

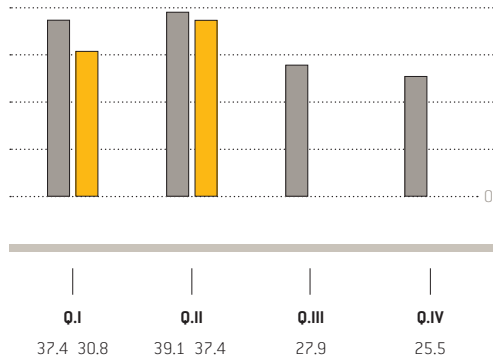
Tipp24



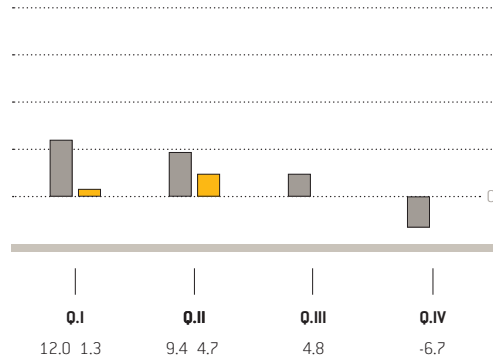
# NEW HORIZONS

INTERIM FINANCIAL REPORT  
1 JAN.-30 JUNE 2014

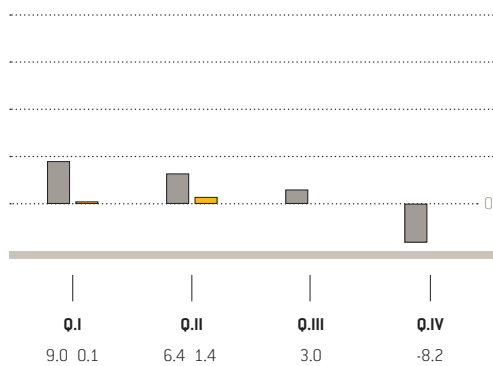
**REVENUES** in € million



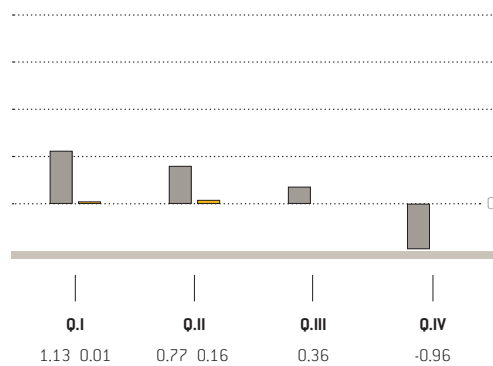
**EBIT** in € million



**NET PROFIT<sup>1)</sup>** in € million



**EARNINGS PER SHARE<sup>1)</sup>** in €



■ 2013  
■ 2014

**Contents**

Foreword **3** Investor Relations **4** Directors' Report and Interim Group Management Report **6**  
Interim Consolidated Financial Statements **18** Notes **26**

(Possible rounding differences in the Interim Group Management Report and Interim Consolidated Financial Statements due to presentation in €k)

<sup>1)</sup> from continued operations

## LADIES AND GENTLEMEN,

We completed the relocation of Tipp24 SE to London – our new corporate headquarters – on 7 February 2014. From our new base in the UK we will develop our international business activities – especially in the UK and North America. Tipp24 SE kept its legal form as an "SE" after the relocation and has maintained its listing in the Prime Standard segment of the Frankfurt Stock Exchange. Its SDAX membership has also been retained. The two-tier Board (Executive Board and Supervisory Board) continues to exercise its functions, whereby the Executive Board now works from the UK.

For the first time in Tipp24 history, the Annual General Meeting took place in London on 19 June 2014. All of the management's proposed resolutions were accepted by a large majority of more than 98% of Tipp24's share capital represented. Given the positive business development, Tipp24 distributed a one-off special interim dividend of €7.50 per share (altogether €62.9 million) on 30 April 2014. Additionally, on 27 February 2014, we announced our intention to make annual dividend payments to shareholders in future as of 2015.

As already announced, the Chief Financial Officer of Tipp24 SE, Andreas Keil, will leave Tipp24 at his own request. He will continue to be in charge until 30 September 2014 in order to ensure a smooth transition.

In the first half of 2014, Tipp24 generated revenues of €68,193k (H.I 2013: €76,424k). Consolidated EBIT amounting to €5,993k fell short of the H.I figure of 2013 of €21,441k – mainly induced by increased personnel and other operating expenses as well as a high winning payout of MyLotto24 Limited of around €6.7 million in March 2014. The EBIT margin fell by 19.3 %-points, from 28.1% to 8.8%.

Adjusted for random statistical effects, consolidated revenues reached €66,597k and thus exceeded the H.I 2013 figure of €65,737k by 1.3%. The increase resulted mainly from the price increase for the German lottery "6aus49" (effective 4 May 2013). However, customer activity and thus revenues were negatively affected by Germany's success in the FIFA World Cup which distracted players from participating in lotteries, unusually good weather and very low frequency of relevant jackpots. The similarly adjusted EBIT amounted to €7,072k (H.I 2013: €15,609k) and the EBIT margin to 10.6% (H.I 2013: 23.7%).

Against the background of a comparably weaker first half year and time delays in the ramp-up of new businesses, we are adjusting our forecast for the full year 2014. While we still expect to grow revenues to between €135 and €145 million, we are revisiting our EBIT forecast to between €15 to €25 million. The stated ranges also take account of statistical fluctuations in payouts for our secondary lottery business.



**Dr. Hans Cornehl**  
Chairman



**Dr. Helmut Becker**



**Andreas Keil**

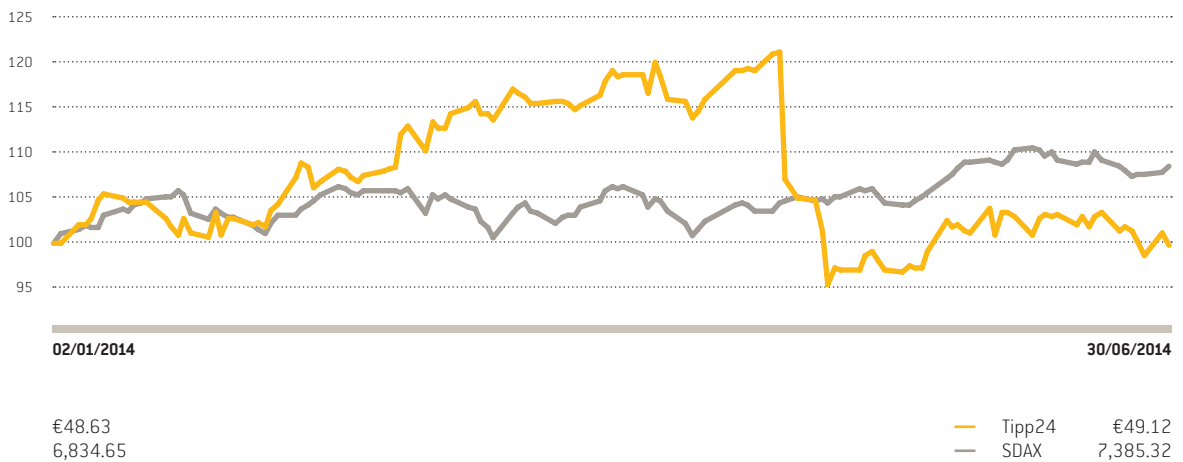
## KEY CONSOLIDATED FIGURES OF TIPP24 SE ACC. TO IFRS

		Q.I-II 2014	Q.I-II 2013	change %
Revenues	€k	68,193	76,424	-10.8
EBIT	€k	5,993	21,441	-72.0
EBIT margin	%	8.8	28.1	-19.3 %-points
Net profit <sup>1)</sup>	€k	1,529	15,398	-90.1
Net profit margin <sup>1)</sup>	%	2.2	20.1	-17.9 %-points
Cash flow from operating activities	€k	7,724	15,929	-51.5
Equity (30/06/2014, 31/12/2013)	€k	114,048	175,556	-35.0
Employees (30/06)	headcount	278	118	+135.6

<sup>1)</sup> from continued operations

## SHARE

## PERFORMANCE OF THE TIPP24 SHARE (INDEX 02 JAN. 2014=100)



At the beginning of the year, the international capital markets reacted cautiously to the tightening of US monetary policy. The Fed's reduction of bond purchases in particular caused even fast-growing emerging markets to falter, which in turn put further pressure on the capital markets. The Crimean crisis added to the mood of uncertainty driving investor sentiment and initially slowing the recovery started in 2013. Consequently, the DAX reached its lowest point of the first half-year on 13 March at 9,017.79. The German blue-chip index gained momentum again, however, with the announcement of ECB President Mario Draghi that the bank's extremely loose monetary policy would continue. In June, the ECB reduced its interest rate to an all-time low of 0.15% – resulting in negative bank deposits for the first time ever. Thanks to these measures and reduced investor focus on the Crimean crisis, the DAX passed the 10,000-point mark on 5 June for the first time in its 26-year history. A further all-time high of 10,028.80 points was recorded a few days later on 10 June. The index closed the first half of 2014 at 9,833.07 points, up 2.9% on the year-opening figure.

