

Tipp24de

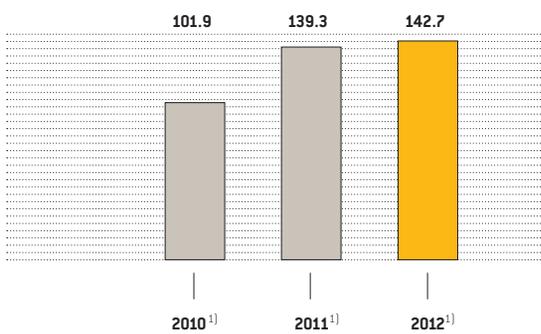
NEW POTENTIAL
IN INTERNATIONAL
LOTTERY BUSINESS

ANNUAL REPORT 2012

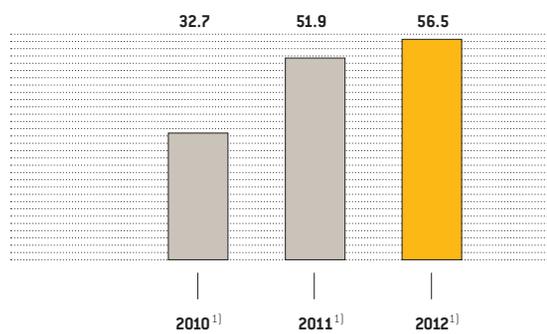


(Rounding differences within the annual report possible due to presentation in EUR thousand)

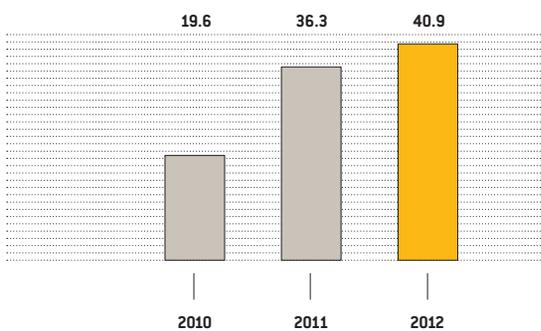
REVENUES in EUR million



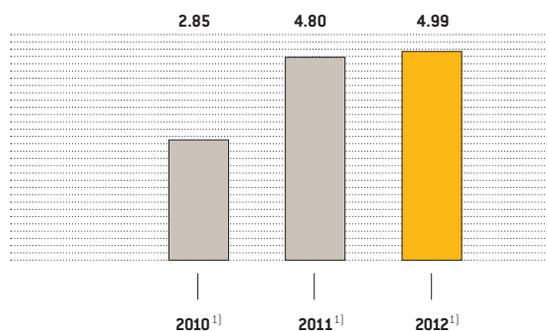
EBIT in EUR million



NET PROFIT in EUR million



EARNINGS PER SHARE in EUR



¹⁾ from continued operations

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TOP PERFORMANCE AND GREAT PROSPECTS – FOR THE 13TH TIME IN SUCCESSION, TIPP24 SE POSTED ITS BEST-EVER RESULTS IN 2012: EBIT ROSE A FURTHER 9% TO ALMOST EUR 56 MILLION AND REVENUE TO EUR 143 MILLION. IN 2012, WE LAID THE FOUNDATION FOR THE EXPANSION OF OUR INTERNATIONAL LOTTERY BUSINESS AND ACQUIRED A 25.7% STAKE IN THE UK COMPANY GEONOMICS GLOBAL GAMES LIMITED – A GEO-BASED ONLINE LOTTERY.

LADIES AND GENTLEMEN,

2012 was once again a successful year with significant developments during which Tipp24 SE was able to continue its highly profitable course: generated mostly abroad, consolidated revenue grew by 2.5% to EUR 142,731 thousand while consolidated EBIT grew even faster by 8.8% to EUR 56,464 thousand – we thus achieved our thirteenth consecutive year of growth.

REVIEW: GERMAN BUSINESS ALMOST COMPLETELY TERMINATED

On 1 July 2012, the new State Treaty on Games of Chance came into effect throughout virtually the whole of Germany. In our opinion, however, it still fails to resolve the legal problems of the previous regulations. After years of legal wrangling about the resumption of online lottery brokerage in Germany, we decided to spin off our original core business – despite our proven success in court. The Annual General Meeting of Tipp24 SE on 22 June 2012 approved the spin-off of our German business and the formation of an independent, listed company, thus enabling Lotto24 AG to launch activities in Germany without the burden of legal disputes involving Tipp24 SE. Tipp24 does not hold any shares in this former subsidiary, which has been listed in the Prime Standard segment of the Frankfurt Stock Exchange since 3 July 2012.

The spin-off had a strong impact on our financial performance: the disclosure of hidden reserves resulting from the possibility to broker lotteries online in Germany raised EBIT by EUR 18.2 million, after netting with related consultancy expenses.

Comparability with the previous year was affected by two other relevant special items: total payouts for secondary lotteries were EUR 14.1 million below the expected payout value in 2012, with a positive impact on revenues of the same amount and on EBIT of EUR 6.2 million. In 2011, the settlement of an insurance claim had a positive impact on EBIT – as expected, there was no such effect in 2012.

As the business model of our subsidiary Tipp24 Entertainment GmbH – the development of skill-based games – was unable to match the profitability of the our core business, we decided to discontinue these activities in the first quarter of 2012. In view of the ongoing regulatory disputes of Giochi24 S.r.l. in Italy, we also regarded the prospects of this business as unfavourable and thus sold the company in January 2013.

In Germany, we now only market the German class lotteries NKL and SKL.

OUTLOOK: INTERNATIONALLY ALIGNED STRATEGY

With our flexible organizational structures, we are ideally placed to swiftly identify and exploit the business opportunities which present themselves in our dynamic markets. We therefore gave our strategy a much stronger international focus in 2012 and aim to grow in four dimensions in future: we plan to enlarge our product portfolio, enter new geographic regions, extend our value chain and expand our business models.

Regulatory environments will continue to play a major role and restrict or unclearly regulate numerous business models. We are systematically analysing the available potential in various markets in view of the respective regulatory environment – especially in our traditional core business of lottery brokerage but also with regard to providing services for existing lottery companies. In the medium to long term, we want to run lotteries ourselves.

We regard the North American market as particularly promising, as we see clear signs here of deregulation. We therefore aim to tap this online lottery market as a partner of the state lottery companies by using our leading technological and marketing expertise.

With the acquisition of a 25.7% stake in the UK-based company Geonomics Global Games Limited (formerly Roboreus Limited), we took a further strategic step towards acquiring our own licences and establishing a business division dedicated to providing Internet services to lottery companies: Geonomics offers a geo-based online lottery and already has its own licence to operate and market GeoSweep. Based on a virtual map, the lottery is regarded as one of the outstanding lottery market innovations of the last ten years. In addition to this B2C model, Geonomics has already successfully sold the end-user product as a B2G (business-to-government) solution to the state lottery company Atlantic State Lottery Corporation (Canada) and is currently negotiating further contracts. This investment therefore represents a key element in the implementation of our international growth strategy offering tremendous synergies both in the marketing of Internet services to lottery operators and in the development of a licence portfolio. We plan to acquire a majority shareholding in Geonomics in the medium term.

In our existing Abroad segment, we aim to strengthen our business by achieving growth in Spain and the UK, as well as by entering further nations in the medium term – whereby our focus is not only on Europe but above all North America. Moreover, we intend to continually improve the quality and scope of our product range.

A further consequence of the changing regulatory conditions in Europe could be the increased privatization of currently state-owned market participants and thus a possible consolidation phase. Tipp24 aims to benefit from these expected market changes and grasp the resulting attractive opportunities for non-organic growth. This can be financed by using our liquid funds of over EUR 130 million.

In order to provide a wider foundation for our expansive strategy also in terms of the company's top management, Tipp24 expanded its Executive Board in early 2013. The Supervisory Board appointed Andreas Keil as our new CFO as of 1 February 2013. As the former CFO of an SDAX company and Managing Director of various national and international companies, he has many years of relevant management experience.

OUTLOOK REMAINS POSITIVE

For our fiscal year 2012, we expected to achieve consolidated revenues of EUR 130 million and a consolidated EBIT result of EUR 48 million. The forecast included a deduction for risks of EUR 10 million to account for negative statistical fluctuations in payouts for its secondary lottery business, which did not turn out to be necessary. Revenues of Tipp24 in fiscal 2012 actually amounted to EUR 142.7 million (prior year: EUR 139.3 million). Unadjusted earnings before interest and taxes (EBIT) were raised from EUR 51.9 million to EUR 56.5 million. These figures were thus largely in line with expectations and set further records in the company's history.

Adjusted for chance effects, consolidated revenues of EUR 128.6 million were slightly below the adjusted prior-year figure of EUR 131.1 million, while EBIT adjusted for chance effects and other special items amounted to EUR 32.2 million and thus fell somewhat short of the adjusted prior-year figure of EUR 38.9 million. A major reason for the difference in revenues is the comparatively low number of jackpot draws for the core product »Lotto 6/49« in 2012. In addition to this revenue effect, EBIT was burdened by an adverse product mix, costs for the expansion of new businesses and extraordinary consultancy costs in connection with hedging transactions.

After consideration of price increases, Tipp24 SE expects to achieve revenues in the range 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.

We expect similarly high costs in fiscal year 2014 as in 2013. At the same time, we expect our new business fields to make their first significant contribution to revenues.



Dr. Hans Cornehl
Chairman



Andreas Keil
Chief Financial Officer

GRASPING OPPORTUNITIES

– IN 2012 WE BEGAN ESTABLISHING A STRONG DISTINCTIVE BRAND IN GERMANY AGAIN: LOTTO24.DE. WE WILL ALSO CONTINUE TO DRIVE THE DEVELOPMENT OF OUR INTERNATIONAL LOTTERY BUSINESS – IN THE MEDIUM TERM, WE AIM TO ESTABLISH A NEW DIVISION OFFERING INTERNET SERVICES FOR INTERNATIONAL LOTTERY COMPANIES.



DR. HANS CORNEHL

Dr. Hans Cornehl has a doctorate in chemistry and has been a member of the Executive Board of Tipp24 SE since June 2002 and Chairman of the Executive Board since July 2011. Before joining Tipp24, Dr. Cornehl was Senior Investment Manager at the venture capital company Earlybird, where he specialised in investments in the media and telecommunications sector. He had previously gained management experience as a turnaround manager at a hospital. Dr. Cornehl started his career as an adviser for start-up, high-tech and spin-off companies at McKinsey & Company. Dr. Cornehl studied chemistry at the Technical University of Munich and gained his doctorate at the Technical University of Berlin.



ANDREAS KEIL

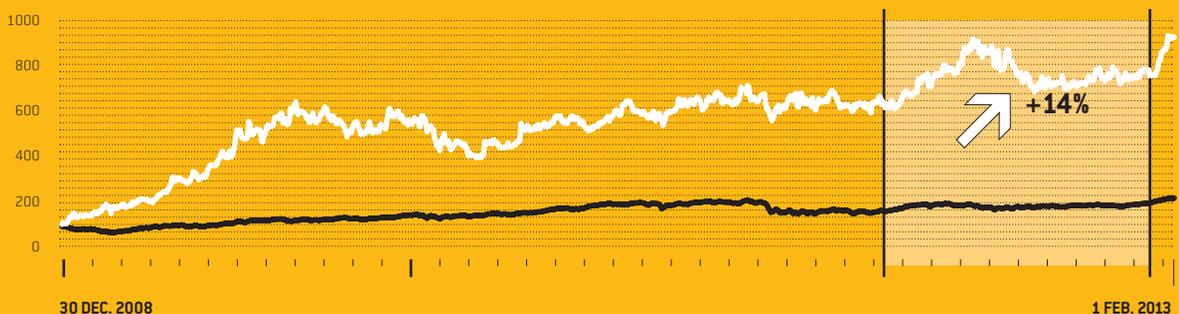
Andreas Keil, business graduate, has been Chief Financial Officer of Tipp24 SE since January 2013. After almost five years as CFO of the SDAX-listed specialty chemicals company H&R AG, he worked for a few months as a freelance business and financial consultant prior to joining Tipp24 SE. From 2006 to 2007, Andreas Keil was a Managing Director within the US ConocoPhillips Group. Prior to this, he held various management positions at the French Louis Dreyfus Group from 1994 to 2006, including six years as Managing Director of a major oil refinery. After qualifying as a bank clerk and studying business administration, he began his career with the auditing company Ernst & Young GmbH.

SHARE & CORPORATE GOVERNANCE

SHARE MAKES FURTHER STRONG PROGRESS

DESPITE THE TURBULENT ENVIRONMENT, THE TIPP24 SHARE **GAINED A FURTHER 14% IN VALUE** DURING 2012 AND AT TIMES REACHED AN ALL-TIME-HIGH OF EUR 45.00.

PERFORMANCE OF THE TIPP24 SHARE (Index 30 Dec. 2008=100)



EUR 5.71

2,800.73

— Tipp24 EUR 45.85

— SDAX 5,827.27

SHARE

2012 was a turbulent year on the stock market, dominated by the sovereign debt and financial crises. After beginning the year at around 5,900 points, the DAX rose to 7,160 in the first quarter before falling back to its starting level in early June. The promise made by ECB President Draghi to buy all bonds of crisis-hit countries was a welcome shot in the arm for the market. As interest on German government bonds continued to fall, institutional investors seeking high yields were forced to buy shares with the strongest dividend prospects. As the German economy remained stable while most other Euro zone countries drifted into recession, the German stock exchanges also benefited from flight and investment capital from abroad. Topics such as the Euro crisis and sovereign debt gradually receded into the background. In this environment, the DAX was able to achieve growth of 29.1% in 2012 with a year-high of 7,655 points on 27 December. During the same period, the SDAX rose by around 830 to 5,249 points (+18.7%). The Tipp24 share fluctuated between EUR 30.50 and an all-time-high of EUR 45.00 in 2012, closing the year at EUR 37.60 with growth of around 14%.

ANNUAL GENERAL MEETING

The Annual General Meeting of Tipp24 SE was held at the Curiohaus in Hamburg on 22 June 2012. A total of 60.74% of voting capital was represented at the meeting and all resolutions proposed by management were adopted with large majorities.

The following resolution was of particular importance:

Distribution of a dividend in kind with a total value of EUR 19,963 thousand, whereby for each no-par value share in Tipp24 SE shareholders received a no-par value share in the future Lotto24 AG.

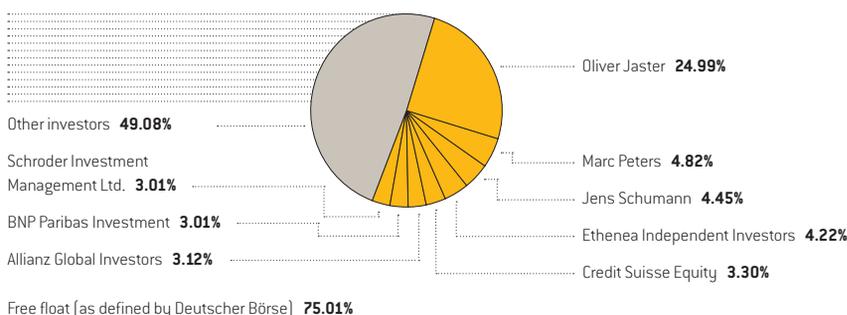
DIVIDEND

Although there was a further improvement in consolidated earnings in fiscal 2012 compared to the previous year, the ability of Tipp24 SE to make dividend payments is still heavily restricted: due to the transfer of control in respect of the Group's UK companies, Tipp24 SE must bear considerable running costs – mainly for administration and legal advice – but receives very few revenue streams itself from its own activities. At the same time, the profits of the fully consolidated associated companies in the Abroad segment are currently being carried forward and not distributed to Tipp24 SE. Once again, there was a balance sheet profit for fiscal year 2012 of EUR 10,886 thousand. The Executive Board proposes to transfer the full balance sheet profit to other revenue reserves.

IR ACTIVITIES

In the period under review, we once again pursued our investor relations targets – to maintain an open and ongoing exchange of information with the capital market – by participating in numerous roadshows and capital market conferences in various financial centres of Europe. Our investor relations work once again focused on explanations of the current regulatory discussions and the Group's structure.

SHAREHOLDER STRUCTURE



KEY SHARE FIGURES

Day of initial listing	12 Oct. 2005
Year-opening price	EUR 32.80
Market capitalization (Year-opening)	EUR 261 million
Year-end price	EUR 37.60
Market capitalization (Year-end)	EUR 300 million
Highest price (14 May 2012)	EUR 45.00
Lowest price (20 Jan. 2012)	EUR 30.50
Number of outstanding shares (31 Dec. 2012)	7,985,088
Average daily trading (2012)	14,439 shares
Earnings per share ¹⁾	EUR 4.99

¹⁾ from continued operations

SHAREHOLDER SERVICE

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

CORPORATE GOVERNANCE**SUSTAINABLE VALUE GROWTH**

Good corporate governance is a central aspect of our corporate policy which extends to every area of the company: we regard it as a management and control system based on responsible and long-term value growth. In addition to organizational and business policy principles, it comprises the internal and external mechanisms for controlling and monitoring the company – especially the efficient cooperation between Executive Board and Supervisory Board, the transparent communication of company activities and the respect of shareholder interests.

Good corporate governance promotes the trust of national and international investors, financial markets, business associates, employees and the general public in the management and monitoring of a company. Tipp24 has always attached great importance to these principles. Tipp24 generally follows the recommendations of the German Corporate Governance Code (GCGC) in its current version of 15 May 2012 (www.corporate-governance-code.de). The exceptions are listed and explained in the currently valid version of our Declaration of Conformity, which is shown below and is also permanently available to shareholders on our website at www.tipp24-se.de. Declarations of Conformity which are no longer valid are kept there for a period of five years each. We would like to highlight certain topic areas of our Corporate Governance policy in the following.

COOPERATION BETWEEN EXECUTIVE BOARD AND SUPERVISORY BOARD

The Executive Board and Supervisory Board cooperate closely for the benefit of the company. Their common objective is to achieve a sustainable increase in the company's value. The Executive Board informs the Supervisory Board regularly, comprehensively and in due time about all issues relevant to the company regarding its business development, financial and earnings position, corporate planning, risk situation, risk management and compliance. Any deviations in the course of business from the defined plans and targets are explained, stating reasons, as are the Group's strategic alignment and ongoing development. The Executive Board provides the Audit Committee with the half-yearly and quarterly reports and discusses them with the Audit Committee prior to their publication. The Articles of Association and Rules of Procedure of the Executive Board include provisions regarding the necessary approval of the Supervisory Board for numerous business transactions.

SAFEGUARDING SHAREHOLDERS' INTERESTS

Tipp24 is committed to communicating with all stakeholders – such as our shareholders, business partners, employees and the public – in the most transparent and timely manner possible. Press releases, annual and quarterly reports, and a detailed financial calendar are published in German and English on our website. This means that shareholders and potential investors

can find out about the company's current situation at any time via the Internet. Shareholders who cannot attend the Annual General Meeting personally can choose to have their voting rights exercised by a proxy of their choice, or by a company proxy who is required to follow the shareholder's voting instructions. There is also the possibility to receive the latest information about the Annual General Meeting via the Internet.

DIRECTORS' DEALINGS ACC. TO SECTION 15A WPHG

According to Section 15a WpHG (German Stock Trading Law), members of the Executive Board and Supervisory Board, as well as related persons, are obliged to declare any purchase or sale of Tipp24 SE shares, insofar as the value of the transactions during one calendar year reaches or exceeds EUR 5 thousand. Tipp24 immediately publishes details of such transactions on its website and submits the corresponding voucher to the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht). The following transactions were reported to Tipp24 SE in the past fiscal year: Declaration by the Executive Board and the Supervisory Board of Tipp24 SE on the recommendations of the »Governmental Commission of the German Corporate Governance Code« as per § 161 of the German Stock Corporation Act (AktG).

Name/company of the reporting party	Status	Type of transaction	Date and location	Number of shares	Share price in EUR	Volume in EUR
Marcus Geiss	Member of the Executive Board ¹⁾	Share sale	27 Mar. 2012, XETRA	4,000	39.80	159,200.00
Jens Schumann	Member of the Supervisory Board	Share sale	08 Aug. 2012, off-market	50,000	34.75	1,737,500.00
Othello Drei Beteiligungs GmbH & Co. KG	Member of the Supervisory Board	Share sale	27 Dec. 2012, off-market	174,000	38.79	6,748,590.00

¹⁾ until 30 April 2012

DECLARATION BY THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD OF TIPP24 SE ON THE RECOMMENDATIONS OF THE »GOVERNMENTAL COMMISSION OF THE GERMAN CORPORATE GOVERNANCE CODE« AS PER § 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

After due examination, the Executive Board and Supervisory Board of Tipp24 SE issue the following Declaration of Conformity:

I. FUTURE-RELATED SECTION

»Tipp24 SE complies with the 15 May 2012 version of the conduct recommendations made by the Governmental Commission of the German Corporate Governance Code for corporate management and monitoring as published by the German Ministry of Justice in the official part of the electronic Federal Gazette and will continue to comply with them with the following exceptions:

1. D&O insurance deductible (section 3.8)

The D&O insurance taken out for the Supervisory Board of Tipp24 SE does not include a deductible. The Executive Board and Supervisory Board continue to take the view that a D&O insurance deductible does not constitute an adequate means of achieving the code's objectives. As a rule, deductibles of this kind are insured by the executive bodies themselves, so that the actual purpose of the deductible is nullified and therefore ultimately all that matters is the level of compensation paid to the executive bodies.

2. Specification of objectives for the composition of the Supervisory Board (section 5.4.1)

With regard to its own composition and that of the Executive Board, the Supervisory Board already placed particular emphasis in the past on such aspects as internationality, female representation and independence. In view of the particular challenges facing the Supervisory Board in the current regulatory environment of Tipp24 SE, however, the Supervisory Board has refrained from formally stating objectives for its composition for the time being.

II. PAST-RELATED SECTION

1. Period between the last declaration of conformity in August 2011, and the publication of the new version of the Code on 15 June 2012:

In the period between the last declaration of conformity in August 2011, and the publication of the new version of the Code on 15 June 2012, Tipp24 SE has complied with the recommendations of the German Corporate Governance Code in the version dated 26 May 2010, as published by the German Ministry of Justice in the official part of the electronic Federal Gazette on 2 July 2010, with the exception of the recommendations stated and justified above in Section I and with the exception of the recommendation made under section 5.4.6 (Performance-oriented remuneration of Supervisory Board members) and until 23 August 2011 with the exception of the recommendations made under sections 5.3.1, 5.3.2 and 5.3.3 (Formation of committees, setting up of an audit committee and a nomination committee). With regard to the deviation from the recommendations of sections 5.3.1, 5.3.2 and 5.3.3, as well as section 5.4.6, please refer to the explanations published in the declaration of conformity of August 2011.

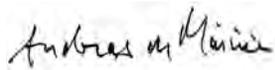
2. Period since the publication of the new version of the Code on 15 June 2012:

The Company has complied with the Code in the version of 15 May 2012, as published by the German Federal Ministry of Justice in the official part of the Federal Gazette of 15 June 2012, in the period since the publication of the new version of the Code on 15 June 2012 with the exception of the recommendations stated and justified above in Section I and, with the exception of the recommendation stated in section 4.2.1 (Composition of the Executive Board), in the period from 1 July 2012 to 31 January 2013. With regard to the deviation from the recommendations of section 4.2.1, please refer to the explanations published in the updated declaration of conformity of June 2012.«

Hamburg, February 2013

Tipp24 SE

The Supervisory Board



Andreas de Maizière

The Executive Board



Dr. Hans Cornehl

GROUP MANAGEMENT REPORT

SUCCESS STORY CONTINUED

FOR THE 13TH TIME IN SUCCESSION, TIPP24 SE POSTED ITS BEST-EVER RESULTS IN 2012:

THERE WAS A DISPROPORTIONATELY STRONG INCREASE IN EBIT OF 9% TO ALMOST EUR 56 MILLION, WHILE SALES ROSE TO EUR 143 MILLION. WE LAID THE FOUNDATION FOR THE EXPANSION OF OUR INTERNATIONAL LOTTERY BUSINESS AND ACQUIRED A 25.7% STAKE IN THE UK COMPANY GEONOMICS GLOBAL GAMES LIMITED – A GEO-BASED ONLINE LOTTERY. WE SEE HUGE ADDITIONAL POTENTIAL BEYOND GERMANY, WHICH WE INTEND TO EXPLOIT BY ACQUIRING OUR OWN LICENCES AND ESTABLISHING A NEW INTERNATIONAL DIVISION PROVIDING INTERNET SERVICES FOR LOTTERY COMPANIES.

