

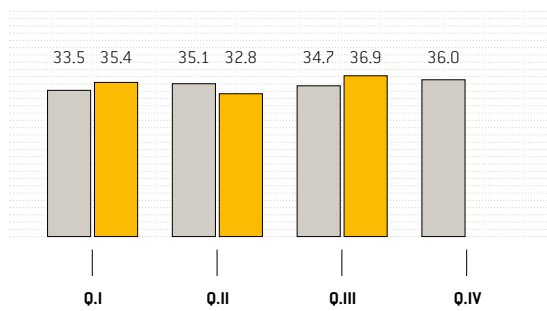
**Tipp24de**

INTERIM FINANCIAL REPORT  
1 JAN.–30 SEP. 2012

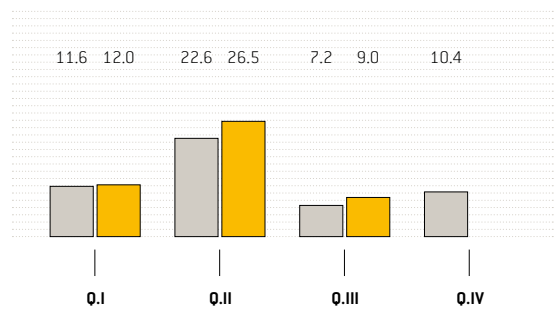
2012

**Q.I–III**

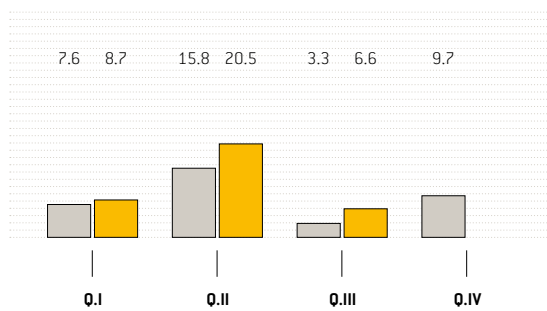
REVENUES in EUR million



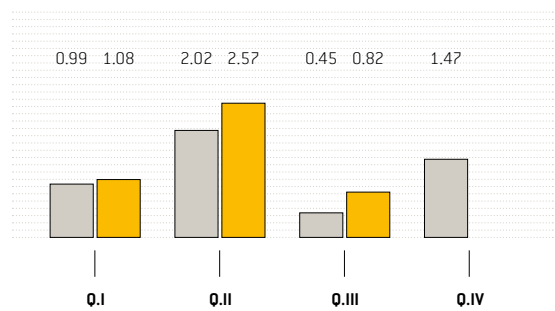
EBIT in EUR million



NET PROFIT <sup>1)</sup> in EUR million



EARNINGS PER SHARE <sup>1)</sup> in EUR



■ 2011  
■ 2012

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

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(Possible rounding differences in the Interim Group Management Report and Interim Consolidated Financial Statements due to presentation in EUR thousand.)

### LADIES AND GENTLEMEN,

Tipp24 SE once again continued its successful development in the third quarter of 2012: consolidated EBIT has now risen by a total of 14.5% over the first nine months. With a slight increase in revenue (+1.7%), the EBIT margin has thus improved by 5.1 %-points to 45.2%. As explained in more detail in the management report, EBIT in particular was affected by three special items.

### Foreign business dominates

As in the recent past, the overall performance of Tipp24 SE was dominated by its Abroad segment: whereas foreign revenues reached EUR 105,447 thousand (prior year: EUR 104,935 thousand), the German segment generated EUR 374 thousand (prior year: EUR 453 thousand). The foreign companies contributed a total of EUR 37,345 thousand to consolidated EBIT (prior year: EUR 47,861 thousand), compared to EUR 9,780 thousand provided by the German segment (prior year: EUR -4,879 thousand).

### Strategic realignment

Tipp24 SE will focus on the expansion of its successful foreign business in future, and in particular on the establishment of a new international business division dedicated to providing Internet services for lottery operators.

As already explained in our half-yearly financial report, we expect consolidated EBIT of EUR 48 million for fiscal year 2012 with unchanged revenue of at least EUR 130 million. This forecast includes consideration of uncertainties regarding negative statistical fluctuations amounting to EUR 10 million as well as EUR 5 million for the establishment of new businesses.



**Dr. Hans Cornehl**

Chairman of the Executive Board

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

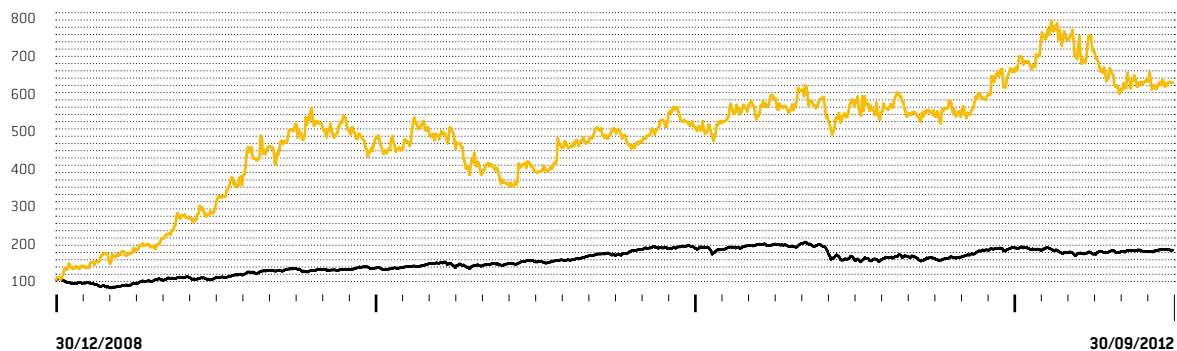
		Q.I–III 2012	Q.I–III 2011	change in %
Revenue	EUR thsd.	105,091	103,316	+1.7%
EBIT	EUR thsd.	47,477	41,456	+14.5%
EBIT margin	%	45.2	40.1	+5.1 %-points
Net profit <sup>1)</sup>	EUR thsd.	35,689	27,644	+29.1%
Net profit margin <sup>1)</sup>	%	34.0	26.8	+7.2 %-points
Cash flow from operating activities	EUR thsd.	14,192	33,773	-58.0%
Equity (30/09/2012 / 31/12/2011)	EUR thsd.	146,281	129,291	+13.1%
Employees (30/09)	headcounts	109	98	+11.2%

(Rounding differences possible due to presentation in EUR thousand)

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

## INVESTOR RELATIONS

(Index 30/12/2008 = 100)



EUR 5.71

2,800.73

— Tipp24 EUR 35.90

— SDAX 5,004.14

## SHARE

In the third quarter of 2012, there were two events of great significance for the continued existence of the European Monetary and Economic Union: firstly, the European Central Bank (ECB) decided to make unlimited purchases of bonds issued by Europe's crisis-hit states, enabling them to gain more favourable terms on the capital markets. Secondly, the decision of Germany's Federal Constitutional Court in September to allow the German President, Joachim Gauck, to sign the European Stability Mechanism (ESM) and the European Fiscal Pact, subject to certain conditions.

Partly as a result of the ECB's decision to strengthen the Euro zone and the Federal Constitutional Court's »go-ahead« for the ESM, nearly all major international stock markets made gains over the previous quarter in the third quarter of 2012.

The SDAX index, for example, was up 4.2% in the third quarter and closed at 5,004.14 points. During the same period, the Tipp24 share fell by 9.3% – mainly due to profit-taking – and closed at EUR 35.90 on 28 September 2012.

