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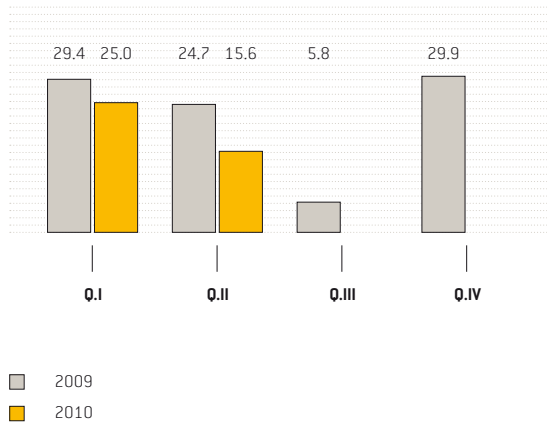
# EARNINGS BURDENED BY HIGH WINNINGS PAYMENTS

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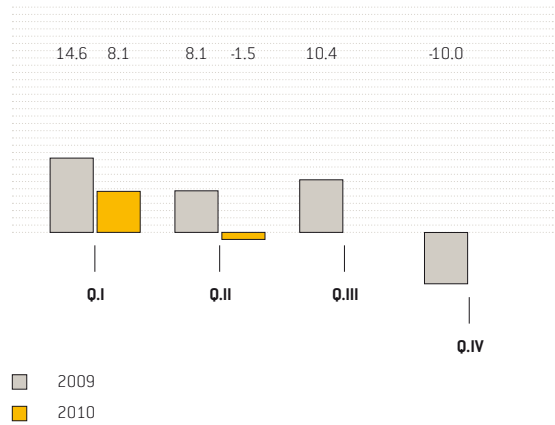
HALF-YEAR REPORT

1 JAN. – 30 JUN. 2010

REVENUE in EUR million



EBIT in EUR million



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[Rounding differences in the Management Report due to presentation in EUR thousand]

## LADIES AND GENTLEMEN,

The business development of Tipp24 in 2010 has been significantly affected by statistical special items: MyLotto24 Limited, a fully consolidated minority shareholding, recorded jackpot winnings of EUR 11.7 million from a secondary lottery which it held on 15 May 2010. The total amount paid out for secondary lottery winnings thus exceeded the statistical average by EUR 17.9 million in the first half of 2010. Although this led to a negative revenue effect of the same amount and a negative EBIT effect of EUR 16.6 million, Tipp24's EBIT still reached EUR 6.5 million in the first half of 2010.

Consolidated revenues of EUR 40.6 million in the first half were also dominated by the Abroad segment, with a contribution of EUR 1.5 million from the German segment. The decline of 24.8% resulted mainly from high winnings payments and the positive special item in the first quarter of 2009 from the second-highest jackpot in German Lotto history.

In total, the probability of winnings payments above the statistical average of more than EUR 15 million – as was the case in the first half of 2010 – is less than 2.5%. We do not therefore expect to observe such a strong statistical deviation again in the second half of the year.

There was no change in the negative development of Germany's lottery market in the period under review. We therefore estimate that the market will lose a total volume of approximately EUR 11 billion in the period up to the end of 2011 as a direct consequence of the – in our view illegal – regulations introduced by the State Treaty on Games of Chance (GlüStV). As a consequence, the state will lose tax and duty revenue of around EUR 5 billion, which will no longer be available to support important social projects, education, sport and culture.

We will continue to fight in the courts for the resumption of our domestic business in Germany. We plan to exploit all available legal remedies and continue our political lobbying activities. We also intend to expand the activities of Tipp24 Entertainment GmbH in the field of skill-based games. According to the executive boards of our minority shareholdings, the growth strategy in European nations other than Germany is also to be continued.

Against the backdrop of the aforementioned winnings payments – well above the statistical average – of our fully consolidated minority shareholding MyLotto24 Limited in the second quarter, we have adjusted our forecast for fiscal year 2010 as a whole: even if business is very favourable in the coming months, we believe it is unlikely that we will achieve our targeted figures. Should business progress as normal in the remaining months of fiscal year 2010 – i.e. no very large jackpots and winnings payments around the statistical average – we expect an EBIT result of at least EUR 20 million, instead of at least EUR 40 million. At the same time, we have adjusted our original revenue forecast from at least EUR 100 million to at least EUR 90 million.



**Dr. Hans Cornehl**  
Executive Board

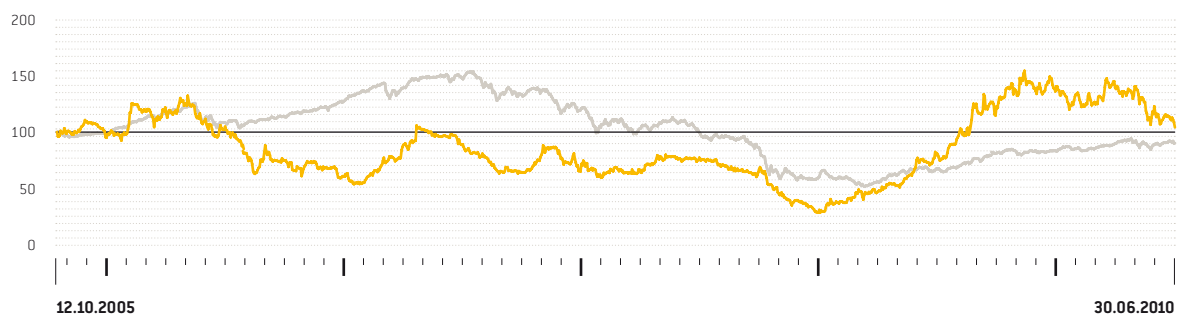
## KEY CONSOLIDATED FIGURES OF TIPP24 ACC. TO IFRS

		Q.I–II 2010	Q.I–II 2009	Change
Revenue <sup>1)</sup>	EUR thousand	40,636	54,021	-24.8%
EBIT	EUR thousand	6,540	22,748	-71.2%
EBIT margin <sup>1)</sup>	%	16.1%	42.1%	-26.0 %-points
Net profit	EUR thousand	3,699	17,314	-78.6%
Net profit margin <sup>1)</sup>	%	9.1%	32.1%	-22.9 %-points
Cashflow from operating activities	EUR thousand	1,987	29,423	-93.2%
Equity	EUR thousand	68,125	64,399	+5.8%
Employees (end of period)	Headcounts	122	114	+7.0%

<sup>1)</sup> The prior-year figures have been adjusted for the changed disclosure in licence and operator fees.  
(Rounding differences due to presentation in EUR thousand)

## INVESTOR RELATIONS

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



EUR 20.50

4,277.03

— Tipp24 EUR 21.11

— SDAX 3,904.22

## SHARE

In the period under review stock markets succeeded in maintaining their level of the first quarter of 2010. With growth of 0.2% in the second quarter, the SDAX closed the first half of 2010 at 3,904.22 points. Following its excellent performance in the first three months, the Tipp24 share price fell 25.9% to EUR 21.11 in the second quarter.