Against this backdrop, the SDAX rose by 3.0% in the second quarter to close at 7,385.32 while the Tipp24 share decreased by 13.3% to €49.12 due to the fact that Tipp24 distributed a one-off special interim dividend of €7.50 per share (in total €62.9 million) on 30 April 2014 and has since been quoted ex dividend. On 29 April 2014, the share reached an all-time high of €59.00.

For the first time in Tipp24 history, the Annual General Meeting took place in London on 19 June 2014. All of the management's proposed resolutions were accepted with large majorities of more than 98% of Tipp24's represented share capital.

#### KEY SHARE FIGURES

Day of initial listing		<b>12/10/2005</b>
Year-opening price	02/01/2014	<b>€48.63</b>
Market capitalisation	02/01/2014	<b>€408 million</b>
Period end-price	30/06/2014	<b>€49.12</b>
Market capitalisation	30/06/2014	<b>€412 million</b>
Highest price	29/04/2014	<b>€59.00</b>
Lowest price	07/05/2014	<b>€46.32</b>
Number of shares	30/06/2014	<b>8,385k</b>
Own shares	30/06/2014	<b>0 shares</b>
Average daily trading	01/01/-30/06/2014	<b>€2,194k</b>
Earnings per share	01/01/-30/06/2014	<b>€0.17</b>

#### SHAREHOLDER SERVICE

WKN	<b>TPP024</b>
ISIN	<b>GB00BHD66J44</b>
Ticker symbol	<b>TIM.DE</b>
Stock exchange	<b>Frankfurt</b>
Market segment	<b>Official Market, Prime Standard</b>
Designated sponsor	<b>Close Brothers Seydler</b>
Coverage	<b>Berenberg, Bankhaus Lampe, Deutsche Bank, Kepler Chevreux, M.M. Warburg</b>
Reuters	<b>TIMGn.DE</b>
Bloomberg	<b>TIM GR</b>

## DIRECTORS' REPORT AND INTERIM GROUP MANAGEMENT REPORT

### BASIC PRINCIPLES OF TIPP24/ ECONOMIC ANALYSIS

#### BUSINESS MODEL

For over fourteen years, Tipp24 – Tipp24 SE and its consolidated companies – has been operating privately in a European lottery market which is still dominated by state operators. Its activities are divided between its "Abroad" and "Germany" segments (terms valid until 7 February 2014 as well as during the reporting period), whereby the operating activities of its "Germany" segment are currently restricted to a cooperation with Schumann e. K. to market the German class lotteries NKL and SKL. The "Germany" segment also includes the investments in Geonomics Global Games Limited and Geo24 UK Limited.

#### "Abroad" segment

The "Abroad" segment is pooled with the fully consolidated UK based minority holding MyLotto24 Limited and comprises all consolidated business activities in Spain and the UK. MyLotto24 organises secondary English lotteries based on various European lotteries, whereby it bears the bookmaking risk itself.

#### Business model since 2009

Following the implementation of the second stage of the German State Treaty on Games of Chance (GlüStV 2008), which completely prohibited the brokering of state-run lotteries via the Internet as of 1 January 2009, Tipp24 SE discontinued its lottery brokerage activities in Germany. Its alignment was therefore adapted to the requirements of the regulatory environment – although Tipp24 continues to fight in the courts for the resumption of its business in Germany. In the course of this development, Tipp24 SE transferred assets that it no longer required on 1 January 2009 to MyLotto24 Limited and its subsidiaries, which had been active in the UK since 2007. This concerned both the brokerage of state-run German lottery products, as well as the subsidiaries Ventura24 S.L. in Spain and Giochi24 S.r.l. in Italy. In addition, Tipp24 SE transferred control over its UK subsidiaries in accordance with company law in the second quarter of 2009 to reflect

the autonomy and individual responsibility of the foreign companies in their respective business fields. Specifically, 60% of the voting shares in both MyLotto24 Limited and Tipp24 Services Limited were sold to a Swiss foundation set up by Tipp24 SE in the form of preference shares stripped of their main economic rights. These shares have a guaranteed limited right to dividends of up to a total of £30k p.a. The full consolidation of this affiliated company and its respective subsidiaries in the consolidated financial statements is based on an economic view of their situation, whereby the significant opportunities and risks are still borne by Tipp24 SE.

#### Relocation of Tipp24 SE

Tipp24 SE speedily initiated the implementation of its relocation to the UK, as adopted by its shareholders at the Annual General Meeting on 28 June 2013, and completed the move on 7 February 2014 with the entry of its new address in the UK's commercial register (Companies House). This step is a logical consequence of Tipp24 SE's strategic realignment: in future, it aims to focus on its international business activities – especially in Europe and North America – and to further develop these activities from its base in the UK.

Tipp24 SE kept its legal form as an "SE" after the relocation and has also maintained its listing in the Prime Standard segment of the Frankfurt Stock Exchange. Its membership in the SDAX index has also been retained. The two-tier Board (Executive Board and Supervisory Board) continues to exercise its functions, whereby the Executive Board now works from the UK. Any partially remaining functions in Germany are to be gradually relocated to the UK over a longer period and in a socially compatible manner. In the Relocation Report of Tipp24 SE (published on 21 May 2013), it was reported that the German registered shares of Tipp24 SE ("Namensaktien") would be converted to Registered Shares under the laws of England and Wales due to legal implications following the relocation of the company's registered office to England. In order to maintain a collective safe deposit of the Registered Shares, the legal ownership of these Registered Shares was transferred to Clearstream as the central depository in exchange for Clearstream Interests (CIs). Shareholders received a corresponding number of CIs in exchange for transferring their legal ownership of the Registered Shares to Clearstream.

### **Significant economic and legal factors affecting business**

Despite the rulings of the European Court of Justice (ECJ) in 2010 and the introduction since then of a somewhat revised State Treaty on Games of Chance, the legal situation for lotteries in Germany can still not be deemed resolved: the First State Treaty to revise the State Treaty on Games of Chance (GlüStV 2012) now in effect throughout Germany updates the former State Treaty on Games of Chance, whose gaming monopoly and attendant legal regulations had proved to be in breach of EU law following the ECJ rulings of September 2010.

### ***Inconsistent implementation of EU law primacy in Germany***

Following the ECJ verdicts of 2010, the German judiciary has slowly begun to recognise that the GlüStV of 2008 was largely in contravention of EU law and thus inapplicable. This mostly concerned the state's gaming monopoly, which did not strictly pursue its stated objectives. Courts also criticised the fact that Germany's lottery companies (DLTB) had in practice disregarded exactly those regulations which were meant to justify their monopolistic position and in reality had pursued fiscal objectives, also for lotteries, rather than the regulatory aims of the State Treaty. We believe that this jurisdiction on sports gambling can also be applied to lotteries and the current situation. This view is shared by renowned law professors, but unfortunately there have been no high court verdicts on the subject as yet. In contrast to this, there have been some verdicts on the Internet ban and permit obligation, which have often – but not uniformly – been declared consistent and lawful.

The new GlüStV 2012 in force since mid 2012 has left key regulations regarding lotteries unchanged. We are therefore just as critical of its content: German authorities are now permitted to allow online sports betting and lotteries without exceptions – but are not obliged to do so. Verdicts passed so far concerning the Internet ban for sports betting give no insight into the legality of the new regulation. More recent court decisions, however, assume that online sports betting, also without a permit, is no longer to be treated as forbidden per se as long as no sports betting concessions have been granted according to the new law. All in all, the legal situation has not become any clearer.

In Schleswig-Holstein, there was a completely different and more liberal regulation in force during 2012: online casinos and online sports betting were permitted and online lotteries were even allowed without the need for a permit. This was put to an end in February 2013 with the new state government's accession to the GlüStV 2012. Many of the permits for online sports betting and online casinos issued in the meantime will remain valid in Schleswig-Holstein for seven years, though. This led the German Federal Supreme Court to initiate a first referral procedure with the ECJ regarding the new GlüStV 2012. To this end, the ECJ ruled that in this specific case the mere contradiction of the two regulatory models did not constitute an incoherency as it only applied to a very limited and already completed period and the state in question was relatively small compared to Germany as a whole. The ECJ did not make any statement regarding the appropriateness and coherency of German legislation per se. However, it did take the opportunity to remind the German judiciary of its obligations under EU law to examine any restrictions of fundamental freedoms imposed by gambling legislation with regard to the principles of appropriateness and coherency as well as the rulings of the ECJ.

The European Commission has also been carefully monitoring the new German regulations and has expressed further criticism. Prior to the introduction of the new GlüStV 2012, critical comments were already expressed in 2011. The EU Commission repeated and extended its objections in 2012, when Schleswig-Holstein also registered its intention to accede to the GlüStV 2012. The EU Commission's reservations not only concerned Schleswig-Holstein, however, but the new GlüStV 2012 as a whole.

### ***Varying legal market situation abroad***

The development of legal conditions on the markets of our "Abroad" segment also varies strongly:

In the UK, the regulatory environment is stable and reliable. The UK government has saved costs by merging the content and organisation of the Gambling Commission and National Lottery Commission to form the new Gambling Commission, after already pooling the two authorities in Birmingham. The government is also revising the national Gambling Act at present so that companies seeking to market gaming products in the UK will have

to own a mainland licence eligible for tax. Neither the merger of the gaming bodies nor the revision of the Gaming Act have any impact on the business strategy of Tipp24 SE.

