

**Tipp24de**

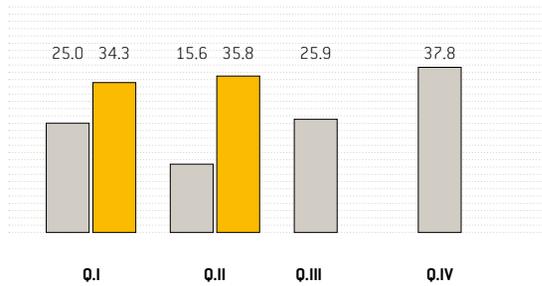
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# HALF-YEAR REPORT

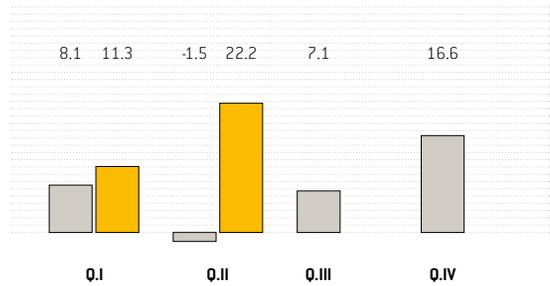
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1 JANUARY–30 JUNE 2011

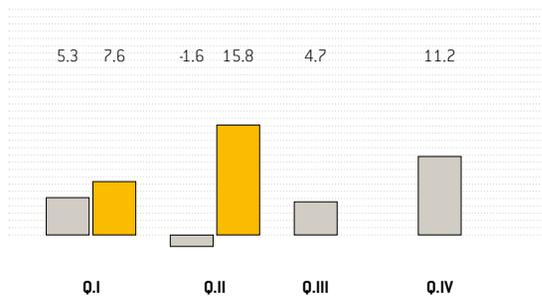
REVENUE in EUR million



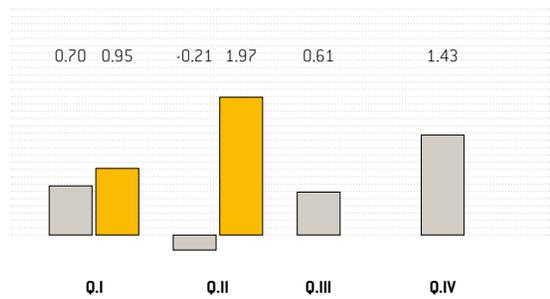
EBIT in EUR million



CONSOLIDATED NET PROFIT in EUR million



EARNINGS PER SHARE in EUR



■ 2010    ■ 2011

■ 2010    ■ 2011

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(Possible rounding differences due to presentation in EUR thousand)

## LADIES AND GENTLEMEN,

Following record earnings in fiscal 2010 and a very good first quarter, Tipp24 SE continued its success story in the second quarter of 2011: in the first six months of 2011, consolidated revenues rose by 72.4% to EUR 70,073 thousand – the Abroad segment once again contributing the lion's share of EUR 69,768 thousand and the German segment EUR 1,750 thousand. Consolidated EBIT reached EUR 33,522 thousand: of which the Abroad segment contributed EUR 38,278 thousand and the German segment EUR -3,807 thousand. This growth by a factor of over five resulted mainly from a more favourable payout statistic as well as from the settlement of a legal dispute of MyLotto24 Limited concerning the payment of an insurance amount.

The regulatory situation in Germany continues to shift in our favour: the verdicts passed by the Administrative Court (VG) of Halle in November 2010 have been legally binding since 28 June 2011 and Tipp24 is thus once again allowed to broker lotteries via the Internet and to advertise them in Saxony-Anhalt. VG Halle had declared as inapplicable all restrictions of the German State Treaty on Games of Chance (GlüStV) for private lottery brokers such as Tipp24, whereby the court was following the instructions of the European Court of Justice (ECJ). The decision was based on a comprehensive study which led the court to decide there was de facto no such thing as lottery addiction. The existing bans on brokering lotteries via the Internet therefore contravene European law. Tipp24 does not need to respect them and may broker Lotto via the Internet without permission. This legally binding establishment of fact must now be taken into consideration in the government's revision of the GlüStV.

This verdict confirms our long-held belief that the marketing of lotteries does not constitute any danger and is thus no reason to impose unnecessary restrictions on the private brokerage of state-run lotteries.

On 18 July 2011, the European Commission gave a »Detailed Opinion« to Germany regarding the notified draft of the 15 federal states for a State Amendment Treaty on the GlüStV. The Commission criticised in unusually clear terms the restrictions contained in the submitted draft. The Commission »cannot detect how the notified draft ... complies with the requirements of a coherent and systematic limitation«. The ECJ had very clearly stated these requirements in September 2010 and recently again in the »Zeturf« case. According to the Commission, the restrictions are not clearly justified and incoherent. The Commission strongly recommends the federal states »not to accept« the draft in its current form.

The Commission's strong criticism of the planned regulation should motivate the states to improve on the restrictions contained, as well as the permission criteria not contained and the lack of legal recourse.

The capital market has welcomed the very positive development of Tipp24 SE and its environment – on 8 July 2011, our share reached an all-time-high of EUR 36.00.

At the Annual General Meeting of Tipp24 SE on 29 June 2011, the shareholders voted in favour of expanding the Supervisory Board to six persons. In addition to Oliver Jaster and Hendrik Pressmar, who remain on the Supervisory Board, Jens Schumann, Andreas de Maizière, Willi Berchtold and Dr. Helmut Becker were all elected to the Supervisory Board. As already announced in February, the Chairman of the Supervisory Board, Klaus Jaenecke, retired from the Supervisory Board on completion of the Annual General Meeting.

We are delighted to welcome back to Tipp24 SE the former Executive Board members Marcus Geiß (40) and Petra von Strombeck (42), who left the Executive Board in late March 2009 following a downsizing of the Executive Board due to legal restrictions imposed on German operations. They will both resume their old positions on the Executive Board.

In general, Tipp24 SE is ideally prepared for its imminent return to the German market. For fiscal year 2011, we expect revenue to reach at least the level of last year (EUR 104 million). Due to the settlement of a litigation brought by MyLotto24 Limited, we have raised our forecast for consolidated EBIT to EUR 40 million. This forecast takes into consideration an amount of up to EUR 10 million for uncertainties regarding negative statistical fluctuations and increased costs for re-establishing business in Germany.