### KEY SHARE FIGURES

Day of initial listing		<b>12/10/2005</b>
Year-opening price	02/01/2012	<b>EUR 33.00</b>
Market capitalization	02/01/2012	<b>EUR 264 million</b>
Period end-price	30/09/2012	<b>EUR 35.90</b>
Market capitalization	30/09/2012	<b>EUR 287 million</b>
Highest price	14/05/2012	<b>EUR 45.00</b>
Lowest price	20/01/2012	<b>EUR 30.50</b>
Number of shares	30/09/2012	<b>7,985 thsd.</b>
Own shares	30/09/2012	<b>0 shares</b>
Average daily trading	01/01–30/09/2012	<b>EUR 617 thsd.</b>
Earnings per share	01/01–30/09/2012	<b>EUR 4.47</b>

### SHAREHOLDER SERVICE

WKN	<b>784714</b>
ISIN	<b>DE0007847147</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>Deutsche Bank, Berenberg, Warburg, Hauck &amp; Aufhäuser</b>
Reuters	<b>TIMGn.DE</b>
Bloomberg	<b>TIM GR</b>

## INTERIM GROUP MANAGEMENT REPORT

### BUSINESS & ECONOMIC CONDITIONS

#### ACTIVITIES OF TIPP24

For over twelve years, Tipp24 – Tipp24 SE and its consolidated companies – has been operating privately in a European lottery market which is still dominated by state operators. Tipp24's activities are divided between its Germany and Abroad segments.

On 20 February 2012, the subsidiary Lotto24 AG (formerly Tipp24 Deutschland GmbH) launched restricted brokerage operations under [www.lotto24.de](http://www.lotto24.de) for the state lottery company Schleswig-Holstein and is seeking to resume full brokerage operations in Germany as soon as possible. This required Lotto24 AG to apply for permits from the various regulatory authorities of the individual federal states. We believe that a continued legal connection between Lotto24 AG and Tipp24 SE or its fully consolidated minority shareholdings would have jeopardized such application processes. In order to enable the resumption of business in Germany without such legal disputes of Tipp24 SE, the Annual General Meeting of Tipp24 SE on 22 June 2012 adopted a resolution to spin off its German activities and form an independent listed company. Shares in Lotto24 AG were admitted for trading by the Frankfurt Stock Exchange on 2 July 2012 and have been listed under the ISIN DE000LTT 0243 in the Prime Standard segment of the Frankfurt Stock Exchange since 3 July. Tipp24 SE also markets the German class lotteries NKL and SKL in cooperation with Schumann e. K. Its subsidiary Tipp24 Entertainment GmbH used to develop skill-based games. This business model was unable to match the profitability of the company's core business over the long term and consequently it was decided to discontinue these activities in an orderly process.

In the Abroad segment, MyLotto24 Limited in the UK organizes secondary English lotteries based on various European lotteries, whereby it bears the bookmaking risk itself. Tipp24 Services Limited brokers tickets to MyLotto24 Limited. The segment also comprises the brokering of state-run lottery products in Spain.

#### REGULATORY CONDITIONS

##### Adapting the business model to the German State Treaty on Games of Chance

Following the implementation of the second stage of the German State Treaty on Games of Chance (GlüStV), which completely prohibited the online brokering of state-run lotteries as of 1 January 2009, Tipp24 SE discontinued its lottery brokerage activities in Germany. Its operations were therefore brought in line with the regulatory environment – although Tipp24 continues to fight in the courts for the resumption of its business in Germany. In the course of this realignment, Tipp24 SE transferred assets that it no longer required 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 these companies in their respective business fields. Specifically, 60% of the voting shares in both MyLotto24 Limited and Tipp24Services 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 GBP 30 thousand p.a. The inclusion of the shareholding in MyLotto24 Limited and its respective subsidiaries and shareholdings 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.

## SIGNIFICANT ECONOMIC AND LEGAL FACTORS AFFECTING BUSINESS

### Legal market situation in Germany still unsettled

Despite the clear ruling of the European Court of Justice (ECJ), a number of German public authorities have passed various orders and prohibitions which affected both Tipp24 itself as well as other market participants. In what we regard as a contravention of EU law, several courts confirmed these decrees in summary and principal proceedings in application of the »State Treaty on Games of Chance« (GlüStV) – which expired on 30 June 2012 but has been largely continued since 1 July 2012 by the »First State Treaty to Revise the State Treaty on Games of Chance« (GlüÄndStV).

All in all, these decrees and decisions in contravention of the ECJ rulings of 2010 have so far resulted in a very uncertain situation.

Other administrative courts have applied the rulings of the ECJ – in what we believe are clearly reasoned decisions – and declared that not only the gaming monopoly itself but also the resulting key restrictions of the GlüStV are inapplicable.

The German Federal Administrative Court (Bundesverwaltungsgericht – BVerwG) and further lower-instance courts, such as the referring Administrative Courts of Cologne, Stuttgart and Giessen, and the Higher Administrative Court of North Rhine-Westphalia and the Administrative Court of Bavaria, have determined an incoherency in gaming regulations and practice in Germany. This has once again confirmed existing doubts about the legality and effectiveness of the GlüStV.

The same is also indicated by a decision of the Federal Supreme Court (Bundesgerichtshof – BGH) on 18 November 2010, which for legal reasons could only deal with legislation before the GlüStV was introduced. Despite this restriction, the BGH cites in its verdict the ECJ's ruling on »Carmen Media«, which only relates to the GlüStV, as proof of its incompatibility with higher-ranking legislation and refers to the advertising practice of Germany's state-run lottery companies, which is still not exclusively focused on measures aimed at combating addiction.

In proceedings dealing with sports betting and casino gambling, however, the BVerwG and BGH confirmed the applicability of a general Internet ban. The BVerwG explained that the Internet ban is generally in line with EU law and, as a result of incoherencies, still applies. In its verdict on 28 September 2011, the BGH concurred with this view. Although neither of the proceedings dealt with lotteries, they did assume a valid Internet ban for all games of chance based on the GlüStV.

In the more specific field of lottery brokerage, there are growing doubts among Germany's administrative courts about the proportionality of restrictions (Internet ban) and their alignment with the aim of combating gambling addiction – beyond the general doubts regarding the coherency of German gaming legislation. In proceedings brought by Tipp24, various administrative courts established that Germany's gaming regulations were disproportional due to considerable doubts regarding the existence of any lottery addiction. The Administrative Court (Verwaltungsgericht – VG) Halle conducted an extensive survey among guardianship courts and addiction clinics to settle the existence of such a lottery addiction. It found that lottery addiction played a very minor role, if any. Consequently, VG Halle, as well as VG Chemnitz and VG Berlin, ruled that there was a disproportion between the aim and the means, and that the current obligation of brokers to seek permission, the Internet ban and the so-called territoriality/regionality of German Lotto (i.e. the restriction of Lotto marketing to individual federal states) as regulated by the GlüStV contravened EU law. The verdict of VG Halle which unreservedly confirms the legitimacy of online lottery brokerage has been legally binding since 28 June 2011.

In parallel proceedings, however, other administrative courts regarded the especially the Internet ban and permit requirement as still applicable for the field of lottery brokerage. In a further verdict of 12 September 2011, VG Halle upheld its view on online brokerage – also regarding the BVerwG's verdict of 1 June 2011 – that the online brokerage of lotteries does not require permission due to the primacy of application. Following the BVerwG's verdict, VG Berlin does not believe that its opinion on the inapplicability of the permission requirement and the Internet ban for lottery brokerage has been deemed invalid or obsolete. This was made clear by the court in a resolution dated 14 September 2011. Contrasting views are held by other courts, such as the Administrative Court of Potsdam.

### Inconsistent implementation of EU law primacy

In September 2010, the ECJ proclaimed:

- that the assumption of various German courts that significant regulations of the GlüStV contravened EU law and were inapplicable was justified as the regulations of Germany's gaming monopoly represented an unjustifiable restriction of the basic European freedoms of private suppliers.
- that such an infringement of basic freedoms, as was the case under the old legislation, meant that the national law was immediately inapplicable, without any transition period for courts and authorities.

