

Tipp24de

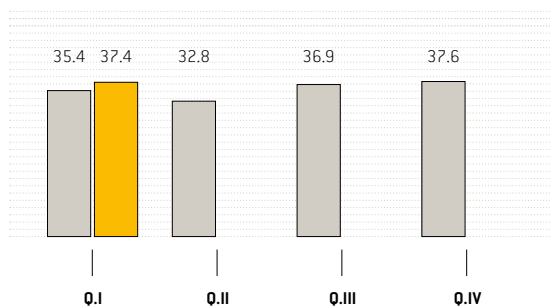
Q.1 2013

INTERIM FINANCIAL REPORT

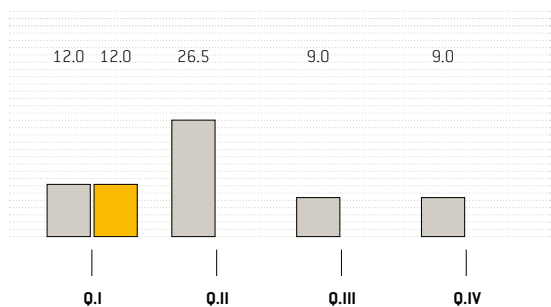
1 JAN.–31 MARCH 2013



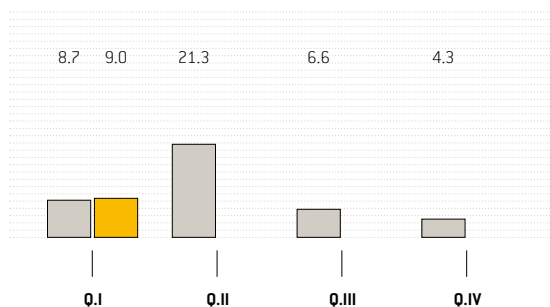
REVENUES in EUR million



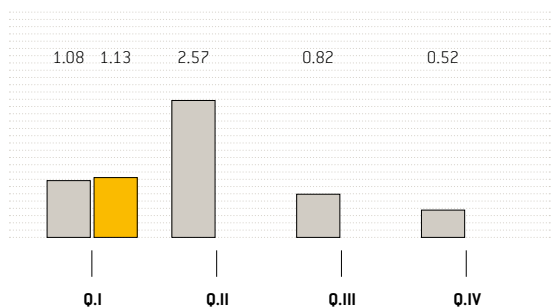
EBIT in EUR million



NET PROFIT ¹⁾ in EUR million



EARNINGS PER SHARE ¹⁾ in EUR



■ 2011
■ 2012

¹⁾ 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 continued its sustainable development in the first quarter of 2013: generated almost entirely abroad, revenue grew year on year by 5.5% to EUR 37,373 thousand. Due in particular to increased hedging costs – caused by high jackpots – and a necessary restructuring of our hedging profile, EBIT fell just short of the prior-year figure at EUR 12,045 thousand. Adjusted for statistical deviations from the expected level of payouts, EBIT amounted to EUR 9,272 thousand (prior year: EUR 10,528 thousand).

Some significant strategic steps lie before us in 2013 – we want to grow in four dimensions: by enlarging our product portfolio, entering new geographic regions, extending our value chain and expanding our business models. In order to be well equipped for the many development options ahead, we have decided to expand the Executive Board: as reported, the Supervisory Board appointed Andreas Keil as Chief Financial Officer on 1 February 2013, and from 1 June 2013 onwards the Executive Board will be further strengthened by the addition of Dr Helmut Becker as Chief Marketing Officer.

As a logical consequence of our strategic realignment with a clear focus on international business – especially in the UK, which offers much better conditions for our strategic development than any other European country – we have initiated the relocation of Tipp24 SE's registered office to London. We intend to maintain the company's legal form as an SE as well as its listing in the Prime Standard segment of the Frankfurt Stock Exchange. The Executive Board and Supervisory Board are to maintain their functions, whereby the Executive Board will work primarily in the UK in future.

We have also expanded our financial scope: in order to finance projects associated with our internationalisation strategy and secure medium-term funding to fulfil our tasks as the Group's holding company, Tipp24 SE has raised its share capital: 400,000 new no-par value shares were issued to selected investors at a price of EUR 40.00 each in a successful private placement. Tipp24 SE received gross proceeds of EUR 16 million from the heavily oversubscribed issue.

Both the executive boards of Tipp24's minority shareholdings abroad and of its parent company have targeted continued growth. With our acquisition of a shareholding in the UK-based Geonomics Global Games Limited in December 2012, we took a major step towards implementing our strategy of, on the one hand, acquiring our own licences and, on the other, driving the establishment of a new international business division dedicated to providing Internet services to lottery companies.

After consideration of price increases, we expect to achieve revenue of EUR 130 to 140 million and EBIT of EUR 20 to 30 million in 2013. This forecast takes account of costs for further necessary adjustments to hedging structures in our secondary lottery business and additional costs for the preparation of new business fields totalling EUR 15 million. The stated ranges for revenue and EBIT also take account of statistical fluctuations in payouts for our secondary lottery business. Although EBIT after the first quarter amounted to EUR 12 million, Tipp24 SE is upholding the EBIT forecast it issued on 28 March 2013. The reason is firstly the positive statistical deviation from the expected value in the first quarter which cannot be deemed permanent, and secondly the additional costs explained in the forecast which were only incurred to a minor extent in the first quarter.