The legal situation in Spain, however, remains unclear. Unequivocal regulations concerning the online brokerage of lotteries – especially product marketing – are not in sight at present. As of January 2013, winnings from games of chance in excess of €2,500 are taxed at a rate of 20% in Spain.

In the Netherlands, the government has published its intentions to overhaul the national gambling legislation and regulations to allow online gambling (sports betting, casinos, poker). On 11 July 2014, the government submitted the Remote Gambling Bill to parliament that seeks to regulate remote gambling. The government issued a Lottery Letter stating it would allow new lottery initiatives and companies as of 1 January 2017. Before this time and starting in September 2014, the government will align and consult with stakeholders and interested parties to ensure the income of sports and charities in the Netherlands under a new lottery system and work towards a more transparent licensing system. The Remote Gambling Bill and Lottery Letter, together with the Casino Policy have been sent to parliament and will be discussed in the autumn of 2014.

In the USA, the Department of Justice ruled in late 2011 that online sales of lottery products were fundamentally allowed and did not constitute a contravention of the "Federal Wire Act" of 1961. The federal states have responsibility for lotteries. Since the Department of Justice ruling, several states have examined the possibility of introducing an online lottery – or have already launched one. Illinois was one of the first states to permit the online sale of lottery tickets in 2011. Shortly after, a private consortium won the state lottery's public bidding process for online marketing. Similar developments are observed in other states, such as in New Jersey and Pennsylvania. The state of Delaware closed its bid acceptance process for online marketing in July 2013. It is expected that further US states will follow over the coming months and years.

At the moment, there is an opposition lobby at federal level which is attempting to overturn the Department of Justice ruling of 2011. The outlook for this anti-online gambling push remains stable and we estimate the chances of this anti-gambling bill being passed in its current form as fairly limited.

## GENERAL ECONOMIC CONDITIONS

Economic growth at the beginning of 2014 was sluggish. There are indications, however, that the pace picked up slightly in the second quarter. It is expected that the global economy will continue to gather momentum in the second half of 2014 and in 2015. There are also expectations that growth in the major advanced economies in particular will gradually become firmer.

The Eurozone's economic recovery remained modest in early 2014. Total output increased only marginally in the first quarter. This moderate growth was due largely to the favourable trend in Germany, whose economy enjoyed much stronger growth than in the previous quarter – thanks in part to a mild winter. Progress varied among the other Eurozone countries with signs of further recovery in some states and stagnation in others. Overall, there was a slight decline in gross domestic product in the Eurozone excluding Germany.

## CHANGE IN THE EXECUTIVE BOARD

As already announced, the Chief Financial Officer of Tipp24 SE, Andreas Keil, is to leave Tipp24 at his own request for personal reasons. He will continue to be in charge until 30 September 2014 in order to ensure a smooth transition to his successor.

## FINANCIAL POSITION AND PERFORMANCE

### Earnings

When comparing figures with those of the previous year, the following special item must be taken into consideration:

MyLotto24 Limited, a fully consolidated minority shareholding of Tipp24 SE, recorded a jackpot win of around €6.7 million on 12 March 2014 in a secondary lottery it held. Including this amount, total payouts for secondary lotteries in the reporting period were €1.6 million below the expected payout value (in H.I 2013 the comparable figure was €10.7 million below the value) with corresponding impact on revenues of the same amount. This burdened EBIT by an amount of €1.1 million (in H.I 2013 it had benefited EBIT by €5.8 million).



	Q.I-II 2014		Q.I-II 2013		Change %
	in €k	%	in €k	%	
<b>Revenues</b>	<b>68,193</b>	<b>100.0</b>	<b>76,424</b>	<b>100.0</b>	<b>-10.8</b>
Personnel expenses	-9,051	-13.3	-5,600	-7.3	61.6
Other operating expenses	-54,494	-79.9	-47,739	-62.5	14.1
Other operating income	5,277	7.7	2,010	2.6	162.5
<b>Operating expenses</b>	<b>-58,268</b>	<b>-85.4</b>	<b>-51,329</b>	<b>-67.2</b>	<b>13.5</b>
<b>EBITDA</b>	<b>9,925</b>	<b>14.6</b>	<b>25,095</b>	<b>32.8</b>	<b>-60.5</b>
Amortisation and depreciation	-3,932	-5.8	-3,654	-4.8	7.6
<b>EBIT</b>	<b>5,993</b>	<b>8.8</b>	<b>21,441</b>	<b>28.1</b>	<b>-72.0</b>
Financial result	-1,764	-2.6	-133	-0.2	1,226.3
<b>Earnings before taxes</b>	<b>4,229</b>	<b>6.2</b>	<b>21,308</b>	<b>27.9</b>	<b>-80.2</b>
Income taxes	-2,769	-4.1	-5,909	-7.7	-53.1
<b>Profit from continuing operations</b>	<b>1,460</b>	<b>2.1</b>	<b>15,400</b>	<b>20.2</b>	<b>-90.5</b>
Profit after tax from discontinued operations	69	0.1	-2	0.0	-3,550.0
<b>Consolidated net profit<sup>1)</sup></b>	<b>1,529</b>	<b>2.2</b>	<b>15,398</b>	<b>20.1</b>	<b>-90.1</b>
<b>Breakdown of other operating expenses</b>					
Marketing expenses	-6,263	-9.2	-2,715	-3.6	130.7
Direct costs of operations	-28,176	-41.3	-28,572	-37.4	-1.4
Other costs of operations	-20,055	-29.4	-16,452	-21.5	21.9
<b>Other operating expenses</b>	<b>-54,494</b>	<b>-79.9</b>	<b>-47,739</b>	<b>-62.5</b>	<b>14.1</b>

<sup>1)</sup> The consolidated net profit is attributable to the owners of Tipp24 SE, London, UK.

### EBIT

In view of the special item described above, as well as increased personnel expenses and increased other operating expenses, **consolidated EBIT** in the first six months of 2014 amounted to €5,993k and thus fell short of the H.I figure of 2013 of €21,441k. Accordingly, the **EBIT margin** fell by 19.3 %-points, from 28.1% to 8.8%. Adjusted for statistical deviations from the expected level of payouts, EBIT amounted to €7,072k (H.I 2013: €15,609k) and the EBIT margin to 10.6% (H.I 2013: 23.7%).

The "**Germany**" segment posted an EBIT result of €-6,686k (H.I 2013: €-3,836k), while the "**Abroad**" segment achieved EBIT of €13,310k (H.I 2013: €26,621k).

The share in earnings of at equity consolidated associated companies and joint ventures (Geonomics Global Games Limited – Geonomics, Geo24 UK Limited – Geo24) contributed €-1,727k (H.I 2013: €-309k) to the financial result. The strategic focus of these companies in H.I 2014 was on further optimising the Geo product in particular for the UK end consumer market. Furthermore, relationships to lottery operators to prepare international sales of the Geo product were strengthened. The majority of the ramp up cost were personnel and personnel related costs. A smaller part was used as test marketing budget to generate active users for product exploration and user testing purposes. The total financial result, which includes the share in earnings of Geonomics and Geo24, amounted to €-1,764k (H.I 2013: €-133k).

**Consolidated net profit** in H.I 2014 amounted to €1,529k (H.I 2013: €15,398k), while the net operating margin after tax amounted to 2.2% (H.I 2013: 20.1%).

At 65.5%, the consolidated **tax rate** in the first half of 2014 was much higher than in the previous year (27.7%), since the losses of the "Germany" segment were higher as compared to last year while at the same time the earnings of the "Abroad" segment were lower. As the two segments due to the orphanised structure of the Group are treated as different tax units, the losses of the "Germany" segment cannot be offset against earnings in the "Abroad" segment.

**Return on equity** stood at 1.3% (H.I 2013: 8.5%) while earnings per share (basic and diluted) decreased from €1.89 to €0.17.

#### **Revenues**

In the first six months of 2014, Tipp24 generated revenues of €68,193k (H.I 2013: €76,424k). Without consideration of consolidation effects, the "**Abroad**" segment accounted for €68,004k (H.I 2013: €76,232k) and the "**Germany**" segment for €191k (H.I 2013: €193k).

Adjusted for random statistical effects, consolidated revenues reached €66,597k and thus exceeded the H.I 2013 figure of €65,737k by 1.3%. The increase resulted mainly from the price increase for the German lottery "Gaus49" (effective 4 May 2013). However, customer activity and thus revenues were negatively affected by Germany's success in the FIFA World Cup which distracted players from participating in lotteries, unusually good weather and low density of relevant jackpots.

For the organisation of secondary lotteries, reference is made to lottery gaming systems with a fixed ratio of payouts to stakes – this proportion is known as the payout ratio. In the lottery gaming systems organised by the operators of those reference games of relevance to Tipp24, there is a fixed underlying payout ratio of usually 50% in the gaming system for ongoing lottery draws. This also corresponds to the expected payout ratio for the organisation of secondary lotteries.