The Executive Board



**Dr. Hans Cornehl**



**Marcus Geiß**



**Petra von Strombeck**

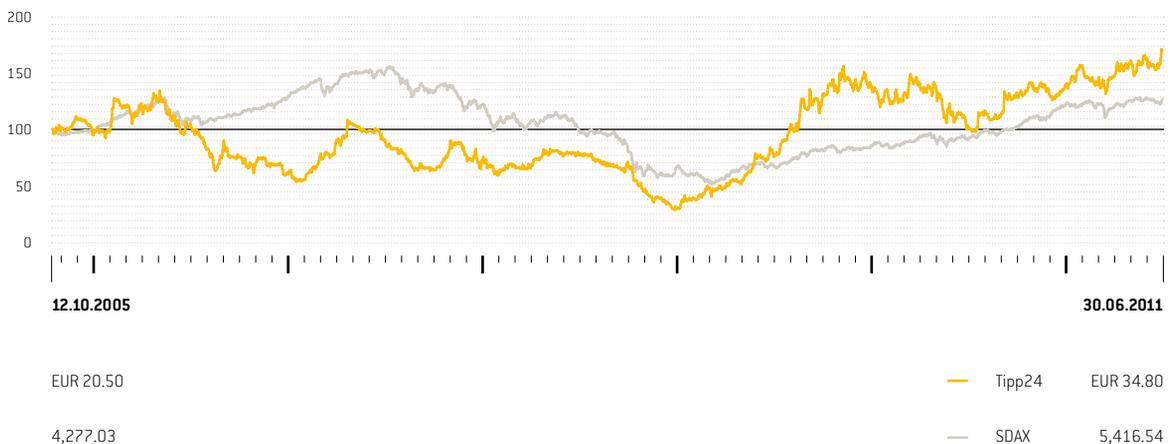
## KEY CONSOLIDATED FIGURES OF TIPP24 SE ACC. TO IFRS

		Q.I–II 2011	Q.I–II 2010	Change %
Revenue	EUR thsd.	70,073	40,636	+72.4%
EBIT	EUR thsd.	33,522	6,540	+412.6%
EBIT margin	%	47.8	16.1	+31.7%-points
Net profit	EUR thsd.	23,329	3,699	+530.7%
Net profit margin	%	33.3	9.1	+24.2%-points
Cashflow from operating activities	EUR thsd.	25,416	1,987	+1,179%
Equity (30.06.2011 / 31.12.2010)	EUR thsd.	116,261	92,921	+25.1%
Employees (30.06.)	Headcounts	120	122	-1.6%

(Possible rounding differences due to presentation in EUR thousand)

## INVESTOR RELATIONS

PERFORMANCE OF THE TIPP24 SHARE SINCE IPO (Index 12.10.2005=100)



## SHARE

The main focus of the capital markets shifted during the second quarter of 2011. Whereas in the first quarter of 2011, the markets were still driven by the uprisings of the Middle East and the natural disaster in Japan, it is now the dispute among the Euro nations regarding the sovereign debt crisis which is unsettling the capital markets.

Nevertheless, the SDAX performed strongly with growth of 5.6% to 5,416.54 points in the second quarter of 2011. Over the same period, the Tipp24 share outperformed the SDAX and rose to EUR 34.80 as of 30 June 2011, corresponding to growth of 15.5%.

The Annual General Meeting of Tipp24 SE was held at the Curiohaus in Hamburg on 29 June 2011. A total of 67.54% of voting share capital was represented. The Annual General Meeting voted in favour of all resolutions proposed by management on the agenda. For further details, please refer to the Investor Relations section of our corporate website ([www.tipp24-se.de](http://www.tipp24-se.de)).

In the second quarter of 2011, we continued our intensive investor relations activities and presented Tipp24 and its business prospects at roadshows in Germany and abroad.

### KEY SHARE FIGURES

Day of initial listing		<b>12.10.2005</b>
Year-opening price	01.01.2011	<b>EUR 28.85</b>
Market capitalization	01.01.2011	<b>EUR 230 million</b>
Closing price at the end of the period	30.06.2011	<b>EUR 34.80</b>
Market capitalization	30.06.2011	<b>EUR 278 million</b>
Highest price	29.06.2011	<b>EUR 35.13</b>
Lowest price	16.03.2011	<b>EUR 26.98</b>
Number of shares	30.06.2011	<b>7,985 thousand</b>
Number of own shares	30.06.2011	<b>0</b>
Average daily trading	01.01.–30.06.2011	<b>24,193</b>
Earnings per share (undiluted and diluted)	01.01.–30.06.2011	<b>EUR 2.92</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, Warburg, Hauck &amp; Aufhäuser, Macquarie, Berenberg</b>
Reuters	<b>TIMGn.DE</b>
Bloomberg	<b>TIM GR</b>

## CONSOLIDATED INTERIM REPORT

### BUSINESS & ECONOMIC CONDITIONS

#### REGULATORY CONDITIONS

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

Business in the Abroad segment comprises the brokering of state-run lottery products in Spain and Italy. In the UK, MyLotto24 Limited organizes secondary English lotteries based on various European lotteries and thus bears the bookmaking risk. Tipp24 Services Limited brokers tickets to MyLotto24 Limited.

In the Group's German segment, Tipp24 SE markets the German class lotteries NKL and SKL in cooperation with Schumann e. K.. The subsidiary Tipp24 Entertainment GmbH develops skill-based games. Moreover, this segment also focuses on identifying, developing and acquiring new business fields in Germany and Europe.

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 Tipp24 Services Limited were sold to a Swiss foundation set up by Tipp24 SE in the form of preference shares stripped of their

main economic rights. These shares have a guaranteed limited right to dividends of up to a total of 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. In the following, Tipp24 SE and the consolidated group will be referred to simply as »Tipp24«.

#### ECJ VERDICTS DOMINATE NATIONAL COURT DECISIONS

On 8 September 2010, the ECJ proclaimed in two verdicts that the current and legal rulings of the referring German courts justified the courts' assumptions that significant regulations of the German State Treaty on Games of Chance (GlüStV) contravened EU law and were inapplicable. The regulations of Germany's gaming monopoly represented an unjustifiable restriction of the basic European freedoms of private suppliers. Moreover, the ECJ ruled 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 binding – beyond the proceedings themselves. These instructions must also shape the current political and legal review of the GlüStV, in order to prevent any continuation of the current legal chaos and secure much-needed tax and duty revenue for Germany's federal states.

#### PLANNED RESUMPTION OF BUSINESS IN GERMANY

Against the backdrop of the ECJ ruling and the unifying confirmation of jurisdiction in Germany, we plan to resume our former brokerage of state-run lotteries in Germany as soon as possible. We have already fulfilled the main technological and organizational requirements for such a move. Significant funds for financing such a resumption of business have also been put in place. The political and legal requirements for such a move are generally making reasonable progress, but have not yet been achieved.

## LEGAL MARKET SITUATION IN GERMANY

Despite the ECJ's clear rulings, a number of German courts and authorities have passed various decrees and decisions in summary and principal proceedings in application of the GlüStV, which in our view contravenes EU law. These affected both Tipp24 itself and various other market participants. All in all, these decrees and decisions in contravention of the ECJ rulings resulted in a very varied picture which has only gradually become somewhat more unified since early 2011. However, other administrative courts have applied the rulings of the ECJ in clearly reasoned decisions and declared key restrictions of the GlüStV as inapplicable.

In a verdict passed on 24 November 2010, the German Federal Administrative Court (Bundesverwaltungsgericht – BVerwG) also applied the principle of consistency to the provisions of gaming legislation and rejected proceedings of the Bavarian Administrative Court calling for a further examination of the coherency of German gaming regulations and practice. This incoherency has already been determined by the referring administrative courts of Cologne, Stuttgart and Giessen, amongst others, in application of the provisions contained in the ECJ's jurisdiction. Once again, doubts about the legality and effectiveness of the GlüStV have been confirmed.

