

Tipp24de

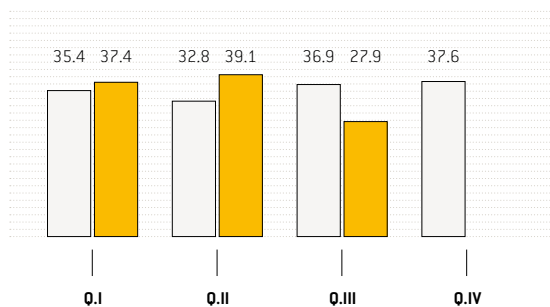
Q.I–III 2013

QUARTERLY FINANCIAL REPORT

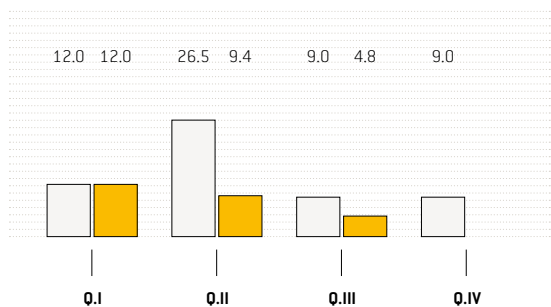
1 JANUARY–30 SEPTEMBER 2013



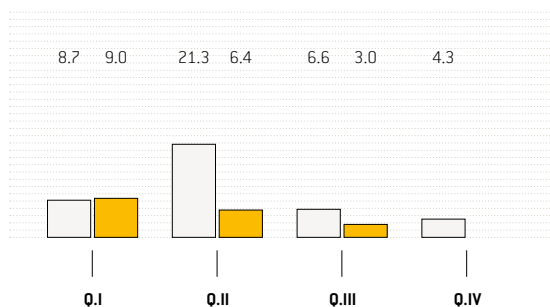
REVENUES in EUR million



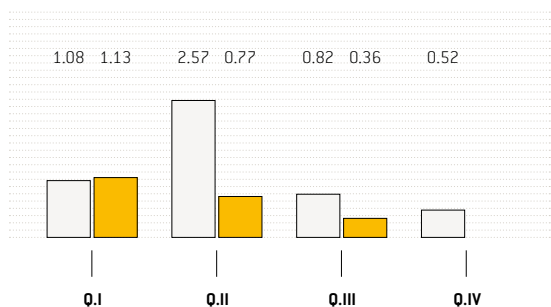
EBIT in EUR million



NET PROFIT¹⁾ in EUR million



EARNINGS PER SHARE¹⁾ in EUR



□ 2012
 ■ 2013

¹⁾ from continued operations

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(Rounding differences possible due to presentation in EUR thousand)

LADIES AND GENTLEMEN,

Although Tipp24 SE continued its successful development in the third quarter of 2013, earnings were held back by special items: whereas revenue of EUR 104,371 thousand in the first nine months of 2013 fell just short of the prior-year figure (-0.7%) – despite a winnings payout of MyLotto24 Ltd in August of EUR 6.8 million with a full impact on revenue – consolidated EBIT fell by 44.8% to EUR 26,191 thousand. The winnings payout reduced consolidated EBIT by around EUR 5.7 million. Adjusted for statistic deviation from the expected level of payouts, as well as the special item from the spin-off of Lotto24 AG of EUR 18.2 million in 2012, EBIT amounted to EUR 24,292 thousand (prior year: EUR 25,412 thousand).

We continued to drive activities in connection with the strategic realignment of Tipp24 SE in the third quarter: the relocation of our company's registered office to the UK is progressing according to plan and is now expected to be completed by January 2014, due to technical reasons.

After already acquiring a stake in the UK-based Geonomics Global Games Limited in December 2012, we founded a joint venture with Geonomics on 1 October 2013 to market their online lottery based on a virtual map (»GeoLotto«) to end-users in the UK. Tipp24 holds a 50% stake in GeoLotto Limited, based in London. GeoLotto Limited is carried at equity in the balance sheet as a joint venture according to IFRS 10 and disclosed accordingly in the financial result. The product design and marketing of the offering are currently being optimized – we expect a contribution to revenues as of 2014.

We are delighted to observe that the capital market is honouring our strategy – the Tipp24 share reached an all-time high of EUR 51.58 on 20 August 2013.

After consideration of price increases, Tipp24 SE still expects to achieve revenues of EUR 130 to 140 million and EBIT of EUR 20 to 30 million in its fiscal year 2013. This forecast takes account of costs for necessary adjustments to hedging structures in the company's secondary lottery business and additional, mostly non-recurring, costs for the preparation of new business fields totalling EUR 11 million. Moreover, Tipp24 expects to pay a non-recurring fee levied by the UK tax authorities (Stamp Duty Reserve Tax) in connection with the transfer of Tipp24 shares. It is expected to be around EUR 4 million and will be recognized in the fourth quarter as an other operating expense. The stated ranges for revenues and EBIT also take account of statistical fluctuations in payouts for the secondary lottery business.



Dr. Hans Cornehl
CEO



Andreas Keil
CFO



Dr. Helmut Becker
CMO

KEY CONSOLIDATED FIGURES OF TIPP24 SE ACC. TO IFRS

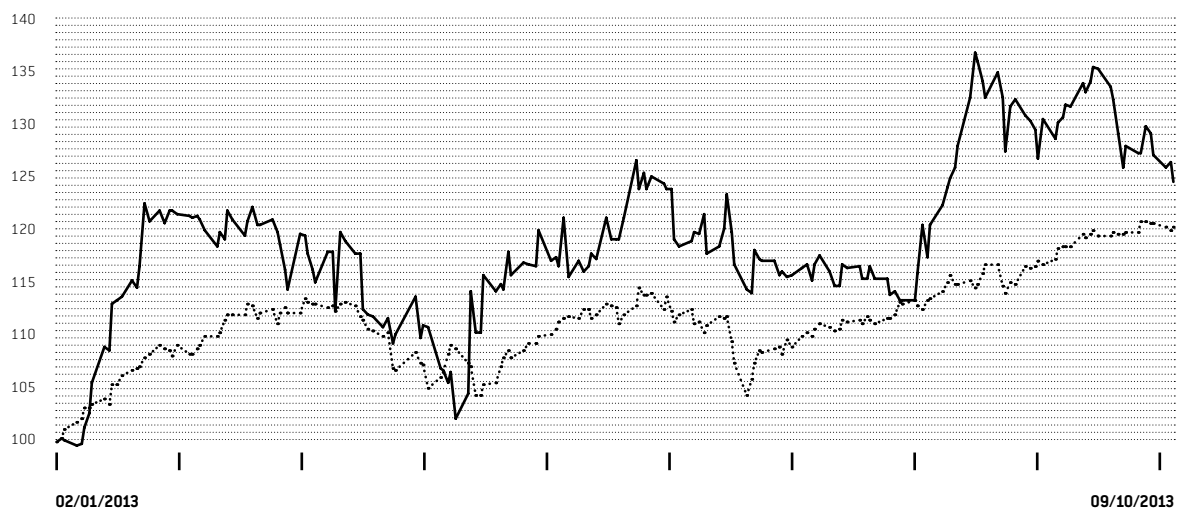
		Q.I–III 2013	Q.I–III 2012	Change %
Revenues	EUR thsd.	104,371	105,091	-0.7%
EBIT	EUR thsd.	26,191	47,477	-44.8%
EBIT margin	%	25.1	45.2	-20.1 %-points
Net profit ¹⁾	EUR thsd.	18,394	35,689	-48.5%
Net profit margin ¹⁾	%	17.6	34.0	-16.4 %-points
Cash flow from operating activities	EUR thsd.	17,805	14,192	+25.5%
Equity (30/09/2013 / 31/12/2012)	EUR thsd.	183,607	150,375	+22.1%
Employees (30/09)	headcounts	126	109	+15.6%