There may be deviations from this expected value during the actual draws of secondary lotteries. Such deviations are chance effects and represent statistical fluctuations of the ratio of payouts to stakes. A payout ratio above the expected value results in revenues below the expected revenue figure, while a lower payout ratio increases actual revenues in comparison to the expected figure.

In order to aid comprehension of the financial statements and earnings position, the effect of deviations between the expected and actual payouts is therefore stated in the notes to the consolidated financial statements.

#### **Development of key income statement positions**

In the first six months of 2014, personnel expenses were 61.6% up on H.I 2013 at €9,051k (H.I 2013: €5,600k). The year-on-year increase in personnel expenses resulted mainly from (i) a cost shift from other operating expenses due to the incorporation of a former technical service provider (€2,519k) and (ii) organic headcount growth (€612k) and (iii) additional members of the Executive Board (€320k).

Compared to the previous year, **other operating expenses** rose from €47,739k to €54,494k. The development in detail was as follows:

- **Marketing expenses** of €6,263k were up 130.7% on the H.I 2013 figure of €2,715k.
- **Direct costs of operations** decreased to €28,176k (H.I 2013: €28,572k) with license and operator fees being reduced due to lower revenues.
- **Other costs of operations** rose by 21.9% to €20,055k (H.I 2013: €16,452k) despite a shift of €2,519k from this position to personal expenses. The increase consists to more than half of the difference of non-recurring items – mainly costs for the planned renewal of the hedging structure, exchange rate differences and non-deductible VAT of Tipp24 SE.

At €5,277k, **other operating income** was 162.5% above the H.I 2013 figure of €2,010k. The strong year-on-year increase resulted mainly from higher exchange rate differences (€+2,193k) and higher income from hedging transactions (€+229k).

**Amortisation and depreciation** in the first half-year amounted to €-3,932k (H.I 2013: €-3,654k).

### Financial position

Compared with the balance sheet date, Tipp24's **equity** fell in total by €61,508k to €114,048k as of 30 June 2014 due to the fact that Tipp24 distributed a one-off special interim dividend of €7.50 per share (altogether €62.9 million) on 30 April 2014. Over the same period, the equity ratio decreased by 5.9 %-points to 76.3%, the balance sheet total fell by 30.0% to €149,454k.

### Financial analysis

<b>Other liabilities</b> in €k	<b>30/06/2014</b>	31/12/2013
Liabilities from gaming operations	13,992	13,996
Tax liabilities	1,404	1,464
Liabilities from outstanding invoices	3,630	600
Liabilities from social security	195	122
Others	741	1,787
	<b>19,961</b>	<b>17,971</b>

As of the reporting date, other liabilities – which mainly consist of advance payments, winnings payments owed to customers not yet settled as of the balance sheet date, licence and operator fees owed to gaming licensors (liabilities from gaming operations), tax liabilities and outstanding invoices – were up 11.1% to €19,961k, compared with €17,971k on 31 December 2013.

### Dividend policy

On 27 February 2014, the Executive Board of Tipp24 SE announced that it would distribute a one-off special dividend on 30 April 2014 in the form of an interim dividend amounting to €7.50 per share.

The Executive Board also concluded to propose regular annual dividend payments to shareholders starting from 2015. The first dividend in this regard would be based on the annual financial statements for the current business year 2014. The annual dividend is to be at least €1.50 per share – provided that the company's financial position and performance enables such a dividend.

### Investment analysis

In the first six months of 2014, investing activities resulted in cash inflows of €55,775k (H.I 2013: cash outflows of €17,314k). Financial investments resulted in net cash inflows of €58,550k (H.I 2013: outflows of €16,183k) from the sale of financial assets. Cash outflows for investments in our operating business for software, hardware and office equipment totalled €2,775k (H.I 2013: €1,131k).

## Liquidity analysis

Key cash flow positions in €k	Q.I-II 2014	Q.I-II 2013
Cash flow from operating activities	7,724	15,929
Cash flow from investing activities	55,775	-17,314
thereof financial investments	58,550	-16,183
thereof operative investments	-2,775	-1,131
Cash flow from financing activities	-62,888	15,337
<b>Change in cash and pledged cash</b>	<b>481</b>	<b>13,956</b>
Cash at the beginning of the period (except pledged cash)	85,465	77,946
Changes due to consolidation	0	-582
<b>Cash at the end of the period (except pledged cash)</b>	<b>85,947</b>	<b>91,320</b>
Short-term financial assets	15,952	69,625
<b>Available funds</b>	<b>101,899</b>	<b>160,945</b>

At €7,724k, **cash flow from operating activities** in the first six months of 2014 fell below the H.I 2013 figure of €15,929k. This was mainly due to a decrease in profit before tax.

As explained in the investment analysis section above, **cash flow from investing activities** amounted to €55,775k in the period under review (H.I 2013: €-17,314k).

Due to the payment of the one-off special interim dividend in April 2014, **cash flow from financing activities** amounted to €-62,888k. In the prior year, the figure amounted to €15,337k due to the capital increase in April 2013.

As of 30 June 2014, Tipp24 had available funds in the form of cash and short-term financial assets of €101,899k (H.I 2013: €160,945k). This ensures that our secondary lottery operator, MyLotto24 Limited, is sufficiently financed to effect payments of high jackpot winnings.

Other current assets and prepaid expenses in €k	30/06/2014	31/12/2013
Receivables from gaming operations	1,308	5,164
Prepaid expenses	4,749	5,156
Receivables from tax authorities for sales taxes	137	184
Others	782	1,882
	<b>6,976</b>	<b>12,386</b>

### Asset situation

Tipp24's asset profile continues to be dominated by current assets of €111,903k (31 December 2013: €168,988k) – these largely consist of cash (€88,218k), short-term financial assets (€15,952k) and other assets and prepaid expenses (€6,976k).

Moreover, Tipp24 has intangible assets (mainly software) amounting to €10,465k, at-equity consolidated financial assets of €20,848k, other equipment, furniture & fixtures and leased assets (mainly hardware and office equipment) amounting to €3,116k and deferred tax assets amounting to €2,667k.

### Overall statement on economic position

Since the implementation of the second stage of the GlüStV 2008 over five years ago, Tipp24 has been prevented from pursuing its traditional business of brokering state-run lotteries in Germany.

The exception to this was the beginning of restricted brokerage operations by Lotto24 AG under [www.lotto24.de](http://www.lotto24.de). In view of the politically determined conditions in 2012, we conducted a complete legal separation of Lotto24 AG from Tipp24 SE and its investment companies in order to give our former subsidiary the possibility to commence full brokerage operations in Germany as soon as possible. At the same time, business activities in the "Abroad" segment remained stable at a high level.

Against this backdrop, we continue to regard Tipp24's situation as generally robust: Tipp24 has sufficient resources to successfully prevail even in the face of significant regulatory restrictions.

At the same time, we see the opportunity for sustained encouraging growth in the medium term: in comparison with other sectors, the global online lottery market is still underdeveloped and offers significant growth potential in the coming years.

Tipp24 is excellently positioned to benefit strongly from such growth. Furthermore, we see attractive additional potential in new product categories and in the course of a possible deregulation of the international lottery markets.

We also plan to efficiently tap the online lottery markets as a partner of the state lottery companies and private enterprises by utilising our leading technological and marketing expertise as a service provider. Our activities with the Spanish ONCE lottery and further talks with potential customers have strengthened our view that this is a promising market segment. We also see attractive opportunities on the UK market with our investment in GeoLotto.

### SUBSEQUENT EVENTS

There are no known events after the date of the Interim Condensed Consolidated Statement that require disclosure.

## FORECAST, OPPORTUNITY AND RISK REPORT

### FORECAST REPORT

According to the executive boards of our minority shareholdings, they intend to continue business activities in the "Abroad" segment.

Our investment in the UK-based Geonomics Global Games Limited contains two key aspects for the future: firstly, an additional joint venture was founded with Geonomics in 2013 in order to launch and capitalise the product GeoLotto – for which Geonomics has received a license from the UK's Gambling Commission – in the UK. Secondly, Tipp24's investment represents the implementation of its strategy to establish a new international division for the provision of online services. This involves offering its product innovations to other lottery companies for roll-out in their respective lottery markets.

In particular, we regard the provision of technology and marketing services for international lottery operators enabling them to successfully market their products online, as a new and promising business field in the medium term. In addition to Europe, we see clear signs of deregulation especially in North America and plan to efficiently tap this online lottery market as a partner of the state lottery companies.

### Expected earnings position

Against the background of a comparably weaker first half year and time delays in the ramp-up of new businesses, we are adjusting our forecast for the full year 2014. While we still expect to grow revenues to between €135 and €145 million, we are revisiting our EBIT forecast to between €15 to €25 million. The stated ranges also take account of statistical fluctuations in payouts for our secondary lottery business.

### OPPORTUNITIES REPORT

The growing online lottery markets rely heavily on the prevailing legal conditions of the respective countries. In certain European countries, and especially in North America, we see clear signs of a deregulation which may lead to an opening of the local online lottery markets. This would open up promising potential for Tipp24's core competency in technology and marketing services for online lotteries.