The Annual General Meeting of Tipp24 SE was held at the Hotel Atlantic Kempinski in Hamburg on 8 June 2010. A total of 62.22% of voting share capital was represented. The Annual General Meeting did not approve the proposals of the Executive Board and Supervisory Board regarding all agenda items. The Annual General Meeting refused to approve the agenda items »Authorisation to acquire and use treasury shares«, »Creation of new Authorized Capital« and »Authorisation to establish a new stock option plan«. As a result, Tipp24 SE has had neither Authorized Capital nor a stock option plan since July 2010. Moreover, there is no longer the possibility to authorize the acquisition and use of treasury shares as of December 2010. Please refer to the Investor Relations section of our website [www.tipp24-se.de](http://www.tipp24-se.de) for further details.

We continued our intensive investor relations activities in the second quarter of 2010 and presented Tipp24 and its business prospects to interested investors at domestic and international roadshows.

### KEY SHARE FIGURES

Day of initial listing		<b>12.10.2005</b>
Year-opening price	01.01.2010	<b>EUR 28.28</b>
Market capitalization	01.01.2010	<b>EUR 226 million</b>
Closing price at the end of the period	30.06.2010	<b>EUR 21.11</b>
Market capitalization	30.06.2010	<b>EUR 169 million</b>
Highest price	17.03.2010	<b>EUR 30.55</b>
Lowest price	30.06.2010	<b>EUR 21.11</b>
Number of shares	30.06.2010	<b>7,985 thousand</b>
Number of own shares	30.06.2010	<b>361,180</b>
Average daily trading	01.01.–30.06.2010	<b>29,968</b>
Earnings per share (undiluted and diluted)	01.01.–30.06.2010	<b>EUR 0.49</b>

### SHAREHOLDER SERVICE

WKN	<b>784714</b>
ISIN	<b>DE0007847147</b>
Ticker symbol	<b>TIM.DE</b>
Stock exchange	<b>Frankfurt</b>
Market segment	<b>Official Market, Prime Standard</b>
Designated sponsor	<b>Close Brothers Seydler</b>
Coverage	<b>Deutsche Bank, Macquarie, Warburg, Hauck &amp; Aufhäuser, Cheuvreux</b>
Reuters	<b>TIMGn.DE</b>
Bloomberg	<b>TIM GR</b>

## INTERIM GROUP MANAGEMENT REPORT

### BUSINESS & ECONOMIC CONDITIONS

Following the implementation of the second stage of Germany's State Treaty on Games of Chance (GlüStV), which completely prohibited the brokering of state-run lotteries via the Internet in Germany as of 1 January 2009, Tipp24 SE has now fully discontinued its lottery brokerage activities in Germany. It therefore complies with the current regulatory environment – although it continues to fight in the courts for the resumption of its business in Germany.

As a consequence, Tipp24 SE transferred assets it no longer requires to MyLotto24 Limited and its subsidiaries, which has been active in the UK since 2007. This concerns 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. Moreover, Tipp24 SE transferred control over its UK subsidiaries in accordance with company law in the second quarter of 2009. The move reflects the operating independence of these companies in their respective business fields. Specifically, 60% of the voting shares in both MyLotto24 Limited and Tipp24 Services Limited were sold to a Swiss foundation set up by Tipp24 SE in the form of preference shares stripped of their main economic rights. These shares have a guaranteed limited right to dividends of up to a total of GBP 30 thousand p.a.. The inclusion of this affiliated company and its respective subsidiaries in the consolidated financial statements is based on an economic view of its situation, whereby Tipp24 SE bears the significant risks and opportunities. Tipp24 SE expects that the German legislation which forbids its German operations – in contravention of EU law – will be adapted to the requirements of higher-ranking European legislation again in the medium term. Until this time, the profits generated by the affiliated companies in the UK will be retained on the level of MyLotto24 Limited. When certain conditions are met (e.g. a settlement of the legal situation in its favour), Tipp24 SE has the right to repurchase the sold shares from the foundation after 30 September 2010.

Business abroad includes the brokerage of state-run lottery products in Spain and Italy. In the UK, MyLotto24 Limited organises English secondary lotteries based on various European lotteries and thus bears the bookmaking risk. Tipp24 Services Limited brokers tickets to MyLotto24 Limited. Tickets are only accepted from customers who confirm that they are not in Germany when submitting their tickets.

In the German part of the Group, Schumann e. K. continues to market the German class lotteries NKL and SKL in cooperation with Tipp24 SE, and skill-based games are still being developed by Tipp24 Entertainment GmbH. There is also a focus on identifying and acquiring new business models in Germany and Europe. After the legal situation has been settled in its favour, Tipp24 SE intends to resume its previous activities as a private gaming broker from its base in Germany as swiftly as possible.

In the following, Tipp24 SE and its consolidated group will be referred to simply as »Tipp24«.

### LEGAL MARKET SITUATION IN GERMANY

The intensive political and legal discussions concerning Germany's gaming market and the respective legal conditions for our sector continued in the past few months. Various decrees and verdicts have been passed in summary and principal proceedings, which affected both Tipp24 itself and various other market participants. As expected, this has resulted in a very varied picture. Numerous court proceedings have been suspended until a settlement has been reached at a European level.

The German lottery market has suffered significant losses. We estimate that a cumulative volume of approximately EUR 11 billion will be lost in the period up to the end of 2011 as a direct consequence of the – in our view illegal – regulations introduced by the GlüStV. This corresponds to tax and duty revenue of around EUR 5 billion which is no longer available to support important social projects, sport and culture. As far as we can determine, however, the lottery market does not appear to depend on macro-economic developments.

#### LEGAL MARKET SITUATION ABROAD

The foreign markets in which we operate generally offer stable legal environments in line with market requirements. The exception here is our legal dispute with Italy's anti-trust authorities. The question to be settled is whether the current obligation for all market participants to run online brokerage of the state-licensed lottery SuperEnalotto via the applet of organiser Sisal (which has hitherto also proven to be unsuitable for the market) represents a contravention of anti-trust law. The matter is expected to be settled in the course of the current fiscal year.

#### RESEARCH & DEVELOPMENT

In the period under review, our domestic R&D activities continued to focus on expanding the product range of our Skill Based Games division. In the Abroad segment, the main emphasis was once again placed on updating, internationalising and standardising the gaming software used in our various national markets. This project is managed directly abroad in cooperation with external service companies. The project is expected to be completed in the current fiscal year. In addition, some of our subsidiaries made various improvements to products, capacities and security systems. We also acquired external R&D know-how for certain projects. In the first half of the current fiscal year, an average of four employees were involved with R&D activities on a full-time or part-time basis in the German segment, and 21 in the Abroad segment. R&D expenses amounted to around EUR 95 thousand (prior year: EUR 646 thousand) in the German segment and EUR 427 thousand (prior year: EUR 312 thousand) in the Abroad segment.

## SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

### EARNINGS, FINANCIAL POSITION AND NET ASSETS

#### Earnings

**Six special items** are to be considered when comparing figures with those of the previous year:

- In January 2009, there was the **second largest jackpot** in the history of German Lotto (EUR 35 million).
- In the first quarter of 2009, some tickets – especially those in connection with standing orders – could still be brokered to state-run lottery companies.
- **Non-recurring costs** in connection with the restructuring of business were incurred in the first half of 2009.
- A comparatively high financial result was posted in the first quarter of 2009 due to exceptionally successful financial investments.
- A positive tax effect resulted in the first quarter of 2009 from the offsetting of tax loss carryforwards with profits of the Abroad segment for which no deferred taxes had been formed.
- MyLotto24 Limited, a fully consolidated minority shareholding of Tipp24 SE, recorded jackpot winnings of EUR 11.7 million from a secondary lottery which it held on 15 May 2010. Including the aforementioned jackpot winnings, the **amount paid out for secondary lottery winnings** was EUR 17.9 million above the statistical average in the first half of 2010. This led to a negative revenue effect of the same amount and a negative EBIT effect of EUR 16.6 million.

