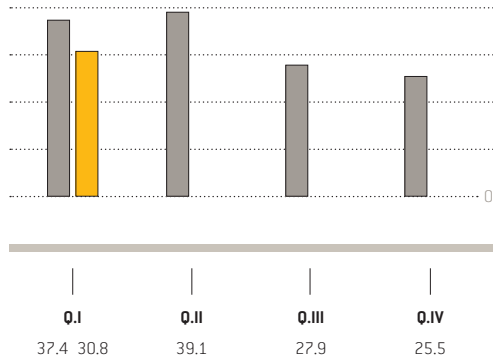
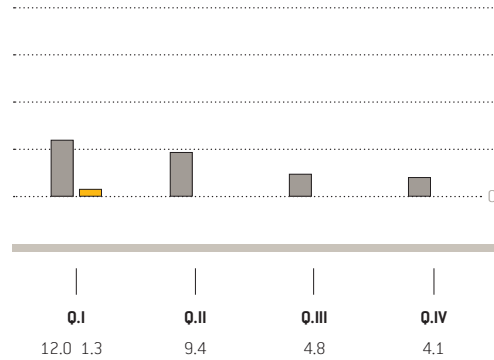
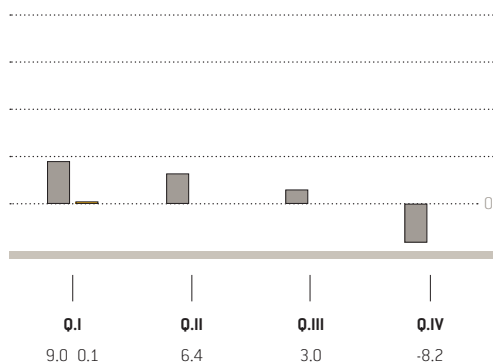
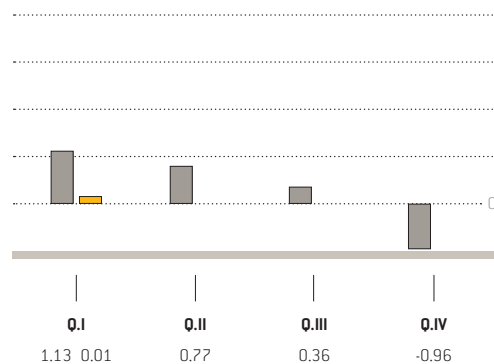


Tipp24



# NEW HORIZONS

QUARTERLY FINANCIAL REPORT  
1 JAN.-31 MARCH 2014

**REVENUES** in EUR million**EBIT** in EUR million**NET PROFIT<sup>1)</sup>** in EUR million**EARNINGS PER SHARE<sup>1)</sup>** in EUR

■ 2013  
■ 2014

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(Possible rounding differences in the Interim Group Management Report and Interim Consolidated Financial Statements due to presentation in EUR thousand)

<sup>1)</sup> from continued operations

## LADIES AND GENTLEMEN,

On 7 February 2014, we completed the relocation of Tipp24 SE to London – widely regarded as the centre of the European online gaming industry. Moving the company's registered office was a logical consequence of our strategic realignment: we are now focusing on our international business activities and will develop them from our base in the UK. Stepping across the Channel gives us many operational advantages and opportunities. We are continuing our investments in new growth opportunities which we started in the course of 2013.

In the first quarter of 2014, Tipp24 generated revenues of EUR 30,810 thousand (Q.I 2013: EUR 37,373 thousand). Including a high winning payout of MyLotto24 Limited of around EUR 6.7 million on 12 March 2014, total payouts for secondary lotteries in the reporting period were EUR 4.4 million above the expected payout value with a full impact on revenue. This effect burdened EBIT by an amount of EUR 5.3 million. Adjusted for random statistical effects, consolidated revenues amounted to EUR 35,242 thousand and thus exceeded the Q.I 2013 figure of EUR 32,328 thousand by 9.0%. The similarly adjusted EBIT amounted to EUR 6,515 (Q.I 2013: EUR 9,272 thousand) and the EBIT margin to 18.5% (Q.I 2013: 28.7%).

The increase in personnel (+ EUR 1,004 thousand) and other operating expenses (+ EUR 4,860 thousand) reflect the anticipated ramp-up costs for new business opportunities. Additionally, further marketing opportunities led to an increase of marketing spends by EUR 2,062 thousand. On the background of these negative statistical and cost effects consolidated EBIT in the first quarter of 2014 amounted to EUR 1,253 thousand and thus fell short of the Q.I 2013 figure of EUR 12,045 thousand. The EBIT margin at 4.1% was 28.1 %-points below the Q.I 2013 figure of 32.2%.