In the UK, our investment Geonomics already holds a licence to operate and market GeoLotto – a lottery based on a virtual map. In order to quickly provide the best-possible funding for this business opportunity, a joint venture was formed with Geonomics. Tipp24 can contribute the online marketing know-how it has gathered over the years in order to efficiently launch this new lottery product on the market. Even a small market share of the UK's current lottery volume would significantly boost Tipp24's revenues.

Growth opportunities in countries such as Germany are still greatly restricted by legislation which goes against valid law and political common sense. However, a variety of verdicts may also result in steps towards deregulation in Germany over the medium term with a direct or indirect impact on lotteries. With its past experience of the German market, Tipp24 may benefit strongly from such a development.

### RISK REPORT

In our Management Report 2013, we described in detail all risks in connection with the business activities of Tipp24, as well as the management of these risks and systems to recognise such risks at an early stage. The risks can be divided mainly into sector and market risks, legal risks resulting from the regulatory environment for the operations of Tipp24, business risks, risks from the processing of gaming operations, personnel risks and general business risks. Within the scope of this interim management report, we would like to focus in particular on the risks presented below:

### Financing and currency risks

As Tipp24 conducts a significant proportion of its business in euro, there is no significant currency risk for its core activities. However, the UK companies are exposed to a currency risk regarding the British pound and their profit margins may be affected by currency fluctuations. Foreign associated companies are economically autonomous within their respective markets. This is underlined by the fact that they have local general managers who are also responsible for controlling the respective financing and currency risks.

### Risks from payment transactions

National or international payment transaction restrictions may be introduced in connection with the further regulation of gaming markets. Moreover, the number of available payment service providers for the gaming market is restricted. As a consequence, there is a risk that such providers may leave this market segment and no suitable replacement may be available for Tipp24, even at a higher cost. Whereas cost increases for payment transactions would have a negative effect on the profitability of individual or even all Tipp24 companies, payment transaction restrictions or a lack of available payment service providers might have a significant adverse effect on the business activities of Tipp24. Against the backdrop of recent media reports on the subject of payment blocking, the Executive Board reviewed the risk and came to the conclusion that the Executive Board's assessment of Risks from Payment Transactions remains unchanged.

### Regulatory risks

There is a risk that the restrictive legal framework continued by the GlüStV 2012 may be upheld to a large extent or completely also in the medium term. For example, the Internet ban has been upheld in principle and private gaming offerings are forbidden or subject to the issue of permits without any legal claim to such permits. There are also no objective and predictable criteria regarding these permits. Tipp24 is making efforts to receive the permits in order to resume the operations in Germany it was forced to discontinue at the end of 2008. However, considering the many years of legal wrangling between Tipp24 SE and the authorities and the duration of the permit process which has already been pending for over a year, we assume that any permit

application process involving Tipp24 SE will be burdened. In view of freely available information on the restrictions for those providers who have already received permits, it must further be assumed that permits will either not be available at short notice or not on acceptable terms, and that initially we will be forced to engage in (further) legal disputes. Against this backdrop, we do not expect to regain sufficient access to the tremendous potential of the German gaming market in the near future.

Following the repeal in 2011 of a prohibition order addressed to Tipp24 SE regarding the offerings of its minority investments, there have been no further attempts by the German authorities to challenge Tipp24 SE about its minority investments. In 2011, the Administrative Court of Wiesbaden (Verwaltungsgericht – VG) had ruled that no action could be taken against Tipp24 SE regarding the offerings of its legally independent companies as it no longer had control over them. However, the possibility cannot be completely excluded that certain authorities will once again issue prohibition orders against Tipp24 SE, or impose coercive payments and regulatory fines which may be upheld in court.

Moreover, German authorities are attempting to directly forbid or prevent the UK companies from operating their own business model. Even if the legal basis for such action outside Germany is difficult to comprehend and its effect questionable, it cannot be excluded that such measures would hinder or prevent the business activities of the UK companies. As in the past, it is possible that the state lottery companies may claim the UK companies are being anticompetitive, as they allegedly contravene the GlüStV 2012. Even if we assume that the UK companies are acting legally on the basis of valid concessions explicitly allowing the activity performed, it cannot be ruled out that they will fail to assert their rights in German courts. In this connection, we also cannot exclude the possibility that the UK regulatory authorities themselves may include restrictions in the licence in view of possible antitrust proceedings in Germany. All in all, therefore, we cannot exclude the possibility that the above mentioned risks may lead to a significant restriction in the business activities of the UK companies.

Overall, we believe it is probable that the courts will continue to rule that the German monopoly regulations are incoherent and disproportional. A coherent implementation of restrictions intended to prevent gambling addiction would not ignore the most dangerous games in this respect (commercial gaming machines) – even though some aspects of gaming arcades have been subjected to stricter regulations. Policy regarding casinos has hardly been changed. Moreover, the liberalisation of sports betting affects an area of gaming which is clearly more dangerous than lotteries. Current advertising methods of state-run lotteries still contradict the aim of preventing gambling addiction and are instead aimed at gaining new customers – as repeatedly criticised by jurisdiction. Such incoherencies may result in further rulings which declare the new legislation to be inapplicable. It is unclear to what extent the views held by several courts in the past will be upheld, namely that only the monopoly is ineffective, while the permit requirement and Internet ban are effective. The consequences of these views for the present situation are equally unclear – not least in view of that the courts have recently ruled on several occasions that the legal practice of the state monopolists and supervisory authorities is incoherent, e.g. regarding advertising for games of chance. There is a strong possibility that these questions in respect of the past will no longer be finally settled.

Following the changes introduced by the GlüStV 2012, many German authorities are probably now taking the standpoint again that the monopoly regulations are (or have become) compliant with EU law now. Despite the initial critical tendencies of jurisdiction, it is unclear how the courts will rule in these cases. Our reservations in this matter continue (see above). In summary, it cannot be excluded that the ongoing legal uncertainties arising from regulatory developments in Germany will lead to temporary or sustained restrictions for the existing or future business fields of Tipp24. This may have a significant negative impact on the financial position and performance of Tipp24.

### **Bookmaking risks of MyLotto24 Limited**

#### ***Statistical risks of winnings payouts***

MyLotto24 Limited bears the bookmaking risks for secondary lotteries based on various European lotteries, whereby the payout ratios are based on those offered by the organisers of the primary lotteries. Due to statistical fluctuation, these ratios may be greater than the payout ratios determined by the gaming systems of the primary lotteries – for example, around 50% in the case of the German Lotto. They may even be temporarily greater than the stakes received by MyLotto24 Limited – as was the case in September 2009. Insofar as they are not covered by existing effective hedging arrangements, such statistical payout fluctuations may have a significant negative effect on the financial position and performance of MyLotto24 Limited, which through consolidation would also represent a burden for Tipp24 as a whole. In 2011, MyLotto24 Limited structured a so-called catastrophe bond (CAT bond) via an Insurance-Linked-Security (ILS) vehicle to partially transfer its jackpot payment risks to the capital market. MyLotto24 Limited informs Tipp24 SE immediately about individual payouts of at least €5 million. Tipp24 SE currently has a communication guideline which requires the publication of such notifications. It is generally assumed that these announcements to the capital market are included in the company's ad hoc disclosure obligations. However, such notifications are checked in advance on a case-by-case basis.

#### ***Risks from the assertion of claims from hedging transactions***

It cannot be fully excluded that insurers fail to fulfil their payment obligations in future and that such claims have to be enforced in court. Such refusals to pay only have a direct impact on the financial position and performance of MyLotto24 Limited, and thus on Tipp24 by means of consolidation, if the corresponding claim has been recognised at all in the balance sheet – for example as a result of an initial payment pledge.



### Tax risks

As the result of a tax audit, there was a dispute with the relevant tax authority regarding the validity of tax assessments for two items in the inspection period (business years 2005 to 2007 inclusive). The relevant tax authority has issued a tax assessment and respective payment demand amounting to €3.6 million (including interest). Tipp24 SE has appealed against the assessment and only accepted and paid additional demands totalling €0.2 million. An application for suspension of execution was filed with the tax authorities for the remaining payment demand. This application had been granted. On 27 December 2013, while one of the items was concluded in Tipp24 SE's favour the relevant tax office rejected the objection regarding the other item. Tipp24 SE has taken legal action against this finding. Although we have grounds to believe that the item queried by the tax authority is correctly assessed in accordance with the relevant regulations, the possibility cannot be excluded that the relevant tax office may continue to challenge this different view – also via the financial courts – and may prevail. As a result, there is a remaining tax risk of up to €3.0 million, plus the corresponding time-related interest on arrears (6% p.a.) which might have a correspondingly negative effect on the financial position and performance of Tipp24 and has been recognised as a contingent liability.

### Risks from cash and financial investments

At the end of the reporting period, Tipp24 held cash totalling €88,218k, held in accounts with various major European banks and subject to the risks described in the Annual Report 2013 of Tipp24 SE on p. 32 et seq..

### GOING CONCERN

The directors have applied the going concern principle in the preparation of these reviewed interim condensed financial statements due to the company's healthy liquidity position, the risk management and hedging procedures in place and the profitable and cash generating business forecasted for 2014 and beyond.