(Rounding differences possible due to presentation in EUR thousand)

¹⁾ from continued operations

TIPP24 SHARE

(Index 02/01/2013 = 100)



37.76 EUR

5,338.05

— Tipp24 47.00 EUR

... SDAX 6,422.29

Although the underlying problems of the Euro zone remain unresolved, there are signs of growing stability: after one-and-a-half years of recession, the economy grew once again by 0.3% in the second quarter of 2013.

In general, risk-based investment classes, such as shares, outperformed government bonds in the third quarter. Positive economic data from the USA led investors to expect a change in the country's extremely relaxed monetary policy during the current year. In July, however, ECB President Mario Draghi confirmed that base rates in the Euro zone would remain at their current record low of 0.5% – or even lower – for a longer period.

As of 30 September, most of the established stock markets were well up on their respective closing rates at the end of the second quarter. European stock markets in particular made strong progress, due mainly to surprisingly good fundamentals and the continuation of the USA's expansionary monetary policy.

Against this backdrop, the mid-cap SDAX index rose by 10.3% over the third quarter to close at 6,392.90 points, while the Tipp24 share grew by 8.5% to EUR 48.00. The share reached its all-time-high of EUR 51.58 on 20 August 2013.

KEY SHARE FIGURES

Day of initial listing		12/10/2005
Year-opening price	02/01/2013	EUR 37.76
Market capitalization	02/01/2013	EUR 301 million
Period end-price	30/09/2013	EUR 48.00
Market capitalization	30/09/2013	EUR 402 million
Highest price	20/08/2013	EUR 51.58
Lowest price	07/01/2013	EUR 37.65
Number of shares	30/09/2013	8,385 thsd.
Own shares	30/09/2013	0 shares
Average daily trading	01/01–30/09/2013	EUR 689 thsd.
Earnings per share	01/01–30/09/2013	EUR 2.24

SHAREHOLDER SERVICE

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

INTERIM GROUP MANAGEMENT REPORT

BASIC PRINCIPLES OF THE GROUP

BUSINESS MODEL

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

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

As part of its international expansion strategy, Tipp24 acquired a stake in the UK company Geonomics Global Games Limited (formerly Roboreus Limited) in December 2012. Geonomics is the provider of an online lottery based on a virtual map (GeoLotto) and holds its own licence in the UK to organise and market the game. In this connection, a joint venture between Geonomics and Tipp24 was founded on 1 October 2013 to market GeoLotto as an independent B2C business via the Internet to end-users in the UK. Moreover, the product will also be offered via Geonomics to lottery companies as a B2B product.

RESEARCH & DEVELOPMENT

R&D expenses were incurred solely in the Abroad segment and amounted to EUR 423 thousand (prior year: EUR 725 thousand) in the reporting period: in cooperation with external companies, the gaming software in operation was further expanded and improved. In addition, the companies of the Abroad segment in the various countries made a number of improvements to products, capacities and security systems – with the aid of external R&D know-how for certain projects. In the reporting period, an average of 14 employees were involved with R&D activities on a full-time or part-time basis.

ECONOMIC REPORT

REGULATORY CONDITIONS

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 SE discontinued its lottery brokerage activities in Germany. Its alignment was therefore adapted to the requirements of the regulatory environment – although Tipp24 continues to fight in the courts for the resumption of its business in Germany. In the course of this development, Tipp24 SE transferred assets that it no longer required on 1 January 2009 to MyLotto24 Limited and its subsidiaries, which had been active in the UK since 2007. This concerned both the brokerage of state-run German lottery products, as well as the subsidiaries Ventura24 S.L. in Spain and Giochi24 S.r.l. in Italy. In addition, Tipp24 SE transferred control over its UK subsidiaries in accordance with company law in the second quarter of 2009 to reflect the autonomy and individual responsibility of the foreign companies in their respective business fields. Specifically, 60% of the voting shares in both MyLotto24 Limited and Tipp24Services Limited were sold to a Swiss foundation set up by Tipp24 SE in the form of preference shares stripped of their main economic rights. These shares have a guaranteed limited right to dividends of up to a total of GBP 30 thousand p.a. The full consolidation of this affiliated company and its respective subsidiaries in the consolidated financial statements is based on an economic view of their situation, whereby the significant opportunities and risks are still borne by Tipp24 SE.

RELOCATION OF TIPP24 SE

Tipp24 SE has initiated the implementation of its relocation to the UK, as adopted by its shareholders at the Annual General Meeting on 28 June 2013. This step is a logical consequence of Tipp24 SE's strategic realignment: in future, it aims to focus on its international business activities – especially in Europe and North America – and to further develop these activities from its base in the United Kingdom. The next formal steps for the relocation have been initiated and the process is expected to be completed by January 2014.

Tipp24 SE intends to keep its legal form as an SE after the relocation and will also maintain its listing in the Prime Standard segment of the Frankfurt Stock Exchange. The Executive Board and Supervisory Board will continue to exercise their functions, whereby the Executive Board will work in the UK in future. The current holding company functions in Germany are to be gradually relocated to the UK over a longer period and in a socially compatible manner.

In the Relocation Report of Tipp24 SE (published on 21 May 2013), it was reported that the German registered shares of Tipp24 SE (»Namensaktien«) would be converted to Registered Shares under the laws of England and Wales due to legal implications following the relocation of the company's registered office to England. In order to maintain a collective safe deposit of the Registered Shares, the legal ownership of these Registered Shares must be transferred to Clearstream as the central depository in exchange for Clearstream Interests (CIs). Shareholders will receive a corresponding number of CIs in exchange for transferring their legal ownership of the Registered Shares to Clearstream. A so-called Stamp Duty Reserve Tax is charged once only for the transfer of legal ownership of the Registered Shares to Clearstream once the relocation has become effective. The tax rate is 1.5% on the value of the Registered Shares. The value of the Registered Shares is generally measured using the average

closing market price of the (at this time) registered shares under German law on the Frankfurt Stock Exchange on the last trading day prior to the effective relocation of the company's registered office. On the basis of the average closing market price on the Frankfurt Stock Exchange on 30 September 2013, the transfer of legal ownership of all Registered Shares to Clearstream following the effective relocation would therefore result in expenses of around EUR 6.0 million. This amount may change depending on the further development of the share price. The company is currently investigating a partial transfer of legal ownership of the registered shares under German law to Clearstream prior to the effective relocation date in order to reduce the above mentioned expenses. On the basis of current estimates, Tipp24 SE expects a total cost from the Stamp Duty Reserve Tax of up to EUR 4 million, which would be expensed in the fourth quarter of 2013 and is already included in this amount in the earnings guidance for 2013.