Dr Hans Cornehl
CEO



Andreas Keil
CFO

KEY CONSOLIDATED FIGURES OF TIPP24 SE ACC. TO IFRS

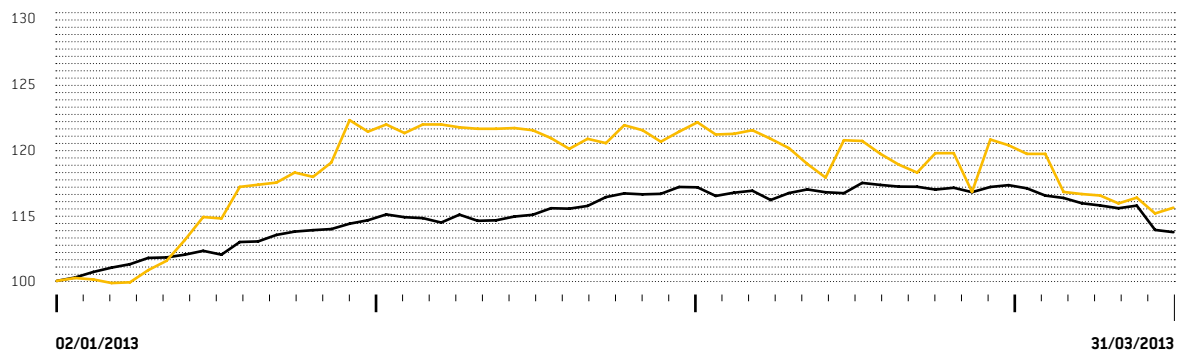
		Q.1 2013	Q.1 2012	change in %
Revenue	EUR thsd.	37,373	35,437	+5.5%
EBIT	EUR thsd.	12,045	12,048	+0.0%
EBIT margin	%	32.2	34.0	-1.8%-points
Net profit ¹⁾	EUR thsd.	9,011	8,590	+4.9%
Net profit margin ¹⁾	%	24.1	24.6	-0.5%-points
Cash flow from operating activities	EUR thsd.	8,207	5,139	+59.7%
Equity (31/03/2013 / 31/12/2012)	EUR thsd.	159,180	150,375	+5.9%
Employees (31/03)	headcounts	117	111	+5.4%

(Rounding differences possible due to presentation in EUR thousand)

¹⁾ from continued operations

INVESTOR RELATIONS

(Index 02/01/2013 = 100)



EUR 37.76

5,338.05

— Tipp24 EUR 41.61

— SDAX 5,697.88

SHARE

The uncertainty surrounding the political situation in Italy was a major cause of concern for the capital markets in the first quarter of 2013. The parliamentary elections in February failed to produce a clear result. At the same time, the eurozone continues to languish in economic recession – due in particular to sweeping budget cuts and a high degree of political uncertainty. The German economy's leading barometer of market sentiment, the Ifo Business Climate Index, suffered a surprising fall in March.

The world's stock markets are mostly up on year-end 2012. In the first quarter, the German blue-chip DAX index also posted gains of 2.4% while the mid-cap SDAX index was up 8.5%. In the reporting period, the Tipp24 share was traded within a range of EUR 37.65 to EUR 46.22 – and closed the quarter with growth of 8.5%.

We continued our intensive Investor Relations activities once again in the first quarter.

KEY SHARE FIGURES

Day of initial listing		12/10/2005
Year-opening price	02/01/2013	EUR 37.76
Market capitalization	02/01/2013	EUR 301 million
Period end-price	31/03/2013	EUR 41.51
Market capitalization	31/03/2013	EUR 331 million
Highest price	24/01/2013	EUR 46.22
Lowest price	07/01/2013	EUR 37.65
Number of shares	31/03/2013	7,985 thsd.
Own shares	31/03/2013	0 shares
Average daily trading	01/01/–31/03/2013	EUR 661 thsd.
Earnings per share	01/01/–31/03/2013	EUR 1.13

SHAREHOLDER SERVICE

WKN	784714
ISIN	DE0007847147
Ticker symbol	TIM.DE
Stock exchange	Frankfurt
Market segment	Official Market, Prime Standard
Designated sponsor	Close Brothers Seydler
Coverage	Berenberg, Deutsche Bank, Hauck & Aufhäuser, M. M. Warburg
Reuters	TIMGn.DE
Bloomberg	TIM GR

INTERIM GROUP MANAGEMENT REPORT

BASIC PRINCIPLES OF THE GROUP

BUSINESS MODEL

For over thirteen years, Tipp24 – i.e. 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 strictly between its Germany and Abroad segments. The operating activities of Tipp24 SE in its **Germany segment** are currently restricted to a cooperation with Schumann e. K. to market the German class lotteries NKL and SKL.

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

As part of its international expansion strategy, Tipp24 acquired a stake in the UK company Geonomics Global Games Limited (formerly Roboreus Limited) in December 2012. Geonomics is the provider of an online lottery based on a virtual map (GeoSweep) and already holds its own licence in the UK to organise and market the game. On the one hand, the game can be marketed online to end-users as an independent B2C business and on the other hand offered to lottery companies as a B2B product.

CHANGE IN THE EXECUTIVE BOARD

Andreas Keil was appointed to the Executive Board of Tipp24 SE on 1 February 2013. He is responsible for the Finance, Accounting, Taxes, Controlling and Risk Management divisions. Dr Helmut Becker has been appointed as a member of the Executive Board of Tipp24 SE with responsibility for Marketing with effect from 1 June 2013.