### DIRECTORS OF THE COMPANY

The directors who held office during the period were:

- Dr. Hans Cornehl
- Dr. Helmut Becker
- Andreas Keil

### RESPONSIBILITY STATEMENT

To best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim condensed consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of Tipp24, and the interim management report of Tipp24 includes a fair view of the development and performance of the business and the position of Tipp24, as well as a fair view of information on material transactions with related parties and changes since the last annual report together with a description of the principal risks and uncertainties associated with the expected development of Tipp24 for the remaining months of the financial year.

London, 6 August 2014

### The Executive Board

Dr. Hans Cornehl      Dr. Helmut Becker      Andreas Keil

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE

	Notes	Q.I-II 2014	Q.I-II 2013	Q.II 2014	Q.II 2013
in €k					
<b>Revenues</b>	1	<b>68,193</b>	<b>76,424</b>	<b>37,383</b>	<b>39,051</b>
Other operating income		5,277	2,010	3,002	1,304
<b>Total operating performance</b>		<b>73,470</b>	<b>78,434</b>	<b>40,385</b>	<b>40,355</b>
Personnel expenses	2	-9,051	-5,600	-5,446	-2,999
Amortisation/depreciation on intangible assets and property, plant and equipment		-3,932	-3,654	-2,256	-1,912
Other operating expenses	3	-54,494	-47,739	-27,943	-26,048
Marketing expenses		-6,263	-2,715	-2,850	-1,364
Direct costs of operations		-28,176	-28,572	-14,870	-16,522
Other costs of operations		-20,055	-16,452	-10,223	-8,163
<b>Result from operating activities (EBIT)</b>		<b>5,993</b>	<b>21,441</b>	<b>4,740</b>	<b>9,396</b>
Revenues from financial activities		302	386	-12	37
Expenses from financial activities		-183	-155	-90	-82
Share of result from associated companies		-764	0	-501	0
Share of result from joint ventures		-1,119	-364	-631	-234
<b>Financial result</b>		<b>-1,764</b>	<b>-133</b>	<b>-1,233</b>	<b>-279</b>
<b>Result from ordinary activities</b>		<b>4,229</b>	<b>21,308</b>	<b>3,507</b>	<b>9,117</b>
Income taxes	5	-2,769	-5,909	-2,182	-2,728
<b>Profit from continued operations</b>		<b>1,460</b>	<b>15,400</b>	<b>1,325</b>	<b>6,390</b>
Profit after tax from discontinued operations	8	69	-2	96	6
<b>Consolidated net profit<sup>1)</sup></b>		<b>1,529</b>	<b>15,398</b>	<b>1,420</b>	<b>6,396</b>
Earnings per share (basic and diluted, in €/share)		0.18	1.89	0.18	0.77
Earnings per share from continued operations (basic and diluted, in €/share)		0.17	1.89	0.16	0.77
Weighted average of ordinary shares outstanding (basic and diluted, in shares)		8,385,088	8,151,755	8,385,088	8,318,421

<sup>1)</sup> The consolidated net profit is attributable to the owners of Tipp24 SE, London, UK.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE

Notes	Q.I-II 2014	Q.I-II 2013	Q.II 2014	Q.II 2013
in €k				
<b>Net profit for the period</b>	<b>1,529</b>	<b>15,398</b>	<b>1,420</b>	<b>6,396</b>
<b>Other comprehensive income</b>				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Loss on available-for-sale financial assets (AFS)	-499	-322	99	-136
Income tax effect	110	-	-25	-
<b>Other comprehensive income, net of tax</b>	<b>-389</b>	<b>-322</b>	<b>74</b>	<b>-136</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>1,140</b>	<b>15,076</b>	<b>1,494</b>	<b>6,260</b>

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS AT

	Notes	30/06/2014	31/12/2013
<b>ASSETS</b> in €k			
Cash and pledged cash		88,218	85,822
Short-term financial assets		15,952	70,307
Trade receivables		541	259
Receivables from joint ventures		192	190
Income tax refund claims		24	24
Other current assets and prepaid expenses		6,976	12,386
<b>Total current assets</b>		<b>111,903</b>	<b>168,988</b>
Intangible assets		10,465	12,905
Other equipment, furniture & fixtures and leased assets		3,116	2,143
Financial assets		0	4,511
Shares in associated companies	9	16,773	17,538
Shares in joint ventures	10	4,075	5,069
Other assets and prepaid expenses		454	435
Deferred tax assets		2,667	1,992
<b>Total non-current assets</b>		<b>37,550</b>	<b>44,593</b>
<b>ASSETS</b>		<b>149,454</b>	<b>213,581</b>

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS AT

	Notes	30/06/2014	31/12/2013
<b>EQUITY &amp; LIABILITIES</b> in €k			
Trade payables		5,267	9,812
Other liabilities		19,961	17,971
Financial liabilities		70	108
Deferred incomes		3,198	3,783
Income tax liabilities		3,095	3,607
Short-term liabilities		2,499	1,540
<b>Total current liabilities</b>		<b>34,090</b>	<b>36,821</b>
Deferred tax liabilities		1,316	1,204
<b>Total non-current liabilities</b>		<b>1,316</b>	<b>1,204</b>
Subscribed capital		8,385	8,385
Capital reserves		22,741	22,741
Other reserves		-419	-209
Retained earnings		83,341	144,639
<b>Total equity</b>		<b>114,048</b>	<b>175,556</b>
<b>EQUITY &amp; LIABILITIES</b>		<b>149,454</b>	<b>213,581</b>

## INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE

	0.I-II 2014	0.I-II 2013
in €k		
Profit from continued operations before tax	4,230	21,308
Profit from discontinued operations before tax	69	-2
<b>Result before tax</b>	<b>4,299</b>	<b>21,306</b>
Adjustments for		
Amortisation/depreciation on non-current assets	3,932	3,654
Result from disposal of non-current assets	-235	6
Result from foreign exchange transactions	-1,173	339
Revenues from financial activities	-302	-386
Expenses from financial activities	183	155
Deconsolidation of Giochi24 S.r.l.	0	-4
Share of result from associated companies	764	364
Share of result from joint ventures	1,119	0
Other non-cash changes	380	0
Changes in		
Trade receivables	-282	-37
Receivables from joint ventures	-3	0
Other assets and prepaid expenses	5,410	-537
Non-current other assets or prepaid expenses	-19	-210
Trade payables	-4,545	-218
Other liabilities	1,990	-1,522
Financial liabilities	-38	-21
Short-term provisions	959	-1,059
Deferred income	-585	-1,108
Non-current provisions	0	4
Interests received	132	386
Interests paid	-183	-155
Taxes paid	-4,079	-5,028
<b>Cash flow from operating activities</b>	<b>7,724</b>	<b>15,929</b>
Changes (net) on financial investments (short-term)	54,039	-16,183
Changes (net) on financial investments (long-term)	4,511	0
Payments for investments in intangible assets	-694	-706
Payments for investments in property, plant and equipment	-1,156	-425
Acquisition of businesses	-925	0
<b>Cash flow from investing activities</b>	<b>55,775</b>	<b>-17,314</b>

## INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE

	0.I-II 2014	0.I-II 2013
in €k		
Dividends paid to shareholders of the parent company	-62,888	0
Capital increase	0	16,000
Payments for transaction costs	0	-663
<b>Cash flow from financing activities</b>	<b>-62,888</b>	<b>15,337</b>
Changes in cash and pledged cash	481	13,956
Cash at the beginning of the period (except pledged cash)	85,465	77,946
Changes due to consolidation	0	-582
<b>Cash at the end of the period (except pledged cash)</b>	<b>85,947</b>	<b>91,320</b>
<b>Composition of cash at the end of the period</b>		
Cash and pledged cash	88,218	91,677
Pledged cash	-357	-357
Thereof increase in scope of consolidation	-1,914	0
	<b>85,947</b>	<b>91,320</b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013 AND FOR THE SIX MONTHS ENDED 30 JUNE 2014

in €k	Subscribed capital	Capital reserves	Other reserves	Retained earnings	<b>Total equity</b>
<b>As at 1 January 2013</b>	<b>7,985</b>	<b>7,805</b>	<b>134</b>	<b>134,451</b>	<b>150,375</b>
Contribution to other provisions	0	0	0	0	0
Dividend in kind	0	0	0	0	0
Capital increase	400	15,600	0	0	16,000
Transaction costs for capital increase	0	-663	0	0	-663
Adjustments of balance sheet loss	0	0	0	0	0
Withdrawal from capital reserves	0	0	0	0	0
Share-based payments	0	0	0	0	0
Other results	0	0	-343	0	-343
Net profit 2013	0	0	0	10,188	10,188
Total net profit 2013	0	0	-343	10,188	9,845
<b>As at 31 December 2013</b>	<b>8,385</b>	<b>22,741</b>	<b>-209</b>	<b>144,639</b>	<b>175,556</b>
<b>As at 1 January 2014</b>	<b>8,385</b>	<b>22,741</b>	<b>-209</b>	<b>144,639</b>	<b>175,556</b>
Contribution to other provisions	0	0	0	0	0
Dividend in kind	0	0	0	-62,888	-62,888
Capital increase	0	0	0	0	0
Transaction costs for capital increase	0	0	0	0	0
Adjustments of balance sheet loss	0	0	0	0	0
Withdrawal from capital reserves	0	0	0	0	0
Share-based payments	0	0	0	0	0
Other results	0	0	-210	60	-150
Net profit 2014	0	0	0	1,529	1,529
Total net profit 2014	0	0	-210	1,590	1,380
<b>As at 30 June 2014</b>	<b>8,385</b>	<b>22,741</b>	<b>-419</b>	<b>83,341</b>	<b>114,048</b>



## SEGMENT REPORTING

For the purposes of corporate control, Tipp24 is organised in business units with the following two segments, which differ in terms of the control exercised:

The "Germany" segment comprises all activities which are controlled by Tipp24 SE. This includes activities in both Germany and the UK. The "Abroad" segment mainly comprises activities in the UK, as well as in Spain and Italy, which are controlled by the minority shareholding.