SIGNIFICANT ECONOMIC AND LEGAL FACTORS AFFECTING BUSINESS

Despite the rulings of the European Court of Justice (ECJ) in 2010 and the introduction of a somewhat revised State Treaty on Games of Chance (GlüStV), the legal situation can still not be deemed resolved: on 1 July 2012, the First State Treaty to Revise the State Treaty on Games of Chance (GlüStV 2012) came into effect in Germany. It updates the former State Treaty on Games of Chance whose gaming monopoly and attendant legal regulations had been deemed in breach of EU law and inapplicable in the ECJ rulings of September 2010 (see also Annual Report 2012 of Tipp24 SE, p. 14).

Inconsistent implementation of EU law primacy in Germany

Following the ECJ verdicts of 2010, the German judiciary has slowly begun to recognize that the GlüStV of 2008 was largely in contravention of EU law and thus inapplicable. This mostly concerned the state's gaming monopoly, which did not strictly pursue its stated objectives. Courts also criticized the fact that Germany's lottery companies (DLTB) themselves had disregarded exactly those regulations which were meant to justify its monopolistic position. We believe that this jurisdiction on sports gambling can also be transferred to lotteries and the current situation. This view is shared by renowned law professors, but unfortunately there are no high court verdicts on this subject. In contrast to this, there have been some verdicts on the Internet ban and permit obligation, which have often – but not uniformly – been declared consistent and lawful.

The new GlüStV 2012 in force since mid 2012 has left key regulations regarding lotteries unchanged. We are therefore just as critical of its content: German authorities are now permitted to allow online sports betting and lotteries without exceptions – but are not obliged to do so. Verdicts passed so far concerning the Internet ban for sports betting give no insight into the legality of the new regulation. Recent court decisions assume that online sports betting, also without a permit, are no longer to be treated as forbidden per se as long as no sports betting concessions have been granted according to the new law. All in all, the legal situation has not become any clearer.

In Schleswig-Holstein, there was a completely different and more liberal regulation in force during 2012: online casinos and online sports betting were permitted and online lotteries were even allowed without the need for a permit. This was put to an end in February 2013 and the GlüStV 2012 now also applies here. Many of the permits for online sports betting and online casinos issued in the meantime will remain valid in Schleswig-Holstein for seven years, though. This led the German Federal Supreme Court to initiate a first referral procedure with the ECJ regarding the new GlüStV 2012. The ECJ must decide whether these contradictory rulings and permits once again constitute a contravention of EU law and render also the new GlüStV 2012 inapplicable. This would be the consequence of current ECJ jurisdiction, but is being questioned by the German Federal Supreme Court.

The European Commission has also been carefully monitoring the new German regulations and has expressed further criticism. Prior to the introduction of the new GlüStV 2012, critical comments were already expressed in 2011. The EU Commission repeated and extended its objections in 2012, when Schleswig-Holstein also registered its intention to accede to the GlüStV 2012. The EU Commission's reservations not only concerned Schleswig-Holstein, however, but the new GlüStV 2012 as a whole.

Varying legal market situation abroad

The development of legal conditions on the markets of our Abroad segment also varies strongly: the regulatory environment in the UK is stable and reliable. The UK government is currently planning to save costs by merging the Gambling Commission and National Lottery Commission in 2013. The two authorities already share offices in Birmingham and are now to be merged with regard to content and organization. The government is also revising the national Gambling Act at present so that companies seeking to market gaming products in the UK will have to own a mainland licence eligible for tax. Neither the merger of the gaming bodies nor the revision of the Gaming Act have any measurable impact on the business of Tipp24 SE.

The legal situation in Spain remains unclear. Unequivocal regulations concerning the online brokerage of lotteries – especially product marketing – are not in sight at present. As of January 2013, winnings from games of chance in excess of EUR 2,500 are taxed at 20% in Spain.

In the USA, the Department of Justice ruled in late 2011 that online sales of lottery products were fundamentally allowed and did not constitute a contravention of the Federal Wire Act of 1961. The federal states have responsibility for lotteries. Since the Department of Justice ruling, several states have examined the possibility of introducing an online lottery – or have already launched one. Illinois was one of the first states to permit the online sale of lottery tickets in 2011. Shortly after, a private consortium won the state lottery's public bidding process for online marketing. Similar developments can be observed in other states, such as New Jersey and Pennsylvania. The state of Delaware closed its bid acceptance process for online marketing in July 2013. It is expected that further US states will follow over the coming months and years.

FINANCIAL POSITION AND PERFORMANCE

EARNINGS

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

- MyLotto24 Limited, a fully consolidated minority shareholding of Tipp24 SE, recorded a jackpot win of around EUR 6.8 million in a secondary lottery it held on 21 August 2013. Including this amount, total payouts for secondary lotteries were EUR 6.4 million (prior year: EUR 9.3 million) below the expected payout value in the first nine months of 2013 with a positive impact on revenues of the same amount. This benefited EBIT by an amount of EUR 1.9 million (prior year: EUR 4.0 million).
- In the first six months of 2012, the spin-off of Lotto24 AG resulted in a special item for Tipp24 which increased EBIT by EUR 18.2 million:
 - Hidden reserves of EUR 18.9 million were disclosed in other operating income. This amount resulted from providing Lotto24 AG with business opportunities connected with online lottery brokerage in Germany. This non-cash income corresponded 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 AG resulted in other operating income of EUR 1.5 million.