Half-year comparison Q.I–II	Q.I–II 2010		Q.I–II 2009		Change
	EUR thousand	%	EUR thousand	%	
<b>Revenues <sup>1)</sup></b>	<b>40,636</b>	<b>100.0%</b>	<b>54,021</b>	<b>100.0%</b>	<b>-24.8%</b>
Personnel expenses	-5,113	-12.6%	-7,450	-13.8%	-31.4%
Other operating expenses	-29,859	-73.5%	-22,858	-42.3%	30.6%
Other operating income	2,352	5.8%	425	0.8%	452.8%
<b>Operating expenses</b>	<b>-32,620</b>	<b>-80.3%</b>	<b>-29,883</b>	<b>-55.3%</b>	<b>9.2%</b>
<b>EBITDA</b>	<b>8,016</b>	<b>19.7%</b>	<b>24,138</b>	<b>44.7%</b>	<b>-66.8%</b>
Depreciation/amortization	-1,476	-3.6%	-1,391	-2.6%	6.2%
<b>EBIT</b>	<b>6,540</b>	<b>16.1%</b>	<b>22,748</b>	<b>42.1%</b>	<b>-71.2%</b>
Financial result	237	0.6%	1,793	3.3%	-86.8%
<b>Net result before taxes</b>	<b>6,777</b>	<b>16.7%</b>	<b>24,540</b>	<b>45.4%</b>	<b>-72.4%</b>
Income taxes	-3,078	-7.6%	-7,226	-13.4%	-57.4%
<b>Consolidated net profit</b>	<b>3,699</b>	<b>9.1%</b>	<b>17,314</b>	<b>32.1%</b>	<b>-78.6%</b>
<b>Breakdown of other operating expenses</b>					
Total marketing expenses	-5,257	-12.9%	-2,951	-5.5%	78.1%
Total direct costs of operations <sup>1)</sup>	-13,966	-34.4%	-11,080	-20.5%	26.0%
Total other costs of operations	-10,636	-26.2%	-8,827	-16.3%	20.5%
<b>Other operating expenses</b>	<b>-29,859</b>	<b>-73.5%</b>	<b>-22,858</b>	<b>-42.3%</b>	<b>30.6%</b>

<sup>1)</sup> The prior-year figures have been adjusted for the changed disclosure in licence and operator fees (EUR 7,465 thousand).

(Rounding differences due to presentation in EUR thousand)

### EBIT

In the first half of the current fiscal year, the **German segment** posted a negative EBIT of EUR -4,030 thousand (prior year: EUR -6,753 thousand). This was a result of the considerable legal restrictions imposed by the GlüStV as well as start-up losses in the Skill Based Games division.

The **Abroad segment** achieved an EBIT result for the first half of 2010 of EUR 10,039 thousand (prior year: EUR 29,754 thousand). The prior-year EBIT figure benefited in particular from the second largest jackpot in the history of German Lotto. MyLotto24 Limited also recorded jackpot winnings of EUR 11.7 million from a secondary lottery it held on 15 May 2010, which placed a burden on EBIT. In total, consolidated EBIT amounted to EUR 6,540 thousand (prior year: EUR 22,748 thousand). The EBIT margin fell by 26.0 %-points from 42.1% to 16.1%.

Due to greatly reduced interest rates in the period under review, the **financial result** fell to EUR 237 thousand (prior year: EUR 1,793 thousand). Moreover, the sale of exceptionally successful financial investments led to a strong financial result in the same period last year.

**Consolidated net profit** fell to EUR 3,699 thousand (prior year: EUR 17,314 thousand) in the first six months. **Net operating margin** after tax amounted to 9.1% (prior year: 32.1%). Tipp24's **tax rate** rose by 16.0 %-points to 45.4%, compared to the same period last year. The losses of companies which cannot be offset with positive results of other minority investments had a negative influence on the consolidated tax rate. In the first quarter of 2009, loss carryforwards not capitalised of the Abroad segment were also netted with profits, leading to a reduction in the tax rate for the same period last year.



There was a corresponding fall in **return on equity** in the period under review from 26.9% to 5.4%.

**Earnings per share** (undiluted and diluted) fell from EUR 2.21 to EUR 0.49.

### Revenues

In the **German segment**, revenues amounted to EUR 1,555 thousand (prior year: EUR 1,440 thousand), while in the **Abroad segment** revenues reached EUR 40,299 thousand (prior year: EUR 53,236 thousand). As a result, the consolidated figure for the period under review fell by 24.8% from EUR 54,021 thousand to EUR 40,636 thousand.

In contrast to the reported figures in 2009, licence and operator fees payable to the British state are carried as costs under »Other operating expenses«. Revenues for the first half of 2009 have been adapted to the new disclosure method in this report.

### Development of key income statement items

At EUR 5,113 thousand, **personnel expenses** were below the prior-year figure of EUR 7,450 thousand. This was mainly due to the strong reduction in headcount in the first quarter of 2009. The personnel expense ratio fell by 1.2 %-points to 12.6%. As of 30 June 2010, the number of employees amounted to 122 (prior year: 114).

There was a year-on-year increase in **other operating expenses** of 30.6% to EUR 29,859 thousand (prior year: EUR 22,858 thousand) in the first six months of 2010. The development in detail was as follows:

**Marketing expenses** rose by 78.1% to EUR 5,257 thousand (prior year: EUR 2,951 thousand).

**Direct operating expenses** increased by 26.0% to EUR 13,966 thousand (prior year: EUR 11,080 thousand). Additional to prior-year reporting, this cost item was adjusted for licence and operator fees payable to the British state. This item also includes costs of EUR 6,810 thousand (prior year: EUR 838 thousand) in connection with hedging transactions of MyLotto24 Limited.

**Other operating expenses** increased by 20.5% to EUR 10,636 thousand (prior year: EUR 8,827 thousand). This increase was largely due to costs for outsourcing necessitated by restructuring, which was only utilised from the second quarter of 2009 onwards. The prior-year period was also burdened by restructuring costs.

**Other operating income** amounted to EUR 2,352 thousand (prior year: EUR 425 thousand). The strong year-on-year increase resulted from higher income from hedging transactions.

Compared to the previous year, **amortization/depreciation** on intangible assets and property, plant and equipment grew by EUR 86 thousand (+6.2%) to EUR 1,476 thousand. This development is in line with the volume of investments made.

### Financial position

As of 30 June 2010, Tipp24 held a total of 361,180 treasury shares, which reduced equity capital by EUR 3,886 thousand.

Compared with the balance sheet date, Tipp24's equity capital grew by EUR 3,726 thousand to EUR 68,125 thousand. The equity ratio increased by 2.0 %-points to 61.6% over the same period, while the balance sheet total rose by 2.2% to EUR 110,543 thousand.

Short-term other liabilities owed to customers from advance payments and winnings payments not yet settled as of the balance sheet date, as well as gaming tax liabilities, fell by 2.0% to EUR 29,217 thousand (31 December 2009: EUR 29,823 thousand).