The same is also indicated by a decision of Germany's Federal Supreme Court (Bundesgerichtshof – BGH) on 18 November 2010, which for legal reasons could only deal with legislation before the GlüStV was introduced. Despite being restricted to former legislation, the BGH cites in its verdict the ECJ's ruling on »Carmen Media«, which only relates to the new 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 a press release of its verdict on 1 June 2011 concerning a sports gambling case, however, the German Federal Administrative Court assumed that the Internet ban is generally in line with EU law and, as a result of incoherencies, still applies. A written justification of the verdict is not yet available.

In addition to the general questions of coherency regarding gaming legislation, there are also growing doubts among Germany's administrative courts in the more specific area of lottery brokerage concerning the proportionality of restrictions (Internet ban) and their alignment with the aim of combating gambling addiction. In proceedings brought by Tipp24, both VG Halle and VG Chemnitz established that Germany's gaming regulations were disproportional due to considerable doubts regarding the existence of any lottery addiction. VG Halle had 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. Whereas in parallel proceedings VG Wiesbaden declared that the permission requirement and Internet ban were applicable, especially for lottery brokering, VG Chemnitz shared the view of VG Halle. Due to the minor relevance of lottery addiction, if at all, both VG Halle and VG Chemnitz 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/regionalism 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.

## 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 generally 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 was not successful. The current obligation for all market participants to run online brokerage of the state-licensed lottery SuperEnalotto exclusively via the applet of organiser Sisal (which has proven unsuitable for the market) remains in place. It is currently being examined to what extent the newly commenced organization of bingo games can make a sustainable contribution to revenue and earnings.

## PERSONNEL CHANGES

At the Annual General Meeting on 29 June 2011, it was decided to expand the Supervisory Board from three to six persons and thus expand the expertise available. In addition to Oliver Jaster and Hendrik Pressmar, who remain on the Supervisory Board, Jens Schumann, Andreas de Maizière, Willi Berchtold and Dr. Helmut Becker were all elected to the Supervisory Board. As already announced in February, the previous Chairman of the Supervisory Board, Klaus Jaenecke, retired from the Supervisory Board on completion of the Annual General Meeting.

## RESEARCH & DEVELOPMENT

In the first half of 2011, our domestic R&D activities focused on expanding the product range of our Skill-Based Games division.

In the Abroad segment, the new gaming software was expanded further and put into operation as reported on 31 January 2011. Following its implementation, further enhancements were made to the new software. This project is managed directly abroad and

operated partly in cooperation with external service 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 six months of 2011, an average of nine employees were involved with R&D activities on a full-time or part-time basis in Germany, and 22 in the Abroad segment. R&D expenses amounted to around EUR 246 thousand (prior year: EUR 95 thousand) in the Germany segment and EUR 454 thousand (prior year: EUR 427 thousand) in the Abroad segment.

## SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

### EARNINGS, FINANCIAL POSITION AND NET ASSETS

#### EARNINGS

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

- In the six months of 2011, total payouts for secondary lotteries were EUR 6.0 million below the expected payout value (prior year: EUR 17.5 million above the expected value) with a positive impact on revenues (prior year: negative) of the same amount. This benefited EBIT by an amount of EUR 2.9 million (prior year: EUR -16.3 million).
- On 24 June 2011, MyLotto24 Limited, a fully consolidated minority shareholding of Tipp24 SE, ended a dispute regarding an insurance payment by mutual agreement. The major share of the year-on-year change in other operating income of EUR 11.1 million resulted from this settlement.

Half-year comparison	Q.I–II 2011		Q.I–II 2011		Change %
	in EUR thsd.	%	in EUR thsd.	%	
<b>Revenues</b>	<b>70,073</b>	<b>100.0</b>	<b>40,636</b>	<b>100.0</b>	<b>72.4</b>
Personnel expenses	-5,257	-7.5	-5,113	-12.6	2.8
Other operating expenses	-41,678	-59.5	-29,859	-73.5	39.6
Other operating income	13,483	19.2	2,352	5.8	473.3
<b>Operating expenses</b>	<b>-33,452</b>	<b>-47.7</b>	<b>-32,620</b>	<b>-80.3</b>	<b>2.6</b>
<b>EBITDA</b>	<b>36,621</b>	<b>52.3</b>	<b>8,016</b>	<b>19.7</b>	<b>356.8</b>
Amortization and depreciation	-3,099	-4.4	-1,476	-3.6	110.0
<b>EBIT</b>	<b>33,522</b>	<b>47.8</b>	<b>6,540</b>	<b>16.1</b>	<b>412.6</b>
Financial result	305	0.4	237	0.6	28.7
<b>Earnings before taxes</b>	<b>33,826</b>	<b>48.3</b>	<b>6,777</b>	<b>16.7</b>	<b>399.1</b>
Income taxes	-10,498	-15.0	-3,078	-7.6	241.1
<b>Profit</b>	<b>23,329</b>	<b>33.3</b>	<b>3,699</b>	<b>9.1</b>	<b>530.7</b>
<b>Breakdown of other operating expenses</b>					
Marketing expenses	-4,781	-6.8	-5,257	-12.9	-9.1
Direct operating expenses	-22,984	-32.8	-13,966	-34.4	64.6
Other expenses of operations	-13,914	-19.9	-10,636	-26.2	30.8
<b>Other operating expenses</b>	<b>-41,678</b>	<b>-59.5</b>	<b>-29,859</b>	<b>-73.5</b>	<b>39.6</b>

(Possible rounding differences due to presentation in EUR thousand)

## EBIT

After the first six months of 2011, **consolidated EBIT** amounted to EUR 33,522 thousand (prior year: EUR 6,540 thousand), whereby the EBIT margin rose by 31.7%-points from 16.1% to 47.8%. Adjusted for statistic deviation from the expected level of payouts, EBIT amounted to EUR 30,618 thousand (prior year: EUR 22,826 thousand) while the EBIT margin reached 47.8% (prior year: 39.3%).

Due to the significant regulatory restrictions imposed on lottery activities and start-up losses in the Skill-Based Games division, the **Germany segment** posted an EBIT result of EUR -3,807 thousand (prior year: EUR -4,030 thousand) in the first half of 2011, while the **Abroad segment** achieved an EBIT result of EUR 38,278 thousand in the same period (prior year: EUR 10,039 thousand).

When comparing figures with those of the previous year, certain special items must be taken into account: MyLotto24 Limited was able to end a dispute regarding an insurance payment by mutual agreement in the second quarter of 2011. The payment was recognized as other operating income in the interim result. The EBIT result of the previous year was also heavily burdened by a statistic deviation from the expected level of payouts.

In the period under review, the **financial result** amounted to EUR 305 thousand (prior year: EUR 237 thousand).

**Consolidated net profit** rose by more than six times to EUR 23,329 thousand (prior year: EUR 3,699 thousand), while the **net operating margin after tax** reached 33.3% (prior year: 9.1%). Compared to the previous year, the **consolidated tax rate** fell by 14.4%-points to 31.0%.