	Q.I–III 2013		Q.I–III 2012		Change %
	in EUR thsd.	%	in EUR thsd.	%	
Revenues	104,371	100.0	105,091	100.0	-0.7
Personnel expenses	-8,108	-7.8	-8,542	-8.1	-5.1
Other operating expenses	-68,900	-66.0	-68,806	-65.5	0.1
Other operating income	4,297	4.1	6,076	5.8	-29.3
Dividend income from shares in Lotto24 AG	0	0.0	18,850	17.9	-100.0
Operating expenses	-72,711	-69.7	-52,422	-49.9	38.7
EBITDA	31,661	30.3	52,669	50.1	-39.9
Amortization and depreciation	-5,469	-5.2	-5,192	-4.9	5.3
EBIT	26,191	25.1	47,477	45.2	-44.8
Financial result	-247	-0.2	106	0.1	-333.0
Earnings before taxes	25,944	24.9	47,583	45.3	-45.5
Income taxes	-7,550	-7.2	-11,895	-11.3	-36.5
Profit from continued operations	18,394	17.6	35,689	34.0	-48.5
Profit after tax from discontinued operations	-2	0.0	936	0.9	-100.2
Profit	18,392	17.6	36,625	34.9	-49.8
Breakdown of other operating expenses					
Marketing expenses	-4,189	-4.0	-4,411	-4.2	-5.0
Direct operating expenses	-39,478	-37.8	-38,125	-36.3	3.5
Other expenses of operations	-25,232	-24.2	-26,269	-25.0	-3.9
Other operating expenses	-68,900	-66.0	-68,806	-65.5	0.1

EBIT

In view of the special items described above, **consolidated EBIT** in the first nine months of 2013 amounted to EUR 26,191 thousand and thus fell short of the prior-year figure of EUR 47,477 thousand. The EBIT margin fell by 20.1 %-points, from 45.2% to 25.1%. Adjusted for statistic deviation from the expected level of payouts, as well as the special item from the spin-off of Lotto24 AG, EBIT amounted to EUR 24,292 (prior year: EUR 25,412 thousand) and the EBIT margin to 24.8% (prior year: 26.5%).

The Germany segment posted an EBIT result of EUR -5,910 thousand (prior year: EUR 9,780 thousand), while the Abroad segment achieved EBIT of EUR 34,024 thousand (prior year: EUR 37,345 thousand).

Due to the share in earnings of associated companies (Geonomics Global Games Limited), the **financial result** amounted to EUR -247 thousand (prior year: EUR 106 thousand). This includes a share in earnings of associated companies of EUR -478 thousand (prior year: EUR 0 thousand).

At EUR 18,392 thousand, **consolidated net profit** fell short of the prior-year figure of EUR 36,625 thousand, while the net operating margin after tax amounted to 17.6% (prior year: 34.9%).

Compared to the previous year, the **consolidated tax rate** increased by 4.1 %-points to 29.1% (prior year: 25.0%).

Return on equity stood at 10.0% (prior year: 25.0%) while **earnings per share** from continued operations (undiluted and diluted) decreased from EUR 4.47 to EUR 2.24.

Revenues

In the first three quarters of 2013, Tipp24 generated revenues of EUR 104,371 (prior year: EUR 105,091 thousand). Without consideration of consolidation effects, the Abroad segment accounted for EUR 104,080 thousand (prior year: EUR 105,447 thousand) and the Germany segment for EUR 291 thousand (prior year: EUR 374 thousand).

Adjusted for chance effects, consolidated revenues reached EUR 97,929 thousand and thus exceeded the prior-year figure of EUR 95,824 thousand by 2.2%.

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 interim financial statements and earnings position, the effect of deviations between the expected and actual payouts is therefore stated in the notes to the consolidated financial statements.

Development of key income statement positions

In the first three quarters of 2013, **personnel expenses** were 5.1% down on the previous year at EUR 8,108 thousand (prior year: EUR 8,542 thousand).

Other operating expenses were virtually unchanged in total at EUR 68,900 thousand (prior year: EUR 68,806 thousand). The development in detail was as follows:

- **Marketing expenses** were down 5.0% on the previous year at EUR 4,189 thousand (prior year: EUR 4,411 thousand).
- **Direct operating expenses** rose to EUR 39,478 thousand (prior year: EUR 38,125 thousand). This item is strongly influenced by licence and operator fees as well as costs in connection with hedging transactions of MyLotto24 Limited. Hedging costs amounted to EUR 17,051 thousand (prior year: EUR 16,250 thousand) – the increase was due to additional costs incurred during the restructuring of the hedging profile. In the Abroad segment, licence and operator fees amounted to EUR 14,224 thousand (prior year: EUR 14,135 thousand). Costs for non-deductible input tax amounted to EUR 3,096 thousand (prior year: EUR 2,941 thousand).
- **Other operating expenses** fell by 3.9% to EUR 25,232 thousand (prior year: EUR 26,269 thousand).

In the reporting period, **other operating income** amounted to EUR 4,297 thousand (prior year: EUR 6,076 thousand), whereby the difference to the previous year resulted mainly from the deconsolidation of Lotto24 AG, as described above.

Amortization and depreciation of tangible and intangible assets increased by EUR 277 thousand to EUR 5,469 thousand.

FINANCIAL POSITION

Compared with the balance sheet date, Tipp24's **equity capital** grew in total by EUR 33,232 thousand to EUR 183,607 thousand as of 30 September 2013. Over the same period, the **equity ratio** increased by 5.5 %-points to 84.1%, while the **balance sheet total** rose by 14.1% to EUR 218,192 thousand. It should be noted in this respect that Tipp24 SE successfully placed a capital increase for cash on 16 April 2013 and received gross issue proceeds of EUR 16.0 million.

Other liabilities in EUR thousand	30/09/2013	31/12/2012
Liabilities from gaming operations	13,518	16,736
Tax liabilities	1,496	1,286
Liabilities from open invoices	539	512
Liabilities from social security	139	143
Others	356	222
	16,049	18,900

As of the reporting date, **other liabilities** – which mainly consist of advance payments, winnings payments owed to customers not yet settled as of the balance sheet date, licence and operator fees owed to gaming licensors (liabilities from gaming operations) and tax liabilities – were down 15.1% to EUR 16,049 thousand compared with 31 December 2012 (EUR 18,900 thousand).

Investment analysis

In the first nine months of 2013, investing activities resulted in cash outflows of EUR 29,328 thousand (prior year: EUR 19,038 thousand). Financial investments resulted in net cash outflows of EUR 28,033 thousand (prior year: EUR 18,213 thousand), from the restructuring of short-term to longer-term financial assets, while cash outflows from investments in our operating business totalled EUR 1,295 thousand (prior year: EUR 825 thousand).

Liquidity analysis

Key cash flow positions in EUR thousand	Q.I–III 2013	Q.I–III 2012
Cash flow from operating activities	18,090	14,192
Cash flow from investing activities	-29,328	-19,038
thereof financial investments	-28,033	-18,213
thereof operative investments	-1,295	-825
Cash flow from financing activities	15,337	0
Change in cash	4,099	-4,846
Cash at the beginning of the period (without pledged cash)	77,946	63,366
Changes due to consolidation	-582	-267
Cash at the end of the period (without pledged cash)	81,463	58,353
Short-term financial assets	81,303	84,000
Available funds	162,766	142,353

Cash flow from operating activities rose to EUR 18,090 thousand in the first three quarters of 2013 (prior year: EUR 14,192 thousand). This was mainly due to reduced other liabilities, as well as to a year-on-year increase in other assets and prepayments as well as a decline in tax payments.