In view of the positive development of business, we distributed a one-off special dividend on 30 April 2014 in the form of an interim dividend amounting to EUR 7.50 per share as announced on 27 February 2014. We will further propose annual dividend payments for shareholders in future as of 2015. The first such dividend would be based on the annual financial statements for the current fiscal year 2014. The annual dividend is to be at least EUR 1.50 per share – provided that the company's financial position and performance enables such a dividend.

In line with Tipp24's past performance and strategic perspectives, we expect further encouraging figures for the current fiscal year: revenues are likely to rise to between EUR 135 and EUR 145 million, while EBIT should reach EUR 25 to EUR 35 million. This forecast takes account of costs for the readjustment of hedging structures in the secondary lottery business as well as additional, mostly non-recurring costs for the preparation of new business fields, overall amounting to approximately EUR 10 million. The stated ranges also take account of statistical fluctuations in payouts for our secondary lottery business.



**Dr. Hans Cornehl**  
Chairman



**Dr. Helmut Becker**



**Andreas Keil**

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

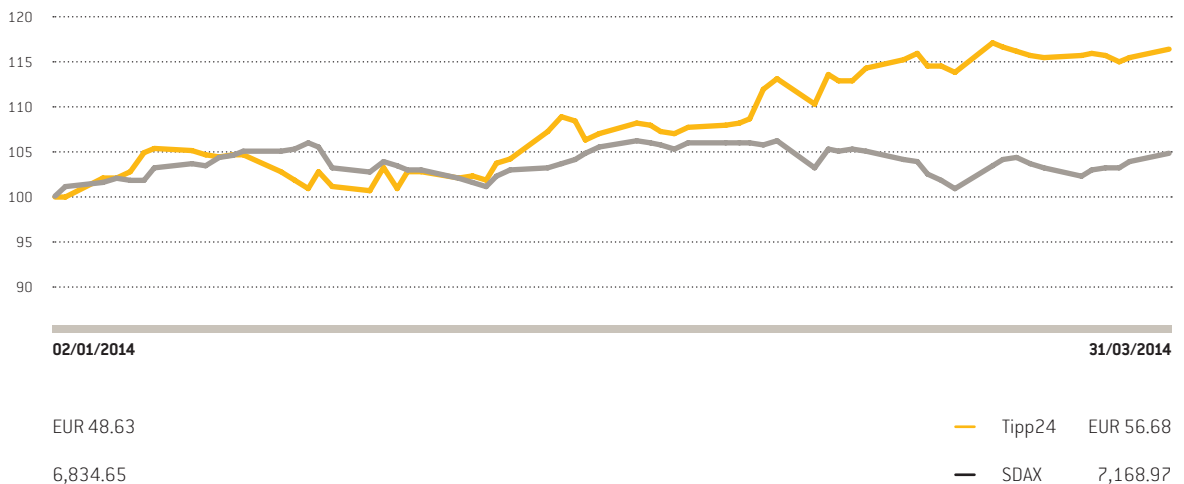
		Q.I 2014	Q.I 2013	change in %
Revenue	EUR thsd.	30,810	37,373	-17.6%
EBIT	EUR thsd.	1,253	12,045	-89.6%
EBIT margin	%	4.1	32.2	-28.1 %-points
Net profit <sup>1)</sup>	EUR thsd.	136	9,011	-98.5%
Net profit margin <sup>1)</sup>	%	0.4	24.1	-23.7 %-points
Cash flow from operating activities	EUR thsd.	4,969	8,207	-39.5%
Equity (31/03/2014, 31/12/2013)	EUR thsd.	175,475	175,556	-0.0%
Employees (31/03)	headcounts	143	117	+22.2%

(Rounding differences possible due to presentation in EUR thousand)

<sup>1)</sup> from continued operations

## SHARE

## PERFORMANCE OF THE TIPP24 SHARE (INDEX 02 JAN. 2014=100)



Although the underlying problems of the eurozone are still not fully resolved, the progress made so far has been duly acknowledged by the financial markets. The recovery of the eurozone continues to gather pace. After pulling out of recession in the course of 2013, the economy enjoyed moderate growth in the fourth quarter of the year. However, this gradual upturn is not being translated into job creation. Unemployment remains close to record levels – especially in the southern regions of the eurozone.