We believe that – especially in the field of lotteries – this also affects the obligation of brokers to seek permission from the federal states, the prohibition of online gaming and the restriction and prohibition of advertising. The ECJ's instructions regarding interpretation are generally binding. Several lower national administration courts have since declared that the obligation to seek permission is not applicable – in application of the ECJ ruling. Despite these reservations regarding the compliance of Germany's gaming monopoly with EU law, Germany's Federal Administrative Court and Federal Supreme Court generally confirmed the blanket Internet ban and need for permission in sports betting proceedings of the GlüStV – which expired on 30 June 2012 – without any indication that they regarded the legal position of lottery brokerage any differently, despite the lack of high court verdicts.

These recent verdicts are likely to be overturned though by future legislation following the amendment of the GlüStV in 2012 – which will continue to generally forbid the online brokerage of lotteries but grant official permits in special cases – and will thus not be of any lasting significance. This general trend is confirmed by the first publicly announced legal findings since the GlüStV 2012 came into effect. According to the Upper Administrative Court (OVG) Berlin-Brandenburg and the Higher Regional Court (OLG) Naumburg, following the introduction of the GlüStV 2012 online sports betting products not officially allowed in Germany cannot be forbidden by authorities or under competition law. In a press release explaining its verdict, OLG Naumburg stated in particular that »Deutsche Lotto- und Totoblock« pursued a revenue-enhancing and thus illegal advertising policy, as its advertisements not

only provided pure information on how to participate in games but presented betting as a socially responsible form of entertainment with a positive image.

Moreover, the state of Schleswig-Holstein decided against an Internet ban and the need for permits – in the case of lottery brokerage – in its new »Schleswig-Holstein Gaming Law«, which came into effect on 1 January 2012. The view confirmed by numerous expert opinions and legal studies is that with regard to EU law, the new Schleswig-Holstein legislation in itself makes both the Internet ban and the permit requirement of the other federal states incoherent and inapplicable in their current form.

This would mean that in respect of the jurisdiction of the German Federal Administrative Court and Federal Supreme Court, the Internet ban and permit requirement may also have lost their applicability for the entire territory of Germany as of 1 January 2012. At present, there is no directly relevant jurisdiction to support this highly contested theory. German legislators are called upon to observe the requirements concerning restrictions of basic freedoms under EU law – as recently referred to by the European Commission – in their revision of the GlüStV in order to avoid any continuation of the current legal chaos.

### Varying legal market situation abroad

The markets of our Abroad segment present a varied picture with regard to the development of the prevailing legal conditions. Whereas the regulatory environment in the UK is stable and in line with market requirements, significant legal changes to the regulation of sports betting and poker – also on the Internet – were recently introduced in Spain. Regulations concerning the online brokerage of lotteries are not currently planned or expected. In Italy, the protracted dispute with the Italian anti-trust authorities regarding the online brokerage of the state-licensed lottery SuperEnalotto ended without success.



## RESEARCH & DEVELOPMENT

In the Abroad segment, the new gaming software was expanded and improved following its launch in January 2011. These development efforts are managed directly abroad and operated partly in cooperation with external companies. In addition, our companies in the various countries made a number of improvements to products, capacities and security systems – with the aid of external R&D know-how for certain projects. In the first nine months of 2012, an average of 1 employee was involved with R&D activities on a full-time or part-time basis in Germany, and 21 in the Abroad segment. R&D expenses amounted to EUR 725 thousand (prior year: EUR 680 thousand) and were incurred solely in the Abroad segment.

## EARNINGS, FINANCIAL POSITION AND NET ASSETS

### EARNINGS

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

- In the first six months of 2012, the spin-off of Lotto24 AG resulted in a special item for Tipp24 which increased EBIT in total by EUR 18.2 million:
  - The disclosure of hidden reserves in the course of providing Lotto24 AG with the business opportunity for online lottery brokerage in Germany resulted in an amount of EUR 18.9 million which was disclosed in the income statement item »Income from the distribution of shares in Lotto24 AG«. This income has no effect on cash flow and corresponds to the dividend in kind adopted by the Annual General Meeting of 22 June 2012 in the form of shares in Lotto24 AG for the shareholders of Tipp24 SE amounting to EUR 20.0 million less the carrying value of the contributed assets.
  - An amount of EUR 2.2 million was recognized in other operating expenses for consultancy and other services in connection with the spin-off.
  - The deconsolidation of Lotto24 resulted in other operating income of EUR 1.5 million.
- In the first nine months of 2012, total payouts for secondary lotteries were EUR 9.3 million below the expected payout value (prior year: EUR 5.3 million) with a positive impact on revenues of the same amount. This benefited EBIT by an amount of EUR 4.0 million (prior year: EUR 1.0 million).
- In the second quarter of 2011, MyLotto24 Limited ended a dispute regarding an insurance payment by mutual agreement. The payment was recognized in the half-yearly result as other operating income. As a result, Tipp24 SE raised its guidance for consolidated EBIT in 2011 by EUR 10 million.

	Q.I–III 2012		Q.I–III 2011		Change %
	in EUR thsd.	%	in EUR thsd.	%	
<b>Revenues</b>	<b>105,091</b>	<b>100.0</b>	<b>103,316</b>	<b>100.0</b>	<b>1.7</b>
Personnel expenses	-8,542	-8.1	-7,380	-7.1	15.7
Other operating expenses	-68,806	-65.5	-65,603	-63.5	4.9
Other operating income	6,076	5.8	15,517	15.0	-60.8
Income from the distribution of shares in Lotto24 AG	18,850	17.9	0	0	n. a.
<b>Operating expenses</b>	<b>-52,422</b>	<b>-49.9</b>	<b>-57,466</b>	<b>-55.6</b>	<b>-8.8</b>
<b>EBITDA</b>	<b>52,669</b>	<b>50.1</b>	<b>45,851</b>	<b>44.4</b>	<b>14.9</b>
Amortization and depreciation	-5,192	-4.9	-4,395	-4.3	18.1
<b>EBIT</b>	<b>47,477</b>	<b>45.2</b>	<b>41,456</b>	<b>40.1</b>	<b>14.5</b>
Financial result	106	0.1	518	0.5	-79.5
<b>Earnings before taxes</b>	<b>47,583</b>	<b>45.3</b>	<b>41,974</b>	<b>40.6</b>	<b>13.4</b>
Income taxes	-11,895	-11.3	-14,330	-13.9	-17.0
<b>Profit from continued operations</b>	<b>35,689</b>	<b>34.0</b>	<b>27,644</b>	<b>26.8</b>	<b>29.1</b>
Profit after tax from discontinued operations	936	0.9	-1,039	-1.0	-190.1
<b>Profit</b>	<b>36,625</b>	<b>34.9</b>	<b>26,605</b>	<b>25.8</b>	<b>37.7</b>
<b>Breakdown of other operating expenses</b>					
Marketing expenses	-4,411	-4.2	-5,970	-5.8	-26.1
Direct operating expenses	-38,125	-36.3	-37,999	-36.8	0.3
Other expenses of operations	-26,269	-25.0	-21,634	-20.9	21.4
<b>Other operating expenses</b>	<b>-68,806</b>	<b>-65.5</b>	<b>-65,603</b>	<b>-63.5</b>	<b>4.9</b>

### EBIT

In the first three quarters of 2012, **consolidated EBIT** amounted to EUR 47,477 thousand (prior year: EUR 41,456 thousand), whereby the EBIT margin rose by 5.1 %-points from 40.1% to 45.2%. Adjusted for statistic deviation from the expected level of payouts, EBIT amounted to EUR 43,523 thousand (prior year: EUR 40,441 thousand) while the EBIT margin reached 45.4% (prior year: 41.3%).