As explained in the investment analysis section above, **cash flow from investing activities** amounted to EUR -29,328 thousand in the period under review (prior year: EUR -19,038 thousand), while **cash flow from financing activities** amounted to

EUR 15,337 thousand (prior year: EUR 0) as a result of the capital increase in April 2013.

As of 30 September 2013, Tipp24 has **available funds** in the form of cash and short-term financial assets of EUR 162,766 thousand (prior year: EUR 142,353 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	30/09/2013	31/12/2012
Receivables from gaming operations	3,359	3,846
Prepaid expenses	6,003	3,003
Receivables from tax authorities for sales tax	2	158
Others	2,811	2,474
	12,175	9,482

ASSET SITUATION

Tipp24's asset profile continues to be dominated by current assets of EUR 175,430 thousand (31 December 2012: EUR 142,336 thousand) – these largely consist of cash (EUR 81,820 thousand), short-term financial assets (EUR 81,303 thousand) and other assets and prepaid expenses (EUR 12,175 thousand). Moreover, Tipp24 has intangible assets (mainly software) amounting to EUR 14,272 thousand, shares in associated companies of EUR 17,917 thousand, financial assets of EUR 6,095 thousand, property, plant and equipment (mainly hardware and office equipment) amounting to EUR 1,822 thousand and deferred tax assets amounting to EUR 2,161 thousand.

After consideration of the capital increase conducted in April 2013, the development of assets mainly reflects that of cash flow from operating activities.

Management's assessment of the economic position

Since the implementation of the second stage of the GlüStV 2008 over four years ago, Tipp24 has been prevented from pursuing its traditional business of brokering state-run lotteries in Germany.

The exception to this was the beginning of restricted brokerage operations by Lotto24 AG under www.lotto24.de. In view of the politically determined conditions, we conducted a complete legal separation of Lotto24 AG from Tipp24 SE and its investment companies in order to give our former subsidiary the possibility to commence full brokerage operations in Germany as soon as possible.

As business activities in the Abroad segment have remained stable at a high level, we continue to regard Tipp24's situation as generally robust: Tipp24 has sufficient resources to successfully prevail even in the face of significant regulatory restrictions.

At the same time, we see the opportunity for sustained encouraging growth in the medium term: in comparison with other sectors, the global online lottery market is still underdeveloped and offers significant growth potential 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 international lottery markets – there are clear signs of this especially in North America. We 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 – we took the first step in this direction with our acquisition of a stake in the UK-based Geonomics Global Games Limited in December 2012: Geonomics already holds a licence to operate and market its game in the UK. 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.

SUBSEQUENT EVENTS

On 1 October 2013, Tipp24 Investment 2 Limited acquired 50% of shares in GeoLotto Limited, based in London, UK.

RISK AND OPPORTUNITY REPORT

In our Management Report 2012, we described in detail all risks in connection with the business activities of Tipp24, as well as the management of these risks and systems to recognise such risks at an early stage. The risks can be divided mainly into sector and market risks, legal risks resulting from the regulatory environment for the operations of Tipp24, business risks, risks from the processing of gaming operations, personnel risks and general business risks. Within the scope of this interim management report, we would like to focus in particular on the risks presented below:

Financing and currency risks

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

Risks from payment transactions

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

Regulatory risks

There is a risk that the restrictive legal framework continued by the 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 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 – and thus we do not expect any further coercive payments against Tipp24 SE due to our 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. As in the past, it is possible that the state lottery companies may claim the UK companies

are being anticompetitive, as they allegedly contravene the GlüStV 2012. 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 possible anti-trust proceedings in Germany. All in all, therefore, we cannot 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) – even though some aspects of gaming arcades have been subjected to stricter regulations. Policy regarding casinos has hardly been changed. Moreover, the liberalization of sports betting affects an area of gaming which is clearly more dangerous than lotteries. Current advertising methods of state-run lotteries still contradict the aim of preventing gambling addiction and are instead aimed at gaining new customers – as repeatedly criticized 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 consequences of these views for the present situation

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 critical tendencies of jurisdiction, it is unclear how the courts will rule in these cases. Our reservations in this matter continue (see above). In summary, it cannot be excluded that the ongoing legal uncertainties arising from regulatory developments in Germany will lead to temporary or sustained restrictions for the existing or future business fields of Tipp24. This may have a significant negative impact on the financial position and performance of Tipp24.

Tax risks

As the result of a tax inspection, there is currently a dispute with the relevant tax authority regarding the validity of tax assessments for various items in the inspection period (fiscal years 2005 to 2007 inclusive). The relevant tax authority has issued a tax assessment and respective payment demand amounting to EUR 3.6 million (including interest). Tipp24 SE has appealed against the assessment and only accepted and paid additional demands totalling EUR 0.2 million. An application for suspension of execution was filed with the tax authorities for the remaining payment demand. This application has been granted. Although we have grounds to believe that both items queried by the tax authority were correctly assessed in accordance with the relevant regulations, the possibility cannot be excluded that the relevant tax office may continue to challenge this different view – also via the financial courts – and may prevail. 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. With regard to one disputed item, one verdict has been passed which was in our favour. The company is thus now awaiting new assessments which take this verdict into account. As these had not been issued as of the preparation of these quarterly financial statements, the full amount of the risk is still carried as a contingent liability in the interim financial statements.

Risks from cash and financial investments

At the end of the reporting period, Tipp24 held cash in Germany and abroad totalling EUR 81,820 thousand, held in accounts with various major European banks and subject to the risks described in the Annual Report 2012 of Tipp24 SE on p. 34 ff.

Bookmaking risks of MyLotto24 Limited

Statistical risks of winnings payouts

MyLotto24 Limited bears the bookmaking risks for secondary lotteries based on various European lotteries, whereby the payout ratios are based on those offered by the organisers of the primary lotteries. Due to statistical fluctuation, these ratios may be greater than the payout ratios determined by the gaming systems of the primary lotteries – for example, generally around 50% in the case of the German Lotto. They may even be temporarily greater than the stakes received by MyLotto24 Limited – as was the case in September 2009. Insofar as they are not covered by existing effective hedging arrangements, such statistical payout fluctuations may have a significant negative effect on the financial position and performance of MyLotto24 Limited, which through consolidation would also represent a burden for Tipp24 as a whole. In 2011, MyLotto24 Limited structured a so-called catastrophe bond (CAT bond) via an Insurance-Linked-Security (ILS) vehicle to partially transfer its jackpot payment risks to the capital market. MyLotto24 Limited informs Tipp24 SE immediately about individual payouts of at least EUR 5 million. Tipp24 SE currently has a communication guideline which requires the publication of such notifications. It is generally assumed that these announcements to the capital market are included in the company's ad hoc disclosure obligations. However, such notifications are checked in advance on a case-by-case basis.

Risks from the assertion of claims from hedging transactions

It cannot be fully excluded that insurers fail to fulfil their payment obligations in future and that such claims have to be enforced in court. Such refusals to pay only have a direct impact on the financial position and performance of MyLotto24 Limited, and thus on Tipp24 by means of consolidation, if the corresponding claim has been recognized at all in the balance sheet – for example as a result of an initial payment pledge.