BUSINESS AND ECONOMIC CONDITIONS

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 Germany are currently restricted to a cooperation with Schumann e. K. to market the German class lotteries NKL and SKL.

Spin-off of German business

On 20 February 2012, the subsidiary Lotto24 AG (formerly Tipp24 Deutschland GmbH) launched restricted brokerage operations under www.lotto24.de for the state lottery company Schleswig-Holstein and is sought to resume full brokerage operations in Germany as soon as possible. This required applying for permits from the various regulatory authorities of the individual federal states. We believed that a continued legal connection between Lotto24 AG and Tipp24 SE or its fully consolidated minority shareholdings would have jeopardized such application processes. In order to enable the resumption of business in Germany without such legal disputes of Tipp24 SE, the Annual General Meeting of Tipp24 SE on 22 June 2012 adopted a resolution to spin off its German activities and form an independent listed company. Shares in Lotto24 AG were admitted for trading by the Frankfurt Stock Exchange on 2 July 2012 and have been listed under the ISIN DE000LTO243 in the regulated market (Prime Standard) segment since 3 July 2012. Since this time, Tipp24 has no longer held any shares in Lotto24 AG.

Unattractive business terminated

Our subsidiary Tipp24 Deutschland GmbH (formerly Tipp24 Entertainment GmbH) used to develop skill-based games. As this business model was unable to match the profitability of the company's core business, it was decided to discontinue these activities in an orderly process in the first quarter of 2012.

In **Italy**, a legally binding operating and brokerage licence of Giochi24 S.r.l. entitled it to offer the national 6 from 90 lottery (SuperEnalotto), as well as scratch cards, via the website www.giochi24.it, for which it received commissions from the lottery company. In view of ongoing regulatory disputes, the prospects for this business were deemed to be unfavourable and Giochi24 S.r.l. was thus sold to an investor for a minor sum in January 2013.

Successful Abroad segment

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

In **Spain**, Ventura24 S.L. currently offers the national 6 out of 49 lottery (La Primitiva) and related lottery teams, the Christmas lottery (Sorteo de Navidad), the European lottery EuroMillones and other Spanish lotteries. Revenue in this country results mainly from additional fees, which players pay for the brokerage of lottery games.

With regard to the **organising of games** in the **UK**, revenue results from stakes received less vouchers granted, and winnings to be distributed. Licence and operator fees payable in the UK are disclosed as a cost position within »Other operating expenses«. In our UK **brokerage business**, revenue is generated by commissions received from game organisers, as well as additional fees charged to players. Winnings are subject to considerable statistical fluctuations compared to the expected value based on the playing systems of the reference games. In order to improve comprehension of the earnings position, the effect on revenue of any deviation between expected and actual payouts is also stated.

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. Via its UK subsidiary, GeoSweep Limited, Geonomics operates the geo-based lottery game GeoSweep (www.geosweep.com) which references a virtual map. With this investment, Tipp24 implemented its strategy of acquiring its own licences and establishing a new international business division dedicated to providing Internet services to lottery companies. In the course of the transaction, Tipp24 subscribed to new shares of Geonomics Global Games Limited for a cash contribution of 10 million British pounds (approx. EUR 12.4 million), as well as acquiring shares from current Geonomics shareholders, resulting in a total shareholding in Geonomics of 25.7%. After a period of three years, a maximum earn-out of 1.9 million British pounds sterling (approx. EUR 2.3 million) will fall due as a subsequent purchase price increase depending on the business success of GeoSweep.

On the one hand, Geonomics markets its online GeoSweep game to end-users as an independent B2C business. In this case, revenues correspond to stakes less payouts. On the other hand, the game is offered to lottery companies as a B2B product. In addition to set-up fees, revenues here are generated from running fees based on the volume of stakes.

REGULATORY CONDITIONS

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

Following the implementation of the second stage of the German State Treaty on Games of Chance (GlüStV), which completely prohibited the 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 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 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 inclusion 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.

SIGNIFICANT ECONOMIC AND LEGAL FACTORS AFFECTING BUSINESS

Legal situation in Germany still not finally cleared

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, the legal situation can still not be deemed resolved.

The new State Treaty on Games of Chance 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. According to the ECJ rulings, German jurisdiction was also ambivalent. Based on the State Treaty on Games of Chance, German authorities continue to issue bans against private gaming companies which are also confirmed by various courts. As a consequence of the ECJ rulings, however, other courts have ruled that not only the monopoly but also several major restrictions in the State Treaty on Games of Chance regarding the freedom of private persons to render services were inapplicable. The German Federal Administrative Court (Bundesverwaltungsgericht – BVerwG) and German Federal Supreme Court (Bundesgerichtshof – BGH), as well as the high courts of appeal, also ruled that key provisions such as the gaming monopoly may be ineffective in view of the ECJ's rulings. At the same time, however, they ruled that the Internet ban was not affected and that the need to acquire permits for the operation and brokerage of games of chance remained effective. Although these rulings did not affect lotteries, they assume a general Internet ban.

In the more specific field of lottery brokerage, there are further reservations regarding the effectiveness of German legislation in view of EU law. Due to considerable doubts regarding the existence of any **lottery addiction**, three administrative courts ruled that the German regulations on lottery brokerage were disproportional. In view of the minor dangers represented by lotteries, the Administrative Court (Verwaltungsgericht – VG) of Halle, as well as the VG Chemnitz and VG Berlin, ruled that there was a disproportion between the aim and the means, and thus determined 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 State Treaty on Games of Chance **contravened EU law**. Moreover, they confirmed that this was also the case according to the more recent supreme judicial rulings on sports betting of autumn 2011. Other administrative courts, however, decided the opposite and ruled that the Internet ban of the current State Treaty on Games of Chance was still applicable for lotteries.

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 – at least in fifteen federal states. 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 the reporting period, the state of Schleswig-Holstein 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 is required, only notification. Several 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 has 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. The EU Commission's reservations not only address Schleswig-Holstein, but the GlüStV as a whole.

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 are taxed for the first time at 20% in Spain.

Large jackpots boost gaming volume

Tipp24 regularly experiences a strong increase in gaming activity when the prospect of large winnings (jackpots) is particularly high. These jackpots result in part from the gaming system: they comprise stakes bet by players who did not meet the conditions for winning prizes, so that the previous gaming volume of this prize division is accumulated and then paid out to the winners on top of regular prizes in a subsequent draw. In addition, jackpots are also offered unsystematically and in addition to the regular winnings profile for certain draws.

Larger gaming volumes often involve increased hedging costs, however, depending on the product and the size of the jackpot.

Low dependency on economic cycle

The gaming behaviour of customers in all markets of Tipp24's consolidated companies has been largely unaffected by macro-economic fluctuations since the launch of gaming operations in 2000. Gaming behaviour is neither particularly active during economic boom periods nor particularly weak in times of economic downturn, nor has any inverse correlation been observed. Against the backdrop of the recent financial and economic crisis, only Spain – which has been hit particularly hard by the crisis – has suffered a decline in the overall lottery market of 7% with a negative impact on the online brokerage business.

CORPORATE MANAGEMENT

The business fields of our two segments, Germany and Abroad, are managed separately.

Germany segment

Following the spin-off of Lotto24 AG, only limited business activity in the form of marketing the German class lotteries NKL and SKL is possible in our former core market of Germany. As the Skill-Based Games business model was unable to match the profitability of our core business over the long term, we discontinued these activities in an orderly process.

Abroad segment

In the business fields of our Abroad segment, value is mainly created by gaining new customers and intensifying existing business relations. The focus here is on the field of lotteries. Revenue growth and EBIT margin are the most important key performance indicators of this segment.

Positive development of key earnings ratios

Due to the special item from the spin-off of Lotto24 AG and statistical effects in the payment of winnings in its bookmaking business, Tipp24 raised its EBIT margin by 2.3 %-points to 39.6% during the reporting period. At 28.6%, net operating margin was above the prior-year level (26.1%). In the period under review, return-on-equity fell to 27.2% (prior year: 28.1%).

STRATEGY

Strategy is determined independently in the respective business segments. Following the spin-off of Lotto24 AG, the growth strategy of Tipp24 SE has a much stronger international focus.

In general, we want to grow in four dimensions in future:

- Enlargement of our product portfolio
- Entry into new geographic regions
- Extension of our value chain
- Expansion of our business models

The respective regulatory environment is a decisive factor for the implementation of our growth strategy along these dimensions. Numerous business models in the global lottery markets are significantly restricted or either unclearly regulated or not at all. The effectiveness or validity of restrictions may also be dubious at best – Germany is certainly a prominent example of this. We are also observing strong changes in the regulations of several markets, with developments which can neither be predicted nor steered.

All in all, we are systematically analysing various business opportunities which are arising from this rather uncertain regulatory environment. All future growth opportunities in our historic core business of lottery brokerage are being monitored. At the same time, we aim to provide services for existing lottery companies.

Above all, we see clear signs of deregulation in North America – and aim to tap this online lottery market as a partner of the state lottery companies by using our leading technological and marketing expertise.

In the medium to long term, we want to run lotteries ourselves. With its flexible organizational structures, Tipp24 is ideally suited to identifying and exploiting short- or medium-term business opportunities.

With the acquisition in December 2012 of a stake in the UK-based company Geonomics Global Games Limited – a geo-based online lottery – we took a further strategic step towards acquiring our own licences and establishing a business division dedicated to providing Internet services to lottery companies. We plan to acquire a majority shareholding in the company in the medium term.

In the UK, Geonomics already has its own licence to operate and market GeoSweep – a lottery based on a virtual map and regarded as one of the outstanding product innovations in the lottery business of the last ten years. In addition to this B2C model in the UK, the end-user product has already been successfully sold as a B2G (business-to-government) solution to the state lottery company Atlantic State Lottery Corporation (Canada). Further contracts are under negotiation. The investment in Geonomics therefore represents a key element in the implementation of Tipp24's international growth strategy offering tremendous synergies both in the marketing of Internet services to lottery operators and in the field of technology.

In our Abroad segment, we aim to strengthen our business by achieving growth in Spain and the UK, as well as by entering further nations – whereby our expansion strategy will not only focus on Europe but above all North America. Moreover, we intend to continually improve the quality and scope of our product range.

A further consequence of changing regulatory conditions in Europe could be the increased privatization of currently state-owned market participants and thus a possible consolidation phase. Tipp24 aims to benefit from these expected market changes and grasp the resulting attractive opportunities for non-organic growth. This can be financed by using our liquid funds of over EUR 130 million.

MANAGEMENT & CONTROL

Management: Executive Board and General Managers

The Executive Board leads Tipp24 SE in cooperation with an operative management team.

From July 2012 to the end of January 2013, Dr. Hans Cornehl led Tipp24 SE as the sole member of the Executive Board. As already announced on 10 May 2012, Petra von Strombeck – previously responsible for Marketing, Sales and Brand Management – retired from her seat on the Executive Board at the end of 30 June 2012. She was appointed CEO of the former wholly-owned subsidiary and now independent listed company Lotto24 AG. Marcus Geiss was responsible for Corporate Development and New Markets – he left the company on 30 April 2012 by mutual agreement and on the best of terms. On 1 February 2013, Mr. Andreas Keil was appointed to the Executive Board. He is responsible for the Finance, Accounting, Taxes, Controlling and Risk Management divisions. Dr. Cornehl has since been chairman of the Executive Board.

The affiliated companies outside Germany are led by experienced General Managers, who act independently.

Control

Supervisory Board

With a resolution of the Annual General Meeting on 29 June 2011, the Supervisory Board was expanded from three to six persons. Its current members are Andreas de Maizière (Chairman), Prof. Willi Berchtold (Deputy Chairman), Dr. Helmut Becker, Oliver Jaster, Hendrik Pressmar and Jens Schumann. Mr. de Maizière, Prof. Berchtold and Dr. Becker have held seats on the Supervisory Board since 20 July 2011, Mr. Schumann since 29 June 2011, Mr. Pressmar since 19 December 2008 and Mr. Jaster since 29 May 2008.

The six-man Supervisory Board has set up the following committees: the Presidial Committee, comprising Messrs. de Maizière (Chairman), Jaster and Schumann, which is also the Personnel and Nomination Committee, and the Audit Committee with Prof. Berchtold (Chairman), Messrs. Jaster and de Maizière.

REMUNERATION REPORT

Executive Board remuneration

In fiscal year 2012, Executive Board remuneration consisted of a fixed basic annual salary of EUR 350 thousand and a variable component. Moreover, the Supervisory Board could resolve to grant the Executive Board an additional voluntary bonus for special services to the company and in the case of corresponding economic success of the company. One third of the variable component was based on individual strategic targets, such as

in EUR thousand	Year	Fixed remuneration	Variable remuneration	Severance pay	Variable remuneration
Dr. Hans Cornehl	2012	350	643	–	993
	2011	350	666	–	1,016
Marcus Geiss ¹⁾	2012	117	246	1,937	2,300
	2011	175	309	–	484
Petra von Strombeck ²⁾	2012	175	332	–	507
	2011	175	309	–	484
Total	2012	642	1,221	1,937	3,800
	2011	700	1,172	0	1,872

¹⁾ until 30 April 2012

²⁾ until 30 June 2012

company growth, and two thirds on the size of the consolidated EBT margin based on the average of the past year and the two preceding years. On achievement of the targets, the variable component amounted to 100% of the fixed component. If targets are exceeded, the variable component could rise to a maximum of 200% of the fixed amount. The size and structure of remuneration is continually monitored by the Supervisory Board and is agreed and updated with each member of the Executive Board.

Benefits on termination of the Executive Board mandate

If a member of the Executive Board agrees to be reappointed on the basis of the contractual conditions offered, the member shall receive maximum compensation of half an annual gross salary if the company is then culpable in failing to reappoint said member. If an appointment to the Executive Board is effectively revoked, the Executive Board member has the right to claim compensation amounting to the remaining gross salaries, but limited

to two annual gross salaries. Should another enterprise gain control over the company and the appointment of an Executive Board member is revoked within one year, this Executive Board member has the right to claim compensation amounting to the remaining gross salaries, but limited to three annual gross salaries.

Remuneration of Supervisory Board members

In addition to the reimbursement of their expenses, the members of the Supervisory Board receive for every full financial year a fixed annual remuneration of EUR 40 thousand and for their activities in one or several committees of the Supervisory Board an additional annual remuneration of EUR 13.5 thousand.

The above remuneration is two-and-a-half times the amount for the Chairman of the Supervisory Board or the chairman of one or more committees and to one-and-a-half times the amount for the respective deputy chairman.

in EUR thousand	Year	Fixed remuneration	Variable remuneration	Total
Andreas de Maizière (Chairman) ¹⁾	2012	134	0	134
	2011	67	0	67
Klaus F. Jaenecke (Chairman) ²⁾	2012	–	–	–
	2011	17	18	35
Oliver Jaster	2012	60	0	60
	2011	37	11	48
Dr. Helmut Becker ¹⁾	2012	40	0	40
	2011	20	0	20
Prof. Willi Berchtold (Deputy Chairman) ¹⁾	2012	94	–	94
	2011	47	0	47
Hendrik Pressmar	2012	40	0	40
	2011	27	7	34
Jens Schumann ¹⁾	2012	60	0	60
	2011	27	0	27
Total	2012	428	0	428
	2011	242	35	277

¹⁾ since 29 June 2011

²⁾ until 29 June 2011

Performance-based remuneration of second management tier

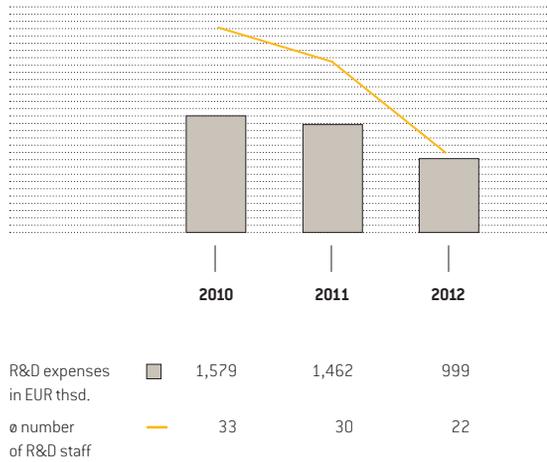
In addition to their fixed basic salary, the divisional heads of the Germany segment also receive a variable remuneration component. Depending on their respective position, it amounts to 15–33% of fixed salary and is based both on the achievement of the Group’s economic growth targets (revenues, EBIT) as well as on the individual achievement of internal targets, such as the successful and punctual implementation of projects.

The General Managers of the Abroad segment receive a fixed salary, as well as a variable compensation component equivalent to 20–100% of their fixed salary. This variable component is based mainly on the achievement of specific targets relating to the key performance indicators of their respective business, such as revenue growth and EBIT margin.

RESEARCH & DEVELOPMENT

In the Abroad segment, the current gaming software was expanded and improved following its launch in January 2011. These development efforts are managed directly abroad and operated partly in cooperation with external companies. In addition, our companies in the various countries made a number of improvements to products, capacities and security systems – with the aid of external R&D know-how for certain projects. In the reporting period, an average of 22 employees were involved with R&D activities on a full-time or part-time basis. R&D expenses amounted to EUR 999 thousand in the reporting period (prior year: EUR 1,462 thousand). These expenses were only incurred in the Abroad segment.

R&D EXPENSES/R&D STAFF



OVERVIEW OF BUSINESS DEVELOPMENT

GENERAL ECONOMIC CONDITIONS

Global economy reaches low point

2012 was dominated by a global economic slowdown – especially as a result of the consolidation measures in many industrial countries necessitated by the financial and economic crisis. Global GDP rose by just 3.3% in 2012, after expanding by 5.1% and 3.8% in 2010 and 2011, respectively. Growth in world trade was also modest at just 1% in 2012.

Further key factors were the persistently high levels of sovereign debt, the adverse equity situation of many banking institutes and difficulties coordinating a coherent financial and economic policy in the leading industrial nations. The emerging economies were unable to maintain their rapid economic growth at a higher level – apart from weaker demand from the developed industrialized nations, growth was also hampered by the rising disequilibrium on domestic markets: after 7.4% and 6.2% in 2010 and 2011, GDP growth in the emerging nations as a whole amounted to just 5.3%.

Euro crisis deepens

Despite political rescue attempts, the Euro crisis deepened further in 2012 necessitating new intervention – the states along Europe's southern edges suffered most from the dire financial situation. Euro zone GDP fell by 0.5%. There was a further significant decline in investment throughout Europe as government spending continued to fall – only consumer spending remained firm. At almost 5%, export growth was well above the rise in imports. The economic situation within the Euro zone remained highly divergent: the hardest-hit countries were Greece and Portugal with sharp falls in GDP of -6.0% and -2.9%, followed by Slovenia and Cyprus (-2.1% each), Italy (-2.0%), Spain (-1.3%) and the UK (-0.2%). This contrasted strongly with the positive development in Latvia and Lithuania with GDP growth rates of 5.1% and 3.5%, as well as Estonia (+3.2%), Slovakia (+2.6%), Poland (+2.3%) and Sweden (+1.8%). Countries with marginal growth included Germany (+0.7%), Austria and Luxembourg (+0.5% each) and France (+0.1%).

The employment market continued to deteriorate: unemployment across the Euro zone rose to 10.5% – with dramatic figures above all in Spain and Greece, where some 25% of the working population are currently unemployed. There is comparatively low unemployment, however, in Luxembourg (5.0%), the Netherlands (5.3%) and Germany (5.5%).

While the slower increase in energy prices, for example, led to falling consumer prices, the rise in excise duties helped driven up inflation – which amounted to 2.5% in the Euro zone in 2012.

Slightly improved prospects

Although year-end 2012 appeared to mark a new economic low, the economic research institutes still fail to see a clear turnaround in 2013 – due mainly to the ongoing uncertainty surrounding the European sovereign debt crisis – and forecast only a mild improvement in the global economy.

FINANCIAL POSITION AND PERFORMANCE

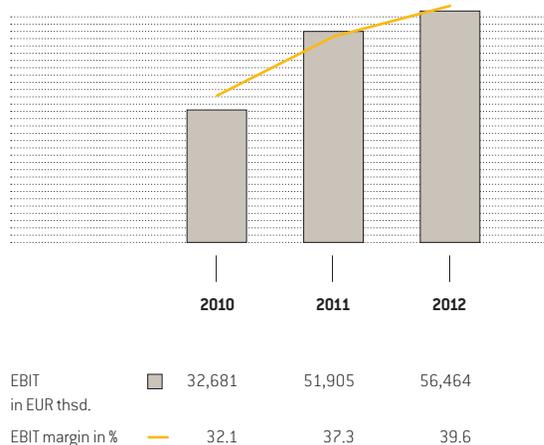
EARNINGS

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

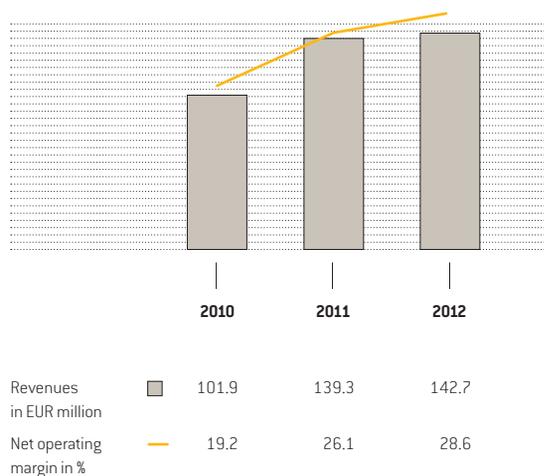
- In the first six months of 2012, the spin-off of Lotto24 AG resulted in a special item for Tipp24 which increased EBIT in total by EUR 18.2 million:
 - On the basis of a valuation report, hidden reserves of EUR 18.9 million were disclosed in the income statement item »Income from the distribution of shares in Lotto24 AG«. This amount resulted from the business opportunities connected with online lottery brokerage in Germany. This income has no effect on cash flow and corresponds to the dividend in kind adopted by the Annual General Meeting of 22 June 2012 in the form of shares in Lotto24 AG for the shareholders of Tipp24 SE amounting to EUR 20.0 million less the carrying value of the contributed assets.
 - An amount of EUR 2.2 million was recognized in other operating expenses for consultancy and other services in connection with the spin-off.
 - The deconsolidation of Lotto24 resulted in other operating income of EUR 1.5 million.
- In the fiscal year 2012, total payouts for secondary lotteries were EUR 14.1 million below the expected payout value (prior year: EUR 8.2 million) with a positive impact on revenues of the same amount. This benefited EBIT by an amount of EUR 6.2 million (prior year: EUR 1.8 million).
- In the second quarter of 2011, MyLotto24 Limited ended a dispute regarding an insurance payment by mutual agreement. The payment was recognized in the half-yearly result as other operating income.