**Return on equity** rose from 5.4% in the previous year to 20.1%.

**Earnings per share** (undiluted and diluted) increased from EUR 0.49 to EUR 2.92.

## REVENUES

In the first six months of 2011, consolidated revenues grew by 72.4% from EUR 40,636 thousand to EUR 70,073 thousand. In the **Germany segment**, revenues reached EUR 1,750 thousand in the period under review (prior year: EUR 1,555 thousand), while the **Abroad segment** posted revenues of EUR 69,768 thousand (prior year: EUR 40,299 thousand).

Adjusted for chance effects, consolidated revenues would have grown by 10.3% from EUR 58,094 thousand to EUR 64,099 thousand. In the period ending 30 June 2011, the actual payout ratio varied by -5.7%-points (prior year: +18.6%-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 fixed underlying payout ratio 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

In the first half of 2011, **personnel expenses** exceeded the prior-year figure by 2.8% and amounted to EUR 5,257 thousand (prior year: EUR 5,113 thousand). The personnel expense ratio fell by 5.1%-points auf 7.5%. Headcount amounted to 120 (prior year: 122) as of 30 June 2011.

There was a year-on-year increase in **other operating expenses** of 39.6% to EUR 41,678 thousand (prior year: EUR 29,859 thousand). The development in detail was as follows:

- **Marketing expenses** fell by 9.1% to EUR 4,781 thousand (prior year: EUR 5,257 thousand).
- **Direct operating expenses** rose by 64.6% to EUR 22,984 thousand (prior year: EUR 13,966 thousand). This item is strongly influenced by licence and operator fees as well as costs in connection with hedging transactions of MyLotto24 Limited. The costs for hedging transactions amounted to EUR 10,245 thousand in the period under review (prior year: EUR 6,810 thousand). This year-on-year increase was largely due to the increase in business volume and the corresponding hedging of risks involved with high jackpots.
- **Other operating expenses** increased by 30.8% to EUR 13,914 thousand (prior year: EUR 10,636 thousand) – a rise which resulted mainly from increased outsourcing and consultancy costs.

Due to the payout of the above mentioned insurance amount and the reversal of an accrual for litigation costs, **other operating income** rose to EUR 13,483 thousand (prior year: EUR 2,352 thousand).

The scheduled amortization of software put into operation in the first quarter led to a rise in **depreciation** of tangible and intangible assets rose of EUR 1,623 thousand to EUR 3,099 thousand.

## FINANCIAL POSITION

Compared with the balance sheet date, Tipp24's **equity capital** grew by EUR 23,340 thousand to EUR 116,261 thousand as of 30 June 2011. Over the same period, the equity ratio increased by 5.0%-points to 76.5%, while the balance sheet total rose by 16.9% to EUR 151,999 thousand.

**Short-term other liabilities**, which mainly result from advance payments, winnings payments owed to customers not yet settled as of the balance sheet date, and licence and operator fees owed to gaming licensors, fell by 0.4% in the period under review to EUR 17,464 thousand (31 December 2010: EUR 17,536 thousand).

<b>Other liabilities</b>	30 Jun. 2011	31 Dec. 2010
in EUR thsd.		
Liabilities from gaming operations	15,227	15,571
Tax liabilities	1,168	909
Liabilities from social security	127	118
Others	942	938
	<b>17,464</b>	<b>17,536</b>

(Possible rounding differences due to presentation in EUR thousand)

## INVESTMENT ANALYSIS

In the period under review, investing activities resulted in net cash flow of EUR -34,410 thousand (prior year: EUR -36,274 thousand). Proceeds and disbursements from financial investments resulted in net cash flow of EUR -30,080 thousand (prior year: EUR -30,679 thousand). Net cash flow from investments in our operating business totalled EUR -4,330 thousand (prior year: EUR -5,595 thousand), whereby investment focused mainly on improvements to the new gaming software and on the ongoing expansion and continual updating of live systems. Systems are continually expanded and updated in line with growing capacity requirements, as well as changing security standards and technologies.

## LIQUIDITY ANALYSIS

At EUR 25,416 thousand, **cash flow from operating activities** in the first six months of 2011 exceeded the prior-year level (EUR 1,987 thousand), mainly as a result of the increase in consolidated net profit.

As explained in the investment analysis section above, **cash flow from investing activities** grew year on year by EUR 1,863 thousand to EUR -34,410 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 112.0 million (prior year: EUR 77.3 million). This ensures that our operator of secondary lotteries, MyLotto24 Limited, always has sufficient short-term liquidity for the swift payment of high jackpot winnings.

Key cash flow positions	Q.I–II 2011	Q.I–II 2010
in EUR thsd.		
Cash flow from operating activities	25,416	1,987
Cash flow from investing activities	-34,410	-36,274
<i>thereof financial investments</i>	-30,080	-30,679
<i>thereof operative investments</i>	-4,330	-5,595
Cash flow from financing activities	0	0
<b>Change in cash</b>	<b>-8,994</b>	<b>-34,287</b>
Cash at the beginning of the period	42,673	69,111
Change in pledged cash	33	0
<b>Cash at the end of the period</b>	<b>33,712</b>	<b>34,824</b>
Short-term financial assets	78,320	42,502
<b>Available funds</b>	<b>112,032</b>	<b>77,326</b>

(Possible rounding differences due to presentation in EUR thousand)

## ASSET SITUATION

### Asset structure

The assets of Tipp24 mainly comprise current assets amounting to EUR 121,879 thousand (31 December 2010: EUR 100,569 thousand). These consist largely of cash (EUR 33,712 thousand), short-term financial assets (EUR 78,320 thousand) and other assets and prepaid expenses (EUR 7,657 thousand). Moreover, Tipp24 has intangible assets (mainly software) amounting to EUR 25,267 thousand, financial assets of EUR 1,600 thousand, property, plant and equipment (mainly hardware and office equipment) amounting to EUR 1,287 thousand and deferred tax assets amounting to EUR 1,967 thousand.

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

### Assets not recognized

On 23 September 2009, MyLotto24 Limited, a fully consolidated minority holding of Tipp24 SE, recorded a jackpot win of EUR 31.7 million which reduced revenue by the same amount. The jackpot payout was insured for an amount of EUR 21.7 million. As the insurance case developed into litigation in early 2010, the entire amount of the receivable due from the insurance company was classified as a contingent receivable and not carried in the balance sheet. This contingent receivable no longer exists.

In June 2011, a legal dispute of MyLotto24 Limited was settled by mutual agreement. As a consequence, the forecast for earnings before interest and taxes (EBIT) was raised from EUR 30 million to EUR 40 million.