<b>Other liabilities</b> in EUR thousand	30 Jun. 2010	31 Dec. 2009
Liabilities for gaming operations <sup>1)</sup>	27,590	25,804
Liabilities for taxes	898	2,435
Liabilities relating to social security	126	139
Others	603	1,445
	<b>29,217</b>	<b>29,823</b>

<sup>1)</sup> Including liabilities from licence and operator fees

(Rounding differences due to presentation in EUR thousand)

### Investment analysis

In the period under review, investing activities resulted in net cash flow of EUR -36,274 thousand (prior year: EUR 22,997 thousand). Proceeds and disbursements from financial investments resulted in a negative net balance of EUR -30,679 thousand (prior year: EUR 25,738 thousand). In our operating business, a total of EUR 5,595 thousand (prior year: EUR 2,742 thousand) was invested mainly in the current project to renew gaming operation software and in the ongoing expansion and renewal of live systems. According to information provided, the operating companies aim to complete the project to renew gaming operation software in the current fiscal year. System expansion and renewal measures are necessary to meet growing capacity requirements as well as changing security standards and technological developments.

### Liquidity analysis

At EUR 1,987 thousand, **cash flow from operating activities** was down on the previous year (EUR 29,423 thousand). The difference was mainly due to the decrease in consolidated net profit, the balance of changes in other assets and other liabilities, as well as high disbursements to settle income tax liabilities.

As described above under »Investment analysis«, **cash flow from investing activities** increased by EUR 59,271 thousand to EUR -36,274 thousand, compared to last year.

**Cash flow from financing activities** amounted to EUR 0 thousand (prior year: EUR -7,837 thousand).

<b>Key cash flow positions</b> in EUR thousand	Q.I–II 2010	Q.I–II 2009
Cash flow from operating activities	1,987	29,423
Cash flow from investing activities	-36,274	22,997
<i>thereof financial investments</i>	-30,679	25,738
<i>thereof operative investments</i>	-5,595	-2,742
Cash flow from financing activities	0	-7,837
<b>= Net inflow/outflow from/of funds</b>	<b>-34,287</b>	<b>44,582</b>
Cash and cash equivalents and securities at the beginning of the period	69,111	20,711
+/- Change of cash from exchange rate differences	0	54
+/- Change in pledged cash	0	399
<b>= Cash, cash equivalents and securities at the end of the period</b>	<b>34,824</b>	<b>65,747</b>

(Rounding differences due to presentation in EUR thousand)

### Asset situation

The assets of Tipp24 mainly comprise current assets amounting to EUR 87,398 thousand (31 December 2009: EUR 89,827 thousand). These mostly consist of cash and cash equivalents (EUR 34,824 thousand), short-term financial assets (EUR 42,502 thousand) and other assets and prepaid expenses (EUR 8,224

thousand). Moreover, Tipp24 has intangible assets (mainly software) amounting to EUR 18,632 thousand, financial assets of EUR 1,650 thousand, property, plant and equipment (mainly hardware and office equipment) amounting to EUR 1,657 thousand and discloses deferred tax assets of EUR 1,206 thousand.

Other assets in EUR	30 Jun. 2010	31 Dec. 2009
Receivables from gaming operations	4,228	3,580
Prepaid expenses	1,609	1,406
Receivables from tax authorities	577	529
Others	1,810	1,971
	<b>8,224</b>	<b>7,486</b>

(Rounding differences due to presentation in EUR thousand)

### MANAGEMENT'S ASSESSMENT OF THE ECONOMIC POSITION

As a result of the GlüStV, which has now been fully implemented in Germany, Tipp24's former business model of brokering state-run lotteries in Germany is completely prohibited and had to be discontinued at the beginning of 2009. At the same time, business activities in the Abroad segment have made such strong progress that they more than compensate for the losses in the German segment. Against this backdrop, **we regard Tipp24's situation as generally robust**: Tipp24 has sufficient resources to successfully prevail even in the face of significant negative regulatory conditions. Above all, however, in view of what we regard as the obvious incompatibility of current gaming legislation in Germany with EU and anti-trust law, and particularly with regard to ongoing constitutional reservations, we believe that it is unlikely that such legislation can prevail in the long term.

At the same time, the Executive Board sees the **opportunity for sustained encouraging growth** in the medium term. In comparison with other sectors, the online lottery market in Germany, Spain, Italy and the UK is still underdeveloped – there is

therefore a strong probability of significant growth in the coming years. Tipp24 is excellently positioned to benefit strongly from such growth. Furthermore, we see attractive additional potential in new product categories and in the course of ongoing deregulation of European lottery markets. Tipp24 has extensive financial liquidity, mainly from equity capital. This provides considerable scope to grasp future growth opportunities – for example by means of acquisitions. Apart from the extremely low return on financial assets at present, the global financial crisis has so far had no significant negative impact on Tipp24.

### SUBSEQUENT EVENTS

MyLotto24 Limited, a fully consolidated minority shareholding of Tipp24 SE, recorded jackpot winnings of EUR 3.5 million from a secondary lottery which it held on 3 July 2010.

## RISK REPORT

### SIGNIFICANT RISKS

In our annual report 2009, we described in detail all risks in connection with the business activities of Tipp24, as well as the management of these risks and systems to recognize such risks at an early stage. The risks can be divided mainly into market risks, legal risks resulting from the regulatory environment for the operations of Tipp24, business risks, risks from the processing of gaming operations personnel risks and general business risks. In addition to this description of our risks, we would like to focus in particular on the following risks:

#### Legal conditions in Germany

As a result of the extensive Internet prohibition and other restrictive regulations of the GlüStV in Germany, we were forced to terminate the overwhelming proportion of our German business. Contrary to our assessment of the situation, there is a risk that this restrictive legal framework may be upheld in the medium term, or even permanently.

This would prevent Tipp24 in the medium term, or even permanently, from accessing the huge market potential in Germany which it was able to exploit in the past. Since the end of 2008 various authorities have forbidden Tipp24 SE from brokering domestic and foreign games to customers in Germany. Tipp24 SE observes these regulations, whereby it should be noted that Tipp24 SE has never brokered foreign games. At the same time, some authorities also tried to force Tipp24 SE by means of injunctions to abandon the business model of the UK companies. These official orders are immediately enforceable and failure to meet them would result in coercive payments. However, as Tipp24 SE is not authorised to give directions to the UK companies (also before the sale of majority voting rights to the Swiss foundation) and no further details were provided as to how Tipp24 SE should achieve this with regard to the UK companies and their activities, we regard these requests as legally indeterminate and impossible to meet. This applies all the more since

control has been transferred. We therefore challenged them in court. In two cases of a prohibition order and a coercive payment from January 2009, we failed to achieve a court suspension. In a further case, the authority itself lifted a prohibition order and two coercive payments following a notice from the administrative court and recognition of their illegality. In this case, no decision can be taken until principal proceedings have been completed. As the UK companies manage their business independently and Tipp24 SE cannot control them, we do not expect any further coercive payments. In contrast to this, in summary proceedings of the Administrative Court of Hesse in June 2010, it was assumed that Tipp24 SE controlled the offerings of the UK companies despite the legal transfer of control. With reference to these proceedings, the District Government of Düsseldorf imposed a fine of EUR 100,000 in July 2010 based on the offerings of the UK companies and threatened further coercive payments. Due to Tipp24 SE's inability to control these companies, we regard this fine as a clear violation of valid law and shall challenge it in court. Tipp24 SE appealed to the Administrative Court of Düsseldorf, which has since pronounced that the enforcement of such coercive payments must be temporarily suspended until a decision is taken in the summary proceedings. Against this backdrop, it cannot be excluded that certain authorities will impose further coercive payments and regulatory fines which will be upheld in court.