	01 Jan.–31 Dec. 2012		01 Jan.–31 Dec. 2011		Change %
	in EUR thousand	%	in EUR thousand	%	
Revenues	142,731	100.0	139,316	100.0	2.5
Personnel expenses	-10,760	-7.5	-12,026	-8.6	-10.5
Other operating expenses	-93,842	-65.7	-85,121	-61.1	10.2
Other operating income	6,543	4.6	15,913	11.4	-58.9
Income from the distribution of shares in Lotto24 AG	18,850	13.2	0	0.0	n.a.
Operating expenses	-79,209	-55.5	-81,234	-58.3	-2.5
EBITDA	63,522	44.5	58,082	41.7	9.4
Amortization and depreciation	-7,058	-4.9	-6,177	-4.4	14.3
EBIT	56,464	39.6	51,905	37.3	8.8
Financial result	318	0.2	865	0.6	-63.2
Earnings before taxes	56,782	39.8	52,770	37.9	7.6
Income taxes	-16,902	-11.8	-14,455	-10.4	16.9
Profit from continued operations	39,880	27.9	38,315	27.5	4.1
Profit after tax from discontinued operations	1,011	0.7	-1,976	-1.4	-151.2
Profit	40,891	28.6	36,339	26.1	12.5
Breakdown of other operating expenses					
Marketing expenses	-5,923	-4.1	-7,813	-5.6	-24.2
Direct operating expenses	-52,413	-36.7	-48,817	-35.0	7.4
Other expenses of operations	-35,507	-24.9	-28,491	-20.5	24.6
Other operating expenses	-93,842	-65.7	-85,121	-61.1	10.2

EBIT/EBIT MARGIN



REVENUES/NET OPERATING MARGIN



EBIT

Consolidated EBIT amounted to EUR 56,464 thousand in 2012 (prior year: EUR 51,905 thousand), whereby the **EBIT margin** grew by 2.3 %-points from 37.3% to 39.6%. Adjusted for statistic deviation from the expected level of payouts, EBIT amounted to EUR 50,309 thousand (prior year: EUR 50,132 thousand) while the EBIT margin reached 39.1% (prior year: 38.2%).

In the period under review, the **Germany segment** posted an EBIT result of EUR 7,434 thousand (prior year: EUR -8,779 thousand), while the **Abroad segment** achieved EBIT of EUR 47,985 thousand (prior year: EUR 59,974 thousand).

The **financial result** amounted to EUR 318 thousand (prior year: EUR 865 thousand).

At EUR 40,891 thousand, **consolidated net profit** was 12.5% up on the previous year (EUR 36,339 thousand), while the **net operating margin after tax** reached 28.6% (prior year: 26.1%).

Compared to the previous year, the **consolidated tax rate** increased by 2.4 %-points to 29.8% (prior year: 27.4%), as Tipp24 SE had to reverse deferred taxes originally formed for tax loss carry-forwards. The average tax ratio of the UK minority shareholdings now amounts to 24.3% (prior year: 31.2%).

Return on equity fell from 28.1% to 27.2%.

Earnings per share from continued operations (undiluted and diluted) increased from EUR 4.80 to EUR 4.99.

Revenues

In 2012, Tipp24 achieved revenues of EUR 142,731 thousand (prior year: EUR 139,316 thousand). Without consideration of consolidation effects, the **Abroad segment** accounted for EUR 142,993 thousand (prior year: EUR 141,457 thousand) and the **German segment** for EUR 469 thousand (prior year: EUR 572 thousand).

Adjusted for chance effects, consolidated revenues would have reached EUR 128,612 thousand (prior year: EUR 131,071 thousand). In the reporting period, the actual payout ratio varied by -5.5%-points (prior year: -3.7%-points) from the expected value.

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

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

In order to aid comprehension of the annual financial statements and earnings position, the effect of deviations between the expected and actual payouts is therefore stated in section 5 of the notes to the consolidated financial statements.

Development of key income statement positions

In fiscal year 2012, **personnel expenses** amounted to EUR 10,760 thousand and were thus 10.5% below the prior-year figure of EUR 12,026 thousand. The personnel expense ratio fell by 1.1%-points to 7.5%, mainly due to the downsizing of the Executive Board during 2012 and special severance payments in 2011.

Other operating expenses increased by 10.2% to EUR 93,842 thousand (prior year: EUR 85,121 thousand). The development in detail was as follows:

- **Marketing expenses** fell by 24.2% to EUR 5,923 thousand (prior year: EUR 7,813 thousand) due to reduced marketing activities in Italy.
- **Direct operating expenses** were up year on year at EUR 52,413 thousand (prior year: EUR 48,817 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 22,608 thousand, hedging costs were above the prior-year figure of EUR 21,067 thousand. This rise was due to high jackpots in certain product categories and the necessary increase in hedging contracts with a corresponding burden on earnings. In the Abroad segment, licence and operator fees amounted to EUR 19,608 thousand (prior year: EUR 18,121 thousand). Costs for non-deductible input tax amounted to EUR 3,965 thousand (prior year: EUR 3,980 thousand).
- The rise in **other operating expenses** of 24.6% to EUR 35,507 thousand (prior year: EUR 28,491 thousand) resulted mainly from increased expenses for outsourcing, which also involved technical preparations for the establishment of a new business division »Internet services for international lottery organizers«.

As already explained in the special items above, **other operating income** fell to EUR 6,543 thousand (prior year: EUR 15,913 thousand).

Income from the distribution of shares in Lotto24 AG amounting to EUR 18,850 thousand (prior year: EUR 0) reflects the disclosure of hidden reserves in the course of spinning off Lotto24 AG, as described above.

Amortization and depreciation of tangible and intangible assets increased by EUR 881 to EUR 7,058 thousand.

FINANCIAL POSITION

Principles and objectives of capital management

Tipp24 operates a decentralized capital management system. Whereas the Executive Board of Tipp24 SE takes all major decisions concerning the financial structure of the Germany segment, capital management activities of the Abroad segment are handled by MyLotto24 Limited – with the exception of Tipp24 Services Limited which operates its own capital management system.

The principles and objectives of financial management are as follows (the risks to which Tipp24 is exposed are described in the current risk report):

- Cash and cash equivalents** are invested in a variety of short-term securities offering as much liquidity and as little volatility as possible, while ensuring broad risk diversification. The overriding objective of our investment strategy is to preserve capital – even at the expense of expected returns.
- Equity** in excess of those funds required to ensure the Company's stable financial position is to be used for investments and other finance in line with our growth strategy. In the medium term, it is possible that Tipp24 may also leverage its financial position by means of interest-bearing debt. In future, liquid equity capital not required for the Company's strategic objectives is to be used once more to pay dividends to our shareholders and buy back shares from the market. However, this optimization of equity is only prudent and possible if MyLotto24 Limited can distribute profits to Tipp24 SE again.

Financial analysis

The financial situation of Tipp24 was once again dominated by short-term other liabilities and equity in 2012.

Other liabilities in thousand	31 Dec. 2012	31 Dec. 2011
Liabilities from gaming operations	16,736	17,605
Tax liabilities	1,286	3,008
Liabilities from open invoices	512	416
Liabilities from social security	143	136
Others	211	679
	18,900	21,844

As of 31 December 2012, **other liabilities** – which mainly consist of advance payments, winnings payments owed to customers not yet settled as of the balance sheet date, licence and op-

erator fees owed to gaming licensors (liabilities from gaming operations) and tax liabilities – were down 13.5% to EUR 18,900 thousand (31 December 2011: EUR 21,844 thousand).

Equity consists of accumulated profits, less loss carryforwards, from capital contributions in the Company's early phase (1999 and 2000), from the additional equity generated by our IPO, the proceeds from the sale of treasury shares less cash outflows for share buyback programmes and cash outflows for the cash dividends paid so far. On 31 December 2012, the equity capital of Tipp24 amounted to EUR 150,375 thousand (prior year: EUR 129,291 thousand), corresponding to an equity ratio of 78.6% (prior year: 74.7%).

Significance of off-balance-sheet financial instruments for the financial position

Off-balance-sheet financial instruments did not play a significant role in financing Tipp24 once again in 2012. A bank guarantee facility in the amount of EUR 357 thousand was taken out to secure future obligations under rental agreements for office space. Furthermore, Tipp24 had off-balance-sheet future obligations from operating lease agreements for offices and technical equipment in the amount of EUR 2,918 thousand (prior year: EUR 1,200 thousand).

Investment analysis

In fiscal year 2012, investing activities resulted in net cash flow of EUR -8,098 thousand (prior year: EUR -24,157 thousand). Proceeds and disbursements from financial investments resulted in net cash flow of EUR 11,888 thousand (prior year: EUR -16,967 thousand). Cash flows for investments in associated companies amounted to EUR -18,395 thousand (prior year: EUR 0 thousand). Net cash flow from investments in our operating business totalled EUR -1,590 thousand (prior year: EUR -7,189 thousand), whereby disinvestments in connection with the sale of assets belonging to Tipp24 Deutschland GmbH (formerly Tipp24 Entertainment GmbH) are also taken into account.

Liquidity analysis

Key cash flow positions in EUR thousand	2012	2011
Cash flow from operating activities	22,546	44,323
Cash flow from investing activities	-8,098	-24,157
thereof financial investments	11,888	-16,967
thereof investments in associated companies	-18,395	0
thereof operative investments	-1,590	-7,189
Cash flow from financing activities	0	0
Change in cash	14,448	20,166
Cash at the beginning of the period (without pledged cash)	63,366	42,673
Changes in consolidated group	-267	0
Changes in pledged cash	400	527
Cash at the end of the period (without pledged cash)¹⁾	77,946	63,366
Short-term financial assets ¹⁾	53,776	65,433
Available funds¹⁾	131,722	128,799

¹⁾ as of 31 December

(Rounding differences due to presentation in EUR thsd. possible.)

At EUR 22,546 thousand, **cash flow from operating activities** in 2012 was down on the previous year (EUR 44,323 thousand). This was due mainly to reduced other liabilities, other non-cash changes (spin-off of Lotto24), increased other assets and prepayments made, as well as cash-effective other operating income relating to other periods in the previous year.

As explained in the investment analysis section above, **cash flow from investing activities** amounted to EUR -8,098 thousand in 2012 (prior year: EUR -24,157 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 131,722 thousand (prior year: EUR 128,799 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 Dec. 2012	31 Dec. 2011
Receivables from gaming operations	3,846	2,701
Prepaid expenses	3,003	2,616
Receivables from tax authorities for sales tax	158	597
Others	2,474	760
	9,482	6,674

(Rounding differences due to presentation in EUR thsd. possible.)

ASSET SITUATION

Healthy profile

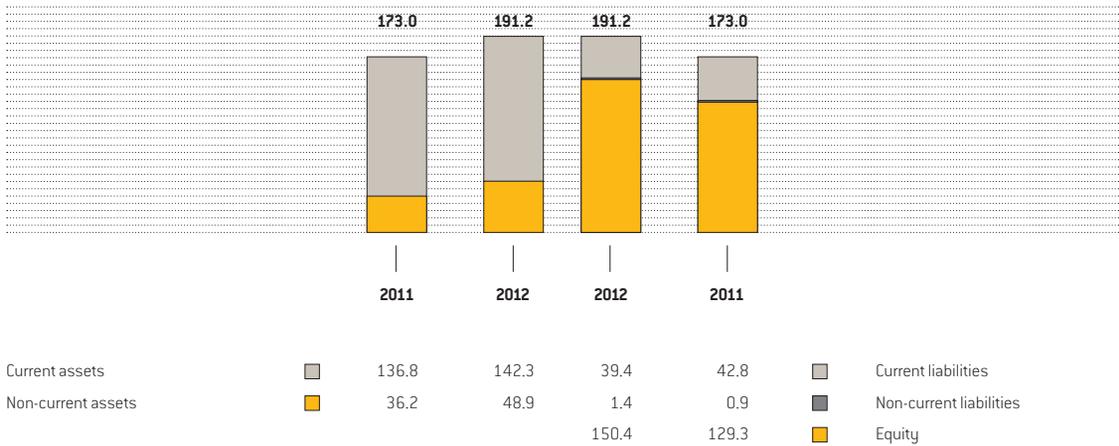
Tipp24's asset profile in 2012 was dominated by current assets of EUR 142,336 thousand (prior year: EUR 136,828 thousand) – these largely consist of cash (EUR 78,303 thousand), short-term financial assets (EUR 53,776 thousand) and other assets and prepaid expenses (EUR 9,482 thousand). Moreover, Tipp24 has intangible assets (mainly software) amounting to EUR 18,054 thousand, shares in associated companies of EUR 18,395 thousand, financial assets of EUR 8,281 thousand, property, plant and equipment (mainly hardware and office equipment) amounting to EUR 2,226 thousand and deferred tax assets amounting to EUR 1,656 thousand.

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

Assets not recognized

As in the past, Tipp24 also does not recognize self-developed assets, such as customers, brands and gaming software, in its financial statements. The considerable costs incurred for the internal development of new gaming software – especially personnel expenses – were not capitalized as they do not meet all criteria of IAS 38.57.

BALANCE SHEET STRUCTURE in EUR million



Significance of off-balance-sheet financial instruments for the asset situation

Tipp24 has future obligations of EUR 28,979 thousand from agreements containing obligations from services, cooperation, insurance, maintenance and licence agreements. There are also obligations from an operating lease with a present value of EUR 2,918 thousand.

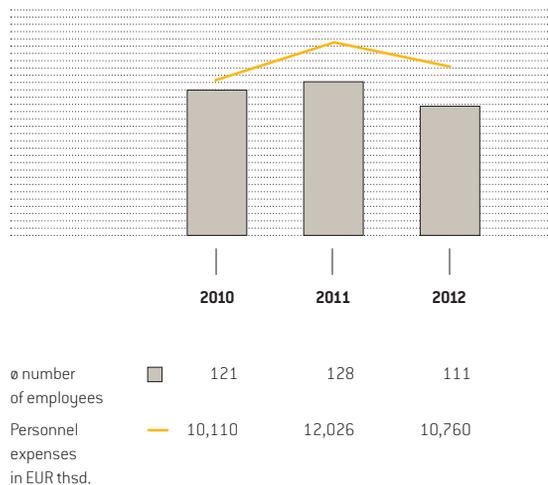
Employees

In addition to the one member of the Executive Board and the General Managers of the consolidated companies, Tipp24 had an average of 111 full-time employees (year-end: 101) and one trainee in 2012. The average age was 36. There was also one student helper for Tipp24 in 2012, working a 20-hour week.

As in Germany, the regular working week of the Abroad segment comprises 40 hours. There are no works agreements or collective wage agreements in place in the Germany segment and a works council has not been set up. In the Abroad segment, there are tariff agreements according to the particular location. In the fiscal year 2012, Tipp24 invested EUR 93 thousand (prior year: EUR 139 thousand) in external training activities. In addition, all employees take part in regular training measures within their respective departments.

Tipp24 ensures compliance with all industrial health and safety standards required by law. There were no industrial accidents in 2012.

NUMBER OF EMPLOYEES/PERSONNEL EXPENSES



OVERALL STATEMENT ON ECONOMIC POSITION

Management's assessment of the economic position

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

The exception to this was the beginning of restricted brokerage operations by Lotto24 AG on 20 February 2012 under www.lotto24.de. 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 there is a strong probability that the sector will enjoy significant growth in the coming years.

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

Influence of balance sheet policy on the economic position

Our balance sheet consists to a large extent of liquid funds covered by equity. They provide a solid basis for our growth strategy and for exploiting any new growth opportunities resulting from a change in the regulatory environment.

DISCLOSURES AND EXPLANATIONS PURSUANT TO TAKEOVERS

The following disclosures are in compliance with Sec. 315 (4) German Commercial Code (HGB):

- As of 31 December 2012, the subscribed capital of Tipp24 SE amounted to EUR 7,985,088.00 divided into 7,985,088 no-par value registered shares. The shares are fully paid. Each share entitles the owner to one vote and is decisive for the respective share of profit.
- The following direct or indirect holdings in the Company's share capital, in excess of 10% of total voting rights, were reported to the Company pursuant to Sec. 21 WpHG during the period under review or at an earlier point and did not change during the period under review:

Name, location	Shareholding	Reporting date
Othello Drei Beteiligungs GmbH & Co. KG, Hamburg	24.99% (directly)	28 December 2012
Othello Drei Beteiligungs- Management GmbH, Hamburg	24.99% (indirectly)	28 December 2012
Günther Holding GmbH, Hamburg	24.99% (indirectly)	28 December 2012
Günther GmbH, Bamberg	24.99% (indirectly)	28 December 2012
Oliver Jaster, Germany	24.99% (indirectly)	28 December 2012

- The following statutory regulations and provisions of the Company's Articles apply for the **appointment and dismissal of Executive Board members as well as for any amendments to the Company's Articles:**

The members of the Executive Board of Tipp24 SE are appointed by the Supervisory Board for a period of no more than five years (Art. 9 (1), Art. 39 (2) and Art. 46 SE-Regulation, Secs. 84, 85 of the German Stock Corporation Act (AktG), Art. 6 (2) of the Articles). Members may be reappointed for further periods of no more than five years. Members of the Executive Board are appointed with a simple majority of the votes cast by the Supervisory Board. In the event of a tie, the Chairman has two votes in a second vote on the same matter if a tie also results (Art. 13 (6) of the Articles). If a necessary member of the Supervisory Board is missing, the court may appoint a member in urgent cases and on application of a person involved in accordance with Sec. 85 AktG. The Executive Board consists of one or more persons pursuant to Art. 6 (1) of the Company's Articles. Otherwise, the Supervisory Board determines the number of Executive Board members and appoints a Chairman of the Executive Board pursuant to Sec. 84 (2) AktG.

Resolutions concerning changes of the Company's Articles must be adopted by the Annual General Meeting. Pursuant to Art. 21 (1) sentence 2 of the Articles, and unless otherwise prescribed by law, amendments to the Articles require a majority of two thirds of votes cast or, providing half the share capital is represented, a simple majority of the votes cast. The Articles make use of the option available under Art. 51 sentence 1 SE-Implementation Act, which in turn is based on Art. 59 (1) and (2) SE-Regulation. A larger majority, for example, is required to change the purpose of the Company and to relocate its head office to another member state (Art. 51 sentence 2 SE-Implementation Act). The Supervisory Board is authorized to resolve amendments to the Articles of Association that only concern the formal wording (Sec. 179 (1) sentence 2 AktG and Art. 16 of the Articles). The last amendments to the Articles of Tipp24 SE were adopted by the Annual General Meeting of 29 June 2011 – Art. 4 (2) of the Articles regarding the creation of new Author-

ized Capital and Art. 4(3) of the Articles regarding the reduction in Conditional Capital as well as Art. 9 (1) of the Articles regarding a change in the number of Supervisory Board members were revised.

- The **Executive Board has the following authorizations to issue shares and to purchase or use treasury shares:**

There is Authorized Capital at present amounting to EUR 1,597,017 which authorizes the Executive Board to issue shares.

Pursuant to Art. 4 (4) of the Articles, there is a Contingent Capital of EUR 150,000, whereby the contingent capital increase is only implemented to the extent that the holders of stock options issued under the 2005 stock option plan exercise their option rights and the Company does not grant treasury shares or make a cash payment in order to satisfy the stock options. In the period of authorization, a total of 18,000 stock options were issued under the 2005 stock option plan, of which 4,000 were serviced from the Company's stock of treasury shares and 10,000 were redeemed via cash settlement, a further 2,000 can no longer be exercised due to expiry of the option term and 2,000 were forfeited. The Executive Board is not currently authorized to buy back shares of the Company.

- Tipp24 SE has concluded the following **compensation agreement** with Executive Board members: (i) If a member of the Executive Board agrees to be reappointed on the basis of the contractual conditions offered, the member shall receive maximum compensation of half an annual gross salary if the company is then culpable in failing to reappoint said member. (ii) If an appointment to the Executive Board is effectively revoked, the Executive Board member has the right to claim compensation amounting to the remaining gross salaries, but limited to two annual gross salaries. (iii) Should another enterprise gain control over the company and the appointment of an Executive Board member is revoked within one year, this Executive Board member has the right to claim compensation amounting to the remaining gross salaries, but limited to three annual gross salaries.

SUBSEQUENT EVENTS

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 regulations 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.

On 20 March 2013, the Supervisory Board of Tipp24 SE fundamentally approved the Executive Board's plan to propose a relocation of the company's registered office to London at the Annual General Meeting.

ACCOUNTING-RELATED INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM

We regard internal control and risk management as a comprehensive system based on the definitions of the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer in Deutschland e. V.), Düsseldorf, with regard to an accounting-related internal control system and risk management system. These define an internal control system as the principles, procedures and measures introduced by the management of a company, which are geared towards the organizational implementation of management decisions

- to ensure the effectiveness and efficiency of business activities (including the protection of assets, including the prevention and disclosure of asset impairment)
- to ensure the correctness and reliability of internal and external accounting and
- to ensure compliance with the legal provisions relevant to the Company.

The risk management system includes all organizational regulations and measures for risk detection and the handling of risks involved with business activity.

The following structures and processes have been implemented by Tipp24 with regard to the accounting and consolidated accounting processes:

The Group's Executive Board bears full responsibility for the internal control and risk management system with regard to the accounting and consolidated accounting processes.

All companies included in the consolidated financial statements are also included in a firmly defined management and reporting organization. In contrast hereto, the companies of the UK subgroup are only included via a firmly defined reporting organization which regularly provides the Group's Executive Board with information about the following measures: definition of risk areas which may lead to developments endangering future survival; risk recognition and risk analysis; risk communication; allocation of responsibilities and tasks; the establishment of a monitoring system; documentation of the measures taken. Moreover, the reporting organization requires that significant risks are to be reported immediately to the Group's Executive Board on occurrence.

The principles, structure and process organization, and procedures of the accounting-related internal control and risk management system are documented in guidelines and organizational directives which are regularly adapted to current external and internal developments. The guidelines and organizational directives in the respective segments are fully compatible with each other.

In the organizational structure of Tipp24, certain accounting-related processes in Germany and abroad – in particular payroll accounting – are outsourced.

Regarding the accounting and consolidated accounting processes, we consider those elements of the internal control and risk management system to be significant which can have a material effect on the Group's accounting and the overall statement of the consolidated financial statements including the Group management report. In particular, these include the following:

- the identification of significant risk fields and control areas of relevance to the Group-wide accounting process;
- controls to monitor the consolidated accounting process and its results at the level of the Group Executive Board and at the level of the companies included in the consolidated financial statements;
- preventative control measures in the finance and accounting system of the Group and of the companies included in the consolidated financial statements and in the operative, performance-oriented company processes that generate significant information for the preparation of the consolidated financial statements including the Group management report, including a separation of functions and pre-defined approval processes in relevant areas;
- measures that safeguard proper IT-based processing of matters and data relevant to Group accounting;
- reporting information of the foreign companies which enable the German parent company to prepare consolidated financial statements including the Group management report.

Tipp24 has also implemented a risk management system for the consolidated accounting process that contains measures to identify and assess significant risks and corresponding risk-mitigating measures to ensure the correctness of the consolidated financial statements.

The tasks of the internal audit system to monitor the internal control and risk management system related to consolidated accounting are not undertaken by a staff department (Internal Audit), but by the Controlling and Accounting departments. Moreover, the Supervisory Board commissioned the external auditors to conduct additional audits.

The Executive Board and Supervisory Board also continually seek possibilities to develop the processes of the risk management system.

REPORT ON EXPECTED DEVELOPMENTS AND ASSOCIATED MATERIAL OPPORTUNITIES AND RISKS

RISK MANAGEMENT

The operating responsibility for risk management is anchored within the two business segments. In addition to the risk situation of Tipp24 SE, its Executive Board assesses the risk position of the associated companies in the Abroad segment on the basis of risk reports provided as part of regular reporting duties, as well as special reports about the occurrence or change of particular risks, and the audit reports of the respective external auditors. Risk management as a whole and the implementation of a risk early warning system mainly follow the same guidelines in the individual segments. These guidelines are based on the scale of business and the respective size of the segments.