In the period under review, the Germany segment posted an EBIT result of EUR 9,780 thousand (prior year: EUR -4,879 thousand), while the Abroad segment achieved an EBIT result of EUR 37,345 thousand (prior year: EUR 47,861 thousand).

The **financial result** amounted to EUR 106 thousand (prior year: EUR 518 thousand).

**Consolidated net profit** rose by 37.7% to EUR 36,625 thousand (prior year: EUR 26,605 thousand), while the net operating margin after tax reached 34.9% (prior year: 25.8%).

Compared to the previous year, the consolidated tax rate fell by 9.1 %-points to 25.0%. The average tax ratio of the UK minority shareholdings now amounts to 24.5% (prior year: 29.4%).

Compared to the previous year, **return on equity** rose from 22.3% to 25.0%.

**Earnings per share** from continued operations (undiluted and diluted) increased from EUR 3.33 to EUR 4.47.

### Revenues

In the first nine months of 2012, revenues of Tipp24 were slightly up on last year at EUR 105,091 thousand (prior year: EUR 103,316 thousand). The Germany segment accounted for EUR 374 thousand (prior year: EUR 453 thousand) and the Abroad segment for EUR 105,447 thousand (prior year: EUR 104,935 thousand).

Adjusted for chance effects, consolidated revenues would have been slightly down on the previous year at EUR 95,824 thousand (prior year: EUR 98,032 thousand). In the first nine months of the reporting year, the actual payout ratio varied by -4.8 %-points (prior year: -3.2 %-points) from the expected value.

For the organization 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 organized by the operators of those reference games of relevance to Tipp24, there is a fixed underlying payout ratio of 50% in the gaming system for ongoing lottery draws. This also corresponds to the expected payout ratio for the organization 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 interim financial statements and earnings position, the effect of deviations between the expected and actual payouts is therefore stated.

### Development of key income statement positions

After nine months of the reporting period, **personnel expenses** exceeded the prior-year figure by 15.7% and amounted to EUR 8,542 thousand (prior year: EUR 7,380 thousand). The personnel expense ratio rose by 1.0 %-point to 8.1%. This increase resulted mainly from changes in the Executive Board and the build-up of personnel at Lotto24 AG. As of 30 September 2012, the number of employees amounted to 109 (prior year: 98).

**Other operating expenses** increased by 4.8% to EUR 68,806 thousand in the reporting period (prior year: EUR 65,603 thousand). The development in detail was as follows:

- **Marketing expenses** fell by 26.1% to EUR 4,411 thousand (prior year: EUR 5,970 thousand) – mainly due to significantly reduced marketing activities in Italy.
- **Direct operating expenses** were largely unchanged at EUR 38,125 thousand (prior year: EUR 37,999 thousand). This item is strongly influenced by licence and operator fees as well as costs in connection with hedging transactions of MyLotto24 Limited. At EUR 16,250 thousand, hedging costs were below the prior-year figure of EUR 18,511 thousand. Due to high jackpots in certain product categories, however, there was an increase in hedging contracts in the third quarter of 2012 – with a corresponding burden on earnings. In the Abroad segment, licence and operator fees amounted to EUR 14,135 thousand (prior year: EUR 13,514 thousand). There was also an increase in non-deductible input tax of EUR 962 thousand to EUR 2,941 thousand.
- The rise in **other operating expenses** of 21.4% to EUR 26,269 thousand (prior year: EUR 21,634 thousand) resulted mainly from increased expenses for outsourcing. These also involved technical preparations for the establishment of a new business division providing Internet services for international lottery organizers.

As already explained in the special items above, **other operating income** fell to EUR 6,076 thousand (prior year: EUR 15,517 thousand).

Income from the distribution of shares in Lotto24 AG amounting to EUR 18,850 thousand (prior year: EUR 0) reflects the disclosure of hidden reserves from providing Lotto24 AG with a business opportunity, as described above.

The **scheduled amortization** of software put into operation in 2011 led to a rise in depreciation of tangible and intangible assets of EUR 797 thousand to EUR 5,192 thousand.

### FINANCIAL POSITION

Compared with the balance sheet date, Tipp24's **equity capital** grew in total by EUR 16,990 thousand to EUR 146,281 thousand as of 30 September 2012. Over the same period, the equity ratio increased by 5.6 %-points to 80.3%, while the balance sheet total rose by 5.3% to EUR 182,220 thousand.

As of 30 September 2012, **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) and tax liabilities – were down 20.1% to EUR 17,460 thousand (31 December 2011: EUR 21,844 thousand).

<b>Other liabilities</b> in EUR thousand	30/09/2012	31/12/2011
Liabilities from gaming operations	15,599	17,605
Tax liabilities	901	3,008
Liabilities from open invoices	502	416
Liabilities from social security	191	136
Others	266	679
	<b>17,460</b>	<b>21,844</b>

### Investment analysis

In the first nine months of 2012, investing activities resulted in net cash flow of EUR -19,038 thousand (prior year: EUR -35,039 thousand). Proceeds and disbursements from financial investments resulted in net cash flow of EUR -18,213 thousand (prior year: EUR -29,980 thousand). Net cash flow from investments in our operating business totalled EUR -825 thousand (prior year: EUR -5,058 thousand), whereby this figure also includes disinvestments in connection with the sale of assets belonging to Tipp24 Entertainment GmbH.

## Liquidity analysis

<b>Key cash flow positions</b> in EUR thousand	Q.I–III 2012	Q.I–III 2011
Cash flow from operating activities	14,192	33,773
Cash flow from investing activities	-19,038	-35,039
<i>thereof financial investments</i>	-18,213	-29,980
<i>thereof operative investments</i>	-825	-5,058
Cash flow from financing activities	0	0
<b>Change in cash</b>	<b>-4,846</b>	<b>-1,266</b>
Cash at the beginning of the period (without pledged cash)	63,366	42,673
Changes in consolidated group	-267	0
<b>Cash at the end of the period (without pledged cash)</b>	<b>58,353</b>	<b>41,440</b>
Short-term financial assets	84,000	65,433
<b>Available funds</b>	<b>142,353</b>	<b>106,873</b>

At EUR 14,192 thousand, **cash flow from operating activities** in the first three quarters of 2012 was down on the previous year (EUR 33,773 thousand). This was due mainly to reduced other liabilities, other non-cash changes (spin-off of Lotto24), increased other assets and prepayments made, as well as cash-effective other operating income relating to other periods in the previous year.

As explained in the investment analysis section above, **cash flow from investing activities** amounted to EUR -19,038 thousand in the period under review (prior year: EUR -35,039 thousand).

**Cash flow from financing activities** amounted to EUR 0 (prior year: EUR 0).

Tipp24 has available funds in the form of cash and short-term financial assets of EUR 142,353 thousand (prior year: EUR 106,873 thousand). This ensures that our operator of secondary lotteries, MyLotto24 Limited, always has sufficient short-term liquidity for the swift payment of high jackpot winnings.

<b>Other assets</b> in EUR thousand	30/09/2012	31/12/2011
Receivables from gaming operations	3,707	2,701
Prepaid expenses	4,233	2,616
Receivables from tax authorities for sales tax	443	597
Others	3,175	760
	<b>11,558</b>	<b>6,674</b>

### ASSET SITUATION

Tipp24's asset profile is mainly determined by current assets of EUR 154,653 thousand (31 December 2011: EUR 136,828 thousand). These consist largely of cash (EUR 59,010 thousand), short-term financial assets (EUR 84,000 thousand) and other assets and prepaid expenses (EUR 11,558 thousand). Moreover, Tipp24 has intangible assets (mainly software) amounting to EUR 19,281 thousand, financial assets of EUR 2,000 thousand, property, plant and equipment (mainly hardware and office equipment) amounting to EUR 2,039 thousand and deferred tax assets amounting to EUR 3,936 thousand.