No segments were pooled together to form the above business segments. The development of each segment is evaluated on the basis of revenues and EBIT. The Group-wide financial management system (including financial expenses and income) and income taxes are controlled separately according to the segments "Germany" and "Abroad" and allocated to the individual business segments. Transfer prices between segments were calculated at standard conditions on an arm's length basis.

Q.II in €k	Germany		Abroad		Consolidation		Consolidated	
	01/04-30/06		01/04-30/06		01/04-30/06		01/04-30/06	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>Revenues</b>	<b>91</b>	<b>90</b>	<b>37,293</b>	<b>38,961</b>	<b>2</b>	<b>0</b>	<b>37,383</b>	<b>39,051</b>
Depreciation/amortisation	-15	-29	-1,447	-1,287	-794	-595	-2,256	-1,912
<b>EBIT</b>	<b>-3,810</b>	<b>-2,201</b>	<b>8,991</b>	<b>12,566</b>	<b>-441</b>	<b>-968</b>	<b>4,740</b>	<b>9,396</b>
Finance result	-1,272	-360	56	43	-17	37	-1,233	-279
Income tax	-36	-10	-2,187	-2,941	41	224	-2,182	-2,728
<b>Profit from continued operations</b>	<b>-5,118</b>	<b>-2,571</b>	<b>6,859</b>	<b>9,668</b>	<b>-418</b>	<b>-707</b>	<b>1,325</b>	<b>6,390</b>
<b>Assets</b>	<b>63,431</b>	<b>60,398</b>	<b>126,484</b>	<b>136,310</b>	<b>-59,104</b>	<b>-50,326</b>	<b>130,811</b>	<b>146,381</b>
<b>Debts</b>	<b>65,307</b>	<b>61,921</b>	<b>144,032</b>	<b>211,262</b>	<b>-64,295</b>	<b>-64,030</b>	<b>145,043</b>	<b>209,152</b>

Q.I-II in €k	Germany		Abroad		Consolidation		Consolidated	
	01/01-30/06		01/01-30/06		01/01-30/06		01/01-30/06	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>Revenues</b>	<b>191</b>	<b>193</b>	<b>68,004</b>	<b>76,232</b>	<b>-3</b>	<b>0</b>	<b>68,193</b>	<b>76,424</b>
Depreciation/amortisation	-41	-60	-2,700	-2,403	-1,191	-1,191	-3,932	-3,654
<b>EBIT</b>	<b>-6,686</b>	<b>-3,836</b>	<b>13,310</b>	<b>26,621</b>	<b>-631</b>	<b>-1,343</b>	<b>5,993</b>	<b>21,441</b>
Finance result	77,829	-768	425	430	-80,017	205	-1,763	-133
Income tax	-80	-14	-2,822	-6,203	132	309	-2,769	-5,908
<b>Profit from continued operations</b>	<b>71,063</b>	<b>-4,618</b>	<b>10,913</b>	<b>20,848</b>	<b>-80,515</b>	<b>-829</b>	<b>1,460</b>	<b>15,400</b>
<b>Assets</b>	<b>63,431</b>	<b>60,398</b>	<b>126,484</b>	<b>136,310</b>	<b>-59,104</b>	<b>-50,326</b>	<b>130,811</b>	<b>146,381</b>
<b>Debts</b>	<b>65,307</b>	<b>61,921</b>	<b>144,032</b>	<b>211,262</b>	<b>-64,295</b>	<b>-64,030</b>	<b>145,043</b>	<b>209,152</b>

## SELECTED EXPLANATORY NOTES

### GENERAL

The interim condensed consolidated financial statements of Tipp24 SE and its subsidiaries (collectively, the Group) for the six months ended 30 June 2014 were authorised for issue in accordance with a resolution of the directors on 6 August 2014.

Tipp24 SE (the company) is incorporated and domiciled in London, UK, and its shares are publicly traded (registered in England and Wales No. SE000078).

Tipp24 SE successfully relocated its registered office in London, UK, on entry in the commercial register of the UK's Companies House on 7 February 2014.

As of 10 February 2014, the registered shares of Tipp24 SE are traded on the regulated market (Prime Standard) of the Frankfurt Stock Exchange in the form of so-called Clearstream Interests (CI) under the ISIN GB00BHD66J44/WKN TPP024.

The interim condensed consolidated financial statements for the six months ended 30 June 2014 have been prepared in accordance with IAS 34 Interim Financial Reporting. Accordingly, these interim condensed consolidated financial statements do not include all of the information and disclosures required by IFRS for complete financial statements for year-end-reporting purposes.

The interim condensed consolidated financial statements include all adjustments of a normal and recurring nature considered necessary for a fair presentation of results for interim periods. Results of the periods ended 30 June 2014, are not necessarily indicative for future results.

The reporting period is 1 January to 30 June 2014.

The same accounting policies and calculation methods were used for this interim condensed consolidated financial statement as for the consolidated financial statement as at 31 December 2013.

On 10 April 2014 a 100% subsidiary of MyLotto 24 Limited, Smartgames Technologies Limited, based in London, acquired 100% of eSailors Limited, an unlisted company based in London.

### NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with the following in the preparation of the annual financial statement for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014.

The nature and the impact of each new standard or amendment are described below:

#### Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 "Consolidated Financial Statements". The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the company.

#### Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the company.

#### Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact on the company.

#### Recoverable Amount Disclosures for Non-Financial-Assets – Amendments to IAS 36

These amendments remove the unintended consequences of IFRS 13 "Fair Value Measurement" on the disclosures required under IAS 36 "Impairment of Assets". In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. These amendments have no impact on the company.

**IFRIC 21 Levies**

IFRIC 21 is effective for annual periods beginning on or after 1 January 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g. IAS 12 Income Taxes) and fines or other penalties for breaches of legislation.

The interpretation clarifies that an entity recognises a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised

before the specified minimum threshold is reached. The interpretation requires these same principles to be applied in interim financial statements. IFRIC 12 is not applicable in the 30 June 2014 interim condensed financial statements and Tipp24 has not chosen to early adopt IFRIC 12.

The IFRSs that will be effective or available for voluntary early adoption in the financial statements for the period ended 30 June 2014 are still subject to change and to the issue of additional interpretation(s) and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period that are relevant to this interim financial information will be determined only when the first IFRS financial statements are prepared as of 30 June 2014.

**1 REVENUES**

Compared with the first six months of 2013, revenues as of 30 June 2014 decreased by €8,231k to €68,193k. As of 30 June 2014, the actual price payout ratio was 2,3 %-points (prior year: 14 %-points) below the expectation value.

For the organisation of secondary lotteries, reference is made to the organisation of lottery gaming systems which have a fixed ratio of payouts to stakes – this is known as the price payout ratio. In the lottery gaming systems organised by the operators of those reference games of relevance to Tipp24, there is a fixed underlying price payout ratio of 50% in the gaming system for ongoing lottery draws. This also corresponds to the expected price payout ratio for the organisation of secondary

lotteries. There may be deviations from this expected value during the actual draws of secondary lotteries which are chance effects and thus represent statistical fluctuations of the ratio of price payouts to stakes. A price payout ratio above the expected value results in revenues below the expected revenue figure, while a lower price payout ratio increases actual revenues in comparison to the expected figure.

In order to aid comprehension of the interim condensed consolidated financial statements and earnings, the following table presents the reconciliation of actual revenues with revenues adjusted for chance effects and the effect of deviations between actual winnings payouts and the expected value.

in €k	Q.I-II 2014		Q.I-II 2013		Deviation absolute
<b>Revenues</b>	<b>68,193</b>	<b>100.0%</b>	<b>76,424</b>	<b>100.0%</b>	<b>-8,231</b>
+/- Deviation between actual winnings payouts and expected value	-1,596	-2.3%	-10,687	-14.0%	9,091
Revenues adjusted for chance effects	66,597	97.7%	65,737	86.0%	859

## 2 PERSONNEL EXPENSES

In the first six months of 2014, personnel expenses were 61.6% up on H.I 2013 at €9,051k (H.I 2013: €5,600k). The year-on-year increase in personnel expenses resulted mainly from (i) a cost shift from other operating expenses due to the incorporation of a former technical service provider (€2,519k) and (ii) organic headcount growth (€612k) and (iii) additional members of the Executive Board (€320k).

## 3 OTHER OPERATING EXPENSES

Other costs of operations rose by 21.9% to €20,055k (H.I 2013: €16,452k) despite a shift of €2,519k from this position to personnel expenses. The difference in non-recurring items – mainly costs for the planned renewal of the hedging structure, exchange rate differences and non-deductible VAT of Tipp24 SE – accounts for more than half of the increase.