In summary, Tipp24 is exposed to the typical sector and market risks associated with the economic activities of an internationally operating company in the Internet sector. In addition, there are market-typical regulatory risks in individual lottery markets from possible changes in the respective legal and political situation. Finally, there are specific risks associated with the organization of secondary lotteries. These concern the statistical variations regarding the size of payouts as well as the increased risk of manipulation compared to the pure brokerage of lottery products.

Should one or more of these risks occur, it may materially impact Tipp24's business and have significant adverse effects on its financial position and performance.

The management teams of the respective segments take these risks very seriously and considers them in its operating and strategic decision processes: the development of the relevant risks is constantly monitored, whereby both current and future potential dangers are considered with the focus on early recognition, evaluation, prevention and control of risks.

The systems put in place enable Tipp24 to quickly recognize the relevant risks in its segments and overall, as well as to evaluate such risks and take measures as quickly as possible.

Tipp24's risk management functions as follows:

Operating risks are monitored by regularly reviewing financial and other key ratios. The monitoring frequency, designated controlling responsibility and determined rules of procedure for defined deviations from target values are stipulated for each ratio. In the case of technology risks, pre-defined emergency procedures are implemented. Furthermore, the development of security standards is continually monitored and corresponding adjustments are regularly made to security systems.

Legislation changes in those markets in which Tipp24 operates are also regularly evaluated, with the help of legal advisors where necessary. In this way, unusual events can be swiftly recognized and suitable measures initiated.

The **statistical risks** of organising secondary lotteries are monitored by the statistical assessment of the gaming systems offered and the corresponding expected stakes. Under consideration of the available hedging instruments, such as jackpot insurance policies, it is ensured that sufficient liquidity to pay out jackpots in the respective gaming systems is always ensured.

The **risk management system** is firmly anchored in the respective segments at management level and continually monitored and updated. The Executive Board is regularly informed about the risk evaluation results. We are convinced that the early warning and risk management systems which we have implemented are well suited to quickly recognizing and dealing with dangers for Tipp24 resulting from possible risks. The risk early recognition system has been formally documented. It is regularly monitored and adapted where necessary.

PRESENTATION OF INDIVIDUAL RISKS

We have identified the following main specific risks for Tipp24's business:

Market and sector risks

General market risks

Business is dependent on the development of the markets in which Tipp24 operates. In particular, a negative development of the lottery markets, due for example to a decline in advertising, a reduction in the product portfolio of game operators or a statistically unusually long period without relevant jackpots may all negatively impact growth. The entry of further competitors into the lottery markets, especially online, may also restrict further growth. Finally, there is a possibility that use of the Internet itself may decline. This would also have a significant detrimental effect on Tipp24's business activities. We believe, however, that this is unlikely to happen.

Risks from economic development

The gaming behaviour of customers in those markets of Tipp24's consolidated companies has so far been largely unaffected by macroeconomic fluctuations experienced since the launch of gaming operations in 2000. Nevertheless, a possible, exceptionally strong economic downturn triggered by the global financial crisis may adversely affect the gaming behaviour of our customers in certain or all countries in which Tipp24 operates, and thus also impact its financial position and performance.

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 the processing of gaming operations

Tipp24 is dependent on the use of automated processes for handling gaming agreements, whose efficiency and reliability is in turn dependent on the functionality and stability of the underlying technical infrastructure. The functional ability of the servers and the related hardware and software infrastructure – in particular specially created gaming software – is of considerable significance for the business of Tipp24, as well as for the reputation and attractiveness of its services for customers. The risk of a failure of all relevant components for gaming operations (e.g. database servers, application servers, web servers, firewalls, routers) is countered by either using redundant systems or entering into maintenance contracts with correspondingly short reaction times.

Tax risks

As the result of a tax inspection, there is currently a dispute with the relevant tax authority regarding the validity of tax assessments for various items in the inspection period (fiscal years 2005 to 2007 inclusive). The relevant tax authority has issued a tax assessment and respective payment demand amounting to EUR 3.6 million (including interest). Tipp24 SE has appealed against the assessment and only accepted and paid additional demands totalling EUR 0.2 million. An application for suspension of execution was filed with the tax authorities for the remaining payment demand. This application has since been granted. Although we have grounds to believe that all the items queried by the tax authority were correctly assessed in accordance with the relevant regulations, the possibility cannot be excluded that the relevant authority may not accept our appeal against the assessment, or at least not in full, and as a consequence we may not be able to successfully uphold our view in court, or not in full. As a result, there is a remaining tax risk of up to EUR 3.4 million, plus the corresponding time-related interest on arrears (6% p.a.) which might have a correspondingly negative effect on the financial position and performance 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 cash and financial investments

At the end of the reporting period, Tipp24 had cash in Germany and abroad totalling EUR 78,303 thousand, held in accounts with various major European banks. Theoretical default risks resulting from the current financial market development are limited by thorough and continuous analysis of the relevant credit institutes. Nevertheless, certain financial institutes where Tipp24 holds balances may default. Should the global financial crisis also deepen further and should – against all expectations – neither the national bank support systems nor the support packages provided by the leading industrialized states fail to avert the collapse of individual banks, this may result in the breakdown of various or possibly all credit institutes as well as all national support systems. Such scenarios may lead to the partial or complete loss of our cash deposits. Short-term financial assets of EUR 53,776 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.

Personnel risks

Even with careful selection and responsible staff management, it cannot be ruled out that a significant number of even experienced employees may leave Tipp24 within a short period of time. At the same time, the recruitment of new staff for these vacant positions may be time-consuming and costly. In spite of stand-in regulations, this could have a material effect on Tipp24's financial position and performance. New staff are carefully selected, often with the help of personnel consultants. Within each segment, responsibilities, goals and key success parameters are discussed on a regular basis with each employee. Performance checks are carried out to ascertain whether these goals and parameters have been fulfilled and feedback given to employees in regular performance reviews. These reviews are also used to determine employee satisfaction. The results of these reviews are regularly evaluated in order to counter any undesired trends.

General business risks

At the beginning of the fiscal year 2009, the Company's business fields were reorganized. As a result, the ongoing development in line with this growth of appropriate internal organizational and risk monitoring structures that allow early recognition of undesirable developments and risks – particularly in the IT area – was and remains a constant challenge. Further expansion of business in new markets and new product areas is planned for the years ahead. The challenge will continue to be to identify existing and new risks, and to assess them correctly in a timely manner, as well as to further develop the existing organizational and risk monitoring system appropriately and promptly. If gaps or defects in the existing organizational and risk monitoring system become evident in ongoing practice, or it is not possible to create appropriate structures and systems promptly in connection with the further development of Tipp24, this could lead to an impaired ability to recognize and manage risks, trends and undesirable developments in a timely manner.

Regulatory risks

There is a risk that the restrictive legal framework continued by the GlüStV 2012 may be upheld to a large extent or completely also in the medium term. For example, the Internet ban has been upheld in principle and private gaming offerings are forbidden or subject to the issue of permits without any legal claim to such permits. There are also no objective and predictable criteria regarding these permits. Tipp24 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 criticized by jurisdiction. Such incoherencies may result in further rulings which declare the new legislation to be inapplicable. It is unclear to what extent the views held by several courts in the past will be upheld, namely that only the monopoly is ineffective, while the permit requirement and Internet ban are effective. The 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.

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 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 this announcement to the capital market is included in the company's ad hoc disclosure obligations. However, such notifications are checked in advance on a case-by-case basis.

Risks from the assertion of claims from hedging transactions

It cannot be fully excluded that insurers fail to fulfil their payment obligations in future and that such claims have to be enforced in court. Such refusals to pay only have a direct impact on the 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.

Manipulation risks

There is a risk that the participation in a secondary lottery organized by MyLotto24 Limited may be manipulated. In particular, participation may be subsequently simulated in knowledge of the winning numbers. This would have a correspondingly negative impact on the financial position and performance of MyLotto24 Limited, which through consolidation would also represent a burden for Tipp24 as a whole. MyLotto24 Limited has established extensive security systems in order to counter this risk. All game numbers of the participating customers are stored redundantly on special manipulation-protected systems with an unalterable time indicator prior to the time of the draw. The calculation of winnings payouts is also handled redundantly by the secure systems. There are regular checks of winnings claims for every single game number. All processes and results concerning winnings are constantly monitored and audited by reputable independent auditors. Against this backdrop, the risk of manipulation is regarded as low.

Concluding statement concerning the Group's risk situation

As for all market participants, Tipp24 is exposed to certain business risks which are involved in simply participating in market activities. On the one hand, these are general risks in connection with cyclical economic developments whose danger can be countered to some extent by adopting a corresponding market positioning.

On the other hand, there are risks involved with the specific business model, the regulatory environment and the Company's geographic positioning. Under the given circumstances, Tipp24 has found an optimal configuration which limits the Group's overall risk.

Even in the case of further unfavourable regulatory developments, we do not believe our existence is endangered. Tipp24 has the necessary abilities and skills, as well as the personnel resources and sufficient financial means, to successfully shift its strategic focus to the development of foreign markets and the diversification of its product portfolio, as well as further business alternatives still to be examined with regard to continuing its business on a long-term and profitable basis.

REPORT ON EXPECTED DEVELOPMENT

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

Tipp24 also acquired a stake in the UK company Geonomics Global Games Limited in December 2012. With this investment, Tipp24 has implemented its strategy of acquiring its own licences on the one hand and establishing a new international business division dedicated to providing Internet services to lottery companies on the other.

Expected earnings position

For our fiscal year 2012, we expected to achieve consolidated revenues of EUR 130 million and a consolidated EBIT result of EUR 48 million. The forecast included a deduction for risks of EUR 10 million to account for negative statistical fluctuations in payouts for its secondary lottery business, which did not turn out to be necessary. Revenues of Tipp24 in fiscal 2012 actually amounted to EUR 142.7 million (prior year: EUR 139.3 million). Unadjusted earnings before interest and taxes (EBIT) were raised from EUR 51.9 million to EUR 56.5 million. These figures were thus largely in line with expectations and set further records in the company's history.

Adjusted for chance effects, consolidated revenues of EUR 128.6 million were slightly below the adjusted prior-year figure of EUR 131.1 million, while EBIT adjusted for chance effects and other special items amounted to EUR 32.2 million and thus fell somewhat short of the adjusted prior-year figure of EUR 38.9 million. A major reason for the difference in revenues is the comparatively low number of jackpot draws for the core product »Lotto 6/49« in 2012. In addition to this revenue effect, EBIT was burdened by an adverse product mix, costs for the expansion of new businesses and extraordinary consultancy costs in connection with hedging transactions.

After consideration of price increases, Tipp24 SE expects to achieve revenues in the range 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.

We expect similarly high costs in fiscal year 2014 as in 2013. At the same time, we expect our new business fields to make their first significant contribution to revenues.

Expected financial position

We aim to reduce our equity ratio in the coming years with the following measures: expansion of business and thus of debt from gaming operations, partial exchange of equity for interest-bearing debt, distribution of dividends, and share buyback programmes. However, Tipp24 SE still bears considerable running costs – mainly for administration and legal advice – but has very few revenue streams itself from its own activities. At the same time, the profits of associated companies in the Abroad segment are currently being carried forward and not distributed to Tipp24 SE, which is why it will only be able to distribute cash dividends when the legal situation in Germany has been settled in its favour.

We expect capital expenditure to be largely unchanged in 2013. The corresponding activities are planned mainly in the Abroad segment and will focus on steadily improving the performance of the system components used, updating standard software, and replacing outdated hardware. We are planning total investments of around EUR 3–5 million in both 2013 and 2014.

With regard to the liquidity position of Tipp24 SE, management has commenced negotiations concerning various financial alternatives which are to be swiftly brought to a conclusion. The financial scope this will provide will enable the company to continue its activities even if there is no change in the earnings position over the next two years.

Alternatively, the company also has financial options based on the use of its Authorized Capital.

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 internationalization – 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 technology and marketing services.

Hamburg, 20 March 2013

The Executive Board



Dr. Hans Cornehl



Andreas Keil

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CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED INCOME STATEMENT FOR THE PERIOD 1 JANUARY TO 31 DECEMBER ACC. TO IFRS

		2012	2011
in EUR thousand	Notes		
Revenues	5	142,731	139,316
Other operating income	6	6,543	15,913
Income from the distribution of shares in Lotto24 AG	7	18,850	0
Total operating performance		168,125	155,229
Personnel expenses	8	-10,760	-12,026
Amortization/depreciation on intangible assets and property, plant and equipment	18, 19	-7,058	-6,177
Other operating expenses	9	-93,842	-85,121
Marketing expenses		-5,923	-7,813
Direct costs of operations		-52,413	-48,817
Other costs of operations		-35,507	-28,491
Result from operating activities (EBIT)		56,464	51,905
Revenues from financial activities	10	673	1,129
Expenses from financial activities	10	-355	-264
Financial result	10	318	865
Result from ordinary activities		56,782	52,770
Income taxes	11	-16,902	-14,455
Profit from continued operations		39,880	38,315
Profit after tax from discontinued operations	12	1,011	-1,976
Consolidated net profit ¹⁾		40,891	36,339
Earnings per share (undiluted and diluted, in EUR/share)		5.12	4.55
Earnings per share from continued operations (undiluted and diluted, in EUR/share)		4.99	4.80
Weighted average of ordinary shares outstanding (undiluted and diluted, in shares)		7,985,088	7,985,088

¹⁾ The consolidated net profit is attributable to the owners of Tipp24 SE, Hamburg, Germany.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY TO 31 DECEMBER ACC. TO IFRS

		2012	2011
in EUR thousand	Notes		
Net profit for the period		40,891	36,339
Other result			
Unrealized gains/losses from revaluation of financial assets held for sale	30	210	14
Other result after tax		210	14
Total net profit after tax		41,101	36,353

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER ACC. TO IFRS

		31 Dec. 2012	31 Dec. 2011
ASSETS in EUR thousand	Notes		
Cash and pledged cash	14	78,303	64,123
Short-term financial assets	14	53,776	65,433
Trade receivables	15	71	12
Income tax refund claims	16	6	586
Other current assets and prepaid expenses	17	9,482	6,674
Available for sale current assets	13	698	0
Total current assets		142,336	136,828
Intangible assets	18	18,054	22,755
Other equipment, furniture & fixtures and leased assets	19	2,226	2,692
Financial assets	20	8,281	4,351
Shares in associated companies	21	18,395	0
Other non-current assets and prepaid expenses		269	629
Deferred tax assets	11	1,656	5,788
Total non-current assets		48,881	36,215
ASSETS		191,217	173,043

		31 Dec. 2012	31 Dec. 2011
EQUITY & LIABILITIES in EUR thousand	Notes		
Trade payables	30	6,568	5,860
Other liabilities	22	18,900	21,844
Financial liabilities	30	110	102
Deferred income	23	3,460	2,350
Income tax liabilities	11, 22	6,510	7,888
Short-term provisions	24	3,456	4,804
Liabilities from current assets held for sale	13	410	0
Total current liabilities		39,414	42,848
Provisions, non-current	24	83	0
Deferred tax liabilities	11	1,344	904
Total non-current liabilities		1,427	904
Subscribed capital	25	7,985	7,985
Capital reserves	25	7,805	7,805
Other reserves	25	134	-21
Retained earnings	25	134,451	113,523
Total equity, incl. minority investments		150,375	129,291
EQUITY & LIABILITIES		191,217	173,043

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD 1 JANUARY TO 31 DECEMBER ACC. TO IFRS

		2012	2011
in EUR thousand	Notes		
Profit from continued operations before tax		56,782	52,770
Profit from discontinued operations before tax		1,011	-1,976
Result before tax		57,793	50,793
Adjustments for			
Amortization/depreciation on non-current assets		7,058	7,010
Result from disposal of non-current assets		4	44
Result from foreign exchange transactions		101	126
Revenues from financial activities		-673	-1,129
Expenses from financial activities		355	264
Income from distributing shares in Lotto24 AG	7	-20,359	0
Changes in			
Trade receivables		-240	14
Other assets and prepaid expenses		-2,789	1,290
Financial assets		-3,948	-2,751
Non-current other assets or prepaid expenses		360	-629
Trade payables		1,505	26
Other liabilities		-2,962	4,308
Financial liabilities		9	14
Short-term provisions		-1,187	832
Deferred income		1,111	-2,212
Other non-cash changes		-28	29
Non-current provisions		83	0
Interests received		273	815
Interests paid		-345	-209
Taxes paid		-13,575	-14,313
Cash flow from operating activities		22,546	44,323

Explanations are provided in Note 3.

		2012	2011
in EUR thousand	Notes		
Changes (net) on financial investments (short-term)		11,888	-16,967
Investments in company acquisitions	21	-18,395	0
Payments for investments in intangible assets		-1,408	-5,178
Proceeds from the sale of intangible assets		500	0
Payments for investments in property, plant and equipment		-707	-2,016
Proceeds from the sale of property, plant and equipment		25	4
Cash flow from investing activities		-8,098	-24,157
Cash flow from financing activities		0	0
Changes in cash and pledged cash		14,448	20,166
Cash at the beginning of the period (except pledged cash)		63,366	42,673
Changes due to consolidation		-267	0
Changes in pledged cash		400	527
Cash at the end of the period (except pledged cash)		77,946	63,366
Composition of cash at the end of the period			
Cash and pledged cash	14	78,303	64,123
Pledged cash	14	-357	-757
		77,946	63,366

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR thousand	Share capital	Capital reserves	Other reserves	Retained earnings	Total equity
As at 1 January 2011	7,985	43,815	-125	41,247	92,921
Contribution to other provisions	0	0	72	-72	0
Adjustments of balance sheet loss	0	-9,625	0	9,625	0
Withdrawal from capital reserves	0	-26,385	0	26,385	0
Share-based payments	0	0	18	0	18
Other results	0	0	14	0	14
Net profit 2011	0	0	0	36,339	36,339
Total net profit 2011	0	0	14	36,339	36,353
As at 31 December 2011	7,985	7,805	-21	113,523	129,291
As at 1 January 2012	7,985	7,805	-21	113,523	129,291
Contribution to other provisions	0	0	0	0	0
Dividend in kind	0	0	0	-19,963	-19,963
Adjustments 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 December 2012	7,985	7,805	134	134,451	150,375

Explanations are provided in Note 25

NOTES TO THE CONSOLIDATED STATEMENTS AS AT 31 DECEMBER 2012 ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

1 GENERAL INFORMATION

Tipp24 SE, Hamburg, was formed in 1999 in Hamburg. Tipp24 SE holds a group of consolidated companies (hereinafter referred to as Tipp24) comprising the following companies:

- GSG Lottery Systems GmbH, Hamburg (hereinafter referred to as GSG), Tipp24 Deutschland GmbH, Hamburg (formerly Tipp24 Entertainment GmbH), (hereinafter referred to as Tipp24 Deutschland),
- Ventura24 S.L., Madrid, Spain (hereinafter referred to as Ventura24),
- Ventura24Games S.A., Madrid, Spain (hereinafter referred to as Ventura24Games),
- Giochi24 S.r.l. (sold on 31 January 2013), Monza, Italy (hereinafter referred to as Giochi24),
- MyLotto24 Limited, London, UK (hereinafter referred to as MyLotto24),
- Tipp24 Services Limited, London, UK (hereinafter referred to as Tipp24 Services),
- Tipp24 Operating Services Limited, London, UK (hereinafter referred to as Tipp24 Operating Services),
- Tipp24 (UK) Limited, London, UK (hereinafter referred to as Tipp24 UK),
- Tipp24 Investment 1 Limited, London, UK (hereinafter referred to as Tipp24 Investment 1),
- Lotto Network Limited, London, UK (hereinafter referred to as LottoNetwork UK),
- Lotto Network Services S.r.l., Monza, Italy (hereinafter referred to as LottoNetwork Italy)
- as well as Schumann e. K., Hamburg (hereinafter referred to as Schumann e. K.).

At the Annual General Meeting of Tipp24 on 22 June 2012 a resolution was adopted to spin off the company's German business and as a result Lotto24 AG (formerly Tipp24 Deutschland GmbH) is now an independent listed company. Lotto24 AG (formerly Tipp24 Deutschland GmbH) was deconsolidated as of 30 June 2012.

For over thirteen 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.

END-USER BUSINESS IN GERMANY

In fiscal year 2012, our business in Germany included activities in the field of class lotteries and until 30 June 2012 the restricted brokerage business of Lotto24 AG (formerly Tipp24 Deutschland GmbH) with the state lottery company of Schleswig-Holstein. The processing of class lottery tickets was governed by a cooperation agreement with Schumann e. K., whose sole shareholder is the former Executive Board member and current Supervisory Board member Jens Schumann. It conducts its operations on the basis of a sales agreement with the management of the North German State Lottery (Norddeutsche Klassenlotterie – NKL) and by way of appointment by the management of the South German State Lottery (Süddeutsche Klassenlotterie – SKL). Norddeutsche Klassenlotterie (NKL) and Süddeutsche Klassenlotterie (SKL) have been marketed since 2012 as »GKL – Gemeinsame Klassenlotterie der Länder«. The business volume generated by customers in Germany primarily comprises the stake money remitted to the gaming operators. Our revenues consist of commissions received for submitting lottery tickets to the lottery companies.

The Skill-Based Games division, operated by Tipp24 Deutschland GmbH, was unable to match the profitability of the company's core business over the long term. It was therefore decided to discontinue operations as of 31 December 2011.

END-USER BUSINESS ABROAD

The entire non-German business of Tipp24 – i.e. its activities in Spain, Italy and the UK – is pooled with the fully consolidated UK-based minority holding MyLotto24 Limited. This company organises English secondary lotteries based on various European lotteries. In addition, Tipp24 Services Limited acts as broker for various lotteries and other games in the UK.

In Spain, Ventura24 S.L. currently offers the national 6 out of 49 lottery (La Primitiva) and related lottery teams, the Christmas lottery (Sorteo de Navidad), the European lottery EuroMillones and other Spanish lotteries. Due to the legal difficulties regarding the online brokerage of the state-licensed lottery SuperEnalotto, business in **Italy** was discontinued. Revenue in **Spain** results mainly from additional fees.

With regard to the organising of games in the **UK**, revenue results from stakes received less vouchers granted, and winnings to be distributed. Licence and operator fees payable in the UK are disclosed as a cost position within »Other operating expenses«. In our UK brokerage business, revenue is generated by commissions received from game organisers, as well as additional fees charged to players. Winnings are subject to considerable statistical fluctuations compared to the expected value based on the playing systems of the reference games. In order to improve comprehension of the earnings position, the effect on revenue of any deviation between expected and actual payouts is also stated.

BUSINESS MODEL ADAPTED TO GLÜSTV

Following the implementation of the second stage of the German State Treaty on Games of Chance (GlüStV) 2008, which completely prohibited the brokering of state-run lotteries via the Internet as of 1 January 2009, Tipp24 discontinued its lottery brokerage activities in Germany. Its alignment was 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 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 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 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 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.

RESUMPTION OF BUSINESS IN GERMANY

In our former core market of Germany, Lotto24 AG (formerly Tipp24 Deutschland GmbH) began restricted brokerage activities with the state lottery company of Schleswig-Holstein as of 20 February 2012.

Against the backdrop of the current legal and actual implementation of the gaming monopolies, including the lottery monopoly in Germany, the European Court of Justice (ECJ) declared on 8 September 2010 that key regulations of the German State Treaty on Games of Chance (GlüStV 2008) were not applicable as they represented an unjustifiable restriction of basic European freedoms.

Despite the clear ruling of the European Court of Justice (ECJ), a number of German public authorities have passed various orders and prohibitions which affected both Tipp24 itself as well as other market participants. Several lower national administration courts have since declared that the obligation to seek permission is not applicable – in application of the ECJ ruling.

