704</b>	<b>12,876</b>	<b>-46,408</b>	<b>27,021</b>
31/12/2007	3,986	50,602	8,217	9,686	-49,430	23,061
<b>Investment</b>	<b>739</b>	<b>3,428</b>	<b>1,397</b>	<b>3,775</b>	<b>-2,136</b>	<b>7,203</b>
30/09/2007	0	8,293	1,673	1,327	-1,592	9,700
<b>Depreciation and amortisation</b>	<b>253</b>	<b>4,825</b>	<b>570</b>	<b>793</b>	<b>-2</b>	<b>6,440</b>
30/09/2007	8	9,135	265	673	-907	9,174
<b>Non-cash expenses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
30/09/2007	0	0	0	0	0	0



## 8. Other particulars

### 8.1 Earnings per share

<b>EARNINGS PER SHARE</b>	<b>30/09/2008 T€</b>	<b>30/09/2007 T€</b>
Net profit/loss for the period (T€)	-1,244	-4,559
Weighted average number of ordinary shares outstanding during the period under review	16,008,769	14,568,373
<b>Earnings per share €</b>	<b>-0.08</b>	<b>-0.31</b>

### 8.2 Contingent liabilities

There are contingent liabilities totalling EUR 71 thousand; these consist of guarantees on licences and tenancy agreements.

### 8.3 Hedging policy and derivative financial instruments

There exists no interest rate risk in view of the long-term loan agreements with fixed interest rates. No hedging of the interest rate risk is therefore practised. The company has concluded insurance policies to cover various operating risks.

### 8.4 Other financial obligations

The company must spend EUR 5,344 thousand (previous year: EUR 5,216 thousand) in the future for rent and similar obligations. This figure also includes the further finance lease repayment, as well as the associated interest.

### 8.5 Contingent liabilities and other financial obligations

Contingent liabilities are potential obligations towards third parties or actual obligations where an outflow of resources is unlikely. They are not recognised in the Consolidated Balance Sheet, but explained in the Notes.

### 8.6 Leases

The lease agreements concluded by the company consist of both operating lease agreements and finance lease agreements.

The following table shows the future minimum expenses that will be incurred from operating lease and tenancy agreements in view of the terms and notice periods of these agreements. These come under other financial obligations (see also Section 8.4).

<b>TENANCY AND LEASE AGREEMENTS</b>	<b>30/09/2008 T€</b>	<b>30/09/2007 T€</b>
<b>Tenancy agreements</b>		
Term up to 1 year	<b>628</b>	<b>439</b>
Term 1 to 5 years	<b>1,052</b>	<b>88</b>
<b>Lease agreements</b>		
Term up to 1 year	<b>260</b>	<b>220</b>
Term 1 to 5 years	<b>197</b>	<b>206</b>

### 8.7 Related parties

The following table shows the amounts due to related parties which diminished the nine-month result for 2008. The amounts concerned are in respect of consultancy fees and office rent.



	30/09/2008 T€	30/09/2007 T€
GWU mbH (Managing Director Antje Stoltenberg, Supervisory Board member)	26	5
DSM Marketing GmbH, tenancy agreement for Altenholz	81	81

The prices are in line with the market. The consultancy services are invoiced on the basis of hours worked, at arm's-length hourly rates, or on the basis of the applicable fee scales. The rent is in line with the customary rent for office space in the locality.

### 8.8 Stock option plans

Pursuant to IFRS 2, for financial years from January 1, 2005 all options issued after November 7, 2002 and still subject to a vesting period at January 1, 2005 are to be measured and reported as salary expenses. For this purpose it is assumed that the value of the options – provided they are granted free of charge – represents remuneration

for the period from the time the options were granted until the expiry of the vesting period. The value of the options is to be determined correspondingly and spread over the vesting period, taking account of such factors as fluctuation. As the options can be exchanged for shares in the company (equity settled) and are not redeemed in cash, the booking of salary expenses increases the additional paid-in capital. The expense entry simultaneously reduces the profit in the period when the expense is recorded, with the result that the effect on shareholders' equity is corrected again.