The major international stock markets have displayed diverging trends. The escalation of the Ukraine crisis led to brief price falls and increased volatility. The major share indices ended the quarter virtually unchanged from the previous quarter. Stock markets in southern Europe – as well as bond markets – were particularly upbeat. Progress was slower, however, in certain emerging nations and especially in eastern Europe.

Against this backdrop, the SDAX rose by 4.9% in the third quarter to close at 7,168.97 while the Tipp24 share increased by 16.9% to EUR 56.68. On 17 March 2014, the share reached an all-time high of EUR 57.00.

#### DIVIDEND POLICY

On 27 February 2014, the Executive Board of Tipp24 SE announced that it would distribute a one-off special dividend on 30 April 2014 in the form of an interim dividend amounting to EUR 7.50 per share.

The Executive Board also resolved to propose annual dividend payments for shareholders in future as of 2015. The first such dividend would be based on the annual financial statements for the current fiscal year 2014. The annual dividend is to be at least EUR 1.50 per share – provided that the company's financial position and performance enables such a dividend.

#### KEY SHARE FIGURES

Day of initial listing		<b>12/10/2005</b>
Year-opening price	02/01/2014	<b>EUR 48.63</b>
Market capitalisation	02/01/2014	<b>EUR 408 million</b>
Period end-price	31/03/2014	<b>EUR 56.68</b>
Market capitalisation	31/03/2014	<b>EUR 475 million</b>
Highest price	17/03/2014	<b>EUR 57.00</b>
Lowest price	03/01/2014	<b>EUR 48.56</b>
Number of shares	31/03/2014	<b>8,385 thsd.</b>
Own shares	31/03/2014	<b>0 shares</b>
Average daily trading	01/01/-30/03/2014	<b>EUR 2,038 thsd.</b>
Earnings per share	01/01/-30/03/2014	<b>EUR 0.01</b>

#### SHAREHOLDER SERVICE

WKN	<b>TPP024</b>
ISIN	<b>GB00BHD66J44</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>Berenberg, Bankhaus Lampe, Deutsche Bank, Kepler Chevreux, M.M. Warburg</b>
Reuters	<b>TIMGn.DE</b>
Bloomberg	<b>TIM GR</b>

## DIRECTORS' REPORT AND INTERIM GROUP MANAGEMENT REPORT

### BASIC PRINCIPLES OF THE GROUP

#### BUSINESS MODEL

For over fourteen 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 between its "Abroad" and "Germany" segments (terms valid until 7 February 2014 as well as during reporting period), 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. The "Germany" segment also includes the investments in Geonomics Global Games Limited and Geo24 UK Limited.

#### "Abroad" segment

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

#### Business model since 2009

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 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 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 swiftly initiated the implementation of its relocation to the UK, as adopted by its shareholders at the Annual General Meeting on 28 June 2013, and completed the move on 7 February 2014 with the entry of its new address in the UK's commercial register (Companies House). 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 UK.

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. Its inclusion in the SDAX index will also be retained. The Executive Board and Supervisory Board will continue to exercise their functions, whereby the Executive Board will work from the UK in future. Any partially remaining 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 was transferred to Clearstream as the central depository in exchange for Clearstream Interests (CIs). Shareholders received a corresponding number of CIs in exchange for transferring their legal ownership of the Registered Shares to Clearstream.

### Significant economic and legal factors affecting business

Despite the rulings of the European Court of Justice (ECJ) in 2010 and the introduction since then of a somewhat revised State Treaty on Games of Chance, the legal situation for lotteries in Germany can still not be deemed resolved: the First State Treaty to Revise the State Treaty on Games of Chance (GlüStV 2012) now in effect throughout Germany updates the former State Treaty on Games of Chance, whose gaming monopoly and attendant legal regulations had proved to be in breach of EU law following the ECJ rulings of September 2010.

### *Inconsistent implementation of EU law primacy in Germany*

Following the ECJ verdicts of 2010, the German judiciary has slowly begun to recognise 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 criticised the fact that Germany's lottery companies (DLTB) had in practice disregarded exactly those regulations which were meant to justify their monopolistic position and in reality had pursued fiscal objectives, also for lotteries, rather than the regulatory aims of the State Treaty. We believe that this jurisdiction on sports gambling can also be applied to lotteries and the current situation. This view is shared by renowned law professors, but unfortunately there have been no high court verdicts on the subject as yet. 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. More recent court decisions, however, assume that online sports betting, also without a permit, is 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 with the new state government's accession to the GlüStV 2012. 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:

In the UK, the regulatory environment is stable and reliable. The UK government has saved costs by merging the content and organisation of the Gambling Commission and National Lottery Commission to form the new Gambling Commission, after already pooling the two authorities in Birmingham. 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 impact on the business strategy of Tipp24 SE.