Despite these reservations regarding the compliance of Germany's gaming monopoly with EU law, Germany's Federal Administrative Court (BVerwG) and Federal Supreme Court (BGH) generally confirmed the blanket Internet ban and need for permission in sports betting proceedings of the GlüStV 2008 – which expired on 30 June 2012 – without any indication that they regarded the legal position of lottery brokerage any differently, despite the lack of high court verdicts.

The state of Schleswig-Holstein decided against an Internet ban and the need for permits – in the case of lottery brokerage – in its new »Schleswig-Holstein Gaming Law«, which came into effect on 1 January 2012.

On 1 July 2012, the »First State Treaty to Revise the State Treaty on Games of Chance« (GlüStV 2012) came into effect in the other federal states of Germany. It retains many of the restrictive regulations of the GlüStV 2008 and only offers relief in certain areas.

In view of the current legal situation since the introduction of the amended GluStV 2012 – which still generally forbids the online brokerage of lotteries but allows official permits in special cases – these recent verdicts are not likely to be of any lasting significance.

Against the backdrop of this legal situation, Tipp24 sees its future strategic alignment in the Abroad segment. We aim to strengthen our business here by achieving growth in Spain and the UK, as well as by entering further nations – whereby our expansion strategy will not only focus on Europe but above all North America.

With the acquisition in December 2012 of a 21.85% stake in the UK-based company Roboreus Limited (now trading under Geonomics Global Games Limited) – a geo-based online lottery – a further strategic step was taken towards establishing a new international business division dedicated to providing Internet services to lottery companies.

The registered offices of Tipp24 are located in Hamburg, Germany. The address is: Falkenried-Plazza, Strassenbahning 11, 20251 Hamburg, Germany.

The balance sheet date is 31 December 2012. Fiscal year 2012 covered the period from 1 January 2012 to 31 December 2012.

Tipp24 has been listed at the Frankfurt Stock Exchange (Prime Standard) since 12 October 2005 and was accepted into the German SDAX index on 22 June 2009.

These consolidated financial statements were prepared on 20 March 2013 with a resolution of the Executive Board and subsequently forwarded to the Supervisory Board for examination and adoption.

2 GENERAL ACCOUNTING PRINCIPLES

The significant accounting principles applied by the Company in preparing the consolidated financial statements are presented below. The methods described were consistently applied to the reporting periods, unless otherwise indicated.

2.1 SIGNIFICANT ACCOUNTING POLICIES

2.1.1 GENERAL

The consolidated financial statements of Tipp24 as of 31 December 2012 were prepared in accordance with the valid IFRS and IFRIC of the International Accounting Standards Board (IASB) which have to be applied in the EU as of the balance sheet date.

NEW AND REVISED STANDARDS APPLIED IN 2012

There are no new or revised standards applied in 2012 which had a significant impact on the Group.

STANDARDS, INTERPRETATIONS AND AMENDMENTS OF PUBLISHED STANDARDS WHICH WERE NOT YET MANDATORY IN 2012 AND WHICH THE GROUP DID NOT ADOPT PREMATURELY

There are several new standards, amendments to standards, and interpretations which are to be adopted in fiscal years beginning after 1 January 2013. These were not applied in these financial statements. With the exception of the changes listed below, they are not expected to have a significant impact on the Group.

Amendment to IAS 1 »Financial Statement Presentation«

The amendment concerns the presentation of other comprehensive income. The main change is that companies must break down other comprehensive income into parts in future, i.e. those which are not reclassified and those which are still to be reclassified. The changes are not concerned with the content of other comprehensive income.

IFRS 9 »Financial Instruments: Classification and Measurement«

reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 10 »Consolidated Financial Statements«

expands the existing principles. IFRS 10 focuses on the introduction of a standard consolidation model for all companies based on the concept of control of subsidiaries by the parent company. The standard also contains additional guidelines which help ascertain whether there is control – especially in difficult cases. The Group has discussed the new regulations in depth and does not expect any changes in its consolidation strategy. The Group will adopt IFRS 10 in the fiscal year beginning 1 January 2013 at the latest.

IFRS 11 »Joint Arrangements«

aims to specify accounting principles for companies involved in joint arrangements. The term »joint arrangement« is defined and the parties involved are obliged to determine the type of joint arrangement in which they are each involved. To this end, they must assess their rights and obligations and recognize such rights and obligations according to the respective type of joint arrangement.

IFRS 12 »Disclosure of Interests in Other Entities«

IFRS 12 combines the amended disclosure requirements of IAS 27 and IFRS 10, IAS 31 and IFRS 11 as well as IAS 28 in a single standard. The Group has not yet evaluated the full impact of IFRS 12 and will adopt IFRS 12 in the fiscal year beginning 1 January 2013 at the latest.

IFRS 13 »Fair Value Measurement«

aims to improve measurement continuity and reduce complexity. It describes how fair value is to be defined, how it is measured and what disclosures need to be made. The provisions do not expand the scope of fair value measurement but explain how fair value is to be applied in those cases already required or permitted by standards

IAS 19 »Employee Benefits«

contains regulations on the accounting and disclosure of employee benefits. The amendments aim to make it easier for the addressees of financial statements to understand how defined benefit plans influence a company's earnings, financial position and net assets.

IAS 27 »Separate Financial Statements«

regulates the requirements for the accounting and presentation of investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. It must also be applied in accounting for investments in subsidiaries, joint ventures and associates when an entity elects, or is required by local regulations, to present separate financial statements. The standard does not mandate which entities must produce separate financial statements.

IAS 28 »Investments in Associates and Joint Ventures«

aims to improve accounting for investments in associates. It sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

Amendments were also adopted for the standards IFRS 1, IAS 12, IFRS 7, IAS 32 and IAS 34, which involve adjustments to existing standards. With regard to IFRS 1 it is the introduction of a new exception for the application scope of IFRS 1: companies exposed to hyperinflation may use the fair value of their assets and liabilities in the opening IFRS balance sheet instead of cost. Moreover, references to fixed times in IFRS are replaced by reference to time of transfer.

The amendments to IAS 12 aim to introduce an exception to the measurement principle in IAS 12 in the form of a presumption that the carrying amount of real estate held as a financial investment measured at fair value will be recovered through sale and a company would be obliged to apply the tax rate for the sale of the underlying asset.

The amendments to IFRS 7 aim to provide additional quantitative information in order to give users better comparison and improved coordination of IFRS disclosures with the disclosures of the US »Generally Accepted Accounting Principles« (GAAP).

IAS 32 was amended in order to set out additional guidelines aimed at reducing the standard's incoherent application in everyday practice.

The adjustments to IAS 34 aim to align the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

There are no other standards or interpretations not yet mandatory which the Group has not applied prematurely.

2.1.2 BASIS OF PREPARATION

The consolidated financial statements were prepared on the basis of historical cost. Excluded from this were available-for-sale financial assets, which were carried at fair value.

2.1.3 MEASUREMENT CURRENCY

The measurement currency is the Euro (EUR). Unless otherwise stated, amounts are stated in thousands of Euros (EUR thousand), which may lead to rounding differences in certain cases.

2.1.4 ESTIMATES AND ASSUMPTIONS

IFRS accounting requires that estimates and assumptions be made that underlie the amounts recognized in the financial statements and notes to the financial statements. Significant assumptions and estimates were made for the group-wide useful lives of non-current assets, the realisability of accounts receivable and the accounting treatment and valuation of provisions. Actual figures may differ from these estimates.

In addition, the following forward-looking assumptions and margins of error as of the balance sheet date mean that there is a risk that the carrying values of assets and liabilities may need to be amended in future:

Share-based payment

The cost of granting stock options to employees is measured by the Group using the fair value of these stock options at the moment they were granted. A valuation process has been determined to estimate their fair value; this depends on the conditions attached when granted. The valuation process also requires consideration of further relevant data, in particular the expected option term, volatility and dividend yield, as well as the corresponding assumptions. These assumptions and the related procedures are disclosed in Note 25.4.

Deferred tax assets

Deferred tax assets are recognized for all unused tax loss carryforwards to the extent that it appears probable that taxable income will be available, so that the loss carryforwards can actually be used. When determining the amount of the deferred tax assets, management must make estimations regarding the expected time and size of the future taxable income, as well as future tax planning. Further details are provided in Note 11.

Development costs

Development costs for intangible assets are capitalized in accordance with the accounting and measurement methods stated in Note 2.1.6, provided that the corresponding requirements are met. In order to determine the expected future benefit, management must make assumptions about the size of expected future cash flows from assets, the discount rates to be applied and the period of the expected future cash flows generated by the asset.

2.1.5 CONSOLIDATION PRINCIPLES

a) Subsidiaries

The consolidated financial statements include Tipp24 as the parent company and the subsidiaries it controls. Control is assumed to exist if the parent company holds more than 50% of the voting rights in an entity and is able to determine its financial and operating policies so as to obtain benefits from its activities.

On 30 April 2009, Tipp24 transferred control over its UK subsidiaries in accordance with company law and sold 60% of the voting shares in both MyLotto24 and Tipp24 Services to a Swiss foundation set up by Tipp24 in the form of preference shares stripped of their main economic rights. As a consequence, Tipp24 owns no more than half the voting rights in MyLotto24, while MyLotto24 owns no more than half the voting rights in Tipp24 Services. The inclusion of these affiliated companies and their 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:

- The owner of the majority of voting rights receives a preliminary annual dividend of up to GBP 15 thousand for each company. In the case of liquidation, the owner of the majority of voting rights is entitled to receive previously agreed liquidation proceeds of GBP 30 thousand. Tipp24 alone is entitled to the entire remaining profits and any remaining liquidation proceeds.

- Should certain conditions be met, Tipp24 has the right to repurchase the majority of voting rights for an amount of GBP 30 thousand for each company.
- Tipp24 can sell its shares in MyLotto24 as well as its right to repurchase the majority of voting rights in MyLotto24 and Tipp24 Services.
- Tipp24 has the right to block changes in the articles of MyLotto24 and Tipp24 Services.

The possibility of distributing profits of MyLotto24 to Tipp24 is restricted insofar as this requires certain conditions to be met.

Since its restructuring in 2009, Tipp24 holds (directly or indirectly) 100% of the shares in Tipp24 Deutschland and 40% of the voting rights in the UK sub-group. In addition to its parent company, MyLotto24, the UK sub-group includes 100% of shares in the subsidiaries GSG, Ventura24, Giochi24, Tipp24 Operating Services and 40% of the voting rights in Tipp24 Services.

On 3 December 2012, Tipp24 founded a wholly-owned subsidiary, Tipp24 (UK) Limited, with registered offices in London, UK. On 3 December 2012, Tipp24 Investment 1 Limited with registered offices in London, (UK), was also founded, in which Tipp24 holds 75% and Tipp24 Operating Services Limited 25% of share capital.

Tipp24 has neither an equity interest nor any voting rights in Schumann e. K. Nevertheless, Schumann e. K. was included in the consolidated financial statements in accordance with IAS 27 and SIC 12.10 because:

- the activities of Schumann e. K. are mainly conducted for the benefit of Tipp24,
- Tipp24 has decision-making powers and rights to obtain the majority of the benefits from the activities of Schumann e. K. and
- the owner-related and lender-related risks are contractually borne by Tipp24.

Intragroup expenses and income, profits and receivables and liabilities are eliminated.

In the consolidated financial statements, standard accounting policies are applied for like transactions and other events in similar circumstances. The financial statements of the consolidated entities have been prepared as of the balance sheet date of the parent company, which corresponds to the Group's balance sheet date.

In the course of 2011, MyLotto24 Limited sponsored an Insurance-Linked-Security (ILS) vehicle which partially transfers its bookmaking risk to the capital market. The CAT bond was placed with institutional investors outside the group by a special purpose entity. MyLotto24 Limited has no controlling influence, no exposure to the residual risk, no right to receive benefits and therefore no exposure to risk in respect of the ILS; hence My-Lotto24 Limited does not include the entity in its consolidated financial statements.

b) Associated companies

Associated companies are those companies over which the Group has significant influence but no control, generally accompanied by a shareholding of 20 to 50%. Shares held in associated companies are accounted for using the equity method.

Under the equity method, the investment in the associated company is initially recognized at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associated company is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The income statement reflects the Group's share of the results of operations of the associated company. When there has been a change recognized directly in the equity of the associated company, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associated company are eliminated to the extent of the interest in the associated company.

The Group's share of profit or loss of an associated company is shown on the face of the income statement and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associated company. The financial statements of the associated company are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

On 21 December 2012, Tipp24 Investment 1 acquired a 25.7% interest in Geonomics Global Games Limited (formerly Roboreus Limited) with registered offices in London, UK., (hereinafter referred to as Geonomics Global Games Limited). This investment is disclosed as an associated company.

2.1.6 INTANGIBLE ASSETS

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity, and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized using the straight-line method over their estimated useful lives. The amortization period and method are reviewed at the end of each fiscal year. The Group holds no intangible assets with non-definable useful lives.

Purchased intangible assets are disclosed in the consolidated financial statements. In the case of self-produced intangible assets, development costs are also capitalized. The estimated useful life of intangible assets varies between three and five years.

Patents, trademarks and licences

Patents, trademarks and licences are recognized at cost and amortized on a straight-line basis over their estimated useful lives. The estimated useful life of patents, trademarks and licences is between three and five years.

Software

The costs of acquiring new software are capitalized and disclosed under intangible assets, provided that these costs are not deemed an integral part of the related hardware. Software is amortized over a useful life of three years. Costs incurred in order to restore or maintain the future economic benefits that an entity can expect from the original measured standard of performance of existing software systems are recognized as an expense.

Research and development expenses

Research and development expenses for self-developed software are recognized in the period in which they are incurred. Capitalized development costs are the exception and must meet the following criteria (IAS 38.57) in full:

- The product or process is clearly defined and the attributable costs can be separately identified and measured reliably.
- The technical implementation of the product is probable.
- The entity intends to complete the intangible asset as well as to use or sell it.
- The entity has the ability to use or sell the intangible assets and the product is to be sold or used for internal purposes.
- There is a potential sales market if the asset is to be sold or an economic benefit if the asset is to be used for internal purposes.
- Adequate technical, financial and organizational resources required to complete the project are available.
- The entity can demonstrate the estimated future economic benefit of the asset.

In 2012, research and development expenses of EUR 999 thousand were recognized, following EUR 1,462 thousand in the previous year. The Company capitalized those development costs which met the criteria of IAS 38.57. These criteria were only met by externally acquired components and services.

2.1.7 PROPERTY, PLANT AND EQUIPMENT

In accordance with IAS 16, property, plant and equipment are recognized as assets if it is probable that the future economic benefits attributable to those assets will flow to the enterprise and the cost of the assets can be measured reliably. Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. If items of property, plant and equipment are sold or retired, their cost of purchase and accumulated depreciation are eliminated from the balance sheet and any gains or losses resulting from their disposal are recognized in profit or loss.

The cost of property, plant and equipment comprises the purchase price, other non-refundable taxes and all directly allocable costs incurred in making the asset operational. Purchase price reductions such as bonuses, cash discounts and other discounts are deducted from the purchase price. Any subsequent costs such as repair and maintenance expenses are recognized as expenses in the period in which they are incurred. If it can be demonstrated that such expenses increase the future economic benefit that arises from the use of the asset above the original level of performance, the expenses are recognized as subsequent costs.

Property, plant and equipment relate exclusively to furniture, fixtures and office equipment. These items are depreciated on a straight-line basis. The following useful lives have been assumed for the various groups of property, plant and equipment:

	Years
Technical equipment	2–14
Office equipment	3–25

2.1.8 IMPAIRMENT OR WRITE-BACKS OF NON-CURRENT ASSETS

The Group assesses on every balance sheet date whether there is any indication of impairment of its non-financial assets. If there is any indication of impairment, the Group makes an estimation of the recoverable amount of the respective asset. The recoverable amount of an asset is the higher of the fair value of an asset or cash-generating unit less selling costs and its value in use. The recoverable amount must be determined for each individual asset, unless the asset does not generate cash inflows that are largely independent from other assets or groups of assets. If the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount. In order to calculate the value in use of the asset, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market expectations of interest and the specific risks of the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. A review of non-financial assets is carried out on each reporting date to ascertain whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited to the extent that the carrying amount of an asset may not exceed its recoverable amount nor the carrying value that would have been determined, net of depreciation, if no impairment loss had been recognized for the asset in prior years. A reversal is recognized in the income statement.

2.1.9 LEASING

Finance leases

Finance leases apply to those assets for which all main opportunities and risks associated with the property have been transferred to the Company. The Company recognizes finance leases as assets and liabilities in its balance sheet at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments, the discount rate is the interest rate implicit in the lease, if this is practicable to determine. If not, the lessee's incremental borrowing rate is used. Initial direct costs incurred are capitalized as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance leases give rise to a depreciation expense for the asset as well as to a finance expense for each accounting period. The depreciation policies for leased assets are consistent with those for depreciable assets that are owned.

Operating leases

Lease payments under an operating lease in which all main risks associated with the leasing object are retained by the lessor, are recognized as an expense on a straight-line basis over the lease term.

2.1.10 RECOGNITION AND MEASUREMENT OF FINANCIAL ASSETS

Financial assets are to be divided into four categories: financial assets held at fair value (1), held-to-maturity financial investments (2), loans and receivables originated by the entity (3) and available-for-sale assets (4). The assets of the first and last category are measured at fair value, whereby recognition of value changes varies. Other assets are carried at amortized cost.

Financial instruments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as financial assets at fair value through profit or loss.

Financial instruments with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity, other than loans and receivables originated by the Company, are classified as held-to-maturity.

All other financial instruments, other than loans and receivables originated by the Company, are classified as available-for-sale.

Held-to-maturity financial instruments with a residual maturity of up to twelve months and available-for-sale financial assets are disclosed under current assets.

Purchases and sales of financial instruments are recognized on the trade date.

Financial assets are initially recognized at fair value. In the case of financial assets other than those classified as at fair value through profit or loss, transaction costs directly attributable to the acquisition of the assets are also included.

Financial assets at fair value and available-for-sale financial assets are subsequently measured at fair value without any deduction for transaction costs.

Gains or losses on the fair value measurement of available-for-sale financial assets are recognized directly in equity, until the financial asset is sold, redeemed or otherwise disposed of, or until it is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in profit or loss.

Gains and losses on the fair value measurement of financial assets at fair value are recognized in profit or loss in the period in which they arise.

Held-to-maturity financial instruments are carried at amortized cost using the effective interest rate method.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. After initial recognition, such financial assets are measured at amortized cost using the effective interest method less any necessary writedowns in the course of a subsequent valuation.

A financial asset is eliminated from the balance sheet if the Company loses its disposing power over the contractual rights which form the basis for the financial asset. A financial liability is eliminated if the obligation on which the liability is based is fulfilled, terminated or expired.

2.1.11 RECOGNITION AND MEASUREMENT OF FINANCIAL LIABILITIES

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings. After initial recognition, financial liabilities are measured at amortized cost using the effective interest method. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

2.1.12 OTHER ASSETS

Other assets are stated at the nominal or lower recoverable amount. Returned direct debits from customer payments are expensed immediately.

2.1.13 CASH AND SHORT-TERM FINANCIAL ASSETS

Cash includes bank balances and cash on hand and is stated at amortized cost.

We refer to the comments in Note 14, »Cash and short-term financial assets«.

2.1.14 TRADE PAYABLES AND OTHER LIABILITIES

Trade payables and other liabilities are disclosed at amortized cost.

2.1.15 OTHER PROVISIONS

Other provisions are recognized for legal or constructive obligations that arise prior to the balance sheet date if it is probable that an outflow of group resources will be required to settle the obligations and a reliable estimate can be made of the amount of the obligations. Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate in each case. The amount of the provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are discounted insofar as the interest effect is significant. The other provisions account for all recognizable obligations to third parties.

2.1.16 SHARE-BASED PAYMENT

A share-based payment is a transaction in which the entity receives or acquires goods or services either as consideration for its equity instruments or by incurring liabilities for amounts based on the price of the entity's shares or other equity instruments of the entity. IFRS 2 distinguishes between three different types of share-based payment:

- Transactions which are settled with equity instruments (equity-settled share-based transactions) and measured using fair value at the time of granting.
- Transactions which are settled in cash, but whose amount depends on an equity instrument of the company (cash-settled share-based payment transactions) and are measured using fair value as of the balance sheet date.
- Transactions in which one or both entities can choose whether to settle the transaction in cash or by issuing an equity instrument.

The stock options issued by the Company are classified as share-based payment transactions, whereby the method of settlement is at the Company's discretion.

The standard provides for all share-based payment instruments issued to employees to be expensed as personnel expenses.

2.1.17 INCOME TAXES

Current tax refund claims and tax liabilities for current and previous periods are measured at the amount at which the refund from the tax authority or payment to the tax authority is expected. The calculation is based on tax rates and tax legislation which apply on the balance sheet date in those countries in which the Group operates and generates taxable income.

Tax expenses are determined on the basis of the profit or loss recorded for the period and take account of current and deferred taxes. Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax losses and unused tax credits, to the extent that it is probable that there will be taxable income against which the deductible temporary differences, and the carry forward of unused tax losses and unused tax credits can be utilized. Deferred tax assets and deferred tax

liabilities are offset, if the Group has a legally enforceable right to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority. Deferred tax and current tax relating to items recognized outside profit or loss is also recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

2.1.18 REVENUES

Revenues are recognized when i) services have been provided or goods delivered and the risk has been transferred to the beneficiary or the buyer, ii) it is probable that the economic benefits attributable to the transaction will flow to the entity, and iii) the amount of revenue can be reliably measured. Revenue is disclosed net of VAT, discounts, customer bonuses and rebates.

Revenues disclosed by Tipp24 are recognized according to their underlying transactions. Revenues which MyLotto24 generates as the organizer of secondary lotteries based on various European lotteries are recognized at the moment the draw results of the respective lotteries are announced. Stakes received as of the balance sheet date, but which are intended for games whose draw results are not available until after the balance sheet date, are accrued. Revenues result from the stakes received less vouchers granted, and winnings to be distributed.

A contract to participate in an English secondary lottery based on various European lotteries is to be treated as a derivative. The definition of a derivative is to be applied to contracts for participation in an English secondary lottery as in such contracts payment is linked to the outcome of a random event. In comparison with the possible payout amount, the contract also requires relatively low stakes. The contracts are concluded before the event occurs and, in the case of a win, the payout is made in the future after the event has occurred.

Profits or losses from a change in the fair value of derivatives are to be recognized in net profit. Stakes and payouts are therefore not regarded as separate income and expenditure, but determine in total the fair value.

A possible term for such items in the income statement could be »Changes in the fair value of contracts for participation in English secondary lotteries«. Throughout the sector, however, this item is generally termed »Revenues«, as it refers to the ordinary activity of a company in the gaming industry.

Licence and operator fees payable to the British state are carried as »Other operating expenses« and not as a kind of sales tax within revenues.

Revenue also results from commissions and fees which Tipp24 receives for brokering bets. In the brokerage business, revenue is recognized when the bets have been made, the lottery ticket information passed on to the lottery organizer and confirmation of receipt of the information has been obtained. Ventura24 receives advance payments from some of its customers for subscriptions. Payments received are deferred and the revenue pursuant to IAS 18 is only recognized when the lottery ticket information has been passed on to the lottery organizer and confirmation of receipt of the information has been obtained.

Revenue generated by Tipp24 from selling »Klassenlotterie« tickets (a single raffle lottery played over a number of months where players' tickets are entered into monthly draws with winnings increasing over time) is recognized at the time the draw takes place. This is due to the different arrangement made in the sales agreement.