Moreover, German authorities are attempting to directly forbid or prevent the UK companies from operating their own business model, even though the UK companies operate on the basis of concessions issued by the UK Gambling Commission and only accept tickets from customers who confirm that they are not in Germany at the time of ticket submission. Against the backdrop of the current heated political situation, such an attempt cannot be excluded – even if the legal basis for such action outside Germany would be difficult to comprehend and its effect questionable.

In their capacity as market participants, certain state lottery companies also believe that the UK companies contravene the GlüStV and are thus anticompetitive. Even if we assume that the UK companies are acting legally on the basis of valid concessions explicitly allowing the activity performed, it cannot be ruled out that they will fail to assert their rights in German courts. We cannot therefore exclude the possibility that the above mentioned risks may lead to a significant restriction in the business activities of the UK companies.

Finally, Germany's supervisory authorities also regard skill-based games as illicit gaming or for not permissible via the Internet and have announced a ban. In their capacity as market participants, certain state lottery companies are striving to forbid skill-based games by attempting to legally enforce an alleged contravention of German gaming law. We believe that the games offered on the website operated by Tipp24 Entertainment GmbH (www.tipp24games.de) are all knowledge-based or skill-based games which do not require permission. It cannot be ruled out, however, that we will fail to assert this claim in German courts.

As of 31 March 2010 the game »Hush Hasis Mau Mau« was removed from the website following an official order and as a precautionary measure taken until the matter has been settled in court. The »mau mau« card game was regarded by a regulatory authority as a game of chance and thus forbidden. Should further games be removed from the website in future for similar considerations, without the ability to create a replacement of equal value, this would represent a significant restriction for the business of Tipp24 Entertainment GmbH, which would lead to a reduction in the value of the intangible assets disclosed in the balance sheet of Tipp24.

### **Business risks**

#### *Bookmaking risk of MyLotto24 Limited*

MyLotto24 Limited bears the bookmaking risks for secondary lotteries based on various European lotteries. The payout ratios are based on those offered by the organisers of the primary lotteries. Due to statistical fluctuation, these ratios may be greater than the payout ratios determined by the gaming systems of the primary lotteries – for example, 50% in the case of the German Lotto. They may even be temporarily greater than the stakes received by MyLotto24 Limited – as was the case in Septem-

ber 2009 – and thus have a negative effect on the earnings, financial position and net assets of MyLotto24 Limited, which through consolidation would also represent a burden for Tipp24 as a whole.

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

MyLotto24 Limited has partially limited its bookmaking risk by conducting hedging transactions. The major winnings of EUR 31.7 million which MyLotto24 Limited experienced in September 2009 were also covered in the amount of EUR 21.7 million by such hedging transactions. The company providing the cover has since completely rejected the claims from these transactions, so that MyLotto24 Limited must now enforce them in court. It cannot be fully excluded that the relevant courts fail to recognize the claims, in part or as a whole, or that in the case of an out-of-court settlement such claims are only met in part. This may lead to the partial or whole cancellation of the contingent receivable stated in the Notes to the annual report 2009. As this contingent receivable is not carried in the balance sheet, there would be no resulting effect on the earnings, financial position and net assets of MyLotto24 Limited and thus none on Tipp24 through the consolidation process.

#### *Financing and currency risks*

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

#### *Risks in the execution of large development projects*

The operating companies in the Abroad segment of Tipp24 are currently investing in the international standardisation and improvement of their gaming software as part of a very large development project involving several external partners and binding considerable internal resources. As a result of its complexity and sudden significant changes in requirements, there is a risk that this major project will not be completed in the expected scope, the expected quality and within the expected investment budget.

This may lead to an adjustment of the carrying value of capitalised development costs, which in turn would have a significant adverse effect on the earnings, financial position and net assets of Tipp24.

#### *Risks from payment transactions*

National or international payment transaction restrictions may be introduced in connection with the further regulation of gaming markets. Moreover, the number of available payment service providers for the gaming market is restricted. As a consequence, there is a risk that such providers may leave this market segment and no suitable replacement may be available for Tipp24, even at a higher cost. Whereas cost increases for payment transactions would have a negative effect on the profitability of individual or even all Tipp24 companies, payment transaction restrictions or a lack of available payment service providers might have a significant adverse effect on the business activities of Tipp24.

#### *Risks from financial investments*

Tipp24 has cash and cash equivalents in Germany and abroad totalling EUR 35,074 thousand, which are deposited in accounts held with various major European banks. The overwhelming majority of these investments is completely protected by national deposit guarantee funds. Should the global financial crisis deepen further and should – against all expectations – neither the national bank support systems nor the support packages provided by the leading industrialised states fail to avert the collapse of individual banks, this may result in the breakdown of various or possibly all credit institutes as well as all national support systems. Such a scenario may lead to the partial or complete loss of our cash deposits. Short-term financial assets of EUR 42,502 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 further reduction in interest rates may mean that no income can be generated from cash deposits and financial assets.

#### *Risks from economic development*

The gaming behaviour of customers in those countries in which Tipp24 operates has so far been largely unaffected by the macro-economic 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 the earnings, financial position and net assets of Tipp24.

## FORECAST REPORT

### ALIGNMENT OF TIPP24

In general, Tipp24 SE plans to clarify the legal and political conditions for its business model in Germany by utilising all available appeal possibilities and continuing its political lobbying. In addition, we intend to expand the activities of Tipp24 Entertainment GmbH in the field of skill-based games. According to the executive boards of our minority shareholdings, the growth strategy in Europe is also to be continued.

### EXPECTED EARNINGS POSITION

MyLotto24 Limited, a fully consolidated minority shareholding of Tipp24 SE, recorded jackpot winnings of EUR 11.7 million from a secondary lottery which it held on 15 May 2010.

Including the aforementioned jackpot, the amount paid out for secondary lottery winnings was EUR 17.9 million above the statistical average as of 30 June 2010. This led to a negative revenue effect of the same amount and a negative EBIT effect of EUR 16.6 million. In addition, the known negative impact on revenues resulting from customer interest in the FIFA World Cup was stronger than expected, due in part to the long spell of good weather in Europe. Finally, MyLotto24 Limited recorded further jackpot winnings of EUR 3.5 million from a secondary lottery which it held on 3 July 2010.

Against this backdrop, we believe it is unlikely that we will achieve our original forecast – even if business is very favourable in the coming months, e.g. as a result of high revenues caused by large jackpots and very favourable statistical fluctuations in winnings payments. Should business progress as normal in the remaining months of fiscal year 2010 – i.e. no very large jackpots and winnings payments around the statistical average – Tipp24 SE will reduce its current consolidated EBIT forecast for the current fiscal year 2010 from at least EUR 40 million to at least EUR 20 million. The original revenue forecast of at least EUR 100 million will be adapted to at least EUR 90 million.