Other assets	30 Jun. 2011	31 Dec. 2010
in EUR thsd.		
Receivables from gaming operations	3,258	3,546
Prepaid expenses	1,556	1,247
Receivables from tax authorities for sales tax	1,181	1,160
Others	1,661	2,011
	<b>7,657</b>	<b>7,964</b>

(Possible rounding differences due to presentation in EUR thousand)

## MANAGEMENT'S ASSESSMENT OF THE ECONOMIC POSITION

The success of Tipp24 in the first six months of 2011 was once again driven by the Abroad segment. Against this backdrop, **we continue to regard Tipp24's situation as generally robust:** the company has sufficient resources to successfully prevail, even in the face of significant negative regulatory conditions. Above all, however, in view of what we regard as the obvious incompatibility of current gaming legislation in Germany with constitutional, EU and anti-trust law, we believe that it is unlikely that such legislation can be upheld in the long term. This belief has been confirmed by the ECJ and recent German jurisdiction with regard to its incompatibility with EU law. Current discussions regarding the new GlüStV to be introduced as of 1 January 2012 are at least considering the partial liberalization of German gaming law, which would make it possible once more to broker state-run lotteries via the Internet. However, the decisive details which will determine whether the online brokerage of state lotteries is to be allowed not only de jure but also de facto, have still not been finally discussed and resolved.

The Executive Board sees the **opportunity for sustained encouraging growth** in the medium term. In comparison with other sectors, the online lottery market in Germany, Spain, Italy and the UK is still underdeveloped – there is therefore 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 ongoing deregulation of European lottery markets. 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

As announced in April this year, the Executive Board was expanded as of 1 July 2011 with the addition of two further members. The former Executive Board members Marcus Geiß (40) and Petra von Strombeck (42), who left the Executive Board in late March 2009 following a downsizing of the Executive Board due to legal restrictions imposed on German operations, have returned to Tipp24 SE in their old positions.

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

In our annual report 2010, 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 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. The UK companies are exposed to a currency risk regarding the British Pound. 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 IN THE EXECUTION OF LARGE DEVELOPMENT PROJECTS

The operating companies in the Abroad segment of Tipp24 have invested in the international standardization and improvement of their gaming software over the past two-and-a-half years as part of a very large development project involving several external partners and binding considerable internal resources. This software was put into operation in late January 2011 without any significant disruptions. Nevertheless, there is a risk that in the course of operation – and especially during the start-up phase – material development errors may occur which restrict or delay the full usage of the software. This may lead to considerable subsequent investments for improvement work, the restriction of gaming operations and an adjustment of the carrying value of capitalized development costs, which in turn would have a significant adverse effect on the earnings, financial position and net assets of Tipp24.

### 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.

### RISKS FROM FINANCIAL INVESTMENTS

Tipp24 has cash in Germany and abroad totalling EUR 33,712 thousand, which is held in accounts with various major European banks. There is no evidence of any significant default risk. Should the global financial crisis 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 a scenario may lead to the partial or complete loss of our cash deposits. Short-term financial assets of EUR 78,320 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.

### LEGAL RISKS RESULTING FROM THE REGULATORY DEVELOPMENT IN GERMANY

As a result of the extensive Internet prohibition and other restrictions of the GlüStV in Germany, we were still unable to pursue the overwhelming proportion of our German business. 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 this restrictive legal framework may be upheld in the short to 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. The application of these instructions regarding interpretation, however, is initially still the duty of the national authorities and courts in Germany. In view of the doubts expressed by the supreme court, however, there is a not insignificant probability that the national courts will come to the conclusion, based on their own findings, that the German monopoly regulations are incoherent and thus disproportional. A coherent implementation of legislation 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 believes that the current advertising methods of state-run lotteries are not conducive to preventing gambling addiction. Such incoherencies justified the decision that the European freedom of private persons to provide services was restricted in a disproportional manner. The ECJ further clarified that standards which infringe EU law could not be tolerated even temporarily but were inapplicable. German authorities and certain courts are currently adopting the view that the monopoly regulations may be ineffective, but that the need to seek permission and the Internet ban were still effective. Based on numerous legal analyses and court verdicts to the contrary, we regard this view as incorrect with regard to the field of lottery brokerage in particular. In the medium term, however, it remains to be seen to what extent enforceable prohibition orders can now be suspended or repealed by the courts and authorities on the basis of the European instructions. However, the courts must observe the interpretation of the ECJ which is binding in respect of decisions for the authorities and courts.

In the short to medium term, Tipp24 is still restricted in its direct access to the huge market potential of Germany, which it was able to exploit in the past. Since the end of 2008, various authorities have forbidden Tipp24 SE from brokering domestic and foreign games to customers in Germany. For the time being, these prohibition orders are still enforceable – even after the ECJ and BVerwG rulings. Tipp24 SE observes these regulations,

whereby it should be noted that Tipp24 SE has never brokered foreign games. At the same time, some authorities also tried to force Tipp24 SE by means of injunctions to abandon the business model of the UK companies. These official orders are immediately enforceable and failure to meet them would result in coercive payments. However, as Tipp24 SE is not authorized to give directions to the UK companies (also before the sale of majority voting rights to the Swiss foundation) and no further details were provided as to how Tipp24 SE should achieve this with regard to the UK companies and their activities, we regard these requests as legally indeterminate and impossible to meet. This applies all the more since control has been transferred. We therefore challenged these orders in court. In two cases of a prohibition order and a coercive payment from January 2009, we failed to achieve a court suspension. In a further case, the authority itself lifted a prohibition order and two coercive payments following a notice from the administrative court and recognition of their illegality. In this case, no decision can be taken until principal proceedings have been completed. As the UK companies manage their business independently and Tipp24 SE cannot control them, we do not expect any further coercive payments. In contrast to this, in summary proceedings of the administrative Court of Hesse in June 2010, it was assumed that Tipp24 SE controlled the offerings of the UK companies despite the legal transfer of control. With reference to these proceedings, the district government of Düsseldorf imposed a fine of EUR 100,000 in July 2010 based on the offerings of the UK companies and threatened further coercive payments. Due to Tipp24 SE's inability to control these companies, we regard this fine as a clear violation of valid law and shall challenge it in court. Tipp24 SE appealed to the administrative Court of Düsseldorf, which has since pronounced that the enforcement of such coercive payments must be temporarily suspended until a decision is taken in the summary proceedings. Against this backdrop, it cannot be excluded that certain authorities will impose further coercive payments and regulatory fines which will 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. 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. 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.

Finally, Germany's supervisory authorities still also regard skill-based games as illicit gaming or for not permissible via the Internet and have announced a ban. In their capacity as market participants, certain state lottery companies are striving to forbid skill-based games by attempting to legally enforce an alleged contravention of German gaming law. We believe that the games offered on the website operated by Tipp24 Entertainment GmbH ([www.tipp24games.de](http://www.tipp24games.de)) are all knowledge-based or skill-based games which do not require permission. It cannot be ruled out, however, that we will fail to assert this claim in German courts. In the German state of North-Rhine Westphalia, the respective gaming authorities have issued a prohibition order against the game »Hush Hasis Mau Mau« which is temporarily enforceable in the area of the state. Should further games be removed from the website in future for similar considerations, without the ability to create a replacement of equal value, this would represent a significant restriction for the business of Tipp24 Entertainment GmbH, which would lead to a reduction in the value of the intangible assets disclosed in the balance sheet 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. 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, 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 – and thus 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. 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. As such contingent receivables are not carried in the balance sheet, such a refusal to pay would have no impact on the earnings, financial position and net assets of MyLotto24 Limited, which through consolidation would also represent a burden for Tipp24 as a whole.