Up to 30 April 2012, Tipp24 Deutschland offered interactive games – so-called skill-based games – both via its own platform and via social networks on the Internet. For games via its own platform, revenue is recognized at the moment of participation in the game and mainly generated from retaining a defined proportion of the stakes remitted. For games on social networks, revenue is recognized by the purchase of the required game currency in the amount of the forwarded stakes.

3 CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement is prepared pursuant to IAS 7 (»Cash Flow Statements«). A distinction is made between cash flows from operating, investing and financing activities.

2.1.19 INTEREST INCOME

Interest income is carried pro rata temporis under consideration of the effective annual return of a financial asset.

2.1.20 OPERATING EXPENSES

Operating expenses are recognized at the time the products or goods are delivered or the services provided.

2.1.21 BORROWING COSTS

Borrowing costs are recognized as an expense in the period in which they are incurred.

2.1.22 CONTINGENT LIABILITIES

Contingent liabilities are not recognized in the annual financial statements. Contingent liabilities are disclosed if the possibility of an outflow of resources embodying economic benefits is probable.

2.1.23 FOREIGN CURRENCY TRANSLATION

The consolidated annual financial statements are prepared in Euro. Each company within Tipp24 determines its own functional currency. All currency differences from foreign exchange transactions are recognized in profit and loss. The Group currency (Euro) is also the functional currency of all fully consolidated companies.

2.1.24 EVENTS AFTER THE BALANCE SHEET DATE

Events after the balance sheet date are events which could be favourable or unfavourable, that occur between the end of the reporting period and the date on which the consolidated financial statements are prepared. Events that provide further material evidence of conditions that existed at the end of the reporting period (»adjusting events«) are recognized in the consolidated financial statements. Significant events that provide evidence of conditions that existed after the end of the reporting period (»non-adjusting events«) are discussed in Note 31.

The cash flow from ordinary activities was derived using the indirect method.

Liquid funds comprise cash, provided it is not subject to any restrictions. Cash includes cash in hand and sight deposits.

4 SEGMENT REPORTING

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

The »Germany« segment comprises all activities in Germany which are controlled by Germany. This includes activities in Germany and the UK. The »Abroad« segment mainly comprises activities in the UK, as well as in Spain and Italy, which are controlled by the UK.

Revenue from these business segments corresponds to the revenue of the operating units (Group subsidiaries) which are controlled by either Germany or the UK.

No segments were pooled together to form the above business segments. 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.

in EUR thousand	Germany		Abroad		Consolidation		Consolidated	
	1 Jan.–31 Dec.		1 Jan.–31 Dec.		1 Jan.–31 Dec.		1 Jan.–31 Dec.	
	2012	2011	2012	2011	2012	2011	2012	2011
Revenue	469	572	142,993	141,457	-730	-2,714	142,731	139,316
Depreciation/amortization	173	175	4,501	3,853	2,383	2,149	7,058	6,177
EBIT	7,434	-8,779	47,985	59,974	1,046	710	56,464	51,905
Financial result	-287	-115	8	-3,498	596	4,478	318	865
Income taxes	-4,705	3,281	-11,734	-17,590	-463	-145	-16,902	-14,455
Profit from continued operations	2,442	-5,615	36,258	38,886	1,180	5,043	39,880	38,315
Assets	52,387	42,569	133,515	93,676	-50,123	-35,008	135,779	101,236
Reconciliation to balance sheet								
Deferred taxes							1,656	5,788
Tax refund claims							6	586
Short-term financial assets							53,776	65,433
Total assets							191,217	173,043
Debts	27,616	10,143	34,623	38,834	-29,252	-14,017	32,987	34,960
Reconciliation to balance sheet								
Deferred taxes							1,344	904
Tax liabilities							6,510	7,888
Total debts							40,841	43,752
Investments	18,420	181	2,014	7,012	-37	0	20,397	7,193

Segment assets do not include deferred taxes, tax refund claims or short-term financial assets. Segment liabilities do not include deferred taxes, tax liabilities or interest-bearing liabilities.

5 REVENUES

In 2012, revenues grew by EUR 3,415 thousand to EUR 142,731 thousand. In fiscal year 2012, the actual payout ratio varied by 5.5 %-points (prior year: 3.7 %-points) from 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. 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 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 consolidated annual financial statements and earnings, the following table therefore presents the reconciliation between actual revenues and revenues adjusted for chance effects, as well as the impact of deviations between actual winnings payouts and the expected value.

Revenues

in EUR thousand	2012		2011		Deviation absolute
Revenues	142,731	100.0%	139,316	100.0%	3,415
+/- Deviations between actual winnings payouts and expected value	-14,119	-9.9%	-8,245	-5.9%	-5,874
Revenues adjusted for chance effects	128,612	90.1%	131,071	94.1%	-2,459

6 OTHER OPERATING INCOME

in EUR thousand	2012	2011
Income from hedging transactions	4,173	15,773
Income not relating to the period	37	19
Income from lottery tickets bought for own account	18	21
Other	2,314	100
Other operating income	6,543	15,913

Income from hedging transactions in 2011 in the amount of EUR 11,200 thousand was influenced by the mutual settlement of a legal dispute.

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

7 INCOME FROM THE DISTRIBUTION OF SHARES IN LOTTO24 AG

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

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

The income from the distribution of shares in Lotto24 AG has no effect on cash and was disclosed accordingly together with income from the deconsolidation in the consolidated cash flow statement.

The distribution of the dividend in kind led to a reduction in retained earnings of EUR 19,963 thousand in the consolidated balance sheet.

Comparability with the previous year is not restricted as Lotto24 AG did not have any significant operating business in the reporting period up to its deconsolidation.

8 PERSONNEL EXPENSES

Tipp24 recognized total personnel expenses of EUR 10,760 thousand in 2012 (prior year: EUR 12,026 thousand). Of this total, an amount of EUR 9,124 thousand (prior year: EUR 10,521 thousand) referred to wages and salaries and EUR 1,639 thousand (prior year: EUR 1,505 thousand) to social security contributions. In Germany, pension insurance contributions of EUR 212 thousand (prior year: EUR 182 thousand) were made by the employer. The proportion of employer social security contributions accounted for by pension insurance contributions is not disclosed separately in the UK, Spain and Italy.

9 OTHER OPERATING EXPENSES

in EUR thousand	2012	2011
Marketing expenses	5,923	7,813
Cost of hedging transactions	22,608	21,067
Licence and operator fees	19,608	18,121
Non-deductible input tax	3,965	3,980
Handling of customer payments	2,863	2,652
Traffic	1,465	1,424
Service/maintenance of online application	1,300	928
Product processing	352	464
Bad debt	252	179
Direct costs of operations	52,413	48,817
Third-party capacities/services	17,185	11,972
Consulting	12,192	11,650
Other expenses ¹⁾	1,958	1,411
Rent & leasing	1,758	1,174
Travel, training and representation costs	983	912
Office expenses and insurance	583	499
Non-deductible expenses	485	255
PR, CSR and lobbying expenses	316	355
Exchange rate differences	45	263
Other costs of operations	35,507	28,491
Other operating expenses	93,842	85,121

¹⁾ Other expenses include expenses of EUR 138 thousand relating to other periods (prior year: EUR 79 thousand).

Marketing expenses decreased by 24.1% to EUR 5,923 thousand (prior year: EUR 7,813 thousand). This reduction resulted mainly from the decline in marketing activities for business in Italy.

Direct operating expenses rose by 7.4% to EUR 52,413 thousand in the period under review (prior year: EUR 48,817 thousand). Licence and operator fees payable to the British state are carried as costs in this item. In addition, costs are disclosed in this item which were incurred in con-

nection with hedging transactions of MyLotto24 as well as costs incurred during the processing of gaming operations as a result of the organiser's inability to deduct input tax.

Other operating expenses rose by 24.6% to EUR 35,507 (prior year: EUR 28,491 thousand). They mainly comprise increased costs for consultancy and outsourcing.

10 FINANCIAL RESULT

in EUR thousand	2012	2011
Revenues from financial activities		
Other interest and similar income	320	389
Income from other long-term securities and loans	353	740
	673	1,129
Expenses from financial activities		
Interest expenses and similar expenses	-355	-241
Interest expenses for current liabilities	0	0
Interest expenses for other long-term securities and loans	0	-23
	-355	-264
	318	865

The average interest income of total financial assets in 2012 amounted to 0.5%, (prior year: 0.9%) before considering tax aspects.

Interest expenses and similar expenses mainly comprise consultancy fees for financial investments.

11 INCOME TAXES

Income taxes paid or payable as well as deferred taxes are recognized as income taxes.

Income taxes comprise corporate income tax, trade tax and the solidarity surcharge.

The corporate income tax rate amounts to 15% (in 2012 as in the previous year), while the solidarity surcharge remains 5.5% of corporate income tax.

Trade tax on income is levied on the trading profit of an entity. Trading profit is calculated by taking the taxable income according to income and corporation tax law together with any additions or subtractions according to German trade tax law. The effective trade tax on income rate depends on the municipality in which the entity maintains a permanent establishment for carrying on its operations. The effective trade tax on income rate for Hamburg in 2012 amounted to 16.45% (2011: 16.45%).

The same percentages are used to calculate deferred taxes.

Deferred taxes under IAS 12 are calculated at the anticipated average tax rate at the time the differences are reversed. For the calculation of deferred taxes, the total tax rate for domestic companies amounted to 32.28% (prior year: 32.28%). In the case of foreign companies, the respective country-specific tax rates were used to calculate deferred taxes.

Tax reconciliation

in EUR thousand	2012	2011
Actual tax expense	-12,870	-17,565
Tax expense/income from the use/recognition of deferred tax assets on loss carryforwards/temporary differences	-4,111	3,242
Tax expense/income from the recognition/reversal of deferred tax liabilities due to temporary differences	79	-132
Deferred taxes	-4,032	3,110
Actual and deferred income taxes	-16,902	-14,455
Earnings before taxes from continued operations	56,782	52,770
Loss before taxes from discontinued operations	1,011	-1,976
Earnings before taxes	57,793	50,794
Income tax rate in %	32.275%	32.275%
Expected tax expense	-18,653	-17,032
Income/expenses IFRS without deferred tax (VBR, stock options)	17	-6
Additions acc. to §8 GewStG (see tax calculation)	-8	-3
Tax effects from not fully deductible operating expenses	-254	-1,152
Tax loss carryforwards not capitalized	-1,753	-2,065
Tax rate difference of foreign subsidiaries	-4,044	3,636
Tax effects from not fully taxable income	97	-7
Non-taxable expenses/income from consolidation	-259	2,081
Tax effects from previous years	-129	29
Others	-4	64
Income taxes	16,902	14,455
Tax expense disclosed in the consolidated income statement	16,902	14,455
Tax expense attributable to discontinued operations	-	-
	16,902	14,455

Deferred tax assets and liabilities developed as follows:

in EUR thousand	1 Jan. 2012	Income/expense	31 Dec. 2012
Deferred tax assets			
Deferred tax assets on temporary differences	1,536	55	1,591
Deferred tax assets on tax loss carryforwards	4,252	-4,187	65
	5,788	-4,132	1,656

in EUR thousand	1 Jan. 2012	Income/expense	31 Dec. 2012
Deferred tax liabilities			
Deferred tax liabilities on temporary differences	904	440	1,344
	904	440	1,344

Of the deferred tax assets carried by Tipp24, an amount of EUR 65 thousand refers to tax loss carryforwards, and an amount of EUR 1,591 thousand to temporary differences. Based on current business planning of the companies concerned, except for Tipp24, positive results and cash flows are expected in future and thus taxable income will be generated. Deferred tax liabilities amounting to EUR 1,344 million result mainly from the different treatment of self-produced software.

On the basis of current planning, Tipp24 does not expect to be able to actually use the disclosed loss carryforwards. It has not, therefore, formed deferred taxes and has reversed those deferred tax assets formed in the previous years.

Of total tax loss carryforwards amounting to EUR 30,600 thousand as of the balance sheet date (prior year: EUR 31,056 thousand), Tipp24 did not form deferred taxes for an amount of EUR 20,227 thousand (prior year: EUR 19,702 thousand).

In the course 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). Although we have grounds to believe that all the items queried by the tax authority were correctly assessed in accordance with the relevant regulations, the possibility cannot be excluded that the relevant authority may come to a different conclusion and successfully uphold this view in any respective legal proceedings. As a result, there is a total tax risk of up to EUR 3.5 million, which might have a correspondingly negative effect on the earnings, financial position and net assets of Tipp24.

12 DISCONTINUED OPERATIONS

The Skill-Based Games business model was unable to match the profitability of our core business. We have therefore decided to discontinue activities in this division in an orderly process.

As of 31 December 2011, Tipp24 Deutschland was thus classified as a discontinued operation.

The result of Tipp24 Deutschland can be broken down as follows:

in EUR thousand	2012	2011
Revenues	1,786	2,750
Expenses	-774	-4,452
Financing expenses	0	0
Impairment charge from restatement at fair value	0	-274
Profit before tax from discontinued operations	1,011	-1,976
Income taxes	0	0
Profit after tax from discontinued operations	1,011	-1,976

The net cash flow of Tipp24 Deutschland was as follows:

in EUR thousand	2012	2011
Cash flow from operating activities	-34	-81
Cash flow from investing activities	500	-66
Cash flow from financing activities	0	0
Net cash flow	466	-147

Earnings per share from discontinued activities amounts to:

Earnings per share from discontinued activities (basic and diluted, in EUR/share)	0.13	-0.25
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13 AVAILABLE-FOR-SALE CURRENT ASSETS

As a result of the sale to Intent Ventures Holding SCA via a purchase contract dated 22 November 2012, the assets and liabilities of Giochi24 S.r.l.

are disclosed as available-for-sale current assets. The sale was subject to state approval, which was granted on 31 January 2013.

In EUR thousand	2012
Cash and pledged cash	608
Income tax refund claims	1
Intangible assets	90
	699
Trade Payables	27
Other liabilities	354
Income tax liabilities	7
Short-term provisions	21
	410

14 CASH AND SHORT-TERM FINANCIAL ASSETS

in EUR thousand	31 Dec. 2012	31 Dec. 2011
Bank balances	77,942	63,362
Cash on hand	5	4
Pledged cash	357	757
Cash and pledged cash	78,303	64,123

Bank balances mainly comprise sight and term deposits on short-term call and with variable interest rates held at various major European banks.

In addition, Tipp24 held available-for-sale short-term financial assets amounting to EUR 53,776 thousand as of the balance sheet date (prior year: EUR 65,433 thousand). They comprise government bonds issued by Euro zone nations, as well as shares and fixed-income funds. These securities are broadly spread and of high quality. A positive change in equity of EUR 210 thousand (prior year: EUR 14 thousand) was recognized. There were held-to-maturity financial assets of EUR 35,696 thousand as of the balance sheet date (prior year: EUR 57,453).

15 TRADE RECEIVABLES

All trade receivables are due in less than one year. There are no restrictions on rights of disposal. Bad debt allowances of EUR 252 thousand were recognized (prior year: EUR 179 thousand).

16 INCOME TAX REFUND CLAIMS

As of the balance sheet date for the fiscal year 2012, the Company had claims to income tax refunds of EUR 6 thousand (prior year: EUR 586 thousand).

17 OTHER CURRENT ASSETS AND PREPAID EXPENSES

in EUR thousand	31 Dec. 2012	31 Dec. 2011
Receivables from lottery companies	137	191
Receivables from payment systems	2,793	1,778
Receivables from hedging transactions	46	0
Receivables from players	359	227
Security retainers	511	504
Receivables from gaming operations	3,846	2,701
Prepaid expenses	3,003	2,616
Receivables from tax authorities for sales tax	158	597
Receivables from loans granted	392	437
Creditors with debit balances	22	14
Receivables from employees	45	9
Other	2,015	300
Others	2,474	760
Other assets and prepaid expenses	9,482	6,674

All other assets and prepaid expenses are due in less than one year. As of the balance sheet date, there were no indications of impairment which would have entailed the recognition of an impairment loss.

18 INTANGIBLE ASSETS

With regard to the development of intangible assets, we refer to the following table:

in EUR thousand	2012	2011
Accumulated acquisition costs as of 1 January	32,370	27,811
Additions (purchased from third parties)	1,408	3,176
Additions (self-provided)	0	2,002
Disposals	-2,486	-618
Disposals due to changes in consolidation	-97	0
Accumulated acquisition costs as of 31 December	31,195	32,370
Accumulated depreciation as of 1 January	-9,615	-3,947
Depreciation and value adjustments of the period	-5,931	-6,226
Disposals	2,396	558
Disposals due to changes in consolidation	9	0
Accumulated depreciation as of 31 December	-13,141	-9,615
Net book value as of 31 December	18,054	22,755

The remaining useful lives of intangible assets are between one and five years.

There are no restrictions on rights of disposal for the above mentioned intangible assets. Once again, no assets were pledged as collateral for liabilities.

The above mentioned intangible assets mainly comprise the Alinghi platform, whose accumulated acquisition costs as of 31 December 2012 amounted to EUR 23,792 thousand (prior year: EUR 23,792 thousand) and whose accumulated amortization as of 31 December 2012 amounted to EUR 7,475 thousand (prior year: EUR 4,298 thousand).

19 PROPERTY, PLANT AND EQUIPMENT

With regard to the development of property, plant and equipment, we refer to the following table:

in EUR thousand	2012	2011
Accumulated acquisition costs as of 1 January	6,987	5,020
Additions (purchased from third parties)	707	2,016
Disposals	-116	-49
Disposals due to changes in consolidation	-5	0
Accumulated acquisition costs as of 31 December	7,573	6,987
Accumulated depreciation as of 1 January	-4,295	-3,562
Depreciation of the period	-1,126	-784
Disposals	72	51
Disposals due to changes in consolidation	1	0
Accumulated depreciation as of 31 December	-5,348	-4,295
Net book value as of 31 December	2,226	2,692

There are currently no assets from financial leases.

Property, plant and equipment mainly comprises hardware, whose accumulated acquisition costs as of 31 December 2012 amounted to EUR 5,460 thousand (prior year: EUR 5,797 thousand) and whose accumulated amortization as of 31 December 2012 amounted to EUR 3,644 thousand (prior year: EUR 3,480 thousand).

20 LONG-TERM FINANCIAL ASSETS

Long-term financial assets of EUR 8,281 thousand (prior year: EUR 4,351 thousand) include loans to external service companies. As of the balance sheet date, there was no cause for impairment requiring value adjustment.

21 SHARES IN ASSOCIATED COMPANIES

The Group hold a stake of 21.85% in Geonomics Global Games Limited (formerly Roboreus Limited), London, UK.

in EUR thousand	2012
Shares in the assets and liabilities of the associated company:	
Short-term assets	2,776
Long-term assets	334
Short-term liabilities	225
Long-term liabilities	0
Equity	2,885

(Rounding differences possible due to presentation in EUR thousand)

Geonomics Global Games Limited has a different fiscal year from 1 April to 31 March of the following year. For the purposes of the consolidated financial statements, financial statements as of 31 December 2012 were prepared, which cover the period 1 April – 31 December 2012. As of 1 January 2013, the fiscal year of Geonomics Global Games Limited was changed to the calendar year.

The cost of acquiring a 21.85% stake in Geonomics Global Games Limited amounted to EUR 18,395 thousand and are unchanged on 31 December 2012.

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

22 OTHER LIABILITIES

in EUR thousand	31 Dec. 2012	31 Dec. 2011
Liabilities to players	14,448	15,384
Liabilities to lottery companies	-7	0
Liabilities to game brokers	118	577
Liabilities from gaming duty	2,177	1,644
Liabilities from gaming operations	16,736	17,605
VAT	1,167	2,742
Wage & church tax	119	266
Tax liabilities	1,286	3,008
Social security contributions	143	136
Liabilities from social security	143	136
Outstanding invoices	512	416
Other liabilities	211	679
Other liabilities	734	1,096
Total other liabilities	18,900	21,844

All other liabilities are due in less than one year.

23 DEFERRED INCOME

The company disclosed deferred income of EUR 3,460 thousand (prior year: EUR 2,350 thousand). It relates to payments for gaming orders and stakes received prior to 31 December 2012, yet which can only be recognized when the service is provided in the following year.

24 PROVISIONS

in EUR thousand	Opening balance 1 Jan. 2012	Usage	Releases	Additions	Closing balance 31 Dec. 2012
Provisions for bonuses, short-term	2,452	-2,394	-58	1,918	1,918
Provisions for bonuses, long-term	0	0	0	83	83
Provisions for severance pay	1,750	-1,750	0	0	0
Provisions for lawsuits	602	-602	0	1,538	1,538
Total	4,804	-4,746	-58	3,539	3,539

Provisions amounting in total to EUR 1,538 thousand (prior year: EUR 602 thousand) comprise the court costs and lawyers' fees incurred for trial preparation and management. Bonus provisions are likely to be paid out in the first quarter of 2013.

Income from the release of provisions was recognized with the expense items they were originally incurred for.

With the exception of long-term bonus provisions, all provisions are likely to be used within one year.

25 EQUITY

25.1 SHARE CAPITAL

The Company's share capital equals its capital stock of EUR 7,985 thousand. It is fully paid and divided into 7,985,088 no-par value registered shares.

25.2 AUTHORIZED AND CONDITIONAL CAPITAL

At the Annual General Meeting of 29 June 2011, the following changes to the Company's share capital were adopted:

The Executive Board is authorized, subject to the approval of the Supervisory Board, to increase share capital in the period up to 28 June 2016 by up to a total of EUR 1,597 thousand by issuing on one or more occasions in whole or in partial amounts new no-par value shares in return for cash or contributions in kind (Authorized Capital 2011/I).

The share capital has been contingently increased by EUR 150 thousand (Conditional Capital 2011/I). Conditional Capital 2011/I serves the purpose of securing subscription rights from stock options issued by the Company on the basis of an authorisation adopted on 29 June 2011 as part of the Stock Option Plan 2011.

The share capital has been contingently increased by a further EUR 10 thousand (Contingent Capital I). Contingent Capital I serves to ensure that subscription rights can be exercised for stock options to be issued by the Company between 1 January 2006 and 31 December 2010 (inclusive) under the 2005 stock option plan, on the basis of the authorising resolution of 7 September 2005.

25.3 CAPITAL RESERVES

Capital reserves amount to EUR 7,805 thousand (prior year: EUR 7,805 thousand). They include the capital reserve of Tipp24 recognized according to HGB of EUR 10,130 thousand (prior year: EUR 10,130 thousand) and transaction costs from equity transactions in previous fiscal years of EUR 2,325 thousand (prior year: EUR 2,325 thousand), which are carried in the consolidated financial statements as a deduction from equity.

The capital reserve of Tipp24 recognized according to HGB of EUR 10,130 thousand (prior year: EUR 10,130 thousand) contains restricted reserves of EUR 6,031 thousand (prior year: EUR 6,031 thousand). As of 31 December 2012, Tipp24 disclosed free reserves according to HGB of EUR 4,099 thousand (prior year: EUR 4,099 thousand).

25.4 SHARE-BASED PAYMENT

As part of the creation of Conditional Capital I by the Annual General Meeting of 7 September 2005, the Executive Board was authorized to establish a stock option plan (SOP 2005). This SOP 2005 expired in 2010. No more stock options are outstanding any more from the five SOP 2005 tranches issued up to 2010.

A new stock option plan (SOP 2011) was adopted at the Annual General Meeting of 29 June 2011. No stock options have so far been granted on the basis of SOP 2011.

The following identical option terms apply to both SOP 2005 and SOP 2011:

The stock options are limited to a period of up to five years and intended exclusively for issue to members of the Executive Board, selected executives and other key employees of the Company as well as the general management, selected executives and key employees of associated companies, as defined by § 15, German Stock Corporation Law (AktG).