### SIGNIFICANT OPPORTUNITIES

In the above-mentioned discussions of the legal framework, we believe it is unlikely that Germany's legislators will act against valid law and political common sense by restricting the growing market of online lottery brokerage. Recently announced verdicts of Germany's anti-trust authorities and subsequent court instances for EU anti-trust legislation, various temporary verdicts at German administrative and civil courts and the first principal proceedings of the Administrative Court of Berlin regarding lottery brokerage with reference to EU law – as well as supplementary regulations and official pronouncements on a European level – may additionally result in steps towards deregulation in the medium term with a direct or indirect impact on lotteries. With its international alignment, Tipp24 may benefit more than average from such a development: above all, it would allow Tipp24 SE to resume operations on the German market, it would enable further internationalisation and thus significantly increase access to our product portfolio and enable Tipp24 to enter new markets with its existing products.

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

	Q.II 2010	Q.II 2009	Q.I–II 2010	Q.I–II 2009
in EUR				
<b>Revenue</b> <sup>1)</sup>	<b>15,645,723.93</b>	<b>24,666,348.70</b>	<b>40,636,316.52</b>	<b>54,021,225.72</b>
Other operating income	1,114,929.81	154,922.58	2,351,947.42	425,480.41
<b>Total operating performance</b>	<b>16,760,653.74</b>	<b>24,821,271.28</b>	<b>42,988,263.94</b>	<b>54,446,706.13</b>
<b>Operating expenses</b>				
Personnel expenses	-2,709,740.19	-3,083,820.58	-5,112,745.18	-7,450,163.42
Amortization/depreciation on intangible assets and property, plant and equipment	-771,364.24	-787,194.15	-1,476,143.96	-1,390,560.17
Other operating expenses	-14,802,066.16	-12,837,297.33	-29,859,295.41	-22,858,247.46
Total of marketing expenses	-2,880,187.17	-2,082,676.70	-5,257,020.20	-2,951,297.67
Total of direct costs of operations <sup>1)</sup>	-6,119,246.63	-5,366,773.82	-13,965,830.50	-11,080,373.10
Total of other costs of operations	-5,802,632.36	-5,387,846.81	-10,636,444.71	-8,826,576.69
<b>Result from operating activities</b>	<b>-1,522,516.85</b>	<b>8,112,959.22</b>	<b>6,540,079.39</b>	<b>22,747,735.08</b>
Revenue from financial activities	135,256.55	442,429.49	290,136.03	1,820,844.18
Expenses from financial activities	-34,357.85	20,409.95	-52,937.60	-28,203.65
<b>Financial result</b>	<b>100,898.70</b>	<b>462,839.44</b>	<b>237,198.43</b>	<b>1,792,640.53</b>
<b>Result from ordinary activities</b>	<b>-1,421,618.15</b>	<b>8,575,798.66</b>	<b>6,777,277.82</b>	<b>24,540,375.61</b>
Income taxes	-203,373.83	-3,130,421.95	-3,078,224.24	-7,225,883.47
<b>Consolidated net profit</b>	<b>-1,624,991.98</b>	<b>5,445,376.71</b>	<b>3,699,053.58</b>	<b>17,314,492.14</b>
Earnings per share (diluted and undiluted, in Euro/share)	-0.21	0.70	0.49	2.21
Weighted $\emptyset$ of ordinary shares outstanding (diluted and undiluted, in shares)	7,623,908	7,777,357	7,623,908	7,840,468

<sup>1)</sup> The prior-year figures have been adjusted for the changed disclosure in licence and operator fees (EUR 7,465 thousand).



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

	Q.II 2010	Q.II 2009
in EUR		
<b>Net profit for the period</b>	<b>3,699,053.58</b>	<b>17,314,492.14</b>
<b>Other result</b>		
Unrealised gains/losses from revaluation of financial assets available for sale	26,540.00	-206,516.15
Foreign currency translation	0.00	54,222.02
<b>Other result after tax</b>	<b>26,540.00</b>	<b>-152,294.13</b>
<b>Total net profit after tax</b>	<b>3,725,593.58</b>	<b>17,162,198.01</b>

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

	30 Jun. 2010	31 Dec. 2009
<b>ASSETS</b> in EUR		
<b>Current assets</b>		
Cash and cash equivalents	34,823,902.97	69,110,738.74
Pledged cash	250,567.50	250,567.50
Short-term financial assets	42,501,567.59	11,795,863.96
Trade receivables	26,422.19	9,918.52
Income tax refund claims	1,571,440.40	1,173,834.33
Other assets and prepaid expenses	8,224,142.72	7,486,472.61
<b>Total current assets</b>	<b>87,398,043.37</b>	<b>89,827,395.66</b>
<b>Non-current assets</b>		
Intangible assets	18,631,967.99	14,227,920.03
Property, plant and equipment	1,657,066.33	1,942,198.82
Financial assets	1,650,000.00	1,650,000.00
Deferred tax assets	1,205,679.91	475,338.36
<b>Total non-current assets</b>	<b>23,144,714.23</b>	<b>18,295,457.21</b>
	<b>110,542,757.60</b>	<b>108,122,852.87</b>

	30 Jun. 2010	31 Dec. 2009
<b>LIABILITIES</b> in EUR		
<b>Current liabilities</b>		
Other liabilities	29,216,562.94	29,823,219.70
Trade payables	5,778,327.18	5,256,097.62
Financial liabilities	104,037.90	104,037.90
Deferred income	2,876,946.42	3,968,513.54
Income tax liabilities	1,626,386.48	1,732,919.61
Provisions (short-term)	1,975,381.90	2,086,595.02
<b>Total current liabilities</b>	<b>41,577,642.82</b>	<b>42,971,383.39</b>
<b>Non-current liabilities</b>		
Provisions (long-term)	92,500.00	147,500.00
Deferred tax liabilities	747,916.84	604,865.12
<b>Total non-current liabilities</b>	<b>840,416.84</b>	<b>752,365.12</b>
<b>Equity</b>		
Subscribed capital	7,985,088.00	7,985,088.00
Capital reserves	39,342,251.01	39,342,251.01
Other reserves	-119,745.77	-146,285.77
Retained earnings	24,803,027.74	21,103,974.16
Own shares	-3,885,923.04	-3,885,923.04
<b>Total equity</b>	<b>68,124,697.94</b>	<b>64,399,104.36</b>
	<b>110,542,757.60</b>	<b>108,122,852.87</b>

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

	Q.I–II 2010	Q.I–II 2009
in EUR		
<b>Profit before tax</b>	<b>6,777,277.82</b>	<b>24,540,375.61</b>
Adjustments for:		
Amortization/depreciation on non-current assets	1,476,143.96	1,390,560.18
Result from the disposal of current assets	-430.87	-58,359.41
Revenues from financial activities	-290,136.03	-1,820,844.18
Expenses from financial activities	52,937.60	28,203.65
Changes in:		
Trade receivables	-16,503.67	-411,649.13
Other assets and prepaid expenses	-737,670.11	4,067,110.76
Trade payables	522,229.56	1,168,755.60
Other liabilities	-606,656.76	-3,864,990.10
Provisions (short-term)	-111,213.12	-22,658.32
Deferred income	-1,091,567.12	3,956,777.04
Earned surplus and other non-cash changes	0.00	-26,950.00
Provisions (long-term)	-55,000.00	0.00
Interest received	290,092.65	1,763,061.40
Interest paid	-52,937.60	-28,203.65
Taxes paid	-4,169,653.27	-1,258,674.83
<b>Cash flow from operating activities</b>	<b>1,986,913.04</b>	<b>29,422,514.62</b>
Financial investments (short-term)	-47,667,797.27	0.00
Proceeds from Financial investments (short-term) <sup>1)</sup>	16,988,677.02	25,738,353.36
Investments in intangible assets	-5,385,271.05	-2,611,193.46
Proceeds from intangible assets	96,000.00	0.00
Investments in property, plant and equipment	-316,551.71	-130,376.87
Proceeds from property, plant and equipment	11,194.20	0.00
<b>Cash flow from investing activities</b>	<b>-36,273,748.81</b>	<b>22,996,783.03</b>
Purchase of own shares	0.00	-3,999,979.44
Dividends paid to shareholders of the parent company	0.00	-3,836,923.50
<b>Cash flow from financing activities</b>	<b>0.00</b>	<b>-7,836,902.94</b>

<sup>1)</sup> Income/expenses from financial assets with a cash effect are considered directly in cash flow from investing activities. The prior-year disclosure has been adjusted accordingly.