### FORECAST AND OPPORTUNITY REPORT

In general, Tipp24 SE plans to clarify the legal and political conditions for its business model in Germany by utilising all available appeal possibilities and continuing its political lobbying. We aim to resume business activities in Germany with the brokerage of state-run lotteries as soon as possible. According to the executive boards of our minority shareholdings, the growth strategy in Europe is also to be continued.

### EXPECTED EARNINGS POSITION

On 24 June 2011, MyLotto24 Limited, a fully consolidated minority holding of Tipp24 SE, informed us that it had succeeded in settling a legal dispute about an insurance payment by mutual agreement.

As a consequence, Tipp24 SE has raised its forecast for consolidated EBIT in fiscal year 2011 to EUR 40 million. Revenues are still expected to reach at least the level of last year (EUR 104 million). This forecast takes into consideration uncertainties regarding negative statistical fluctuations and increased costs for re-establishing business in Germany of up to EUR 10 million.

### SIGNIFICANT OPPORTUNITIES

In the above-mentioned discussions of the legal framework, we believe it is unlikely that Germany's legislators will act against valid law and political common sense by restricting the growing market of online lottery brokerage. The recently announced verdict of the ECJ 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, and supplementary regulations 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 allow the company to resume operations on the German market and enable further internationalization – thus significantly increasing access to our product portfolio and enabling Tipp24 to enter new markets with its existing products.

## CONSOLIDATED INCOME STATEMENT FOR THE PERIOD 1 JANUARY TO 30 JUNE ACC. TO IFRS

	Q.II 2011	Q.II 2010	Q.I–II 2011	Q.I–II 2010
in EUR				
<b>Revenues</b>	<b>35,798,684.56</b>	<b>15,645,723.93</b>	<b>70,073,161.30</b>	<b>40,636,316.52</b>
Other operating income	12,285,279.01	1,114,929.81	13,483,103.84	2,351,947.42
<b>Total operating performance</b>	<b>48,083,963.57</b>	<b>16,760,653.74</b>	<b>83,556,265.14</b>	<b>42,988,263.94</b>
<b>Operating expenses</b>				
Personnel expenses	-2,667,506.73	-2,709,740.19	-5,257,371.76	-5,112,745.18
Amortization/depreciation on intangible assets and property, plant and equipment	-1,721,004.63	-771,364.24	-3,098,713.38	-1,476,143.96
Other operating expenses	-21,457,791.92	-14,802,066.16	-41,678,345.96	-29,859,295.41
Total marketing expenses	-2,226,257.80	-2,880,187.17	-4,781,253.36	-5,257,020.20
Total direct costs of operations	-11,651,033.79	-6,119,246.63	-22,983,588.27	-13,965,830.50
Total other costs of operations	-7,580,500.33	-5,802,632.36	-13,913,504.33	-10,636,444.71
<b>Result from operating activities (EBIT)</b>	<b>22,237,660.29</b>	<b>-1,522,516.85</b>	<b>33,521,834.04</b>	<b>6,540,079.39</b>
Revenues from financial activities	260,645.00	135,256.55	419,027.28	290,136.03
Expenses from financial activities	-56,812.12	-34,357.85	-114,480.00	-52,937.60
<b>Financial result</b>	<b>203,832.88</b>	<b>100,898.70</b>	<b>304,547.28</b>	<b>237,198.43</b>
<b>Result from ordinary activities</b>	<b>22,441,493.17</b>	<b>-1,421,618.15</b>	<b>33,826,381.32</b>	<b>6,777,277.82</b>
Income taxes	-6,667,751.42	-203,373.83	-10,497,759.59	-3,078,224.24
<b>Consolidated net profit</b>	<b>15,773,741.75</b>	<b>-1,624,991.98</b>	<b>23,328,621.73</b>	<b>3,699,053.58</b>
Earnings per share (diluted and undiluted, in Euro/share)	1.98	-0.21	2.92	0.49
Weighted average of ordinary shares outstanding (diluted and undiluted, in shares)	7,985,088	7,623,908	7,985,088	7,623,908

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

	Q.I–II 2011	Q.I–II 2010
in EUR		
<b>Net profit for the period</b>	<b>23,328,621.73</b>	<b>3,699,053.58</b>
<b>Other result</b>		
Unrealized gains/losses from revaluation of financial assets held for sale	11,101.02	26,540.00
<b>Other result after tax</b>	<b>11,101.02</b>	<b>26,540.00</b>
<b>Total net profit after tax</b>	<b>23,339,722.75</b>	<b>3,725,593.58</b>

## CONSOLIDATED BALANCE SHEET AS OF 30 JUNE ACC. TO IFRS

	30 Jun. 2011	31 Dec. 2010
<b>ASSETS</b> in EUR		
<b>Current assets</b>		
Cash	33,711,983.53	42,673,131.77
Pledged cash	1,250,288.08	1,283,533.24
Short-term financial assets	78,320,058.07	48,226,340.87
Trade receivables	26,731.26	26,638.77
Income tax refund claims	913,073.75	395,910.63
Other assets and prepaid expenses	7,656,762.40	7,963,908.08
<b>Total current assets</b>	<b>121,878,897.09</b>	<b>100,569,463.36</b>
<b>Non-current assets</b>		
Intangible assets	25,267,208.58	23,863,458.12
Property, plant and equipment	1,286,509.82	1,458,708.77
Financial assets	1,600,000.00	1,600,000.00
Deferred tax assets	1,966,521.31	2,521,421.46
<b>Total non-current assets</b>	<b>30,120,239.71</b>	<b>29,443,588.35</b>
	<b>151,999,136.80</b>	<b>130,013,051.71</b>

	30 Jun. 2011	31 Dec. 2010
<b>EQUITY &amp; LIABILITIES</b> in EUR		
<b>Current liabilities</b>		
Trade payables	4,940,186.35	5,834,006.71
Other liabilities	17,463,850.54	17,536,134.51
Financial liabilities	76,690.53	87,321.49
Deferred income	3,744,826.42	4,561,252.98
Income tax liabilities	7,943,603.59	4,920,282.20
Short-term provisions	1,569,440.21	3,971,963.56
<b>Total current liabilities</b>	<b>35,738,597.64</b>	<b>36,910,961.45</b>
<b>Non-current liabilities</b>		
Long-term provisions	0.00	0.00
Deferred tax liabilities	0.00	181,273.85
<b>Total non-current liabilities</b>	<b>0.00</b>	<b>181,273.85</b>
<b>Equity</b>		
Subscribed capital	7,985,088.00	7,985,088.00
Capital reserves	43,814,586.79	43,814,586.79
Other reserves	-52,704.35	-125,387.58
Retained earnings	64,513,568.72	41,246,529.20
Own shares	0.00	0.00
<b>Total equity</b>	<b>116,260,539.16</b>	<b>92,920,816.41</b>
	<b>151,999,136.80</b>	<b>130,013,051.71</b>

## CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD 1 JANUARY TO 30 JUNE

	Q.I–II 2011	Q.I–II 2010
in EUR		
<b>Profit before tax</b>	<b>33,826,381.32</b>	<b>6,777,277.82</b>
Adjustments for		
Amortization/depreciation on non-current assets	3,098,713.38	1,476,143.96
Revenues from financial activities	-419,027.28	-290,136.03
Expenses from financial activities	114,480.00	52,937.60
Result from the disposal of assets	0	-430.87
Changes in		
Trade receivables	-92.49	-16,503.67
Other assets and prepaid expenses	307,145.69	-737,670.11
Trade payables	-893,820.36	522,229.56
Other liabilities	-72,283.97	-606,656.76
Financial liabilities	-10,630.96	0.00
Short-term provisions	-2,402,523.35	-111,213.12
Deferred income	-816,426.56	-1,091,567.12
Long-term provisions	0.00	-55,000.00
Interest received	416,541.57	290,092.65
Interest paid	-114,480.00	-52,937.60
Taxes paid	-7,617,975.02	-4,169,653.27
<b>Cash flow from operating activities</b>	<b>25,416,001.97</b>	<b>1,986,913.04</b>
Financial investments (short-term)	-76,178,137.91	-47,667,797.27
Proceeds from financial investments (short-term)	46,098,007.43	16,988,677.02
Investments in intangible assets	-4,120,719.55	-5,385,271.05
Proceeds from intangible assets	0.00	96,000.00
Investments in property, plant and equipment	-209,545.34	-316,551.71
Proceeds from property, plant and equipment	0.00	11,194.20
<b>Cash flow from investing activities</b>	<b>-34,410,395.37</b>	<b>-36,273,748.81</b>
<b>Cash flow from financing activities</b>	<b>0.00</b>	<b>0.00</b>

	Q.I–II 2011	Q.I–II 2010
in EUR		
Change in cash	-8,994,393.40	-34,286,835.77
Cash at the beginning of the period	42,673,131.77	69,110,738.74
Change in pledged cash	33,245.16	0.00
<b>Cash at the end of the period</b>	<b>33,711,983.53</b>	<b>34,823,902.97</b>
<b>Composition of cash at the end of the period</b>		
Cash	34,962,271.61	35,074,470.47
Pledged cash and securities	-1,250,288.08	-250,567.50
	<b>33,711,983.53</b>	<b>34,823,902.97</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR	Share Capital	Capital Reserves	Other Reserves	Retained Earnings	Own Shares	Total Equity
<b>As at 1 January 2010</b>	<b>7,985,088.00</b>	<b>39,342,251.01</b>	<b>-146,285.77</b>	<b>21,103,974.16</b>	<b>-3,885,923.04</b>	<b>64,399,104.36</b>
Other results	0.00	0.00	26,540.00	0.00	0.00	26,540.00
Net profit 2010	0.00	0.00	0.00	3,699,053.58	0.00	3,699,053.58
Total net profit	0.00	0.00	26,540.00	3,699,053.58	0.00	3,725,593.58
<b>As at 30 June 2010</b>	<b>7,985,088.00</b>	<b>39,342,251.01</b>	<b>-119,745.77</b>	<b>24,803,027.74</b>	<b>-3,885,923.04</b>	<b>68,124,697.94</b>
Sale of treasury shares	0.00	8,949,500.00	0.00	-3,885,923.04	3,885,923.04	8,949,500.00
Adjustment of balance sheet loss	0.00	-4,477,164.22	0.00	4,477,164.22	0.00	0.00
Share-based payments	0.00	0.00	12,796.00	0.00	0.00	12,796.00
Other results	0.00	0.00	-18,437.81	0.00	0.00	-18,437.81
Net profit 2010	0.00	0.00	0.00	15,852,260.28	0.00	15,852,260.28
Total net profit	0.00	0.00	-18,437.81	15,852,260.28	0.00	15,833,822.47
<b>As at 31 December 2010</b>	<b>7,985,088.00</b>	<b>43,814,586.79</b>	<b>-125,387.58</b>	<b>41,246,529.20</b>	<b>0.00</b>	<b>92,920,816.41</b>
<b>As at 1 January 2011</b>	<b>7,985,088.00</b>	<b>43,814,586.79</b>	<b>-125,387.58</b>	<b>41,246,529.20</b>	<b>0.00</b>	<b>92,920,816.41</b>
Contribution to other reserves	0.00	0.00	61,582.21	-61,582.21	0.00	0.00
Other results	0.00	0.00	11,101.02	0.00	0.00	11,101.02
Net profit 2011	0.00	0.00	0.00	23,328,621.73	0.00	23,328,621.73
Total net profit 2011	0.00	0.00	11,101.02	23,328,621.73	0.00	23,339,722.75
<b>As at 30 June 2011</b>	<b>7,985,088.00</b>	<b>43,814,586.79</b>	<b>-52,704.35</b>	<b>64,513,568.72</b>	<b>0.00</b>	<b>116,260,539.16</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.II in EUR thsd.	Germany		Abroad		Consolidation		Consolidated	
	1 Apr.–30 Jun.		1 Apr.–30 Jun.		1 Apr.–30 Jun.		1 Apr.–30 Jun.	
	2011	2010	2011	2010	2011	2010	2011	2010
<b>Revenue</b>	<b>832</b>	<b>720</b>	<b>35,664</b>	<b>15,488</b>	<b>-697</b>	<b>-563</b>	<b>35,799</b>	<b>15,646</b>
Depreciation/amortization	214	274	934	497	573	0	1,721	771
<b>EBIT</b>	<b>-1,872</b>	<b>-2,175</b>	<b>24,674</b>	<b>644</b>	<b>-564</b>	<b>8</b>	<b>22,238</b>	<b>-1,523</b>
Financial result	-25	2	229	99	0	0	204	101
Income taxes	-61	417	-6,756	-618	149	-3	-6,668	-203
<b>Consolidated net profit</b>	<b>-1,958</b>	<b>-1,755</b>	<b>18,147</b>	<b>125</b>	<b>-415</b>	<b>6</b>	<b>15,774</b>	<b>-1,625</b>
<b>Assets</b>	<b>43,077</b>	<b>38,575</b>	<b>66,132</b>	<b>61,978</b>	<b>-38,410</b>	<b>-35,289</b>	<b>70,799</b>	<b>65,264</b>

Q.I–II in EUR thsd.	Germany		Abroad		Consolidation		Consolidated	
	1 Jan.–30 Jun.		1 Jan.–30 Jun.		1 Jan.–30 Jun.		1 Jan.–30 Jun.	
	2011	2010	2011	2010	2011	2010	2011	2010
<b>Revenue</b>	<b>1,750</b>	<b>1,555</b>	<b>69,768</b>	<b>40,299</b>	<b>-1,444</b>	<b>-1,218</b>	<b>70,073</b>	<b>40,636</b>
Depreciation/amortization	429	518	1,704	958	966	0	3,099	1,476
<b>EBIT</b>	<b>-3,807</b>	<b>-4,030</b>	<b>38,278</b>	<b>10,039</b>	<b>-949</b>	<b>530</b>	<b>33,522</b>	<b>6,540</b>
Financial result	-51	59	356	178	0	0	305	237
Income taxes	-78	690	-10,670	-3,597	251	-171	-10,498	-3,078
<b>Consolidated net profit</b>	<b>-3,936</b>	<b>-3,281</b>	<b>27,964</b>	<b>6,620</b>	<b>-699</b>	<b>359</b>	<b>23,329</b>	<b>3,699</b>
<b>Assets</b>	<b>43,077</b>	<b>38,575</b>	<b>66,132</b>	<b>61,978</b>	<b>-38,410</b>	<b>-35,289</b>	<b>70,799</b>	<b>65,264</b>