RESEARCH & DEVELOPMENT

In the Abroad segment, the current gaming software was further 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 add-

ition, the companies of the Abroad segment 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 reporting period, an average of 14 employees were involved with R&D activities on a full-time or part-time basis. R&D expenses amounted to EUR 144 thousand in the reporting period (prior year: EUR 253 thousand) and were incurred solely in the Abroad segment.

ECONOMIC REPORT

REGULATORY CONDITIONS

Following the implementation of the second stage of the German State Treaty on Games of Chance (GlüStV), 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 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 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 has initiated the implementation of its relocation to the UK. The Executive Board and Supervisory Board have decided to present a proposal on the relocation for shareholders of Tipp24 SE to vote on at the Annual General Meeting 2013. The invitation to the Annual General Meeting on 28 June 2013 is to be published in May. The relocation of the company's registered office first announced on 20 March 2013 is a logical consequence of the strategic realignment of Tipp24 SE. It will focus in future on its international business, mainly in the UK and North America, which it plans to develop from its future base in the UK.

SIGNIFICANT ECONOMIC AND LEGAL FACTORS AFFECTING BUSINESS

Despite the rulings of the European Court of Justice (ECJ) in 2010 and the introduction of a somewhat revised State Treaty on Games of Chance (GlüStV), the legal situation can still not be deemed resolved.

The First State Treaty to Revise the State Treaty on Games of Chance (GlüÄndStV) came into effect in the second half of 2012 in almost all of Germany. It is intended to replace the former State Treaty on Games of Chance, whose gaming monopoly and attendant legal regulations had been deemed in breach of EU law and inapplicable in the ECJ rulings of September 2010 (see also Annual Report 2012 of Tipp24 SE, p. 14).

Inconsistent implementation of EU law primacy

In September 2010, the ECJ not only proclaimed that the administrative courts in the German gaming monopoly – as submitted to the ECJ – contravened the basic freedoms of private suppliers, but that such an infringement of basic freedoms meant that the national law was immediately inapplicable.

Supported by expert legal opinions and court rulings, we believe that this inapplicability – especially in the case of lotteries – also affects the obligation of lottery brokers to seek permission from the federal states, the prohibition of online gaming and the restriction and prohibition of advertising, even though high court verdicts on sports betting and other games of chance have so far opposed this view. Final jurisdiction for the field of lotteries is still missing.

The amended GlüStV 2012 has been in force since mid 2012 – Schleswig Holstein was the last federal state to accede in January 2013. It allows official permits in special cases for the field of sports betting and online lotteries, meaning that recent verdicts regarding Internet bans are not likely to be of any lasting significance. With regard to the revised legislation, several high courts have already ruled that following the introduction of the GlüStV 2012 in Germany, online sports betting products can no longer be forbidden until there is a realistic chance of an Internet permit being granted. This is also justified by the fact that »Deutsche Lotto- und Totoblock« pursues a revenue-enhancing and thus illegal advertising policy, its advertisements not only provided pure information on how to participate in games, and betting was presented as a socially responsible form of entertainment with a positive image.

In fiscal year 2012, the state of Schleswig-Holstein also introduced much more liberal gaming legislation – the new »Schleswig-Holstein Gaming Law« effective as of 1 January 2012 – which permitted online lottery brokerage. No permit was required, only notification. Several reputable law professors have stated the new Schleswig-Holstein legislation makes both the Internet ban and the stricter bans of the GlüStV in the other federal states incoherent and inapplicable. This has not yet been confirmed by jurisdiction, but is the subject of an inquiry from the German Federal Supreme Court to the European Court of Justice. Such incoherencies may continue in the coming years. Although Schleswig-Holstein decided to suspend its more liberal legislation in early 2013 and to introduce the GlüStV 2012, it had already issued over forty-five permits for online sports betting and online casino games. Although the legislation has been repealed and the state of Schleswig-Holstein has joined the GlüStV 2012, these permits will remain valid for several years. Their existence questions the validity of Internet regulations in all German states with regard to EU law.

In a formal statement on 7 December 2012, the European Commission raised critical questions regarding Schleswig-Holstein's intention to replace its liberal state law with the GlüStV 2012. The EU Commission's reservations not only address Schleswig-Holstein, but the GlüStV 2012 as a whole.

The state parliament of Schleswig-Holstein voted on 24 January 2013 to largely repeal the »Schleswig-Holstein Gaming Law«. Nevertheless, those permits already issued under this legislation – especially for online casino games – remain effective. No permits were issued for online lotteries as the law did not require a permit for the lottery brokerage – even via the Internet. In view of the permits still in force, however, there remain doubts as to the coherency of restrictions in the state treaties regarding online lotteries. With a resolution of 24 January 2013, the BGH once again presented the ECJ with questions regarding the interpretation and further development of EU law on the matter. The ECJ must respond to such inquiries in so-called preliminary ruling proceedings, which can take one or two years – or in some cases, several years. The corresponding decision of the BGH to present such an inquiry to the ECJ, in which such questions play a role, indicates that an amendment, addition or at least clarification of ECJ jurisdiction is required for a contrary court ruling.

Varying legal market situation abroad

The markets of our Abroad segment also 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. Clear regulations concerning the online brokerage of lotteries are not currently planned. As of January 2013, winnings from games of chance must be taxed at 20% in Spain.

FINANCIAL POSITION AND PERFORMANCE

EARNINGS

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

In the first quarter of fiscal year 2013, total payouts for secondary lotteries were EUR 5.0 million below the expected payout value (prior year: EUR 3.5 million) with a positive impact on revenues of the same amount. This benefited EBIT by an amount of EUR 2.8 million (prior year: EUR 1.5 million).