The development of assets mainly reflects the development of cash flow from operating activities.

#### Management's assessment of the economic position

For the fourth consecutive year following the implementation of the second stage of the GlüStV, Tipp24 was prevented from pursuing its traditional business of brokering state-run lotteries in Germany in the period under review.

The exception to this was the beginning of restricted brokerage operations by Lotto24 AG on 20 February 2012 under [www.lotto24.de](http://www.lotto24.de) for the state lottery of Schleswig-Holstein. In view of the politically determined conditions, we have now conducted a complete legal separation of Lotto24 AG from Tipp24 SE and its investment companies in order to resume full brokerage operations in Germany as soon as possible. At the same time, business activities in the Abroad segment continued to make steady progress.

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 negative regulatory conditions. 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 there is a strong probability that the sector will enjoy significant growth in the coming years.

Tipp24 is excellently positioned to benefit strongly from such growth. Furthermore, we see attractive additional potential in new product categories and in the course of a possible deregulation of European lottery markets. In particular, we plan to establish a new business field in the medium term which will offer Internet services for international lottery operators. Initial talks with potential customers have strengthened our view that this is a promising market segment. Tipp24 has extensive financial liquidity, mainly from equity capital. This provides considerable scope to grasp future growth opportunities – for example by means of acquisitions.

### SUBSEQUENT EVENTS

There were no events subsequent to the reporting period which had a significant impact on the business development of Tipp24.

## REPORT ON EXPECTED DEVELOPMENTS AND ASSOCIATED MATERIAL OPPORTUNITIES AND RISKS

In our annual report 2011, 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 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 the profit margins of these companies 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 the 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.

#### Risks from cash and financial investments

Tipp24 has cash in Germany and abroad totalling EUR 59,010 thousand which is held in accounts with various major European banks. Theoretical default risks resulting from the current financial market development are limited by thorough and

continuous analysis of the relevant credit institutes. Nevertheless, certain financial institutes where Tipp24 holds balances may default. Should the global financial crisis also deepen further and should – against all expectations – neither the national bank support systems nor the support packages provided by the leading industrialized states fail to avert the collapse of individual banks, this may result in the breakdown of various or possibly all credit institutes as well as all national support systems. Such scenarios may lead to the partial or complete loss of our cash deposits.

Short-term financial assets of EUR 84,000 thousand are invested widely and comprise mainly investments with high credit ratings. The collapse of individual issuers of such securities may lead to the partial or complete loss of these financial assets. The financial assets and cash deposits currently held also bear a significant interest risk. A reduction in interest rates may mean that no income can be generated from cash deposits and financial assets.

#### Regulatory risks

In spite of the ECJ ruling of 8 September 2010, that of the BVerwG on 24 November 2010 and those of various other administrative courts which confirm our own assessment of the situation, there is still a risk that the restrictive legal framework introduced by the GlüStV and largely continued by the GlüStV 2012 may be upheld to a large extent or completely also in the medium term. Within the framework of its remit, the ECJ has examined the restrictions of the GlüStV with regard to its compliance with EU law and in response to inquiries brought by several German courts has confirmed reservations regarding the compliance of Germany's gaming laws with EU law. In application of the principles determined by the ECJ, the BVerwG also referred to the contradictory nature of the German gaming monopoly in November 2010.

Even though the original GlüStV has expired, Germany's federal states have re-adopted the majority of its regulations in the form of the »First State Treaty to Revise the State Treaty on Games of Chance« (GlüÄndStV). This legislation continues many of the illegal restrictions of its predecessor which were criticized by both the ECJ and the EU Commission. It is not expected that the GlüÄndStV will clarify the unchanged legal uncertainties in the short term. Moreover, there are permit restrictions which continue the flaws of the GlüStV. The Internet ban has also been

upheld in principle. Although the states can allow exceptions by granting permits – also to private lottery brokers – there is neither a legal claim to such permits nor do we believe that they are based on any objective and predictable criteria, as demanded by the ECJ. Tipp24 SE is making efforts to receive the permits provided for by the GlüStV 2012 in order to resume the operations it was forced to discontinue at the end of 2008. However, in view of the many years of legal wrangling between Tipp24 SE and the authorities, we assume that permit application processes involving Tipp24 SE will be burdened and 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 access to the tremendous potential of the German market in the near future.

In 2011, there was a favourable development in proceedings regarding Tipp24 SE's responsibility for offerings of its minority investments as well as in the resulting risks: two administrative courts rejected any responsibility of the German company. In advance, some courts attempted to interpret verdicts originally concerning German lottery brokerage in the past in such a way that these also concerned the brokerage of secondary lotteries by investment companies. A prohibition order for Tipp24 SE expressly forbidding Tipp24 SE's operations for 12 federal states »via« the UK products was legally repealed as the UK companies conduct their business independently and Tipp24 SE neither controls such activities nor is responsible for them. A coercive payment with comparable grounds passed by the state of North Rhine-Westphalia was voluntarily repealed again by the authorities after a verdict of VG Düsseldorf. We therefore do not expect any further coercive payments against Tipp24 SE due to the UK business, which the German authorities regard as illegal on the basis of German gaming legislation. In view of the legal opinions and verdicts of the federal states, however, it cannot be completely excluded that certain authorities will issue further 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 though the UK companies operate on the basis of concessions issued by the UK Gambling Commission and,

according to the ECJ ruling on the interpretation of EU law, German legislation is to be regarded as incoherent and inapplicable as even the German organization monopoly is inapplicable and there are considerable doubts about the applicability of the permit requirement and Internet ban (see above). 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. In their capacity as market participants, certain state lottery companies also believe that the UK companies contravene the GlüStV and are thus anticompetitive. 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 the aforementioned proceedings and possible future court verdicts. All in all, we cannot therefore exclude the possibility that the above mentioned risks may lead to a significant restriction in the business activities of the UK companies.

In view of the doubts expressed by the supreme court regarding the legal status quo prior to the commencement of the GlüStV, there is a not insignificant probability that also in future the national courts will increasingly come to the conclusion that the German monopoly regulations are incoherent and thus disproportional. A coherent implementation of restrictions intended to prevent gambling addiction would not ignore what the ECJ and BVerwG believe to be the most dangerous games (commercial gaming machines), whose operation is currently allowed and even facilitated for private persons – irrespective of which legislator is responsible, federal or state. Moreover, the ECJ – and recently also the Higher Administrative Court of North Rhine-Westphalia, the Bavarian Administrative Court and recently, as explained above, also the Higher Regional Court Naumburg – believe that the current advertising methods of state-run lotteries contradict the aim of preventing gambling addiction and are instead aimed at gaining new customers. Such incoherencies justified the decision that the European freedom of private persons to provide services was restricted in a disproportional manner. German authorities and courts are currently adopting the view that the monopoly regulations may



be ineffective, but that the need to seek permission and the Internet ban are still effective. Based on numerous legal analyses and court verdicts to the contrary, we regard this view as incorrect – above all for the field of lottery brokerage.

In summary, however, 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 earnings, financial position and net assets of Tipp24.