A total of 188,851 options issued after November 7, 2002 fell under the rules of IFRS 2. 108,509 options remained in existence at the reporting date. The options were measured at market price upon issue, applying the Black-Scholes option pricing model. The exercise threshold was taken into account in the calculation using the above model. The staggered vesting period and employee fluctuation of around five per cent for 2008 were likewise taken into account. No fluctuation was assumed for the Management Board.

The development in the options to be reported pursuant to IFRS 2 is shown below:

	Total 2007	Average strike price 2007 (€)	Total 2008	Average strike price 2008 (€)
Options outstanding at January 1	134,144	3.90	118,146	4.11
Granted in the period	0		0	
Forfeited in the period	-6,263	2.31	-9,637	2.31
Exercised in the period	-9,735	2.31		
Expired in the period	0			
Options outstanding at December 31, 2007/ March 31, 2008	118,146	4.11	108,509	4.27
Exercisable options at December 31, 2007/ March 31, 2008	77,504		41,363	
Average weighted share price		3.58		2.65

Personnel expenses from the granting of options amounting to EUR 6 thousand were reported in the period under review (previous year EUR 64 thousand).



### 8.9 Events occurring after the balance sheet date

There were no disclosable events occurring after September 30, 2008, as defined in IAS 10.

### 8.10 Discretionary decisions in the application of the recognition and measurement principles

Discretionary decisions are required in applying the recognition and measurement principles. This is particularly the case regarding the following matter: Past statistical data was used in measuring the accrual for bonus points.

### 8.11 Estimates and evaluations by the management

The preparation of the Consolidated Financial Statements necessitates certain assumptions and estimates that apply to the carrying amounts of the assets, liabilities, income and expenditure recognised in the accounts. Particularly the provisional purchase price allocation based on provisional financial statements of SPORTWETTEN.DE AG may give rise to differences in the final figures for the fair values of the acquired assets.

### 8.12 Impairment test for goodwill

The impairment test for goodwill is based on forward-looking assumptions. These assumptions have been made on the basis of the estimated situation at the balance sheet date. An assumption on the future development of the economic context that was considered to be realistic at that point in time was moreover taken into account in estimating future business development. The actual amounts may differ from the estimates as a result of differences between actual developments in the underlying situation and the assumed developments. In such instances the assumptions and, if necessary, the carrying amounts of the assets and liabilities in question, are adjusted.

### 8.13 Corporate bodies

The members of the Management Board are:

- Rainer Jacken, Graduate Designer, Spokesman
- Mathias Dahms, Information Technology Graduate
- Stefan Hänel, Graduate Economist

Details of the remuneration are provided in the corporate governance report, which forms part of the 2007 annual financial statements.

Members of the Supervisory Board are

- Goetz Graf von Hardenberg, Hamburg, Chairman, management board member
- Antje Stoltenberg, Kiel, auditor
- Frank Motte, Gerlingen, managing partner

Of the JAXX AG Supervisory Board members, only Goetz Graf von Hardenberg exercised a supervisory function also in another company, ROPAL AG, Hamburg.

### 8.14 Mandate relationship with the auditor of the annual accounts, Susat & Partner oHG, Hamburg

In the first nine months of the 2008 financial year, Susat & Partner oHG was not mandated to perform any further tasks over and above the auditing of the annual accounts. Expenses of EUR 71 thousand were recorded in the 2008 period under review for the auditing of the annual accounts.

Altenholz, November 5, 2008

  
Rainer Jacken

  
Mathias Dahms

  
Stefan Hänel



## Important Dates

### ■ November 10, 2008

Analysts Meeting during Eigenkapitalforum  
in Frankfurt am Main

## JAXX contact

### ■ Business address

JAXX AG  
Ostpreußenplatz 10  
24161 Altenholz  
Tel. +49 4 31-88 10 4-0  
Fax +49 4 31-88 10 4-40  
info@jaxx.com

### ■ Investor Relations & Corporate Communications

Stefan Zenker  
Tel. +49 4 31-88 10 4-84  
Fax +49 4 31-88 10 4-40  
ir@jaxx.com

<http://www.jaxx.com>

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