	Q.1 2013		Q.1 2012		Change %
	in EUR thsd.	%	in EUR thsd.	%	
Revenues	37,373	100.0	35,437	100.0	5.5
Personnel expenses	-2,601	-7.0	-2,876	-8.1	-9.6
Other operating expenses	-21,691	-58.0	-19,313	-54.5	12.3
Other operating income	706	1.9	479	1.4	47.4
Operating expenses	-23,586	-63.1	-21,710	-61.3	8.6
EBITDA	13,787	36.9	13,727	38.7	0.4
Amortization and depreciation	-1,742	-4.7	-1,679	-4.7	3.8
EBIT	12,045	32.2	12,048	34.0	0.0
Financial result	146	0.4	224	0.6	-34.8
Earnings before taxes	12,191	32.6	12,272	34.6	-0.7
Income taxes	-3,180	-8.5	-3,682	-10.4	-13.6
Profit from continued operations	9,011	24.1	8,590	24.2	4.9
Profit after tax from discontinued operations	-8	0.0	136	0.4	-105.9
Profit	9,003	24.1	8,726	24.6	3.2
Breakdown of other operating expenses					
Marketing expenses	-1,351	-3.6	-1,386	-3.9	-2.5
Direct operating expenses	-12,050	-32.2	-9,849	-27.8	22.3
Other expenses of operations	-8,289	-22.2	-8,078	-22.8	2.6
Other operating expenses	-21,691	-58.0	-19,313	-54.5	12.3

EBIT

In the first quarter of 2013, consolidated **EBIT** reached its prior-year level of EUR 12,045 thousand (prior year: EUR 12,048 thousand), while the **EBIT margin** fell by 1.8 %-points from 34.0% to 32.2%. Adjusted for statistic deviation from the expected level of payouts, EBIT amounted to EUR 9,272 thousand (prior year: EUR 10,528 thousand) and the EBIT margin to 28.7% (prior year: 32.9%).

In the reporting period, the Germany segment posted an EBIT result of EUR -1,635 thousand (prior year: EUR -3,072 thousand), while the Abroad segment achieved EBIT of EUR 14,055 thousand (prior year: EUR 15,316 thousand).

The **financial result** amounted to EUR 146 thousand (prior year: EUR 224 thousand).

At EUR 9,003 thousand, **consolidated net profit** was 3.2% up on the previous year (EUR 8,726 thousand), while the net operating margin after tax reached 24.1% (prior year: 24.6%). Compared to the previous year, the consolidated tax rate fell by 3.9%-points to 26.1% (prior year: 30.0%).

After the first quarter, **return on equity** stood at 5.7% (prior year: 6.3%).

Earnings per share from continued operations (undiluted and diluted) increased from EUR 1.08 to EUR 1.13.

Revenues

In the first quarter of 2013, Tipp24 achieved revenues of EUR 37,373 thousand (prior year: EUR 35,437 thousand). Without consideration of consolidation effects, the Abroad segment accounted for EUR 37,271 thousand (prior year: EUR 35,865 thousand) and the German segment for EUR 102 thousand (prior year: EUR 142 thousand).

Adjusted for chance effects, consolidated revenues reached EUR 32,328 thousand and thus exceeded the prior-year figure of EUR 31,985 thousand. In the reporting period, the actual payout ratio was 10.9 %-points (prior year: 5.3 %-points) below the expected value.

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 interim 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 quarter of 2013, **personnel expenses** amounted to EUR 2,601 thousand and were thus 9.6% below the prior-year figure of EUR 2,876 thousand. The personnel expense ratio fell by 1.1%-points to 7.0%. The year-on-year decline in personnel expenses resulted mainly from a fall in headcount.

Other operating expenses increased, however, by 12.3% to EUR 21,691 thousand (prior year: EUR 19,313 thousand). The development in detail was as follows:

- **Marketing expenses** were virtually unchanged year on year at EUR 1,351 thousand (prior year: EUR 1,386 thousand).
- **Direct operating expenses** were up year on year at EUR 12,050 thousand (prior year: EUR 9,849 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 4,720 thousand, hedging costs were also

above the prior-year figure of EUR 2,556 thousand – they had to be increased due to the large jackpots of certain products and additional costs were incurred during the restructuring of the hedging profile, which represented an overall burden on earnings. In the Abroad segment, licence and operator fees amounted to EUR 4,894 thousand (prior year: EUR 4,754 thousand). Costs for non-deductible input tax amounted to EUR 985 thousand (prior year: EUR 986 thousand).

- **Other operating expenses** rose by 2.6% to EUR 8,289 thousand (prior year: EUR 8,078 thousand).

In the reporting period, **other operating income** reached EUR 706 thousand (prior year: EUR 479 thousand).

Amortisation and depreciation of tangible and intangible assets increased by EUR 63 thousand to EUR 1,742 thousand

FINANCIAL POSITION

Compared with the balance sheet date, Tipp24's **equity capital** grew in total by EUR 8,805 thousand to EUR 159,180 thousand as of 31 March 2013. Over the same period, the equity ratio increased by 2.0%-points to 80.6%, while the balance sheet total rose by 3.3% to EUR 197,438 thousand.

Other liabilities in EUR thousand	31 Mar. 2013	31 Dec. 2012
Liabilities from gaming operations	16,140	16,736
Tax liabilities	1,396	1,286
Liabilities from open invoices	484	512
Liabilities from social security	167	143
Others	241	222
	18,428	18,900

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) and tax liabilities – were down 2.5% to EUR 18,428 thousand (31 December 2012: EUR 18,900 thousand).