#### **Tax risks**

As the result of a tax inspection, there is currently a dispute with the relevant tax authority regarding the validity of tax assessments for various items in the inspection period (fiscal years 2005 to 2007 inclusive). The relevant tax authority has issued a tax assessment and respective payment demand amounting to EUR 3.6 million (including interest). Tipp24 SE has appealed against the assessment and only accepted and paid additional demands totalling EUR 0.2 million. An application for suspension of execution was filed with the tax authorities for the remaining payment demand. This application has since been granted. 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 not accept our appeal against the assessment, or at least not in full, and as a consequence we may not be able to successfully uphold our view in court, or not in full. As a result, there is a remaining tax risk of up to EUR 3.4 million, plus the corresponding time-related interest on arrears (6% p. a.) which might have a correspondingly negative effect on the earnings, financial position and net assets 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 earnings, financial position and net assets of MyLotto24 Limited, which through consolidation would also represent a burden for Tipp24 as a whole. In 2011, MyLotto24 Limited structured a 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 EUR 5 million. Tipp24 SE currently has a communication guideline which requires the publication of such notifications. It is generally assumed that this announcement to the capital market is 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 earnings, financial position and net assets of MyLotto24 Limited, and thus on Tipp24 by means of consolidation, if the corresponding claim has been recognized at all in the balance sheet – for example as a result of an initial payment pledge.

## FORECAST AND OPPORTUNITY REPORT

According to the executive boards of our minority shareholdings, the growth strategy in Europe is to be continued. 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.

### EXPECTED EARNINGS POSITION

As already explained in its half-yearly financial report, Tipp24 SE expects consolidated EBIT of EUR 48 million and revenue of at least EUR 130 million in fiscal year 2012.

This forecast includes consideration of uncertainties regarding negative statistical fluctuations amounting to EUR 10 million as well as EUR 5 million for the establishment of new business. Should the current legal and economic conditions remain stable beyond 2012 and into 2013, the original forecast for 2012 (EBIT of at least EUR 35 million) can be applied in the same way to 2013. Against the backdrop of a very unsettled regulatory environment, however, this forecast is still subject to significant uncertainties.

## SIGNIFICANT OPPORTUNITIES

In view of the above-mentioned discussion of the legal framework, we believe it is unlikely that Germany's legislators will act against valid law and political common sense by restricting the growing market of online lottery brokerage. The ECJ verdict announced on 8 September 2010, as well as verdicts of Germany's anti-trust authorities and subsequent court instances for EU anti-trust legislation, various temporary verdicts at German administrative and civil courts, the introduction of liberal gaming legislation in Schleswig-Holstein, and official pronouncements on a European level may also result in steps towards deregulation in the medium term with a direct or indirect impact on lotteries. With its international alignment, Tipp24 may benefit more than average from such a development: above all, it would also enable further internationalization – thus significantly increasing access to our product portfolio and enabling Tipp24 to enter new European markets with its existing products.

## CONSOLIDATED INCOME STATEMENT FROM 1 JANUARY TO 30 SEPTEMBER ACC. TO IFRS

	Q.I–III 2012	Q.I–III 2011	Q.III 2012	Q.III 2011
in EUR thousand				
<b>Revenues</b>	<b>105,091</b>	<b>103,316</b>	<b>36,896</b>	<b>34,687</b>
Other operating income	6,076	15,517	1,970	1,928
Income from the distribution of shares in Lotto24 AG	18,850	0	0	0
<b>Total operating performance</b>	<b>130,017</b>	<b>118,834</b>	<b>38,866</b>	<b>36,616</b>
Personnel expenses	-8,542	-7,380	-2,584	-2,793
Amortization/depreciation on intangible assets and property, plant and equipment	-5,192	-4,395	-1,754	-1,638
Other operating expenses	-68,806	-65,603	-25,577	-25,010
Marketing expenses	-4,411	-5,970	-1,396	-1,850
Direct costs of operations	-38,125	-37,999	-16,348	-15,073
Other costs of operations	-26,269	-21,634	-7,833	-8,087
<b>Result from operating activities (EBIT)</b>	<b>47,477</b>	<b>41,456</b>	<b>8,951</b>	<b>7,175</b>
Revenues from financial activities	452	694	-44	274
Expenses from financial activities	-346	-176	-141	-61
<b>Financial result</b>	<b>106</b>	<b>518</b>	<b>-185</b>	<b>213</b>
<b>Result from ordinary activities</b>	<b>47,583</b>	<b>41,974</b>	<b>8,765</b>	<b>7,388</b>
Income taxes	-11,895	-14,330	-2,190	-3,832
<b>Profit after tax from continued operations</b>	<b>35,689</b>	<b>27,644</b>	<b>6,575</b>	<b>3,556</b>
Profit after tax from discontinued operations	936	-1,039	16	-279
<b>Consolidated net profit after tax</b>	<b>36,625</b>	<b>26,605</b>	<b>6,590</b>	<b>3,276</b>
Earnings per share (undiluted and diluted, in EUR/share)	4.59	3.46	0.83	0.41
Earnings per share from continued operations (undiluted and diluted, in EUR/share)	4.47	3.33	0.82	0.45
Weighted average of ordinary shares outstanding (undiluted and diluted, in shares)	7,985,088	7,985,088	7,985,088	7,985,088

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FROM 1 JANUARY TO 30 SEPTEMBER ACC. TO IFRS

	Q.I–III 2012	Q.I–III 2011	Q.III 2012	Q.III 2011
in EUR thousand				
<b>Net profit for the period</b>	<b>36,625</b>	<b>26,605</b>	<b>6,590</b>	<b>3,276</b>
<b>Other result</b>				
Unrealized gains/losses from revaluation of financial assets held for sale	328	15	328	4
<b>Other result after tax</b>	<b>328</b>	<b>15</b>	<b>328</b>	<b>4</b>
<b>Total net profit after tax</b>	<b>36,953</b>	<b>26,620</b>	<b>6,918</b>	<b>3,280</b>

## CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER ACC. TO IFRS

	30/09/2012	31/12/2011
<b>ASSETS</b> in EUR thousand		
<b>Current assets</b>		
Cash and pledged cash	59,010	64,123
Short-term financial assets	84,000	65,433
Trade receivables	63	12
Income tax refund claims	22	586
Other assets and prepaid expenses	11,558	6,674
<b>Total current assets</b>	<b>154,653</b>	<b>136,828</b>
<b>Non-current assets</b>		
Intangible assets	19,281	22,755
Other equipment, furniture & fixtures and leased assets	2,039	2,692
Financial assets	2,000	4,351
Other assets and prepaid expenses	311	629
Deferred tax assets	3,936	5,788
<b>Total non-current assets</b>	<b>27,567</b>	<b>36,215</b>
	<b>182,220</b>	<b>173,043</b>

	30/09/2012	31/12/2011
<b>EQUITY AND LIABILITIES</b> in EUR thousand		
<b>Current liabilities</b>		
Trade payables	4,990	5,860
Other liabilities	17,460	21,844
Financial liabilities	99	102
Deferred income	2,355	2,350
Income tax liabilities	7,349	7,888
Short-term provisions	2,610	4,804
<b>Total current liabilities</b>	<b>34,862</b>	<b>42,848</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	1,077	904
<b>Total non-current liabilities</b>	<b>1,077</b>	<b>904</b>
<b>Equity</b>		
Subscribed capital	7,985	7,985
Capital reserves	7,805	7,805
Other reserves	312	-21
Retained earnings	130,179	113,523
<b>Total equity</b>	<b>146,281</b>	<b>129,291</b>
	<b>182,220</b>	<b>173,043</b>