The stock option plans of Tipp24 are a share-based payment system, whereby the method of compensation is at the Company's discretion. The transaction is expected to be settled via equity instruments, whereby fair value is calculated at the time of granting. The Company measures the stock option plans using financial valuation methods according to the Black-Scholes-Merton formula.

The stock options from all tranches can be exercised no sooner than 2 years after the respective date of issuance and within a period of 3 years. Options can only be exercised if an absolute or relative performance target is reached at the end of the lock-up period. At the end of the exercise period, any options which have not been exercised will expire.

In order to determine if and to what extent performance targets have been achieved, the average share price or average index of two periods (reference period and performance period) are compared with each other. The reference period consists of the 20 consecutive trading days prior to the issuance date. The performance period refers to the last 20 trading days before the lock-up period ends. The average share price is calculated as the average of the closing prices of the Tipp24 share in Xetra trading (or a comparable successor system of the Frankfurt Stock Exchange).

The absolute performance target depends on the performance of the Tipp24 share and is said to be achieved if its price increases by at least 20% (final price less exercise price).

The relative performance target is linked to the performance of the Tipp24 share relative to the SDAX. The relative performance target is achieved if the share's performance during the above mentioned performance period exceeds the index.

Performance during the fiscal year

The following table illustrates the performance of the share options and the weighted average exercise price (WAEP) during the fiscal year:

Share-based payments

Development during the fiscal year

	2012 Number	2012 WAEP	2011 Number	2011 WAEP
Outstanding at the beginning of the reporting period	10,000	20.25	14,000	19.98
Granted during the reporting period	0	0	0	0
Forfeited during the reporting period	2,000	16.82	0	-
Exercised during the reporting period	8,000	21.36	2,000	-
Expired during the reporting period	0	0	2,000	-
Outstanding at the end of the reporting period	0	0	10,000	19.98

In the course of fiscal year 2012 a total of 8,000 share options were exercised and settled by the Company in the form of cash compensation. The remaining 2,000 share options expired. At the end of the reporting period there are no more share options outstanding. In the period under review, the range of exercise prices for outstanding options lay between EUR 13.52 and EUR 26.30 (prior year: EUR 13.52 to EUR 26.30). The average contract term was around three years.

Underlying parameters

The following table contains the underlying parameters for the valuation of the five tranches of the Share Option Plan of Tipp24:

Share-based payments

Underlying parameters	Tranche 5	Tranche 4	Tranche 3	Tranche 2	Tranche 1
Share-based payments					
Dividend yield (%)	0.0	2.9	3.7	0.0	0.0
Expected volatility (%)	39.7	60.0	44.3	47.9	46.0
Risk-free interest rate (%)	0.86	0.73	3.72	3.98	3.44
Anticipated term of option (years)	2	2	2	2	2
Weighted average share price (EUR)	26.30	17.57	13.52	13.67	25.08
Model applied	Black-Scholes-Merton formula				

The anticipated term of the options is based on historical data and does not necessarily correspond to the actual exercise behaviour of the entitled persons. Expected volatility is based on the assumption

that historical volatilities can be applied to future trends, whereby actual volatility may differ from these assumptions.

25.5 OTHER RESERVES

in EUR thousand	Opening balance 1 Jan. 2012	Reversals	Additions	Closing balance 31 Dec. 2012
Share-based payments	54	-54	0	0
Changes in foreign exchange rates	-176	0	0	-176
Changes in fair values	28	-20	230	238
Other additions	72	0	0	72
Total	-21	-74	230	134

in EUR thousand	Opening balance 1 Jan. 2011	Reversals	Additions	Closing balance 31 Dec. 2011
Share-based payments	36	0	18	54
Changes in foreign exchange rates	-176	0	0	-176
Changes in fair values	14	-8	22	28
Other additions	0	0	72	72
Total	-125	-8	112	-21

The reserve for foreign currency translation serves to recognize differences between GBP and Euro from the translation of annual financial statements of the UK subsidiaries. With the commencement of fiscal year 2009, the Group's UK subsidiaries all changed their functional currency to the Group currency: Euro. As a consequence, the unchanged reserve of EUR -176 thousand will be carried forward in accordance with IAS 21.37 until the companies are sold.

The changes in fair values concern gains/losses resulting from the revaluation of available-for-sale financial assets. The change recognized in other reserves (additions and reversals) corresponds to the other result in the consolidated statement of comprehensive income (EUR 210 thousand, prior year: EUR 14 thousand).

25.6 RETAINED EARNINGS

Retained earnings increased mainly by the amount of the consolidated net profit 2012 and the amount withdrawn from capital reserves in connection with the planned non-cash dividend.

25.7 EARNINGS PER SHARE

Earnings per share (basic and diluted) increased in the past fiscal year from EUR 4.55 to EUR 5.12 per share. In comparison with the previous year, the average number of weighted outstanding shares was unchanged.

Development of outstanding shares

As of 31 December 2007	8,218,272
Change in 2008	-233,184
As of 31 December 2008	7,985,088
Change in 2009	-361,180
As of 31 December 2009	7,623,908
Change in 2010	+361,180
As of 31 December 2010	7,985,088
Change in 2011	0
As of 31 December 2011	7,985,088
Change in 2012	0
As of 31 December 2012	7,985,088

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year (increased to account for the diluting effects from stock options). In fiscal year 2012, there was no significant dilutive effect from stock options.

26 PAID AND PROPOSED DIVIDENDS

In the course of the completed spin-off, by which the planned German lottery brokerage business was successfully separated from the Tipp24 Group, a dividend in kind of EUR 2.50 per no-par value share was distributed in June 2012. There was a total dividend-in-kind distribution of EUR 19,963 thousand, whereby for each no-par value share in Tipp24 shareholders shall receive a no-par value share in Lotto24 AG, Hamburg (after transforming Tipp24 Deutschland GmbH into a public limited company and renaming it Lotto24 AG) by means of transfer in a collective custody account (entitlement ratio 1:1).

Following the restructuring of business fields and the resulting transfer of control, Tipp24 currently has no significant cash flows, as the payment of a dividend from profits generated in the UK is currently excluded. The Executive Board believes that this fact excludes the payment of a cash dividend at present. There is also no cause to distribute a dividend in kind, as in the previous year. The net income of Tipp24 according to commercial law amounted to EUR 4,463,759.28. Together with the profit brought forward from the previous year of EUR 6,422,063.26 there is a balance sheet profit of EUR 10,885,822.54. The Executive Board proposes to transfer the full balance sheet profit of EUR 10,885,822.54 to other revenue reserves.

27 LEASES

27.1 FINANCE LEASES

The Company held no finance leases in the period under review.

27.2 OPERATING LEASES

The Company has concluded several leases which were classified as operating leases pursuant to IAS 17.

The future minimum lease payments and the present value of the minimum lease payments for the above operating leases are as follows:

Tipp24 expensed rental payments for offices amounting to EUR 1,758 thousand (prior year: EUR 758 thousand).

in EUR thousand	31 Dec. 2012	31 Dec. 2011	31 Dec. 2012	31 Dec. 2011
	Minimum lease payments		Present value of the minimum lease payments	
Obligation from the following year	1,747	723	1,603	663
> 1–5 years	1,565	635	1,315	538
> 5 years	0	0	0	0
Minimum lease obligations	3,312	1,357	2,918	1,200
less interest	-394	-157	0	0
Present value of minimum obligations	2,918	1,200	2,918	1,200

27.3 OTHER FINANCIAL OBLIGATIONS

In addition, other significant financial obligations arising from other contracts, including cooperation agreements, insurance contracts, licence agreements and maintenance agreements are as follows:

in EUR thousand	2013	2014	2015	2016	2017 and beyond	Total
Other contracts	21,508	6,441	659	371	0	28,979

28 RELATED PARTIES

The members of Tipp24's Executive Board and Supervisory Board, as well as their immediate relatives, 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 182 thousand in the period under review (prior year: EUR 221 thousand).

At the Annual General Meeting for fiscal year 2010 held on 29 June 2011, Jens Schumann was elected Chairman of the Supervisory Board. Jens Schumann is the sole owner of Schumann e. K. This structure has existed in comparable form since 2002 and was chosen because class lotteries only issue sales licences 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 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 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 Tipp24, Tipp24 has undertaken to indemnify them in the event of any personal claims by third parties arising from or in connection with the operation of Schumann e. K. Indemnification is limited to the extent that fulfilment of this indemnification may not cause Tipp24 to become insolvent or over-indebted. In his capacity as shareholder of Schumann e. K., Mr Schumann did not receive any remuneration during the fiscal year.

The charitable foundation »Fondation enfance sans frontières«, owner of the preference shares of MyLotto24 and Tipp24 Services, has been identified as a related party.

Dr. Heinrich Lammer is a member of the Board of Trustees of the charitable foundation »Fondation enfance sans frontières« and was CEO of TBIC Asset Management AG, Zurich, Switzerland, until the third quarter of 2012. TBIC Asset Management AG was involved in consultations regarding the investment strategy for liquid funds in the Abroad segment and received a reimbursement of expenses totalling EUR 149 thousand in the reporting period.

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

Please refer to Note 32 for details on Executive Board and Supervisory Board remuneration.

29 CAPITAL MANAGEMENT

Tipp24 operates a decentralized capital management system. All major decisions concerning the financial structure of the Germany segment are taken by the Executive Board of Tipp24. Capital management activities of the Abroad segment are handled by MyLotto24, with the exception of Tipp24 Services which operates its own capital management system. The principles and objectives of capital management are as follows, while the risks to which Tipp24 is hereby exposed are described in the current risk report.

Equity which exceeds the amount required to secure the company's stable financial position is to be used for investments and further growth finance in line with our growth strategy. In the medium term, Tipp24 may also leverage its financial position by means of interest-bearing debt. In future, liquid equity capital not required for the company's strategic objectives is to be used once again to pay dividends to our shareholders and buy back shares from the market. This optimization of the equity ratio, however, is only prudent and possible when MyLotto24 can distribute a dividend to Tipp24 again.

Principles and objectives of capital management

in EUR thousand	31 Dec. 2012	31 Dec. 2011
Equity ratio	78.6%	74.7%
Equity	150,375	129,291
Interest-bearing debt	0	0
Proposed dividend for the fiscal year per share	0	dividend in kind

The dividend in kind was measured at fair value as of the date of the Annual General Meeting resolution. On the basis of a valuation report, a fair value of EUR 19.97 million was determined for the dividend in kind. On the basis of the 7,985,088 Tipp24 shares with dividend entitlement, this translated into a theoretical value of EUR 2.50 per Tipp24 share.

30 DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

30.1 FAIR VALUE

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The following methods and assumptions are used to measure fair value:

Cash and short-term financial assets

The amortized cost of cash and short-term financial assets more or less corresponds to fair value. The fair value of publicly traded financial instruments is based on the price quotations available for these or similar instruments. For non-publicly traded financial instruments, fair value is measured on the basis of a reasonable estimate of future net cash flows.

Non-current financial assets

The fair value of non-current financial assets is based on the issue price available for like or similar securities. The fair value can differ considerably from the acquisition cost carried in the balance sheet.

Current liabilities

The fair value of current liabilities is based on the issue price available for like or similar debt instruments. The fair value of current liabilities more or less equals the amount repayable.

Non-current liabilities

The fair value of non-current liabilities is based on the issue price available for like or similar debt instruments. The fair value of non-current liabilities more or less equals the amount repayable.

The following table illustrates the significance of net profits from financial instruments:

Net profits from financial instruments

in EUR thousand	2012		2011	
	Carried in equity		Carried in income statement	
Financial assets				
Cash and pledged cash	0	0	27	83
Short-term financial assets				
Available-for-sale financial assets	210	14	153	52
Held-to-maturity financial assets	0	0	-35	580
Long-term financial assets				
Available-for-sale financial assets	0	0	0	150
Financial result	210	14	146	865
Other financial assets (short-term)	0	0	-250	-194
	210	14	-104	675

The net amount from other financial assets includes expenses from payment default and income from the sale of these receivables, which are included in Other Income and Other Expenses.

The financial instruments included in the following balance sheet items can be allocated to the following categories:

Financial instruments 2012

EUR thsd.	Amortized cost	Fair value recognized in equity	Non-financial assets/liabilities	Total	Book value 31 Dec. 2012	Fair value 31 Dec. 2012
Assets						
Cash and pledged cash						
Receivables	78,298	0	0	78,298		
Non-financial assets	0	0	5	5	78,303	78,303
Short-term financial assets						
Available-for-sale financial assets	0	18,079	0	18,079		
Held-to-maturity financial assets	35,696	0	0	35,696	53,776	53,776
Trade receivables						
Receivables	71	0	0	71	71	71
Other assets						
Receivables	6,005	0	3,161	9,558		
Loans	392	0	0	392	9,558	9,558
Long-term financial assets						
Financial assets held-to-maturity	4,516	0	0	4,516		
Receivables	2,000	0	0	2,000		
Loans	1,765	0	0	1,765	8,281	8,281
Long-term other assets						
Receivables	0	0	269	269	269	269
Total assets					150,258	150,258
– of which loans and receivables					88,531	88,531
– of which available-for-sale financial assets					18,079	18,079
Held-to-maturity financial assets, short-term					35,696	35,696
Held-to-maturity financial assets, long-term					4,516	4,516
Liabilities						
Liabilities						
Trade payables	6,568	0	0	6,568	6,568	6,568
Other liabilities	16,185	0	1,429	17,614		
Financial liabilities	110	0	0	110	17,724	17,724
Total liabilities					24,292	24,292
– of which liabilities					23,683	23,683

Financial instruments 2011

EUR thsd.	Amortized cost	Fair value recognized in equity	Non-financial assets/ liabilities	Total	Book value 31 Dec. 2011	Fair value 31 Dec. 2011
Assets						
Cash and pledged cash						
Receivables	64,119	0	0	64,119		
Non-financial assets	0	0	4	4	64,123	64,123
Short-term financial assets						
Available-for-sale financial assets	0	7,980	0	7,980		
Held-to-maturity financial assets	57,453	0	0	57,453	65,433	65,433
Trade receivables						
Receivables	12	0	0	12	12	12
Other assets						
Receivables	3,024	0	3,213	6,237		
Loans	437	0	0	437	6,674	6,674
Long-term financial assets						
Receivables	2,000	0	0	2,000		
Loans	2,351	0	0	2,351	4,351	4,351
Long-term other assets						
Receivables	629	0	0	629	629	629
Total assets					141,221	141,221
– of which loans and receivables					72,572	72,572
– of which available-for-sale financial assets					7,980	7,980
– of which held-to-maturity financial instruments					57,453	57,453
Liabilities						
Liabilities						
Trade payables	5,860	0	0	5,860	5,860	5,860
Other liabilities	18,700	0	3,144	21,844		
Financial liabilities	102	0	0	102	21,946	21,946
Total liabilities					27,806	27,806
– of which liabilities					24,662	24,662

Hierarchy of fair values

As of 31 December 2012, Tipp24 held securities with a value of EUR 53,776 thousand (prior year: EUR 65,433 thousand), which were all classified as in the previous year as Level 1 financial instruments measured at fair value. As in the previous year, Tipp24 did not hold any Level 2 and Level 3 financial instruments.

As in the previous year, there were no liabilities measured at fair value on the balance sheet date.

Tipp24 uses the following hierarchy to determine and disclose the fair value of financial instruments for each measurement method:

Level 1: listed (unadjusted) prices on active markets for similar assets or liabilities.

Level 2: methods in which all input parameters, which have a significant effect on the carried fair value can be observed, either directly or indirectly.

Level 3: methods which use input parameters which have a significant effect on the carried fair value and are not based on observable market data.

30.2 CREDIT RISK

The scope of the credit risk of Tipp24 equals the sum of cash, short-term financial assets, trade receivables and other receivables.

Cash and other financial assets

In view of the current adverse climate on the European and global financial markets, there may be a default risk both in respect of the cash and short-term financial assets themselves, as well as the accruing interest.

Due to the high total amount of cash and short-term financial assets held by Tipp24, and the resulting absolute and relative importance, extensive management processes have been established to steer and regularly monitor the Company's investment strategy.

Cash and short-term financial assets are invested in a variety of short-term securities offering as much liquidity and as little volatility as possible, while ensuring broad risk diversification. The overriding objective of our investment strategy is to preserve capital – even at the expense of expected returns.

Tipp24's investment strategy is aimed at spreading and minimizing risk by means of multi-dimensional diversification. Firstly, funds are divided into differing investment products, such as sight and term deposits, highly fungible government bonds of Euro zone states and short-term investment fund units. Secondly, we restrict our choice to those investments with good credit ratings. Following regular monitoring, there were no specific default risks in the portfolio as of the balance sheet date.

Trade and other receivables

Tipp24 mainly collects the amounts owed by customers directly, via direct debit or credit card. On the basis of many years of collected data, the risk of returned direct debits or credit card charges is regarded as statistically limited. Missing amounts from such cancellations are charged directly to »Other operating expenses«.

Tipp24 generates receivables from lottery organizers for the winnings of its customers, which are passed on directly to the winners upon receipt. Due to the credit standing of the lottery organizers, no significant default on payment is expected.

Receivables from payment systems such as credit card companies entail the risk that the customers themselves fail to meet their payment obligations. This risk is recognized directly in profit or loss in the event of payment default by a customer.

Contingent receivables

There are no contingent receivables.

30.3 LIQUIDITY RISK

Due to the sufficiency of its liquid assets, Tipp24 is not exposed to any significant liquidity risk. Even in the case of significant restrictions of business against the backdrop of regulatory developments, Tipp24 has sufficient liquidity to service the Company's liabilities at any time. Financial liabilities are mainly due immediately and do not accrue interest.

In order to reduce the particular risk of high jackpot payouts in the Abroad segment, MyLotto24 Limited conducts hedging transactions – such as the transfer of payment obligation risks to a so-called catastrophe bond (CAT bond) via an Insurance-Linked-Security (ILS) vehicle.

As of 31 December 2012, Tipp24 has available funds of EUR 5,233 thousand. At the moment, it only has income to a greatly restricted extent. Nevertheless, it has sufficient funds to secure its financing (see also Note 25).

30.4 INTEREST RATE RISK

in EUR thousand	Variable interest rates	Fixed interest rates	Total
31 Dec. 2012			
Cash and pledged cash	78,303	0	78,303
Short-term financial assets			
Available-for-sale financial assets	0	0	0
Held-to-maturity financial assets	0	0	0
	78,303	0	78,303
Long-term financial investments	0	3,765	3,765
Total	78,303	3,765	82,068

in EUR thousand	Variable interest rates	Fixed interest rates	Total
31 Dec. 2011			
Cash and pledged cash	64,123	0	64,123
Short-term financial assets			
Available-for-sale financial assets	7,980	0	7,980
Available-for-sale financial assets	0	57,453	57,453
	7,980	57,453	65,433
Long-term financial investments	0	2,351	2,351
Total	72,103	59,803	131,906

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 31 December 2012 with a simulated interest rate increase of 50 base points. Assuming no changes are made to the portfolio in response to the inter-

est rate increase, there would be a rise in interest income of EUR 686 thousand (in a simplified calculation). Under consideration of the duration of those investments currently in the portfolio, there would be an expected reduction of this interest income of EUR 105 thousand. The overall effect, therefore, would be an increase in interest income of EUR 581 thousand. In the previous year, there was a total effect of EUR 546 thousand.

30.5 CURRENCY RISK

The Company is exposed to a currency risk as a result of the GBP exchange rates. The risk arises from payments received and made in foreign currency, which differ from 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.

For the presentation of currency risks, IFRS 7 requires sensitivity analyses which display the effects of hypothetical changes of the relevant risk variables on earnings and equity. In order to determine the currency risk, a fluctuation of the Euro to British Pound exchange rate of 10% was assumed as of 31 December 2012.

On the basis of this assumption, a revaluation of the Euro against the British Pound of 10% to 0.8977 GBP/EUR would result in an effect of EUR 2,513 thousand on earnings. A devaluation of the Euro against the British Pound of 10% to 0.7345 GBP/EUR would result in an effect of EUR -3,071 thousand on earnings. In the previous year, a revaluation of the Euro against the British Pound of 10% would have resulted in an effect of EUR 64 thousand on earnings, while a devaluation of the Euro against the British Pound of 10% would have resulted in an effect of EUR -78 thousand on earnings.

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

31 EVENTS AFTER THE BALANCE SHEET DATE

On 31 January 2013, Giochi24 S.r.l. with registered offices in Monza, Italy, was sold to Intent Ventures Holding SCA for a price of EUR 342 thousand.

Andreas Keil was appointed to the Executive Board as of 1 February 2013. He is responsible for the Finance division.

32 OTHER DISCLOSURES ACC. TO GERMAN COMMERCIAL LAW

32.1 EXECUTIVE BOARD

The Executive Board manages Tipp24 in cooperation with an operative management team.

Dr. Hans Cornehl led the company on his own from 1 July 2012 to the end of January 2013.

As announced on 10 May 2012, Petra von Strombeck – previously responsible for Marketing, Sales and Brand Management – retired from her office at the end of 30 June 2012. She was appointed CEO of the former wholly-owned subsidiary and now independent listed company Lotto24 AG.

Marcus Geiss was responsible for Corporate Development and New Markets until he left the company on 30 April 2012 by mutual agreement and on the best of terms.

Andreas Keil was appointed to the Executive Board as of 1 February 2013. He is responsible for the Finance division. Andreas Keil is a member of the Supervisory Board of MATERNUS-KLINIKEN AG, Berlin (regular member).

The members of the Executive Board worked on a full-time basis. The remuneration of the Executive Board in fiscal year 2012 consisted of the following elements:

in EUR thousand	Fixed remuneration	Variable remuneration	Severance pay	2012
Dr. Hans Cornehl	350	643	–	993
Marcus Geiss	117	246	1,937	2,300
Petra von Strombeck	175	332	–	507
Total	642	1,221	1,937	3,800

The remuneration of the Executive Board in fiscal year 2011 consisted of the following elements:

in EUR thousand	Fixed remuneration	Variable remuneration	2011
Dr. Hans Cornehl	350	666	1,016
Marcus Geiss	175	309	484
Petra von Strombeck	175	309	484
Total	700	1,284	1,984

In fiscal year 2012, total remuneration of the Executive Board amounted to EUR 3,800 thousand (prior year: EUR 1,984 thousand).