(Possible rounding differences due to presentation in EUR thousand)

## SELECTED EXPLANATORY NOTES

### GENERAL

This consolidated interim report for the first half of 2011 is presented in a condensed format pursuant to § 37w (3) WpHG (German Stock Trading Law) and without an audit review pursuant to § 37w (5) S. 1 and S. 6 WpHG. It was approved for publication by a resolution of the Executive Board on 5 August 2011.

The consolidated interim report for the first six months of fiscal year 2011 was prepared in accordance with IAS 34 (Interim Financial Reporting) and in consideration of 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 2010.

The reporting period is from 1 January to 30 June 2011.

The same accounting policies and calculation methods were used for this interim report as for the consolidated financial statements as at 31 December 2010.

There has been no change to the consolidated group of companies since 31 December 2010.

### CHANGES IN THE EXECUTIVE BOARD AND SUPERVISORY BOARD

In April 2011, the Supervisory Board of Tipp24 SE resolved to expand the Executive Board as of 1 July 2011 with the addition of two further members. The former Executive Board members Marcus Geiß (40) and Petra von Strombeck (41), who left the Executive Board in late March 2009, will return to Tipp24 SE in their old positions. Marcus Geiß will be responsible for the Corporate Development and New Markets divisions. Petra von Strombeck will take over the Sales, Marketing and Brand Management divisions. The current sole member of the Executive Board of Tipp24 SE, Dr. Hans Cornehl, will be Chairman of the expanded Executive Board. He remains responsible for Strategy, Investor Relations, Communication, HR and Finance.

The Annual General Meeting of 29 June 2011 voted to expand the Supervisory Board from three to six persons. In addition to Oliver Jaster and Hendrik Pressmar, who remain on the Supervisory Board, Jens Schumann, Andreas de Maizière, Willi Berchtold and Dr. Helmut Becker were all elected to the Supervisory Board. The Chairman of the Supervisory Board, Klaus Jaenecke, retired from the Supervisory Board on completion of the Annual General Meeting.

### SHARE-BASED REMUNERATION

The stock option plan of Tipp24 SE is a share-based remuneration system with compensation via equity instruments, so that the fair value is calculated at the time of granting. As of fiscal year 2007, the Company values the stock option plan 2005 of Tipp24 SE using financial valuation methods according to the Black-Scholes-Merton formula.

## REVENUES

Compared with the same period last year, revenues grew by EUR 29,437 thousand to EUR 70,073 thousand as of 30 June 2011. In the first six months of 2011, the actual payout ratio differed by -5.7%-points (prior year: 18.6%-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 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.

### Revenues

in EUR thsd.	30 Jun. 2011		30 Jun. 2010		Deviation absolute
Revenues adjusted for chance effects	64,099	91.5%	58,094	143.0%	6,005
+/- Deviations between actual winnings payouts and expected value	-5,974	-8.5%	17,458	43.0%	-23,432
<b>Revenues</b>	<b>70,073</b>	<b>100.0%</b>	<b>40,636</b>	<b>100.0%</b>	<b>29,437</b>

## 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 attached interim management report in the section »Report on expected developments and associated material opportunities and risks«.

### Interest rate risk

There is an interest rate risk in respect of liquid funds and short-term financial assets (together EUR 113.3 million). If short-term interest rates change by 50 base points, this would result in a change in interest income of EUR 566 thousand p.a.. Irrespective of this fact, there is an increased default risk with respect to both interest agreed for financial assets as well as the invested sums themselves and bank deposits.

### Currency risk

The Company is exposed to a currency risk as a result of GBP exchange rates. The risk arises from payments received and made in foreign currency, which differ from the Company's functional currency and are not always offset by payments in the same currency of the same amount and with the same maturities.

In order to determine the currency risk, a fluctuation of the Euro to British Pound exchange rate of 10% was assumed as of 30 June 2011. On the basis of this assumption, a revaluation of the Euro against the British Pound of 10% to 0.9928 GBP/EUR would result in an effect of EUR 772 thousand on earnings. A devaluation of the Euro against the British Pound of 10% to 0.8123 EUR/GBP would result in an effect of EUR -944 thousand on earnings.

The financial assets currently held do not bear any currency risk.

### Credit risk

On 23 September 2009, MyLotto24 Limited, a fully consolidated minority holding of Tipp24 SE, recorded a jackpot win of EUR 31.7 million which reduced revenue by the same amount. The jackpot payout was insured for an amount of EUR 21.7 million. As the insurance case has been the subject of litigation since early 2010, the entire amount of the receivable due from the insurance company was classified as a contingent receivable in the annual financial statements for 2009 and since this time not carried in the balance sheet. This contingent receivable no longer exists.

In June 2011, a legal dispute of MyLotto24 Limited was settled by mutual agreement. As a consequence, the forecast for earnings before interest and taxes (EBIT) was raised from EUR 30 million to EUR 40 million.

## SUBSEQUENT EVENTS

As announced in April this year, the Executive Board was expanded as of 1 July 2011 with the addition of two further members. The former Executive Board members Marcus Geiß and Petra von Strombeck, who

left the Executive Board in late March 2009 following a downsizing of the Executive Board due to legal restrictions imposed on German operations, have returned to Tipp24 SE in their old positions.

## RELATED PARTIES

The members of Tipp24 SE's Executive Board and Supervisory Board, as well as their immediate relatives, are regarded as related parties in accordance with IAS 24. With a shareholding of 27.17%, Günther Holding owns a significant stake in Tipp24 SE and is therefore regarded as a related party. The operating business of Schumann e. K. was outsourced to Günther Direct Services GmbH, an affiliated company of Günther

Holding. In return, Günther Direct Services GmbH received compensation of EUR 117 thousand in the period under review.

There were no other significant transactions with related parties during the period under review.

Hamburg, 5 August 2011

The Executive Board

**Dr. Hans Cornehl      Marcus Geiß      Petra von Strombeck**

## RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable accounting principles for interim reporting, the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim Group management report includes a fair review of the development and

performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remaining months of the current fiscal year.

Hamburg, 5 August 2011

The Executive Board

**Dr. Hans Cornehl      Marcus Geiß      Petra von Strombeck**

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## FINANCIAL CALENDAR

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8 NOVEMBER 2011 ..... NINE-MONTH REPORT

IN NOVEMBER 2011 ..... ANALYST CONFERENCE (FRANKFURT)

### **PUBLISHED BY:**

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