## CONSOLIDATED CASH FLOW STATEMENT FROM 1 JANUARY TO 30 SEPTEMBER

	Q.I–III 2012	Q.I–III 2011
in EUR thousand		
Profit from continued operations before tax	47,583	41,974
Profit from discontinued operations before tax	936	-1,039
<b>Result before tax</b>	<b>48,520</b>	<b>40,934</b>
Adjustments for		
Amortization/depreciation on non-current assets	5,182	4,908
Result from disposal of non-current assets	-476	7
Result from foreign exchange transactions	458	0
Revenues from financial activities	-452	-694
Expenses from financial activities	335	176
Income from the distribution of shares in Lotto24 AG and the deconsolidation of Lotto24 AG	-20,359	0
Changes in		
Trade receivables	-232	-4
Other assets and prepaid expenses	-4,902	319
Financial assets	2,351	0
Non-current other assets or prepaid expenses	317	0
Trade payables	327	-1,984
Other liabilities	-4,403	756
Financial liabilities	-3	-6
Short-term provisions	-2,157	-1,447
Deferred income	5	-805
Other non-cash changes	509	0
Non-current provisions	0	0
Interests received	46	696
Interests paid	-335	-176
Taxes paid	-10,539	-8,909
<b>Cash flow from operating activities</b>	<b>14,192</b>	<b>33,773</b>
Changes (net) on financial investments (short-term)	-18,213	-29,980
Payments for investments in intangible assets	-1,104	-4,590
Proceeds from the sale of intangible assets	500	0
Payments for investments in property, plant and equipment	-196	-468
Proceeds from the sale of property, plant and equipment	-25	0
<b>Cash flow from investing activities</b>	<b>-19,038</b>	<b>-35,039</b>

	Q.I–III 2012	Q.I–III 2011
in EUR thousand		
<b>Cash flow from financing activities</b>	<b>0</b>	<b>0</b>
Changes in cash and pledged cash	-4,846	-1,266
Cash at the beginning of the period (except pledged cash)	63,366	42,673
Changes due to consolidation	-267	0
Changes in pledged cash	100	33
<b>Cash at the end of the period (except pledged cash)</b>	<b>58,353</b>	<b>41,440</b>
<b>Composition of cash at the end of the period</b>		
Cash and pledged cash	59,010	42,596
Pledged cash	-657	-1,250
	<b>58,353</b>	<b>41,345</b>



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR thousand	Share capital	Capital reserves	Other reserves	Retained earnings	Total equity
<b>As at 1 Jan. 2011</b>	<b>7,985</b>	<b>43,815</b>	<b>-125</b>	<b>41,247</b>	<b>92,921</b>
Contribution to other provisions	0	0	72	-72	0
Other results	0	0	15	0	15
Net profit 2011	0	0	0	26,605	26,605
<b>Total net profit 2011</b>	<b>0</b>	<b>0</b>	<b>15</b>	<b>26,605</b>	<b>26,620</b>
<b>As at 30 Sep. 2011</b>	<b>7,985</b>	<b>43,815</b>	<b>-38</b>	<b>67,779</b>	<b>119,541</b>
Contribution to other provisions	0	0	0	0	0
Adjustments of balance sheet loss	0	-9,625	0	9,625	0
Withdrawal from capital reserves	0	-26,385	0	26,385	0
Share-based payments	0	0	18	0	18
Other results	0	0	-1	0	-1
Net profit 2011	0	0	0	9,734	9,734
<b>Total net profit 2011</b>	<b>0</b>	<b>0</b>	<b>-1</b>	<b>9,734</b>	<b>9,733</b>
<b>As at 31 Dec. 2011</b>	<b>7,985</b>	<b>7,805</b>	<b>-21</b>	<b>113,523</b>	<b>129,291</b>
<b>As at 1 Jan. 2012</b>	<b>7,985</b>	<b>7,805</b>	<b>-21</b>	<b>113,523</b>	<b>129,291</b>
Dividend in kind	0	0	0	-19,963	-19,963
Other results	0	0	333	-6	328
Net profit 2012	0	0	0	36,625	36,625
<b>Total net profit 2012</b>	<b>0</b>	<b>0</b>	<b>333</b>	<b>36,619</b>	<b>36,953</b>
<b>As at 30 Sep. 2012</b>	<b>7,985</b>	<b>7,805</b>	<b>312</b>	<b>130,179</b>	<b>146,281</b>

## SEGMENT REPORTING

In the following, Tipp24 SE and the companies belonging to its consolidated group will be referred to jointly as Tipp24.

For the purposes of corporate control, Tipp24 is organized in business units with the following two geographic segments:

The »Germany« segment comprises all activities in Germany, while the »Abroad« segment mainly comprises the Group's activities in the UK, as well as in Spain and Italy.

Revenue from these business segments corresponds to the revenue of the geographic location of the operating units (Group subsidiaries) which generate that revenue.

Q.III in EUR thousand	Germany		Abroad		Consolidation		Consolidated	
	01/07/–30/09/		01/07/–30/09/		01/07/–30/09/		01/07/–30/09/	
	2012	2011	2012	2011	2012	2011	2012	2011
<b>Revenue</b>	<b>110</b>	<b>147</b>	<b>36,787</b>	<b>35,168</b>	<b>0</b>	<b>-628</b>	<b>36,896</b>	<b>34,687</b>
Depreciation/amortization	41	29	1,117	1,024	596	585	1,754	1,638
<b>EBIT</b>	<b>-1,546</b>	<b>-1,832</b>	<b>10,942</b>	<b>9,583</b>	<b>-446</b>	<b>-577</b>	<b>8,951</b>	<b>7,175</b>
Financial result	-65	-18	-121	231	0	0	-185	213
Income taxes	-13	-391	-2,308	-3,594	131	152	-2,190	-3,832
<b>Profit from continued operations</b>	<b>-1,624</b>	<b>-2,240</b>	<b>8,513</b>	<b>6,220</b>	<b>-315</b>	<b>-424</b>	<b>6,575</b>	<b>3,556</b>
<b>Assets</b>	<b>34,473</b>	<b>41,294</b>	<b>96,845</b>	<b>74,851</b>	<b>-37,056</b>	<b>-38,648</b>	<b>94,262</b>	<b>77,497</b>

Q.I–III in EUR thousand	Germany		Abroad		Consolidation		Consolidated	
	01/01/–30/09/		01/01/–30/09/		01/01/–30/09/		01/01/–30/09/	
	2012	2011	2012	2011	2012	2011	2012	2011
<b>Revenue</b>	<b>374</b>	<b>453</b>	<b>105,447</b>	<b>104,935</b>	<b>-730</b>	<b>-2,072</b>	<b>105,091</b>	<b>103,316</b>
Depreciation/amortization	134	117	3,271	2,727	1,787	1,551	5,192	4,395
<b>EBIT</b>	<b>9,780</b>	<b>-4,879</b>	<b>37,345</b>	<b>47,861</b>	<b>352</b>	<b>-1,526</b>	<b>47,477</b>	<b>41,456</b>
Financial result	-156	-69	262	587	0	0	106	518
Income taxes	-3,967	-469	-8,873	-14,264	945	403	-11,895	-14,330
<b>Profit from continued operations</b>	<b>5,657</b>	<b>-5,417</b>	<b>28,734</b>	<b>34,184</b>	<b>1,297</b>	<b>-1,123</b>	<b>35,689</b>	<b>27,644</b>
<b>Assets</b>	<b>34,473</b>	<b>41,294</b>	<b>96,845</b>	<b>74,851</b>	<b>-37,056</b>	<b>-38,648</b>	<b>94,262</b>	<b>77,497</b>

## SELECTED EXPLANATORY NOTES

### GENERAL

The following interim report as of 30 September 2012 was prepared in condensed form. It was approved for publication by a resolution of the Executive Board on 6 November 2012.

The condensed interim report as of 30 September 2012 was prepared in accordance with IAS 34 (Interim Financial Reporting), taking into account the valid IFRS standards and IFRIC interpretations of the International Accounting Standards Board (IASB) as applicable in the EU.

The condensed consolidated interim report does not include all information and disclosures required by the consolidated annual financial statements and is therefore to be read in conjunction with the consolidated annual financial statements as at 31 December 2011.

The reporting period is 1 January to 30 September 2012.

The same accounting policies and calculation methods were used for this condensed interim report as for the consolidated financial statements as at 31 December 2011.