REPORT ON EXPECTED DEVELOPMENTS

According to the executive boards of our minority shareholdings, they intend to continue their growth strategy in the Abroad segment. In particular, the provision of technology and marketing services for international lottery operators enabling them to successfully market their products online, appear to be a new and promising business field in the medium term.

In particular, there are recognisable signs of deregulation in North America – and Tipp24 is well placed to tap this online lottery market as a partner of the state lottery companies.

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

Tipp24 acquired the stake in Geonomics as this company greatly strengthens its strategic alignment in various ways. Firstly, Geonomics has an outstanding and rare product innovation in the field of lotteries, which is currently being marketed to lottery companies – especially on the North American market. There are tremendous synergies with Tipp24's business approach in these markets. Geonomics is currently establishing its US sales organization in line with plans.

At the same time, Geonomics and Tipp24 are collaborating on the marketing of the Geonomics product to end users in the UK. To this end, the product design and market image are currently being optimized. The product will be launched in the fourth quarter and revenue streams from this business are expected as of 2014.

EXPECTED EARNINGS POSITION

After consideration of price increases, Tipp24 SE still expects to achieve revenues of EUR 130 to 140 million and EBIT of EUR 20 to 30 million in its fiscal year 2013. This forecast takes account of costs for necessary adjustments to hedging structures in the company's secondary lottery business and additional, mostly non-recurring, costs for the preparation of new business fields totalling EUR 11 million. Moreover, Tipp24 expects to pay a non-recurring fee levied by the UK tax authorities (Stamp Duty Reserve Tax) in connection with the transfer of Tipp24 shares. It is expected to be around EUR 4 million and will be recognized in the fourth quarter as an other operating expense. The stated ranges for revenues and EBIT also take account of statistical fluctuations in payouts for the secondary lottery business.

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 number 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 the field of technology and marketing services.

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

	Q.I–III 2013	Q.I–III 2012	Q.III 2013	Q.III 2012
in EUR thousand				
Revenues	104,371	105,091	27,947	36,896
Other operating income	4,297	6,076	2,287	1,970
Dividend income from shares in Lotto24 AG	0	18,850	0	0
Total operating performance	108,668	130,017	30,234	38,866
Personnel expenses	-8,108	-8,542	-2,508	-2,584
Amortization/depreciation on intangible assets and property, plant and equipment	-5,469	-5,192	-1,815	-1,754
Other operating expenses	-68,900	-68,806	-21,161	-25,577
Marketing expenses	-4,189	-4,411	-1,474	-1,396
Direct costs of operations	-39,478	-38,125	-10,906	-16,348
Other costs of operations	-25,232	-26,269	-8,781	-7,833
Result from operating activities (EBIT)	26,191	47,477	4,750	8,951
Revenues from financial activities	475	452	89	-44
Expenses from financial activities	-244	-346	-89	-141
Share of result from associated companies	-478	0	-114	0
Financial result	-247	106	-114	-185
Result from ordinary activities	25,944	47,583	4,636	8,765
Income taxes	-7,550	-11,895	-1,641	-2,190
Profit from continued operations	18,394	35,689	2,994	6,575
Profit after tax from discontinued operations	-2	936	0	16
Consolidated net profit	18,392	36,625	2,994	6,590
Earnings per share (undiluted and diluted, in EUR/share)	2.24	4.59	0.36	0.83
Earnings per share from continued operations (undiluted and diluted, in EUR/share)	2.24	4.47	0.36	0.82
Weighted average of ordinary shares outstanding (undiluted and diluted, in shares)	8,229,532	7,985,088	8,385,088	7,985,088

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

	Q.I–III 2013	Q.I–III 2012	Q.III 2013	Q.III 2012
in EUR thousand				
Net profit for the period after tax	18,392	36,625	2,994	6,590
Other result				
Unrealized gains/losses from revaluation of financial assets held for sale (subsequently reclassified to profit and loss as required)	-494	328	-172	328
Other result after tax	-494	328	-172	328
Total net profit after tax	17,898	36,953	2,822	6,918

CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER ACC. TO IFRS

	30/09/2013	31/12/2012
ASSETS in EUR thousand		
Current assets		
Cash and pledged cash	81,820	78,303
Short-term financial assets	81,303	53,776
Trade receivables	125	71
Income tax refund claims	7	6
Other current assets and prepaid expenses	12,175	9,482
Current assets held for sale	0	698
Total current assets	175,430	142,336
Non-current assets		
Intangible assets	14,272	18,054
Other equipment, furniture & fixtures and leased assets	1,822	2,226
Financial assets	6,095	8,281
Shares in associated companies	17,917	18,395
Other non-current assets and prepaid expenses	493	269
Deferred tax assets	2,161	1,656
Total non-current assets	42,762	48,881
	218,192	191,217

	30/09/2013	31/12/2012
EQUITY AND LIABILITIES in EUR thousand		
Current liabilities		
Trade payables	4,905	6,568
Other liabilities	16,049	18,900
Financial liabilities	98	110
Deferred income	3,420	3,460
Income tax liabilities	5,925	6,510
Short-term provisions	2,877	3,456
Liabilities in connection with the sale of current assets held for sale	0	410
Total current liabilities	33,274	39,414
Non-current liabilities		
Long-term provisions	0	83
Deferred tax liabilities	1,311	1,344
Total non-current liabilities	1,311	1,427
Equity		
Subscribed capital	8,385	7,985
Capital reserves	22,742	7,805
Other reserves	-359	134
Retained earnings	152,839	134,451
Total equity	183,607	150,375
	218,192	191,217

CONSOLIDATED CASH FLOW STATEMENT FROM 1 JANUARY TO 30 SEPTEMBER ACC. TO IFRS

	Q.I–III 2013	Q.I–III 2012
in EUR thousand		
Profit from continued operations before tax	25,944	47,583
Profit from discontinued operations after tax	-2	936
Result before tax	25,942	48,520
Adjustments for		
Amortization/depreciation on non-current assets	5,469	5,182
Result from disposal of non-current assets	58	-476
Result from foreign exchange transactions	507	458
Revenues from financial activities	-475	-452
Expenses from financial activities	244	335
Income from the distribution of shares in Lotto24 AG and deconsolidation of Lotto24 AG	0	-20,359
Deconsolidation of Giochi24 S.r.l.	-4	0
Share of result from associated companies	478	0
Changes in		
Trade receivables	-54	-232
Other assets and prepaid expenses	-2,675	-4,902
Financial assets	2,167	2,351
Non-current other assets or prepaid expenses	-224	317
Trade payables	-1,663	327
Other liabilities	-2,852	-4,403
Financial liabilities	-11	-3
Short-term provisions	-661	-2,157
Deferred income	-40	5
Other non-current provisions	232	509
Interests received	475	46
Interests paid	-262	-335
Taxes paid	-8,560	-10,539
Cash flow from operating activities	18,090	14,192
Changes (net) on financial investments (short-term)		
Changes (net) on financial investments (short-term)	-28,033	-18,213
Payments for investments in intangible assets	-734	-1,104
Proceeds from the sale of intangible assets	0	500
Payments for investments in property, plant and equipment	-564	-196
Proceeds from the sale of property, plant and equipment	3	-25
Cash flow from investing activities	-29,328	-19,038