	Q.I–II 2010	Q.I–II 2009
in EUR		
Change in cash, cash equivalents and securities	-34,286,835.77	44,582,394.71
Cash, cash equivalents and securities at the beginning of the period	69,110,738.74	20,711,388.10
Change of cash from exchange rate differences	0.00	54,222.02
Change in pledged cash and cash equivalents	0.00	399,432.50
<b>Cash, cash equivalents and securities at the end of the period</b>	<b>34,823,902.97</b>	<b>65,747,437.33</b>
<b>Composition of cash, cash equivalents and securities at the end of the period</b>		
Cash on hand, bank balances and checks	34,823,902.97	69,110,738.74
Cash equivalents	0.00	10,133.24
	<b>34,823,902.97</b>	<b>65,747,437.33</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR	Share Capital	Capital Reserves	Other Reserves	Retained Earnings	Own Shares	Total Equity
<b>As at 1 January 2009</b>	<b>8,872,319.00</b>	<b>41,143,321.36</b>	<b>135,719.37</b>	<b>19,499,242.01</b>	<b>-14,728,747.96</b>	<b>54,921,853.78</b>
Capital reduction	-887,231.00	0.00	0.00	0.00	0.00	-887,231.00
Reduction of retained earnings due to collection of own shares	0.00	0.00	0.00	-12,572,917.95	0.00	-12,572,917.95
Withdrawal from capital reserves	0.00	-1,268,599.01	0.00	0.00	0.00	-1,268,599.01
Own shares	0.00	0.00	0.00	0.00	10,728,768.52	10,728,768.52
Share-based payments	0.00	0.00	-26,950.00	0.00	0.00	-26,950.00
Dividend payments	0.00	0.00	0.00	-3,836,923.50	0.00	-3,836,923.50
<i>Unrealised gains/losses</i>	<i>0.00</i>	<i>0.00</i>	<i>-206,516.15</i>	<i>0.00</i>	<i>0.00</i>	<i>-206,516.15</i>
<i>Foreign currency translation</i>	<i>0.00</i>	<i>0.00</i>	<i>54,222.02</i>	<i>0.00</i>	<i>0.00</i>	<i>54,222.02</i>
Other results	0.00	0.00	-152,294.13	0.00	0.00	-152,294.13
Net profit 2009	0.00	0.00	0.00	17,314,492.14	0.00	17,314,492.14
<b>Total net profit</b>	<b>0.00</b>	<b>0.00</b>	<b>-152,294.13</b>	<b>17,314,492.14</b>	<b>0.00</b>	<b>17,162,198.01</b>
<b>As at 30 June 2009</b>	<b>7,985,088.00</b>	<b>39,874,722.35</b>	<b>-43,524.76</b>	<b>20,403,892.70</b>	<b>-3,999,979.44</b>	<b>64,220,198.85</b>
Capital reduction	0.00	887,231.00	0.00	0.00	0.00	887,231.00
Reduction of retained earnings due to collection of own shares	0.00	-1,268,599.01	0.00	-887,231.00	14,728,747.96	12,572,917.95
Withdrawal from capital reserves	42,120,000.00	-40,851,400.99	0.00	0.00	0.00	1,268,599.01
Contribution to capital reserves	-42,120,000.00	42,120,000.00	0.00	0.00	0.00	0.00
Own shares	0.00	0.00	0.00	0.00	-14,614,691.56	-14,614,691.56
Adjustment of balance sheet loss	0.00	-1,419,702.34	0.00	1,419,702.34	0.00	0.00
Share-based payments	0.00	0.00	-9,089.00	0.00	0.00	-9,089.00
<i>Unrealised gains/losses</i>	<i>0.00</i>	<i>0.00</i>	<i>-39,449.99</i>	<i>0.00</i>	<i>0.00</i>	<i>-39,449.99</i>
<i>Foreign currency translation</i>	<i>0.00</i>	<i>0.00</i>	<i>-54,222.02</i>	<i>0.00</i>	<i>0.00</i>	<i>-54,222.02</i>
Other results	0.00	0.00	-93,672.01	0.00	0.00	-93,672.01
Net profit 2009	0.00	0.00	0.00	167,610.12	0.00	167,610.12
<b>Total net profit</b>	<b>0.00</b>	<b>0.00</b>	<b>-93,672.01</b>	<b>167,610.12</b>	<b>0.00</b>	<b>73,938.11</b>
<b>As at 31 December 2009</b>	<b>7,985,088.00</b>	<b>39,342,251.01</b>	<b>-146,285.77</b>	<b>21,103,974.16</b>	<b>-3,885,923.04</b>	<b>64,399,104.36</b>

in EUR	Share Capital	Capital Reserves	Other Reserves	Retained Earnings	Own Shares	Total Equity
<b>As at 1 January 2010</b>	<b>7,985,088.00</b>	<b>39,342,251.01</b>	<b>-146,285.77</b>	<b>21,103,974.16</b>	<b>-3,885,923.04</b>	<b>64,399,104.36</b>
Capital reduction	0.00	0.00	0.00	0.00	0.00	0.00
Reduction of retained earnings due to collection of own shares	0.00	0.00	0.00	0.00	0.00	0.00
Withdrawal from capital reserves	0.00	0.00	0.00	0.00	0.00	0.00
Contribution to capital reserves	0.00	0.00	0.00	0.00	0.00	0.00
Own shares	0.00	0.00	0.00	0.00	0.00	0.00
Adjustment of balance sheet loss	0.00	0.00	0.00	0.00	0.00	0.00
Share-based payments	0.00	0.00	0.00	0.00	0.00	0.00
Dividend payments	0.00	0.00	0.00	0.00	0.00	0.00
<i>Unrealised gains/losses</i>	<i>0.00</i>	<i>0.00</i>	<i>26,540.00</i>	<i>0.00</i>	<i>0.00</i>	<i>26,540.00</i>
<i>Foreign currency translation</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
Other results	0.00	0.00	26,540.00	0.00	0.00	26,540.00
Net profit 2010	0.00	0.00	0.00	3,699,053.58	0.00	3,699,053.58
<b>Total net profit</b>	<b>0.00</b>	<b>0.00</b>	<b>26,540.00</b>	<b>3,699,053.58</b>	<b>0.00</b>	<b>3,725,593.58</b>
<b>As at 30 June 2010</b>	<b>7,985,088.00</b>	<b>39,342,251.01</b>	<b>-119,745.77</b>	<b>24,803,027.74</b>	<b>-3,885,923.04</b>	<b>68,124,697.94</b>

## SEGMENT REPORTING

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

Tipp24 distinguishes between the two geographical segments »Germany« and »Abroad«. The »Abroad« segment comprises the Group's activities in Spain, Italy and the UK.