In the period under review, Lotto24 AG (formerly Tipp24 Deutschland GmbH) was deconsolidated. Apart from this, there are no other changes to the consolidated group of companies compared to 31 December 2011.

### DECONSOLIDATION OF LOTTO24 AG

At the Annual General Meeting of June 22, 2012, the shareholders of Tipp24 SE adopted a resolution to spin off the German online lottery brokerage business launched under Lotto24 AG from the Tipp24 Group. In the course of this decision, the vast majority of shareholders voted in favour of distributing the shares of Lotto24 AG as a dividend in kind to the shareholders of Tipp24 SE in a 1:1 ratio. The dividend liability amounted to EUR 19,963 thousand and was distributed on 26 June 2012.

The deconsolidation laid the foundation for the successful further expansion of the online lottery brokerage business of Lotto24 AG in Germany and the Tipp24 Group's focus on its international business.

Lotto24 AG is no longer included in the interim financial statements as at 30 September 2012. The deconsolidation resulted in other operating income of EUR 1,509 thousand.

The disclosure of hidden reserves following restatement at fair value of the company's investment in Lotto24 AG resulted in »Income from the distribution of shares in Lotto24 AG« amounting to EUR 18,850 thousand from the difference between the asset's carrying value and fair value.

Total income from deconsolidation has no effect on cash and was disclosed accordingly in the consolidated cash flow statement.

The distribution of the dividend in kind led to a reduction in retained earnings of EUR 19,963 thousand in the consolidated balance sheet. Comparability with the previous year is not restricted as Lotto24 AG did not have any significant operating business.

### SHARE-BASED REMUNERATION

The stock option plans of Tipp24 SE are a share-based remuneration system with compensation via equity instruments so that the fair value is calculated at the time of granting. The Company values the stock option plans of Tipp24 SE using financial valuation methods according to the Black-Scholes-Merton formula.

## REVENUES

Compared with the first nine months of 2011, revenues as at 30 September 2012 rose by EUR 1,775 thousand to EUR 105,091 thousand. As of 30 September 2012, the actual payout ratio differed by -4.8 %-points (prior year: -3.2 %-points) from the expected value.

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

	Q.I–III 2012		Q.I–III 2011		Deviation absolute
	in EUR thousand	%	in EUR thousand	%	
<b>Revenues</b>	<b>105,091</b>	<b>100.0%</b>	<b>103,316</b>	<b>100.0%</b>	<b>105,091</b>
+/- deviation between actual winnings payouts and expected value	-9,267	-8.8%	-5,284	-5.1%	-9,267
Revenues adjusted for chance effects	95,824	91.2%	98,032	94.9%	95,824

## PERSONNEL EXPENSES

The year-on-year increase in personnel expenses of EUR 1,162 thousand was mainly due to changes in the Executive Board (EUR 922 thousand).

## OTHER OPERATING EXPENSES

The increase in other operating expenses resulted mainly from increased outsourcing costs (year-on-year increase of EUR 4,781 thousand). The difference resulted mainly from the fact that outsourcing costs for internally generated intangible assets were capitalized in the previous year.

In the period under review, consultancy fees of EUR 2,126 thousand were incurred in connection with the spin-off of German lottery brokerage activities.

## TAXES

On conclusion of the tax inspection, the relevant tax authority has issued tax assessments and respective payment demands amounting to EUR 3.6 million (including interest). There is still a dispute with the relevant tax authority regarding the validity of tax assessments for various items. Tipp24 SE has appealed against the assessment and has only paid additional demands totalling EUR 0.2 million. With regard to the remaining payment demands, an application was made to the tax authorities for execution to be suspended, which has since been granted. Although we have grounds to believe that all items queried by the tax authority were correctly assessed in accordance with the relevant regulations, the possibility cannot be excluded that the relevant tax

authority may pursue its opposing assessment in court and may eventually prevail. The legal view held by the company is supported in all aspects by tax consultants and, if necessary, we shall also pursue the matter via the fiscal courts. As a result, there is a remaining tax risk of up to EUR 3.4 million, plus the corresponding time-related interest on arrears (6% p.a.) which might have a correspondingly negative effect on the earnings, financial position and net assets of Tipp24. This risk is carried as a contingent liability in the interim financial statements.

## DISCONTINUED OPERATIONS

As of 31 December 2011, Tipp24 Entertainment GmbH was classified as a discontinued operation. The result of Tipp24 Entertainment GmbH can be broken down as follows:

in EUR thousand	Q.I–III 2012	Q.I–III 2011
Revenues	1,783	2,089
Expenses	-847	-3,130
Financing expenses	0	0
Impairment charge from restatement at fair value	0	0
<b>Profit before tax from discontinued operations</b>	<b>936</b>	<b>-1,039</b>
Income taxes	0	0
<b>Profit after tax from discontinued operations</b>	<b>936</b>	<b>-1,039</b>

In April 2012, various assets of Tipp24 Entertainment GmbH were sold to an investor for a total purchase price of EUR 750 thousand.

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## OBJECTIVES AND METHODS OF CAPITAL MANAGEMENT

Tipp24 operates a decentralized 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.

### Interest rate risk

Tipp24 invests the majority of its funds in a combination of fixed term deposits and short-term government bonds. 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 the closing date 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 EUR 678 thousand. Under consideration of the duration of those investments currently in the portfolio, there would be an expected reduction of this interest income of EUR 100 thousand. The overall effect, therefore, would amount to EUR 578 thousand.

### Currency risk

Tipp24 is exposed to a currency risk as a result of the GBP exchange rates. The risk arises from payments received and made in foreign currency which differ from Tipp24'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 invested in British Pound 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 September 2012. On the basis of this assumption, a revaluation of the British Pound against the Euro of 10% to 0.8779 GBP/EUR would result in an effect of EUR -686 thousand on earnings. A devaluation of the British Pound against the Euro of 10% to 0.7182 GBP/EUR would result in an effect of EUR 838 thousand on earnings.

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## SUBSEQUENT EVENTS

There were no events subsequent to the reporting period which had a significant impact on the business development of Tipp24.

## 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 is a member of the Supervisory Board. The operating business of Schumann e. K. was outsourced to a related company of Oliver Jaster, Günther Direct Services GmbH. In return, Günther Direct Services received compensation of EUR 134 thousand in the period under review.

Jens Schumann a member of the Supervisory Board of Tipp24 SE and at the same time sole shareholder 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. Tipp24 SE provides Schumann e. K. with services in the field of controlling, bookkeeping, 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 Tipp 24 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 fulfilment of this indemnification may not cause Tipp24 to become insolvent or over-indebted. In his capacity as shareholder of Schumann e. K., Mr Schumann did not receive any remuneration during the period under review.

The charitable foundation »Fondation enfance sans frontières«, owner of the preference shares of Tipp24 Service Limited, has been identified as a related party.

Dr. Heinrich Lammer is a member of the Board of Trustees of the foundation »Fondation enfance sans frontières« and CEO of TBIC Asset Management AG, Zurich, Switzerland. TBIC Asset Management AG was involved in consultations regarding the strategy for the investment of its liquid funds in the foreign segment and received a reimbursement of expenses totalling EUR 113 thousand in the period under review.

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

Hamburg, 6 November 2012

The Executive Board

Dr. Hans Cornehl

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## FINANCIAL CALENDAR

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12 NOVEMBER 2012 ..... ANALYST CONFERENCE (FRANKFURT)

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**Tipp24 SE**

Falkenried-Piazza  
Strassenbahnring 11  
20251 Hamburg  
Germany

Telephone +49 (0) 40-32 55 33 0

Fax +49 (0) 40-32 55 33 77

[www.tipp24-se.de](http://www.tipp24-se.de)

Konzept, Text & Design  
Impacct Communication GmbH

[www.impacct.de](http://www.impacct.de)