	Q.I–III 2013	Q.I–III 2012
in EUR thousand		
Capital increase	16,000	0
Payments for transactions costs	-663	0
Cash flow from financing activities	15,337	0
Changes in cash and pledged cash	4,099	-4,846
Cash at the beginning of the period (except pledged cash)	77,946	63,366
Changes due to consolidation	-582	-267
Changes in pledged cash	0	100
Cash at the end of the period (except pledged cash)	81,463	58,353
Composition of cash at the end of the period		
Cash and pledged cash	81,820	59,010
Pledged cash	-357	-657
	81,463	58,353

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FROM 1 JANUARY TO 30 SEPTEMBER ACC. TO IFRS

in EUR thousand	Share capital	Capital reserves	Other reserves	Retained earnings	Total equity
As at 1 January 2012	7,985	7,805	-21	113,523	129,292
Contribution to other provisions	0	0	0	0	0
Dividend in kind	0	0	0	-19,963	-19,963
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
As at 1 January 2013	7,985	7,805	134	134,451	150,375
Contribution to other provisions	0	0	0	0	0
Dividend in kind	0	0	0	0	0
Capital increase	400	15,600	0	0	16,000
Transaction costs for capital increase	0	-663	0	0	-663
Adjustments of balance sheet loss	0	0	0	0	0
Withdrawal from capital reserves	0	0	0	0	0
Share-based payments	0	0	0	0	0
Other results	0	0	-493	0	-493
Net profit 2013	0	0	0	18,388	18,388
Total net profit 2013	0	0	-493	18,388	17,895
As at 30 September 2013	8,385	22,742	-359	152,839	183,607

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 segments »Germany« and »Abroad« and allocated to the individual business segments. Transfer prices between segments were calculated at standard conditions on an arm's length basis.

Q.III in EUR thousand	Germany		Abroad		Consolidation		Consolidated	
	01/07/–30/09/		01/07/–30/09/		01/07/–30/09/		01/07/–30/09/	
	2013	2012	2013	2012	2013	2012	2013	2012
Revenue	98	110	27,848	36,787	0	0	27,947	36,896
Depreciation/amortization	148	41	6,088	1,117	596	596	1,815	1,754
EBIT	-2,074	-1,546	7,403	10,942	-581	-446	4,750	8,951
Financial result	-438	-65	117	-121	211	0	-111	-185
Income taxes	0	-13	-1,775	-2,308	133	131	-1,642	-2,190
Profit from continued operations	-2,512	-1,624	5,745	8,513	-230	-315	2,994	6,575
Assets	58,279	34,473	128,403	96,845	-51,961	-37,056	134,720	94,262

Q.I–III in EUR thousand	Germany		Abroad		Consolidation		Consolidated	
	01/01/–30/09/		01/01/–30/09/		01/01/–30/09/		01/01/–30/09/	
	2013	2012	2013	2012	2013	2012	2013	2012
Revenue	291	374	104,080	105,447	0	-730	104,371	105,091
Depreciation/amortization	88	134	3,595	3,271	1,787	1,787	5,469	5,192
EBIT	-5,910	9,780	34,024	37,345	-1,924	352	26,191	47,477
Financial result	-1,206	-156	547	262	416	0	-244	106
Income taxes	-14	-3,967	-7,978	-8,873	442	945	-7,550	-11,895
Profit from continued operations	-7,130	5,657	26,593	28,734	-1,069	1,297	18,394	35,689
Assets	58,279	34,473	128,403	96,845	-51,961	-37,056	134,720	94,262

(Possible rounding differences due to presentation in EUR thousand)

SELECTED EXPLANATORY NOTES

GENERAL

The following interim report as of 30 September 2013 was approved for publication by a resolution of the Executive Board on 5 November 2013.

The condensed interim report for the first nine months of 2013 was prepared in accordance with IAS 34 (Interim Financial Reporting), taking into account the valid IFRS standards and IFRIC interpretations of the International Accounting Standards Board (IASB) as applicable in the EU.

As of 30 September 2013, there were no valid standards or interpretations not yet adopted by the EU with an impact on the interim financial statements. As a consequence, the interim financial statements also comply with the IFRS as issued by the IASB. All accounting guidelines of the company applied in the consolidated financial statements as of 31 December 2012 were also considered in drafting these interim financial statements.

The reporting period is 1 January to 30 September 2013.

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

In a purchase contract dated 22 November 2012, Giochi24 S.r.l. was sold to Intent Ventures Holding SCA, subject to state approval. This approval was granted on 31 January 2013.

Giochi24 S.r.l. left the consolidated group on 31 January 2013 and was deconsolidated.

Tipp24 Investment 2 Limited, London, UK, was included as a subsidiary of the consolidated group during the reporting period. There were no other changes to the consolidated group of companies compared to 31 December 2012.

As of 24 September 2013, Tipp24 Operating Services Limited was re-named as Smartgames Technologies Limited.

SHARE-BASED REMUNERATION

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

REVENUES

Compared with the first nine months of 2012, revenues as at 30 September 2013 fell by EUR 720 thousand to EUR 104,371 thousand. As of 30 September 2013, the actual payout ratio was -6.2 %-points below the expected value (prior year: -8.8 %-points).

MyLotto24 Limited, a fully consolidated minority shareholding of Tipp24 SE, recorded a jackpot win of around EUR 6.8 million in a secondary lottery it held on 21 August 2013.

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

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

In order to aid comprehension of the consolidated interim financial statements and earnings, the following table presents the reconciliation of actual revenues with revenues adjusted for chance effects and the effect of deviations between actual winnings payouts and the expected value.

	Q.1–III 2013		Q.1–III 2012		Deviation absolute
	in EUR thousand	%	in EUR thousand	%	
Revenues	104,371	100.0	105,091	100.0	-720
+/- Deviation between actual winnings payouts and expected value	-6,442	-6.2	-9,267	-8.8	2,825
Revenues adjusted for chance effects	97,929	93.8	95,824	91.2	2,105

PERSONNEL EXPENSES

The year-on-year reduction in personnel expenses of EUR 434 thousand resulted mainly from a savings in Executive Board remuneration.

OTHER OPERATING EXPENSES

The increase in other operating expenses of EUR 84 thousand includes the balance of hedging costs incurred during the restructuring of the hedging profile (year-on-year increase of EUR 801 thousand), increased rental expenses and other expenses (year-on-year increase of EUR 551 thousand), with savings in the field of consultancy fees of EUR 1,529 thousand and in the field of direct costs of EUR 83 thousand.