In the context of segment reporting for the geographical segments, segment revenue relates to the geographical location of the operating units which generate that revenue. This more or less equates to the geographical location of the respective customers.

Transfer prices between segments are calculated at standard conditions on an arm's length basis.

Q.II in EUR thsd.	Germany		Abroad		Consolidation		Consolidated	
	1 Apr.–30 Jun.		1 Apr.–30 Jun.		1 Apr.–30 Jun.		1 Apr.–30 Jun.	
	2010	2009	2010	2009	2010	2009	2010	2009
<b>Revenue</b> <sup>1)</sup>	<b>720</b>	<b>715</b>	<b>15,488</b>	<b>24,214</b>	<b>-562</b>	<b>-263</b>	<b>15,646</b>	<b>24,666</b>
Depreciation/amortization	274	402	497	385	0	0	771	787
<b>EBIT</b>	<b>-2,175</b>	<b>-3,676</b>	<b>644</b>	<b>11,842</b>	<b>8</b>	<b>-52</b>	<b>-1,523</b>	<b>8,113</b>
Financial result	2	263	99	200	0	0	101	463
Income taxes	417	794	-618	-3,925	-3	0	-203	-3,130
<b>Consolidated net profit</b>	<b>-1,755</b>	<b>-2,619</b>	<b>125</b>	<b>8,117</b>	<b>6</b>	<b>-52</b>	<b>-1,625</b>	<b>5,445</b>
<b>Assets</b>	<b>38,575</b>	<b>38,700</b>	<b>61,978</b>	<b>83,681</b>	<b>-35,289</b>	<b>-34,584</b>	<b>65,264</b>	<b>87,796</b>

Q.I–II in EUR thsd.	Germany		Abroad		Consolidation		Consolidated	
	1 Jan.–30 Jun.		1 Jan.–30 Jun.		1 Jan.–30 Jun.		1 Jan.–30 Jun.	
	2010	2009	2010	2009	2010	2009	2010	2009
<b>Revenue</b> <sup>1)</sup>	<b>1,555</b>	<b>1,440</b>	<b>40,299</b>	<b>53,236</b>	<b>-1,218</b>	<b>-655</b>	<b>40,636</b>	<b>54,021</b>
Depreciation/amortization	518	676	958	947	0	-232	1,476	1,391
<b>EBIT</b>	<b>-4,030</b>	<b>-6,753</b>	<b>10,039</b>	<b>29,754</b>	<b>530</b>	<b>-252</b>	<b>6,540</b>	<b>22,748</b>
Financial result	59	1,581	178	212	0	0	237	1,793
Income taxes	690	1,222	-3,597	-8,448	-171	0	-3,078	-7,226
<b>Consolidated net profit</b>	<b>-3,281</b>	<b>-3,950</b>	<b>6,620</b>	<b>21,517</b>	<b>359</b>	<b>-252</b>	<b>3,699</b>	<b>17,314</b>
<b>Assets</b>	<b>38,575</b>	<b>38,700</b>	<b>61,978</b>	<b>83,681</b>	<b>-35,289</b>	<b>-34,584</b>	<b>65,264</b>	<b>87,796</b>

<sup>1)</sup> The prior-year figures have been adjusted for the changed disclosure in licence and operator fees.

(Rounding differences due to presentation in EUR thousand)



## SELECTED EXPLANATORY NOTES

### GENERAL

The condensed consolidated interim report for the first half of fiscal year 2010 was approved for publication by a resolution of the Executive Board on 5 August 2010.

The condensed consolidated interim report for the first half of fiscal year 2010 was prepared in accordance with IAS 34 (Interim Financial Reporting).

The condensed consolidated interim report does not include all information and disclosures required by the consolidated annual financial statements and is therefore to be read in conjunction with the consolidated annual financial statements as of 31 December 2009.

The reporting period is from 1 January to 30 June 2010.

The same accounting policies and calculation methods were used for this quarterly report as for the consolidated financial statements as at 31 December 2009.

The consolidated group is unchanged from 31 December 2009.

Puntogioco24 S.r.l. has been in liquidation since 31 December 2009.

### SHARE-BASED REMUNERATION

The stock option plan of Tipp24 SE is a share-based remuneration system with compensation via equity instruments, so that the fair value is calculated at the time of granting. As of fiscal year 2007, the Company

values the stock option plan 2005 of Tipp24 SE using financial valuation methods according to the Black-Scholes-Merton formula.

### OBJECTIVES AND METHODS OF FINANCIAL MANAGEMENT

Tipp24 operates a decentralised capital management system. All key decisions concerning the financial structure of the German segment are taken by the Executive Board of Tipp24 SE. MyLotto24 Limited is responsible for capital management of the Abroad segment, with the exception of Tipp24 Services Limited which undertakes its own capital management. The principles and objectives of financial management, as well as the risks which Tipp24 is exposed to, are presented in our current risk report.

#### Interest rate risk

There is an interest rate risk in respect of liquid funds and short-term financial assets (together EUR 77.3 million). If short-term interest rates change by 50 base points, this would result in a change in interest income of EUR 387 thousand p.a.. Irrespective of this fact, the current financial crisis has led to an increased default risk with respect to both interest agreed for financial assets as well as the invested sums themselves and bank deposits.

#### Currency risk

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

In order to determine the currency risk, a fluctuation of the Euro to British Pound exchange rate of 10% was assumed as of 30 June 2010. On the basis of this assumption, a revaluation of the Euro against the British Pound of 10% to 0.8992 EUR/GBP would result in an effect of EUR 78 thousand on earnings. A devaluation of the Euro against the British Pound of 10% to 0.7357 EUR/GBP would result in an effect of EUR -78 thousand on earnings.

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

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## SUBSEQUENT EVENTS

MyLotto24 Limited, a fully consolidated minority shareholding of Tipp24 SE, recorded jackpot winnings of EUR 3.5 million from a secondary lottery which it held on 3 July 2010.

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## RELATED PARTIES

The members of Tipp24 SE's Executive Board and Supervisory Board, are regarded as related parties in accordance with IAS 24. The transactions and legal relationships with Schumann e. K. are described in detail in our Annual Report 2009 and also continued in the period under review. Günther Holding owns a significant shareholding in Tipp24 SE (28.28%) and is thus regarded as a related party. The operating business of Schumann e. K. was outsourced to Günther Direkt Services

GmbH, an affiliated company of Günther Holding. In return, Günther Direkt Services GmbH received EUR 49 thousand in the period under review.

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

Hamburg, 5 August 2010

**Dr. Hans Cornehl**  
Executive Board

## RESPONSIBILITY STATEMENT

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

and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remaining fiscal year 2010.

Hamburg, 5 August 2010



**Dr. Hans Cornehl**  
Executive Board

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## FINANCIAL CALENDAR

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5 NOVEMBER 2010 ..... NINE-MONTH REPORT 2010

22 NOVEMBER 2010 ..... ANALYST CONFERENCE (FRANKFURT)

### **PUBLISHED BY:**

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