Investment analysis

In the first quarter of 2013, investing activities resulted in net cash flow of EUR -7,367 thousand (prior year: EUR -16,672 thousand). Financial investments resulted in a net cash outflow of

EUR 6,670 thousand (prior year: EUR 16,168 thousand). The net cash outflow from investments in our operating business totalled EUR 698 thousand (prior year: EUR 504 thousand).

Liquidity analysis

Key cash flow positions in EUR thousand	Q.1 2013	Q.1 2012
Cash flow from operating activities	8,207	5,139
Cash flow from investing activities	-7,367	-16,672
<i>thereof financial investments</i>	-6,670	-16,168
<i>thereof operative investments</i>	-698	-504
Cash flow from financing activities	0	0
Change in cash	840	-11,533
Cash at the beginning of the period (without pledged cash)	77,946	63,366
Changes due to differences in the consolidated group	-582	0
Cash at the end of the period (without pledged cash)	78,204	51,833
Short-term financial assets	60,246	81,640
Available funds	138,450	133,473

Cash flow from operating activities rose to EUR 8,207 thousand in the first quarter of 2013 (prior year: EUR 5,139 thousand). This was mainly due to reduced other liabilities, as well as to a year-on-year decline in tax payments.

As explained in the investment analysis section above, **cash flow from investing activities** amounted to EUR -7,367 thousand in the period under review (prior year: EUR -16,672 thousand).

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

Tipp24 has available funds in the form of cash and short-term financial assets of EUR 138,450 thousand (prior year: EUR 133,473 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.

Other assets in EUR thousand	31 Mar. 2013	31 Dec. 2012
Receivables from gaming operations	4,478	3,846
Prepaid expenses	4,545	3,003
Receivables from tax authorities for sales tax	193	158
Others	1,443	2,474
	10,659	9,482

ASSET SITUATION

Tipp24's asset profile continues to be dominated by current assets of EUR 149,515 thousand (31 December 2012: EUR 142,336 thousand) – these largely consist of cash (EUR 78,561 thousand), short-term financial assets (EUR 60,246 thousand) and other assets and prepaid expenses (EUR 10,659 thousand). Moreover, Tipp24 has intangible assets (mainly software) amounting to EUR 16,672 thousand, shares in associated companies of EUR 18,265 thousand, financial assets of EUR 8,282 thousand, property, plant and equipment (mainly hardware and office equipment) amounting to EUR 2,558 thousand and deferred tax assets amounting to EUR 1,866 thousand.

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

Management's assessment of the economic position

Since the implementation of the second stage of the GlüStV over four 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 on 20 February 2012 under www.lotto24.de. 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 allow Lotto24 AG 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 great potential for 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, there are clear signs for a deregulation in North America – and plan to efficiently tap this online lottery market as a partner of the state lottery companies by utilising our leading technological and marketing expertise. Initial talks with potential customers have strengthened our view that this is a promising market segment. In the medium to long term, we want to become a lottery operator ourselves. With its flexible organisational structures, Tipp24 is ideally suited to identifying and exploiting short- or medium-term business opportunities. Moreover, Tipp24 has extensive financial liquidity, mainly from equity capital, which provides considerable scope to grasp future growth opportunities – for example by means of acquisitions.

SUBSEQUENT EVENTS

On 16 April 2013, the Executive Board of Tipp24 SE – with the approval of the Supervisory Board – resolved on a capital increase for cash of 5.01% of share capital under the exclusion of shareholder subscription rights. The company's share capital was increased by EUR 400,000, from EUR 7,985,088 to EUR 8,385,088, by making partial use of the company's Authorised Capital as adopted by the Annual General Meeting of 29 June 2011. To this end, the company issued 400,000 new, registered, no-par value shares with dividend entitlement as of 1 January 2012. The 400,000 new no-par value shares were placed with qualified investors and other selected investors outside the United States of America, Canada, Australia and Japan in an accelerated bookbuilding at a price of EUR 40.00 per new share. The company received gross proceeds from the capital increase of EUR 16 million.

Dr Helmut Becker was appointed as Chief Marketing Officer with effect from 1 June 2013.

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

RISK AND OPPORTUNITY REPORT

In our Management Report 2012, 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.

Regulatory risks

There is a risk that the restrictive legal framework continued by the GlüAndStV 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 SE is making efforts to receive the permits 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 sufficient access to the tremendous potential of the German gaming market in the near future.

In 2011, there was a favourable development in proceedings regarding the official ban and Tipp24 SE's use of offerings of its minority investments as well as in the resulting risks: a prohibition order forbidding Tipp24 SE's operations for 12 federal states »via« the UK products was legally repealed. A coercive payment with comparable grounds passed by the state of North Rhine-Westphalia was repealed again by the authorities after a verdict of VG Düsseldorf. The main reason for this repeal was that Tipp24 SE is not responsible for the decisions of the UK companies. We do not therefore expect any further coercive payments against Tipp24 SE due to the UK business, which the German authorities continue to 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 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.

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). 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 criticized jurisdiction. Such incoherencies may result in further rulings which declare the new legislations 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 subsequent consequences 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 tendencies of jurisdiction, it is unclear how the courts will rule in these cases. Our reservations in this matter continue (see above). In summary, therefore, 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.

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 both items queried by the tax authority were 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 also prevail. As a result, there is a remaining tax risk of up to EUR 3.6 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. With regard to one disputed item, a verdict has been passed in our favour. The company is thus now awaiting new assessments which take this verdict into account. As they had not been received as of the preparation of these quarterly financial statements, the full amount of the risk is still carried as a contingent liability in the interim financial statements.