## 4 TAXES

On conclusion of the tax inspection for the period 2005–2007, there was a dispute with the relevant tax authority regarding the validity of tax assessments for two items. While one item was resolved in the meantime in favour of Tipp24, the other one still exists. Although we have grounds to believe that all the items queried by the tax authority were correctly assessed in accordance with the relevant regulations, the

possibility cannot be excluded that the relevant authority may come to a different conclusion and successfully uphold this view in any respective legal proceedings. As a result, there is a total tax risk of up to €3.0 million, which might have a correspondingly negative effect on the earnings, financial position and net assets of Tipp24 SE.

## 5 INCOME TAX

The tax calculation of the Group is based on a tax ratio which suitably reflects the tax expense.

in €k	Q.I-II 2014	Q.I-II 2013
Current income tax expense	3,271	6,274
Current deferred tax expense/income	-502	-365
<b>Total income tax</b>	<b>2,769</b>	<b>5,909</b>

## 6 DIVIDENDS PAID

On 27 February 2014, the Executive Board of Tipp24 SE announced that it would distribute a one-off special dividend on 30 April 2014 in the form of an interim dividend amounting to €7.50 per share.

An interim dividend of €7.50 per share was paid, amounting to €62,888,160 in total.

## 7 PROVISIONAL BUSINESS COMBINATIONS

On 10 April 2014 Smartgames Technologies Limited, based in London, acquired 100% of eSailors Limited, an unlisted company based in London. The Group has acquired eSailors Limited in order to improve the technical know-how of the Group. The acquisition has been accounted for using the acquisition method. The interim condensed consolidated

financial statements include the results of eSailors Limited for the three months period from the acquisition date.

The provisional fair values of the identifiable assets and liabilities of eSailors Limited at the date of acquisition were:

in €k	Fair value recognised on acquisition
Property, plant and equipment	–
Intangible assets	–
Other assets	4,776
Financial debt	–
Other liabilities	-3,785
<b>Fair value of net assets acquired</b>	<b>990</b>
<b>Fair value of consideration transferred</b>	<b>990</b>
Cash and cash equivalents acquired	1,916
Consideration payable	-990
<b>Cash outflow on acquisition</b>	<b>925</b>

From the date of acquisition, eSailors has contributed €673,472 in revenue and €98,150 in the net profit before tax from continuing operations to the Group. If the acquisition had taken place at the beginning of the year, revenues from continuing operations would have been €1,121,636 and the profit from continuing operations for the period would have been €377,954.

Transaction costs of €5,000 have been expensed and are included in administrative expenses in the statement of profit and loss and are part of operating cash flows in the statement of cash flows.

## 8 DISCONTINUED OPERATIONS

As of 30 June 2014, Tipp24 Deutschland GmbH was classified as a discontinued operation. Its result can be broken down as follows:

in €k	Q.I-II 2014	Q.I-II 2013
Expenses	-31	-2
<b>Profit before tax from discontinued operations</b>	<b>-31</b>	<b>-2</b>
<b>Profit after tax from discontinued operations</b>	<b>-31</b>	<b>-2</b>
Earnings per share from discontinued activities (basic and diluted, in €/share)	0.00	0.00

## 9 SHARES IN ASSOCIATED COMPANIES

The Group holds a shareholding of 21.85% in Geonomics Global Games Limited, London, UK.

in €k	30/06/2014	31/12/2013
<b>Shares in the assets and liabilities of the associated company</b>		
Short-term assets	1,942	2,130
Long-term assets	1,682	343
Short-term liabilities	134	158
Long-term liabilities	0	0
<b>Equity</b>	<b>3,490</b>	<b>2,315</b>

in €k	Q.I-II 2014	Q.I-II 2013
<b>Share in profit or loss of the associated company</b>		
Revenues	165	-56
Annual net loss	-608	-309
Other comprehensive income	0	0
Total comprehensive income	-608	-309

in €k	30/06/2014	31/12/2013
<b>Net assets of the associated company</b>	<b>13,580</b>	<b>10,595</b>
<i>Group's shareholding</i>	25.70%	25.70%
Group's share in result	-608	-587
Write-downs on undisclosed reserves (net)	-157	-270
<b>Carrying value of the Group's shareholding in Geonomics Global Games Limited</b>	<b>16,773</b>	<b>17,538</b>

Geonomics Global Games Limited is accounted for in the interim condensed consolidated financial statements using the equity method. The business year of Geonomics Global Games Limited ends on 31 December.

## 10 SHARES IN JOINT VENTURES

The Group holds a shareholding of 50% in Geo24 UK Limited, London, UK.

Geo24 UK Limited is accounted for in the interim condensed consolidated financial statement using the equity method. The business year of Geo24 UK Limited ends on 31 December.

in €k	30/06/2014	31/12/2013
<b>Shares in the assets and liabilities of the joint venture</b>		
Short-term assets	465	2,145
Long-term assets	1,719	12
Short-term liabilities	490	1,315
Long-term liabilities	120	0
<b>Equity</b>	<b>1,574</b>	<b>842</b>

in €k	0.I-II 2014	0.I-II 2013
<b>Share in profit or loss of the joint venture</b>		
Revenues	7	0
Annual net loss	-1,119	0
Other comprehensive income	0	0
Total comprehensive income	-1,119	0

in €k	30/06/2014	31/12/2013
<b>Net assets of the joint venture</b>	<b>3,147</b>	<b>1,685</b>
<i>Group's shareholding</i>	<i>50.00%</i>	<i>50.00%</i>
Group's share in result	-1,119	-114
<b>Carrying value of the Group's shareholding in Geo24 UK Limited</b>	<b>4,075</b>	<b>5,069</b>

## 11 OBJECTIVES AND METHODS OF CAPITAL MANAGEMENT

The Group operates a decentralised capital management system. All key decisions concerning the financial structure of the "German" segment are taken by the Executive Board of Tipp24. MyLotto24 Limited is responsible for capital management of the "Abroad" segment, with the

exception of Tipp24 Services Limited which undertakes its own capital management. The principles and objectives of financial management, as well as the risks which Tipp24 is exposed to, are presented in the current risk report.

## 12 INTEREST RATE RISK

The Group invests the majority of its funds in a combination of fixed term deposits. For these funds, which are mainly held in liquid or short-term investments, there is a general risk from changing interest rates. A sensitivity analysis was conducted for the portfolio of cash and short-term financial assets held on 30 June 2014 with a simulated interest rate increase of 50 base points. Assuming no changes are made to

the portfolio in response to the interest rate increase, there would be a rise in interest income of €803k (in a simplified calculation). Under consideration of the duration of those investments currently in the portfolio, there would be an expected reduction of this interest income of €13k. The overall effect, therefore, would be an increase in interest income of €790k.

## 13 CURRENCY RISK

The Group is exposed to a currency risk as a result of GBP exchange rates arising from payments received and made in foreign currency which differ from the Group's functional currency and are not always offset by payments in the same currency of the same amount and with the same maturities. Moreover, a part of financial assets is denominated in Pounds and thus exposed to a currency risk.

In order to determine the currency risk, a fluctuation of the euro to British pound exchange rate of 10% was assumed as of 30 June 2014. On the basis of this assumption, a revaluation of the British pound against the euro of 10% to 0.8817 GBP/EUR would result in an effect of €-3,621k on earnings. A devaluation of the British pound against the euro of 10% to 0.7214 GBP/EUR would result in an effect of €3,997k on earnings.



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## 14 SUBSEQUENT EVENTS

There are no known events after the date of the Interim Condensed Consolidated Statement that require disclosure.

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## 15 RELATED PARTIES

The members of Tipp24 SE's Executive Board and Supervisory Board are regarded as related parties in accordance with IAS 24. Oliver Jaster and Thorsten Hehl are members of the Supervisory Board. The operating business of Schumann e.K. was outsourced to a related company of Oliver Jaster and Thorsten Hehl, Günther Direct Services GmbH, in return, Günther Direct Services GmbH received compensation of €69k in the period under review.

Jens Schumann is a member of the Supervisory Board of Tipp24 SE and at the same time sole partner of Schumann e.K.. This structure has existed in comparable form since 2002 and was chosen because class lotteries only issue sales licenses at present to natural persons or companies in which neither the liability of the company or its direct and indirect partners is limited. A cooperation agreement is in place between Tipp24 SE and Schumann e.K., which governs the processing of game participation of class lottery customers by Schumann e.K. under the terms of the agreement, Schumann e.K. must pay all commissions and other brokerage fees collected in this context to Tipp24 SE. Tipp24 SE provides Schumann e.K. with services in the field of accounting, book-keeping, marketing and technical services and bears the costs incurred

by Schumann e.K. in running its operations. As Jens Schumann operates Schumann e.K. in the interest of Tipp24 SE, Tipp24 SE 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 e.K.. Indemnification is limited to the extent that fulfillment of this indemnification may not cause Tipp24 SE to become insolvent or overindebted. In his capacity as shareholder of Schumann e.K., Mr Schumann did not receive any remuneration during the period under review.

There were no other significant transactions with related parties in the period under review which required reporting.

## FINANCIAL CALENDAR

13 NOVEMBER 2014

Q.III REPORT

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