TAXES

On conclusion of the tax inspection for the period 2005–2007, the relevant tax authority has issued tax assessments and respective payment demands amounting to EUR 3.6 million (including interest). There is still a dispute with the relevant tax authority regarding the validity of tax assessments in the case of one of two contested items. Tipp24 SE has appealed against the assessment and has only paid additional demands totalling EUR 0.2 million. With regard to the remaining payment demands, an application was made to the tax authorities for execution to be suspended, which was granted. Although we have grounds to believe that both items queried by the tax authority were correctly assessed in accordance with the relevant regulations, the possibility cannot be excluded that the relevant tax authority may pursue its opposing assessment

in court and may eventually prevail. The legal view held by the company is supported in all aspects by tax consultants and, if necessary, we shall also pursue the matter via the fiscal courts. As a result, there is a remaining tax risk of up to EUR 3.4 million, plus the corresponding time-related interest on arrears (6% p.a.) which might have a correspondingly negative effect on the earnings, financial position and net assets of Tipp24. With regard to one disputed item, a verdict has been passed in our favour. The company is thus awaiting new assessments which take this verdict into account. As they had not been received as of the preparation of these quarterly financial statements, the full amount of the risk is still carried as a contingent liability in the interim financial statements.

CAPITAL INCREASE

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

The capital is fully paid and divided into 8,385,088 registered, no-par value shares.

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 2011/1).

Following the adopted and successfully completed capital increase of 16 April 2013, 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 1,197 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 2011/1).

The capital increase includes amounts received above par value on issue of the share capital. In the course of the increase in share capital, an amount of EUR 15,600 thousand was added to capital reserves. The transaction costs for the capital increase amounted to EUR 663 thousand. As a result, capital reserves increased by EUR 14,937 thousand – from EUR 7,805 thousand to EUR 22,742 thousand.

INCOME TAXES

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

in EUR thousand	Q.I–III 2013	Q.I–III 2012
Current income tax expense	8,088	10,428
Current deferred tax expense/income	-538	1,467
Total income taxes	7,550	11,895

DISCONTINUED OPERATIONS

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

in EUR thousand	Q.I–III 2013	Q.I–III 2012
Revenues	3	1,783
Expenses	-5	-847
Expenses from financial activities	0	0
Impairment charge from restatement at fair value	0	0
Profit before tax from discontinued operations	-2	936
Income taxes	0	0
Profit after tax from discontinued operations	-2	936

Earnings per share from discontinued activities amount to:

	Q.I–III 2013	Q.I–III 2012
Earnings per share from discontinued activities (basic and diluted, in EUR/share)	0.00	0.12

SHARES IN ASSOCIATED COMPANIES

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

in EUR thousand	30/09/2013
Share in the assets and liabilities of the associated company	
Current assets	2,274
Non-current assets	335
Current liabilities	211
Non-current liabilities	0
Equity	2,398

The cost for acquiring a 21.85% stake in Geonomics Global Games Limited amounted to EUR 18,395 thousand and was disclosed as of 30 September 2013 at EUR 17,917 thousand, as the loss of Geonomics Global Games Limited for the first nine months of 2013 attributable to the investment amounted to EUR 478 thousand.

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

OBJECTIVES AND METHODS OF CAPITAL MANAGEMENT

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

Interest rate risk

Tipp24 invests the majority of its funds in a combination of fixed term deposits and short-term government bonds. For these funds, which are mainly held in liquid or short-term investments, there is a general risk from changing interest rates. A sensitivity analysis was conducted for the portfolio of cash and short-term financial assets held on the closing date with a simulated interest rate increase of 50 base points. Assuming no changes are made to the portfolio in response to the interest rate increase, there would be a rise in interest income of EUR 694 thousand. Under consideration of the duration of those investments currently in the portfolio, there would be an expected reduction of EUR 119 thousand. The overall effect, therefore, would amount to EUR 575 thousand.

Currency risk

Tipp24 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 Tipp24's functional currency and are not always offset by payments in the same currency of the same amount and with the same maturities. Moreover, a part of financial assets is denominated in Pounds and thus exposed to a currency risk.

In order to determine the currency risk, a fluctuation of the Euro to British Pound exchange rate of 10% was assumed as of 30 September 2013. On the basis of this assumption, a revaluation of the British Pound against the Euro of 10% to 0.9197 GBP/EUR would result in an effect of EUR -2,546 thousand on earnings. A devaluation of the British Pound against the Euro of 10% to 0.7524 GBP/EUR would result in an effect of EUR 3,774 thousand on earnings.

SUBSEQUENT EVENTS

On 1 October 2013, Tipp24 Investment 2 Limited acquired 50% of shares in GeoLotto Limited, based in London, UK. Tipp24 Investment 2 Limited paid a purchase price of GBP 6.950 thousand.

GeoLotto Limited is carried at equity in the balance sheet as a joint venture according to IFRS 10 and disclosed accordingly in the financial result.

RELATED PARTIES

The members of Tipp24 SE's Executive Board and Supervisory Board are regarded as related parties in accordance with IAS 24. Oliver Jaster and Thorsten Hehl are members of the Supervisory Board. The operating business of Schumann e. K. was outsourced to a related company of Oliver Jaster and Thorsten Hehl, Günther Direct Services GmbH. In return, Günther Direct Services received compensation of EUR 102 thousand in the period under review.

Jens Schumann is a member of the Supervisory Board of Tipp24 SE and at the same time sole partner of Schumann e. K. This structure has existed in comparable form since 2002 and was chosen because class lotteries only issue sales licenses at present to natural persons or companies in which neither the liability of the company or its direct and indirect partners is limited. A cooperation agreement is in place between Tipp24 SE and Schumann e. K., which governs the processing of game participation of class lottery customers by Schumann e. K. Under the terms of the agreement, Schumann e. K. must pay all commissions and other brokerage fees collected in this context to Tipp24 SE. Tipp24 SE provides Schumann e. K. with services in the field of controlling, book-keeping, 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 SE, Tipp24 SE has undertaken to indemnify them in the event of any personal claims by third parties arising

from or in connection with the operation of Schumann e. K. Indemnification is limited to the extent that fulfilment of this indemnification may not cause Tipp24 SE to become insolvent or over-indebted. In his capacity as shareholder of Schumann e. K., Mr Schumann did not receive any remuneration during the period under review.

The charitable foundation »Fondation enfance sans frontières«, owner of the preference shares of MyLotto24 Limited and Tipp24 Service Limited, has been identified as a related party. It reported that it had not received any payments from Tipp24 during the reporting period.

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

Hamburg, 5 November 2013

The Executive Board

Dr. Hans Cornehl

Andreas Keil

Dr. Helmut Becker

FINANCIAL CALENDAR

11–13 NOVEMBER 2013 ANALYST CONFERENCE (FRANKFURT)

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