Risks from cash and financial investments

At the end of the reporting period, Tipp24 held cash in Germany and abroad totalling EUR 78,561 thousand, held in accounts with various major European banks and subject to the risks described in the Annual Report 2012 of Tipp24 SE on p. 34.

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, generally 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 EUR 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 recognized at all in the balance sheet – for example as a result of an initial payment pledge.

REPORT ON EXPECTED DEVELOPMENTS

According to the executive boards of our minority shareholdings, the growth strategy in the Abroad segment is to be continued. In particular, the provision of technology and marketing services for international lottery operators enabling them to successfully market their products online, appear to be a new and promising business field in the medium term. In particular, there are recognizable signs of deregulation in North America – and Tipp24 is well placed to tap this online lottery market as a partner of the state lottery companies.

In December 2012, Tipp24 also acquired a stake in the UK company Geonomics Global Games Limited. The company is thus implementing the strategy of acquiring its own licences on the one hand and driving the establishment of a new international business division dedicated to providing Internet services to lottery companies on the other.

EXPECTED EARNINGS POSITION

After consideration of price increases, we expect to achieve revenues of EUR 130 to 140 million and EBIT of EUR 20 to 30 million in its fiscal year 2013. This forecast takes account of costs for further necessary adjustments to hedging structures in its secondary lottery business and additional, mostly non-recurring, costs for the preparation of new business fields totalling EUR 15 million. The stated ranges for revenues and EBIT also take account of statistical fluctuations in payouts for the secondary lottery business. Although EBIT after the first quarter amounted to EUR 12 million, Tipp24 SE is upholding the EBIT forecast it issued on 28 March 2013. The reason is firstly the positive statistical deviation from the expected value in the first quarter which cannot be deemed permanent, and secondly the additional costs explained in the forecast which were only incurred to a minor extent in the first quarter.

OPPORTUNITIES OF THE EXPECTED DEVELOPMENT

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 in Germany. Moreover, a variety of verdicts 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 internationalisation – thus significantly increasing access to our product portfolio and enabling Tipp24 to enter new European markets with its existing products. Above all, we see clear signs of deregulation in North America which may lead to an opening of the online lottery market. This would result in increased demand for Tipp24's core competency in the field of technology and marketing services.

CONSOLIDATED INCOME STATEMENT FROM 1 JANUARY TO 31 MARCH ACC. TO IFRS

	Q.I 2013	Q.I 2012
in EUR thousand		
Revenues	37,373	35,437
Other operating income	706	479
Total operating performance	38,079	35,915
Personnel expenses	-2,601	-2,876
Amortization/depreciation on intangible assets and property, plant and equipment	-1,742	-1,679
Other operating expenses	-21,691	-19,313
Marketing expenses	-1,351	-1,386
Direct costs of operations	-12,050	-9,849
Other costs of operations	-8,289	-8,078
Result from operating activities (EBIT)	12,045	12,048
Revenues from financial activities	349	301
Expenses from financial activities	-73	-77
Share of result from associated companies	-130	0
Financial result	146	224
Result from ordinary activities	12,191	12,272
Income taxes	-3,180	-3,682
Profit from continued operations	9,011	8,590
Profit after tax from discontinued operations	-8	136
Consolidated net profit	9,003	8,726
Earnings per share (undiluted and diluted, in EUR/share)	1.13	1.09
Earnings per share from continued operations (undiluted and diluted, in EUR/share)	1.13	1.08
Weighted average of ordinary shares outstanding (undiluted and diluted, in shares)	7,985,088	7,985,088

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FROM 1 JANUARY TO 31 MARCH ACC. TO IFRS

	Q.I 2013	Q.I 2012
in EUR thousand		
Net profit for the period after tax	9,003	8,726
Other result		
Unrealised gains/losses from revaluation of financial assets held for sale (subsequently reclassified to profit and loss as required)	-198	37
Other result after tax	-198	37
Total net profit after tax	8,805	8,764

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH ACC. TO IFRS

	31 Mar. 2013	31 Dec. 2012
ASSETS in EUR thousand		
Current assets		
Cash and pledged cash	78,561	78,303
Short-term financial assets	60,246	53,776
Trade receivables	42	71
Income tax refund claims	6	6
Other current assets and prepaid expenses	10,659	9,482
Current assets held for sale	–	698
Total current assets	149,515	142,336
Non-current assets		
Intangible assets	16,672	18,054
Other equipment, furniture & fixtures and leased assets	2,558	2,226
Financial assets	8,282	8,281
Shares in associated companies	18,265	18,395
Other non-current assets and prepaid expenses	280	269
Deferred tax assets	1,866	1,656
Total equity	47,923	48,881
	197,438	191,217

	31 Mar. 2013	31 Dec. 2012
EQUITY AND LIABILITIES in EUR thousand		
Current liabilities		
Trade payables	6,268	6,568
Other liabilities	18,428	18,900
Financial liabilities	118	110
Deferred income	2,260	3,460
Income tax liabilities	7,007	6,510
Short-term provisions	2,665	3,456
Liabilities in connection with the sale of current assets held for sale	–	410
Total current liabilities	36,746	39,414
Non-current liabilities		
Long-term provisions	119	83
Deferred tax liabilities	1,393	1,344
Total non-current liabilities	1,512	1,427
Equity		
Subscribed capital	7,985	7,985
Capital reserves	7,805	7,805
Other reserves	-64	134
Retained earnings	143,454	134,451
Total equity	159,180	150,375
	197,438	191,217