32.2 SUPERVISORY BOARD

The following persons held seats on the Supervisory Board in fiscal year 2012:

- Andreas de Maizière, Managing Partner of Doertenbach & Co. GmbH, (Chairman)
- Prof. Willi Berchtold, Managing Partner of CUATROB GmbH, (Deputy Chairman)
- Oliver Jaster, Managing Partner of Günther Holding (regular member)
- Dr. Helmut Becker, Member of the Executive Board of XING AG, (regular member)
- Hendrik Pressmar, consultant (regular member)
- Jens Schumann, Managing Director of Alecto GmbH, (regular member)

Andreas de Maizière is a member of the following other domestic supervisory boards which must be formed pursuant to statutory law:

- Eisen- und Hüttenwerke Aktiengesellschaft, Andernach (Member of the Supervisory Board)
- Fürstlich Castell'sche Bank, Credit-Casse AG, Castell (Chairman of the Supervisory Board)
- Rheinische Bodenverwaltung Aktiengesellschaft, Düsseldorf (Chairman of the Supervisory Board)
- Conergy AG, Hamburg (Member of the Supervisory Board)

Andreas de Maizière is also a member of the following comparable domestic and foreign controlling committees:

- Arenberg – Recklinghausen Gesellschaft mit beschränkter Haftung, Recklinghausen (Chairman of the Supervisory Board)
- Arenberg Schleiden GmbH, Schleiden (Chairman of the Supervisory Board)
- Commerz Real Spezialfondsgesellschaft mbH, Wiesbaden (Deputy Chairman of the Supervisory Board)
- Grundkredit- und Bodenverwaltung Gesellschaft mit beschränkter Haftung, Düsseldorf (Chairman of the Supervisory Board)
- Dr. Vogler GmbH & Co. KG, Bad Homburg v. d. Höhe (Member of the Advisory Council)

Willi Berchtold is a member of the following other domestic supervisory boards which must be formed pursuant to statutory law, or other comparable domestic and foreign controlling committees:

- Bundesdruckerei GmbH, Berlin (Chairman of the Supervisory Board)
- Lotto24 AG, Hamburg (Chairman of the Supervisory Board)
- Lufthansa Systems Aktiengesellschaft, Kelsterbach (Member of the Supervisory Board)
- Software Aktiengesellschaft, Darmstadt (Member of the Supervisory Board)

Oliver Jaster is a member of the following other domestic supervisory boards which must be formed pursuant to statutory law, or other comparable domestic and foreign controlling committees:

- ALPHA Business Solutions AG, Kaiserslautern (Chairman of the Supervisory Board)
- Orga System GmbH, Paderborn (Member of the Advisory Council)

The remuneration of the Supervisory Board consisted of the following elements:

in EUR thousand	Fixed remuneration	Variable remuneration	2012
Andreas de Maizière (Chairman)	134	0	134
Prof. Willi Berchtold (Deputy Chairman)	94	0	94
Oliver Jaster	60	0	60
Dr. Helmut Becker	40	0	40
Hendrik Pressmar	40	0	40
Jens Schumann	60	0	60
Total	428	0	428

in EUR thousand	Fixed remuneration	Variable remuneration	2011
Andreas de Maizière, since 29 June 2011 (Chairman)	67	0	67
Klaus F. Jaenecke, until 29 June 2011 (Chairman)	17	18	35
Prof. Willi Berchtold, since 29 June 2011 (Deputy Chairman)	47	0	47
Oliver Jaster	37	11	48
Dr. Helmut Becker, since 29 June 2011	20	0	20
Hendrik Pressmar	27	7	34
Jens Schumann, since 29 June 2011	27	0	27
Total	242	35	277

32.3 DIRECTORS' DEALINGS

Shares and subscription rights held by executive bodies

The following table shows the number of shares held in Tipp24 by members of the executive bodies of Tipp24 as of 31 December 2012, as well as changes in shareholdings during 2012.

Otherwise, none of the executive bodies holds subscription rights to shares of Tipp24.

Shares	1 Jan. 2012	Changes	31 Dec. 2012
Executive Board			
Dr. Hans Cornehl	55,389	0	55,389
Marcus Geiss ¹⁾	4,000	-4,000	0
Petra von Strombeck ²⁾	900	0	900
Supervisory Board			
Oliver Jaster ³⁾	2,169,842	-174,000	1,995,842
Jens Schumann	355,000	-50,000	305,000

¹⁾ until 30 April 2012

²⁾ until 30 April 2012

³⁾ attributed

32.4 CORPORATE GOVERNANCE

Declaration of conformity with German Corporate Governance Code

In August 2011, the Supervisory Board and Executive Board have submitted their declaration of conformity with the German Corporate Governance

Code pursuant to § 161 AktG and made the declaration permanently available to shareholders via the Company's website (www.tipp24-se.de).

32.5 EMPLOYEES

The average number of employees is shown below:

2012	Germany	Abroad	Tipp24
Executive Board	2	0	2
General Managers	0	5	5
Employees	13	91	104
Trainees	0	0	0
Temporary personnel	0	0	0
Total	15	96	111

2011	Germany	Abroad	Tipp24
Executive Board	2	0	2
General Managers	1	5	6
Employees	38	90	128
Trainees	1	0	1
Temporary personnel	29	1	30
Total	71	96	167

32.6 AUDITING COSTS

The following fees were charged by the auditors of the annual financial statements, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft for fiscal year 2012:

in EUR thousand	2012	2011
Auditing fees	472	439
thereof for international partner companies of the auditing company	299	289
Tax consulting	227	168
thereof for international partner companies of the auditing company	17	97
Other services	578	180
thereof for international partner companies of the auditing company	69	39
Total	1,277	787

Other services provided by the auditing company relate to consultations in connection with the spin-off of Lotto24 AG and other projects.

32.7 CONSOLIDATED GROUP

The consolidated group comprises the companies listed below, for which the respective present and past shareholdings are also stated (see also Note 2.1.5 »Consolidation principles«).

In November 2012, Lotto Network Limited and Lotto Network Services S.r.l. were founded as wholly-owned subsidiaries of MyLotto24. There were formation costs of EUR 1 thousand for Lotto Network Limited. Its profit in the short financial year 2012 amounted to EUR 0 thousand. There were formation costs of EUR 1 thousand for Lotto Network Services S.r.l. Its profit in the short financial year 2012 amounted to EUR 95 thousand. At the time of foundation, there was no difference between carrying value and fair value.

In December 2012, Tipp24 (UK) Limited was founded as a wholly-owned subsidiary of Tipp24. There were formation costs of EUR 1 thousand. At the time of foundation, there was no difference between carrying value and fair value. The company's profit in the short financial year since foundation amounts to EUR -1 thousand.

In December 2012, Tipp24 Investment 1 Limited was founded as subsidiary of Tipp24. Tipp24 holds 75% of the capital in Tipp24 Investment 1 Limited, while Tipp24 Operating Services Limited owns the remaining 25%. There were formation costs of EUR 1 thousand. At the time of foundation, there was no difference between carrying value and fair value. The company's profit in the short financial year since foundation amounts to EUR -19 thousand.

On 21 December 2012, Tipp24 Investment 1 Limited acquired a 25.7% stake in Geonomics Global Games Limited (formerly Roboreus Limited). The acquisition costs amounted to EUR 18,395 thousand. The company was consolidated using the equity method.

Giochi24 s.r.l. was sold to Intent Ventures Holding SCA in November 2012. The sale was subject to approval from the Italian anti-trust authorities. This approval was granted on 31 January 2013.

In % of voting rights (calculated)	2012	2011	Initial consolidation
Subsidiaries:			2008
Tipp24 Deutschland GmbH, Hamburg (formerly Tipp24 Entertainment GmbH)	100	100	2008
Lotto24 AG, Hamburg (formerly Tipp24 Deutschland GmbH) ¹⁾	–	100	2010
Tipp24 UK Limited, London, UK	100	–	2012
Tipp24 Investment 1 Limited, London, UK	85	–	2012
MyLotto24 Limited, London, UK	40	40	2007
Tipp24 Operating Services Limited, London, UK	40	40	2007
Ventura24 S.L., Madrid, Spain	40	40	2001
Ventura24Games S.A., Madrid, Spain	40	40	2011
Giochi24 s.r.l., Monza, Italy	40	40	2008
GSG Lottery Systems GmbH, Hamburg	40	40	2001
LottoNetwork Limited, London, UK	40	40	2012
LottoNetwork Services s.r.l., Monza, Italy	40	40	2012
Tipp24 Services Limited, London, UK	16	16	2007
Associated companies:			
Geonomics Global Games Limited, London, UK (formerly Roboreus Limited)	21.85	–	2012

¹⁾ Deconsolidation 2012

Schumann e.K., Hamburg, was included in the consolidated financial statements in accordance with IAS 27 and SIC 12.10 even though Tipp24 has no equity interest or voting rights in the company. We refer to our comments in Section 2.1.5 »Consolidation Principles«.

MyLotto24 Limited sponsored an Insurance-Linked-Security (ILS) vehicle which partially transfers its bookmaking risk to the capital market. The CAT bond was placed with institutional investors outside the group by a special purpose entity. MyLotto24 Limited has no controlling influence, no exposure to the residual risk, no right to receive benefits and therefore no exposure to risk in respect of the ILS; hence My-Lotto24 Limited does not include the entity in its consolidated financial statements.

Hamburg, 20 March 2013

The Executive Board

Dr. Hans Cornehl

Andreas Keil

AUDIT OPINION

We have audited the consolidated financial statements prepared by the Tipp24, Hamburg, comprising the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity, and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1 to December 31, 2012. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit.

The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg, 20 March 2013

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Klimmer	Hoyer
Auditor	Auditor

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the 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.

Hamburg, 20 March 2013

The Executive Board

Dr. Hans Cornehl

Andreas Keil

REPORT OF THE SUPERVISORY BOARD

ADVISING AND MONITORING MANAGEMENT

The Supervisory Board of Tipp24 SE regularly monitored and advised the Executive Board in accordance with statutory obligations during the period under review. We were directly involved in all decisions of the Executive Board which were of significance for the Company. Moreover, the Executive Board regularly informed the Supervisory Board fully and promptly, in oral and written reports, about all material issues of business planning and strategic development, about the course of events, the Group's current situation, including possible risks and the risk management system. Deviations between the planned and actual course of business were explained to us in detail. The Executive Board consulted with us about the company's strategic alignment. Moreover, the Executive Board provided the Supervisory Board with comprehensive reports about the course of business, including the development of revenue and profitability, as well as the Company's current situation and business policy. These reports were presented to all members of the Supervisory Board. Based on these reports of Tipp24 SE, the Supervisory Board was able to discuss in detail, monitor and advise on all important business activities. After careful examination and detailed discussion, the Supervisory Board approved all resolutions presented by the Executive Board.

A total of twelve Supervisory Board meetings were held in fiscal year 2012, which were attended by all members. Further resolutions concerning current topics were adopted by circular written consent.

In addition to the Supervisory Board meetings, the Chairman of the Supervisory Board was also regularly provided with detailed and up-to-date information by the Executive Board about significant business transactions and discussed various aspects of business policy with the Executive Board.

COMPOSITION OF SUPERVISORY BOARD AND MAIN TOPICS OF DISCUSSION

The Supervisory Board consists of Mr Andreas de Maizière (Chairman), Prof Willi Berchtold (Deputy Chairman), Dr Helmut Becker, Mr Oliver Jaster, Mr Hendrik Pressmar and Mr Jens Schumann. Mr de Maizière, Prof Berchtold and Dr Becker have been members of the Supervisory Board since 20 July 2011, Mr Schumann since 29 June 2011, Mr Pressmar since 19 December 2008, and Mr Jaster since 29 May 2008.

In fiscal year 2012, the meetings of the Supervisory Board focused on the following topics:

- the development of sales and earnings, as well as the financial position, of Tipp24 SE and its fully consolidated associated companies in Germany and in the foreign markets UK, Spain and Italy,
- corporate planning, including investment and personnel planning,
- the legal disputes being conducted by Tipp24 SE,
- the development of the regulatory and economic environment in those markets of relevance for Tipp24, focusing in particular on the development of the regulatory discussion relating to the State Treaty on Games of Chance in Germany, especially following the ECJ rulings in early September 2010,
- the strategic alignment and growth strategy of Tipp24 SE and its fully consolidated associated companies; in particular the spin-off and IPO of subsidiary Lotto24 AG and investment in the UK company Roboreus Limited,
- transactions requiring approval, especially the aforementioned transactions regarding Lotto24 AG and Roboreus Limited,
- planning the relocation of the company's registered office,
- the composition and expansion of the Executive Board, including remuneration of the Executive Board,
- the ongoing development of the early risk warning systems,
- discussion and consultation of all business transactions requiring approval and
- the continuous improvement of Corporate Governance and its adaptation to new statutory requirements.



In view of the transfer of control over the fully consolidated associated companies in the foreign markets UK, Spain and Italy completed in 2009, discussions concerning these companies were restricted to an assessment of the opportunities and risks which Tipp24 SE believes are associated with these businesses.

COMPOSITION OF THE COMMITTEES AND MAIN TOPICS OF DISCUSSION

The Supervisory Board has set up two committees. The Presidial Committee, comprising Messrs de Maizière (Chairman), Jaster and Schumann, also acts as the Nomination Committee – whose tasks include Executive Board personnel matters – and met five times during fiscal year 2012. Discussions focused mainly on the strategic alignment, Executive Board remuneration including the target agreements agreed with the Executive Board and the expansion of the Executive Board. In its function as Nomination Committee, the Presidial Committee also prepared a Supervisory Board resolution concerning proposals for the forthcoming election of all Supervisory Board members by the Annual General Meeting. The Audit Committee and its members Prof Berchtold (Chairman), Messrs Jaster and de Maizière was convened three times during fiscal year 2012 and dealt with corporate structure, risk management and the main audit focus of the annual financial statements 2012.

CORPORATE GOVERNANCE AND THE DECLARATION OF CONFORMITY

During the past year, the Supervisory Board dealt in detail with the recommendations of the German Corporate Governance Code. In February 2013, the Executive Board and Supervisory Board submitted a Declaration of Conformity, pursuant to Sec. 161 German Stock Corporation Law (AktG) and made it permanently available to shareholders via the Company's website www.tipp24-se.de. The declaration states that the company complied and continues to comply with the recommendations of the German Corporate Governance Code with the following exceptions: the D&O insurance taken out for members of the Supervisory Board does not include a deductible; and there are no targets regarding the composition of the Supervisory Board. Moreover, since submitting the previous Declaration of Conformity in August 2011 (updated in June 2012), recommendations were not observed during certain periods regarding the performance-based remuneration of the Supervisory Board, the formation of committees, and the formation of an Executive Board consisting of several members.

A cooperation agreement exists between Tipp24 SE and Staatliche Lottereeinnahme Schumann e. K. (SEK) which regulates SEK's processing of game proceeds from class lottery customers. Supervisory Board member Jens Schumann is the owner of SEK. The cooperation agreement stipulates that SEK must remit all commissions and other brokerage fees to Tipp24 SE. In return, Tipp24 SE provides SEK with controlling, bookkeeping, marketing and technical services and bears SEK's operating costs. As Jens Schumann operates SEK in the interest of Tipp24 SE, Tipp24 SE has undertaken to indemnify him in the event of any personal claims by third parties arising from or in connection with the operation of SEK. Indemnification is limited to the extent that fulfilment of this indemnification may not cause Tipp24 SE to become insolvent or over-indebted. In the reporting period, Mr Schumann did not receive any re-

muneration for his activities on behalf of SEK. The Supervisory Board voted to approve the continuation of the cooperation agreement between Tipp24 SE and SEK on 29 June 2011, the date on which Mr Schumann was elected to the Supervisory Board. There are no further direct or indirect consultancy or other service relationships between the company and individual members of the Supervisory Board.

In addition to their membership of the Supervisory Board of our company, Prof Berchtold and Mr Schumann have also been Supervisory Board members of the former subsidiary Lotto24 AG since 2 May 2012. Neither from this matter nor any other were there any conflicts of interest between the mandate of individual Supervisory Board members and their other activities in fiscal year 2012.

According to our examinations, the Supervisory Board has a sufficient number of independent members. In accordance with Section 107 (4) in connection with Section 100 (5) AktG, Prof Berchtold and Mr Jaster were appointed to the Auditing Committee as finance experts.

On 19 March 2013, the Supervisory Board discussed the efficiency of its activities based on the results of a survey amongst its members with the aid of a standardised questionnaire. The discussions concluded that the Supervisory Board's work was efficient and reached a high standard.

AUDITING OF THE PARENT COMPANY AND CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The annual financial statements and management report for fiscal 2012 of Tipp24 SE, as prepared by the Executive Board in accordance with the German Commercial Code (HGB), and the consolidated annual financial statements and Group management report prepared in accordance with International Financial Reporting Standards (IFRS) were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, which issued an unqualified audit certificate in each case. The audit also included an examination of the respective accounting systems. The Executive Board provided us with the aforementioned documents and its proposal for the appropriation of the balance sheet profit in due time. They were discussed in detail at the Audit Committee's meeting on 19 March 2013.

The Supervisory Board comprehensively dealt with the annual financial statements and consolidated financial statements of Tipp24 SE during the balance sheet meetings on 19 and 20 March 2013, which was also attended by the auditor. Moreover, the auditor reported on the chief results of his audit and confirmed that there were no significant weaknesses in the internal control system and the risk management system. During the meeting, the Executive Board explained the annual financial statements of Tipp24 SE and the Group, as well as the risk management system. The auditor also reported on the scope, focus areas and costs of the audit.

We concur with the auditor's findings. Based on the final result of the audit undertaken by the Audit Committee and our own final examination, there are no objections to be raised. The Supervisory Board approved the financial statements prepared by the Executive Board; the annual financial statements are thus adopted. The Executive Board has proposed to transfer the full balance sheet profit of EUR 10,885,822.54 to other revenue reserves. We concur with this proposal.

PERSONNEL

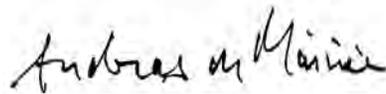
There were no changes in the composition of the Supervisory Board in fiscal year 2012. The term of office of all Supervisory Board members ends on expiry of the Annual General Meeting 2013 and corresponding elections will be held.

As already stated in last year's Report of the Supervisory Board, Marcus Geiss left the company's Executive Board on 30 April 2012 by mutual agreement and on the best of terms. On 30 June 2012, Petra von Strombeck also retired from the Executive Board in order to focus fully on her new position as CEO of Lotto24 AG, following its successful spin-off and IPO. The Supervisory Board would like to thank both former members.

As of 1 July 2012, the company was led by the sole Executive Board member Dr. Hans Cornehl. On 1 February 2013, a further member of the Executive Board was appointed with responsibility for the financial division, Mr. Andreas Keil. Since this time, Dr. Cornehl has acted as chairman of the Executive Board.

The Supervisory Board would like to thank the members of the Executive Board and all employees of Tipp24 SE and its fully consolidated associated companies for their commitment and successful efforts during the past fiscal year.

Hamburg, 20 March 2013



Andreas de Maizière

(Chairman of the Supervisory Board)

KEY CONSOLIDATED FIGURES OF TIPP24 SE

As of 26 March 2013

		2012	2011	2010	2009	2008
Customers						
Number of registered customers (at year-end)	Thsd.	n/a	n/a	n/a	n/a	2,526
Number of registered new customers (at year-end)	Thsd.	n/a	n/a	n/a	n/a	203
Customer activity rate		n/a	n/a	n/a	n/a	24.7%
Average billings/customer	EUR	n/a	n/a	n/a	n/a	566
Acquisition costs per new customer	EUR	n/a	n/a	n/a	n/a	46.44
Income statement						
	EUR thsd.					
Billings		n/a	n/a	n/a	n/a	335,947
Revenue		139,316 ²⁾	139,316 ²⁾	101,882 ²⁾	89,551	45,838
EBIT		51,905 ²⁾	51,905 ²⁾	32,681 ²⁾	23,052	8,897
EBT		52,770 ²⁾	52,770 ²⁾	33,167 ²⁾	25,076	10,720
Net profit		36,339	36,339	19,551	17,482	6,606
Balance sheet						
	EUR thsd.					
Cash, cash equivalents and securities (incl. pledged cash, cash equivalents and securities)		64,123	64,123	43,957	69,361	21,261
Other current assets		65,433	65,433	56,613	20,466	59,586
Total non-current assets		36,215	36,215	29,444	18,296	12,304
ASSETS		173,043	173,043	130,013	108,123	93,151
Current liabilities		42,848	42,848	36,911	42,971	35,623
Non-current liabilities		904	904	181	752	2,607
Equity		129,291	129,291	92,921	64,399	54,922
EQUITY AND LIABILITIES		173,043	173,043	130,013	108,123	93,151
Cash flow						
	EUR thsd.					
Cash flow from operating activities		44,323	44,323	14,081	30,217	9,651
Cash flow from investing activities		-24,157	-24,157	-48,446	25,579	-47,040
Cash flow from financing activities		0	0	8,950	-7,723	-7,386
Personnel						
Number of employees (average no. of full-time staff without board members/managing directors/interns/apprentices)	No.	128	128	121	132	185
Personnel expenses	EUR thsd.	12,026 ²⁾	12,026 ²⁾	10,110 ²⁾	12,524	12,667
Expenses per employee	EUR thsd.	94 ²⁾	94 ²⁾	84 ²⁾	72	69
R&D expenses	EUR thsd.	1,461	1,461	1,579	1,396	3,374
R&D staff	No.	30	30	33	33	68
Share (from 2004)						
Average number of shares (undiluted)	No.	7,985,088	7,985,088	7,715,614	7,730,961	8,032,265
Earnings per share (undiluted)	EUR	4.80 ²⁾	4.80 ²⁾	2.85 ²⁾	2.26	0.82
Operating cash flow per share (undiluted)	EUR	5.55	5.55	1.82	3.91	1.20
Ratios						
	%					
Gross margin		n/a	n/a	n/a	n/a	13.6%
EBIT margin		37.3% ²⁾	37.3% ²⁾	32.1% ²⁾	25.7%	19.4%
Net operating margin		26.1% ²⁾	26.1% ²⁾	19.2% ²⁾	19.5%	14.4%
Return-on-equity (RoE)		28.1%	28.1%	21.0%	27.1%	12.0%

¹⁾ 1999–2003: unaudited; 1999: Short fiscal year from 31 July until 31 December 1999. ²⁾ from continued operations.

2007	2006	2005	2004	2003 ¹⁾	2002 ¹⁾	2001 ¹⁾	2000 ¹⁾	1999 ¹⁾
2,344	1,770	1,322	1,031	675	441	323	121	0
574	448	291	356	234	118	202	121	0
28.7%	28.6%	28.6%	30.9%	30.3%	31.4%	n/a	n/a	n/a
588	598	609	584	620	591	n/a	n/a	n/a
20.11	18.81	20.12	17.01	17.52	14.21	n/a	n/a	n/a
346,776	264,235	204,696	154,094	104,812	70,926	42,933	5,200	0
44,974	34,575	26,119	19,504	14,085	8,284	3,808	691	0
8,949	7,244	6,048	3,207	1,000	1,019	-3,170	-5,364	-682
11,192	8,365	6,490	3,324	1,070	1,055	-3,124	-5,695	-690
6,272	7,445	3,318	1,575	2,994	1,752	-3,289	-5,697	-690
66,121	60,764	57,174	13,202	8,251	4,217	2,100	3,878	269
18,405	16,290	7,666	3,092	3,940	2,440	1,558	809	143
7,213	5,740	7,296	2,602	3,845	2,104	1,371	1,366	220
91,739	82,794	72,135	18,896	16,036	8,761	5,029	6,053	633
35,774	22,128	18,854	10,955	9,872	5,797	3,897	1,659	1,068
335	14	96	124	99	150	70	46	0
55,630	60,652	53,185	7,817	6,065	2,814	1,062	4,349	-435
91,739	82,794	72,135	18,896	16,036	8,761	5,029	6,053	633
17,886	8,360	10,308	5,375	4,570	2,546	-1,321	-5,569	-412
-1,200	-4,769	-6,371	-600	-506	-399	-457	-1,304	-236
-11,335	-	40,035	175	-30	-30	0	10,481	917
154	144	114	95	72	47	26	17	3
10,324	8,277	6,990	5,522	4,285	3,021	2,005	1,076	81
67	58	61	58	60	64	77	63	27
3,051	2,767	2,151	1,938	1,420	n/a	n/a	n/a	n/a
58	56	44	38	30	n/a	n/a	n/a	n/a
8,524,199	8,872,319	7,191,100	6,451,928	n/a	n/a	n/a	n/a	n/a
0.74	0.84	0.46	0.24	n/a	n/a	n/a	n/a	n/a
2.10	0.94	1.43	0.83	n/a	n/a	n/a	n/a	n/a
13.0%	13.1%	12.8%	12.7%	13.4%	11.4%	8.9%	13.3%	n/a
19.9%	21.0%	23.2%	16.4%	7.1%	12.6%	-83.2%	-776.3%	n/a
13.9%	21.5%	12.7%	8.1%	21.3%	21.6%	-86.4%	-824.5%	n/a
11.3%	12.3%	6.2%	20.1%	49.4%	62.3%	-309.7%	-131.0%	158.6%

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