CONSOLIDATED CASH FLOW STATEMENT FROM 1 JANUARY TO 31 MARCH

	Q.I 2013	Q.I 2012
in EUR thousand		
Profit from continued operations before tax	12,191	12,272
Profit from discontinued operations before tax	-8	136
Result before tax	12,183	12,408
Adjustments for		
Amortization/depreciation on non-current assets	1,742	1,679
Result from disposal of non-current assets	4	0
Result from foreign exchange transactions	338	-35
Revenues from financial activities	-349	-301
Expenses from financial activities	73	77
Deconsolidation of Giochi24 S.r.l.	4	0
Share of result from associated companies	-130	0
Changes in		
Trade receivables	29	-5
Other assets and prepaid expenses	-595	-282
Financial assets	0	0
Non-current other assets or prepaid expenses	-11	134
Trade payables	-297	-134
Other liabilities	-440	-4,627
Financial liabilities	7	9
Short-term provisions	-791	-1
Deferred income	-1,200	-45
Non-current provisions	36	0
Interests received	349	301
Interests paid	-73	-77
Taxes paid	-2,672	-3,961
Cash flow from operating activities	8,207	5,139
Changes (net) on financial investments (short-term)	-6,670	-16,168
Payments for investments in intangible assets	-78	-411
Payments for investments in property, plant and equipment	-620	-93
Cash flow from investing activities	-7,367	-16,672

	Q.I 2013	Q.I 2012
in EUR thousand		
Cash flow from financing activities	0	0
Changes in cash and pledged cash	840	-11,533
Cash at the beginning of the period (except pledged cash)	77,946	63,366
Changes due to consolidation	-582	0
Cash at the end of the period (except pledged cash)	78,204	51,833
Composition of cash at the end of the period		
Cash and pledged cash	78,561	52,589
Pledged cash	-357	-757
	78,204	51,833

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR thousand	Share capital	Capital reserves	Other reserves	Retained earnings	Total equity
As at 1 Jan. 2012	7,985	7,805	-21	113,523	129,292
Contribution to other provisions	0	0	0	0	0
Dividend in kind	0	0	0	-19,963	-19,963
Adjustment of balance sheet loss	0	0	0	0	0
Withdrawal from capital reserves	0	0	0	0	0
Share-based payments	0	0	-54	0	-54
Other results	0	0	210	0	210
Net profit 2012	0	0	0	40,891	40,891
Total net profit 2012	0	0	0	40,891	40,891
As at 31 Dec. 2012	7,985	7,805	134	134,451	150,375
As at 1 Jan. 2013	7,985	7,805	134	134,451	150,375
Contribution to other provisions	0	0	0	0	0
Dividend in kind	0	0	0	0	0
Adjustment 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	-198	0	-198
Net profit 2013	0	0	0	9,003	9,003
Total net profit 2013	0	0	-198	9,003	8,805
As at 31 Mar. 2013	7,985	7,805	-65	143,454	159,180

SEGMENT REPORTING

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

Tipp24 has two business segments, which are managed by different committees:

The »Germany« segment comprises all activities in Germany and the UK which are controlled directly by the Executive Board of Tipp24 SE with the respective responsibilities. The »Abroad« segment mainly comprises activities in the UK, Spain and Italy, which are controlled by the MyLotto24.

Revenue from these business segments corresponds to the revenue of the operating units (Group subsidiaries) which are controlled by either the German parent company or by MyLotto24.

No existing segments were pooled together to form the new segments described above. The development of each segment is evaluated on the basis of revenue and EBIT. The group-wide financial management system (including financial expenses and income) and income taxes are controlled separately according to the geographical 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.1 in EUR thousand	Germany		Abroad		Consolidation		Consolidated	
	1 Jan. –31 Mar.		1 Jan. –31 Mar.		1 Jan. –31 Mar.		1 Jan. –31 Mar.	
	2013	2012	2013	2012	2013	2012	2013	2012
Revenue	102	142	37,271	35,865	–	-571	37,373	35,437
Depreciation/amortization	31	46	1,116	1,037	596	596	1,742	1,679
EBIT	-1,635	-3,072	14,055	15,316	-375	-197	12,045	12,048
Financial result	-408	-19	387	243	168	–	146	224
Income taxes	-4	868	-3,262	-3,523	85	-1,026	-3,180	-3,682
Profit from continued operations	-2,047	-2,223	11,180	12,036	-122	-1,223	9,011	8,590
Assets	46,502	40,489	138,624	83,912	-49,806	-35,720	135,320	88,681

SELECTED EXPLANATORY NOTES

GENERAL

The following interim report as of 31 March 2013 was approved for publication by a resolution of the Executive Board on 14 May 2013.

The condensed interim report for the first three months of 2013 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.

As of 31 March 2013, there were no valid standards or interpretations not yet adopted by the EU with an impact on the interim financial statements. As a consequence, the interim financial statements also comply with the IFRS as issued by the IASB. All accounting guidelines of the Company applied in the consolidated financial statements as of 31 December 2012 were also considered in drafting these interim financial statements.

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 2012.

The reporting period is 1 January to 31 March 2013.

The same accounting policies and calculation methods were used for this condensed interim report as for the consolidated financial statements as at 31 December 2012.

In the period under review, Giochi24 S.r.l. was deconsolidated. Apart from this, there are no other changes to the consolidated group of companies compared to 31 December 2012. In a purchase contract dated 22 November 2012, Giochi24 S.r.l. was sold to Intent Ventures Holding SCA subject to state approval. This approval was granted on 31 January 2013.

Giochi24 S.r.l. left the consolidated group on 31 January 2013 and was deconsolidated. There was no deconsolidation result from the deconsolidation.

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 three months of 2012, revenues as at 31 March 2013 rose by EUR 1,936 thousand to EUR 37,373 thousand. As of 31 March 2013, the actual payout ratio was 10.9 %-points (prior year: 5.3%-points) below the expected 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 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 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 which are chance effects and thus 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 interim 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 2013		Q.I 2012		Deviation absolute
	in EUR thousand	%	in EUR thousand	%	
Revenues	37,373	100.0	35,437	100.0	1,936
+/- deviation between actual winnings payouts and expected value	-5,045	-13.5	-3,452	-9.7	-1,593
Revenues adjusted for chance effects	32,328	86.5	31,985	90.3	343

PERSONNEL EXPENSES

The year-on-year decline in personnel expenses of EUR 275 thousand resulted mainly from a fall reduction in headcount.

OTHER OPERATING EXPENSES

The increase in other operating expenses resulted mainly from increased hedging costs incurred during the restructuring of the hedging profile for gaming operations (year-on-year increase of EUR 2,164 thousand) and an increase in other consultancy fees (year-on-year increase of EUR 936 thousand), which was offset in part by savings in the field of legal consultancy fees of EUR 369 thousand.

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 in the case of one of two contested 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 both 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 3.6 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. With regard to one disputed item, a verdict has been passed in our favour and we are thus awaiting new assessments which take this verdict into account. As they had not been received as of the preparation of these quarterly financial statements, the full amount of the risk is still carried as a contingent liability in the interim financial statements.

INCOME TAXES

The tax calculation of Tipp24 SE is based on a tax ratio which suitably reflects the tax expense.

in EUR thousand	31/03/2013	31/03/2012
Current income tax expense	3,341	3,778
Current deferred tax expense/income	-161	-96
Total income taxes	3,180	3,682

DISCONTINUED OPERATIONS

As of 31 December 2011, Tipp24 Deutschland GmbH (formerly Tipp24 Entertainment GmbH) was classified as a discontinued operation. Its result can be broken down as follows:

in EUR thousand	Q.1 2013	Q.1 2012
Revenues	0	591
Expenses	-8	-455
Expenses from financial activities	0	0
Impairment charge from restatement at fair value	-	-
Profit before tax from discontinued operations	-8	136
Income taxes	0	0
Profit after tax from discontinued operations	-8	136

SHARES IN ASSOCIATED COMPANIES

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

in EUR thousand	31/03/2013
Share in the assets and liabilities of the associated company:	
Current assets	2,441
Non-current assets	359
Current liabilities	169
Non-current liabilities	0
Equity	2,631

The cost for acquiring a 21.85% stake in Geonomics Global Games Limited amounted to EUR 18,395 thousand and was disclosed as of 31 March 2013 at EUR 18,265 thousand, as the loss of Geonomics Global Games Limited for the first quarter attributable to the investment amounted to EUR 130 thousand.

The purchase agreement includes an earn-out payment of EUR 2,300 thousand, which will remain as a contingent liability until 2015.

OBJECTIVES AND METHODS OF CAPITAL MANAGEMENT

Tipp24 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.

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 618 thousand. Under consideration of the duration of those investments currently in the portfolio, there would be an expected reduction of EUR 120 thousand. The overall effect, therefore, would amount to EUR 498 thousand.

Currency risk

Tipp24 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 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 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 31 March 2013. On the basis of this assumption, a revaluation of the British Pound against the Euro of 10% to 0.9302 GBP/EUR would result in an effect of EUR -2,495 thousand on earnings. A devaluation of the British Pound against the Euro of 10% to 0.7610 GBP/EUR would result in an effect of EUR 3,032 thousand on earnings.

SUBSEQUENT EVENTS

On 16 April 2013, the Executive Board of Tipp24 SE – with the approval of the Supervisory Board – resolved on a capital increase for cash of 5.01% of share capital under the exclusion of shareholder subscription rights. The company's share capital was increased by EUR 400,000, from EUR 7,985,088 to EUR 8,385,088, by making partial use of the company's Authorised Capital as adopted by the Annual General Meeting of 29 June 2011. To this end, the company issued 400,000 new, registered, no-par value shares with dividend entitlement as of 1 January 2012. The 400,000 new no-par value shares were placed

with qualified investors and other selected investors outside the United States of America, Canada, Australia and Japan in an accelerated book-building at a price of EUR 40.00 per new share. The company received gross proceeds from the capital increase of EUR 16 million.

Dr Helmut Becker was appointed as Chief Marketing Officer with effect from 1 June 2013.

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

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 35 thousand in the period under review.

Jens Schumann a member of the Supervisory Board of Tipp24 SE and at the same time sole owner 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 indemnifi-

cation 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.

The charitable foundation »Fondation enfance sans frontières«, owner of the preference shares of Tipp24 Service Limited, has been identified as a related party. It reported that it had not received any payments from Tipp24 SE during the reporting period.

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

Hamburg, 14 May 2013

The Executive Board

Dr Hans Cornehl

Andreas Keil

FINANCIAL CALENDAR

28 JUNE 2013	GENERAL MEETING
8 AUGUST 2013	HALF-YEAR REPORT
6 NOVEMBER 2013	NINE-MONTH REPORT
IN NOVEMBER 2013	ANALYST CONFERENCE (FRANKFURT)

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