The legal situation in Spain, however, 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 Netherlands, the government is currently revising its national gambling regulations and plans to open the market to private companies – especially in the field of online betting (sports betting, casinos, poker). It is not clear yet to what extent the lottery market will be affected.

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.

At the moment, there is an opposition lobby at federal level which is attempting to overturn the Department of Justice ruling of 2011. However, we do not expect this movement to be successful.

## GENERAL ECONOMIC CONDITIONS

The global economy has been enjoying a phase of economic recovery since mid 2013. However, the pace of growth remains modest and the economy is still vulnerable to setbacks. Survey-based indicators, for example, recently deteriorated again. Whereas the USA and temporary factors such as the harsh winter are mainly responsible for the less favourable economic outlook of the world's advanced economies, the subdued mood in the emerging economies results from more persistent problems which are preventing faster output growth.

The eurozone is currently experiencing a gradual recovery. Output has been rising since spring 2013, albeit at a leisurely pace. Driven by a noticeable rise in exports, economic output accelerated in the fourth quarter. There was also a relatively strong increase in capital expenditure, whereas consumer spending was again held back by high unemployment and low wage growth. On the whole, however, the upward trend has become firmer – the economy displayed growth in almost all regions and business sentiment indicators show that output is likely to accelerate again in the first quarter.

## FINANCIAL POSITION AND PERFORMANCE

### Earnings

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

MyLotto24 Limited, a fully consolidated minority shareholding of Tipp24 SE, recorded a jackpot win of around EUR 6.7 million on 12 March 2014 in secondary lotteries it held. Including this amount, total payouts for secondary lotteries in the reporting period were EUR 4.4 million above the expected payout value (in Q.I 2013 the comparable figure was EUR 5.0 million below the value) with an impact on revenues of the same amount. This burdened EBIT by an amount of EUR 5.3 million (in Q.I 2013 it had benefited EBIT by EUR 2.8 million).



	Q.I 2014		Q.I 2013		Change %
	in EUR thsd.	%	in EUR thsd.	%	
<b>Revenues</b>	<b>30,810</b>	<b>100.0</b>	<b>37,373</b>	<b>100.0</b>	<b>-17.6</b>
Personnel expenses	-3,605	-11.7	-2,601	-7.0	38.6
Other operating expenses	-26,551	-86.2	-21,691	-58.0	22.4
Other operating income	2,275	7.4	706	1.9	222.2
<b>Operating expenses</b>	<b>-27,881</b>	<b>-90.5</b>	<b>-23,586</b>	<b>-63.1</b>	<b>18.2</b>
<b>EBITDA</b>	<b>2,929</b>	<b>9.5</b>	<b>13,787</b>	<b>36.9</b>	<b>-78.8</b>
Amortisation and depreciation	-1,676	-5.4	-1,742	-4.7	-3.8
<b>EBIT</b>	<b>1,253</b>	<b>4.1</b>	<b>12,045</b>	<b>32.2</b>	<b>-89.6</b>
Financial result	-530	-1.7	146	0.4	-463.0
<b>Earnings before taxes</b>	<b>723</b>	<b>2.3</b>	<b>12,191</b>	<b>32.6</b>	<b>-94.1</b>
Income taxes	-587	-1.9	-3,180	-8.5	-81.5
<b>Profit from continuing operations</b>	<b>136</b>	<b>0.4</b>	<b>9,011</b>	<b>24.1</b>	<b>-98.5</b>
<b>Profit after tax from discontinued operations</b>	<b>-27</b>	<b>-0.1</b>	<b>-8</b>	<b>0.0</b>	<b>237.5</b>
<b>Consolidated net profit<sup>1)</sup></b>	<b>109</b>	<b>0.4</b>	<b>9,003</b>	<b>24.1</b>	<b>-98.8</b>
<b>Breakdown of other operating expenses</b>					
Marketing expenses	-3,413	-11.1	-1,351	-3.6	152.6
Direct operating expenses	-13,306	-43.2	-12,050	-32.2	10.4
Other expenses of operations	-9,832	-31.9	-8,289	-22.2	18.6
<b>Other operating expenses</b>	<b>-26,551</b>	<b>-86.2</b>	<b>-21,691</b>	<b>-58.0</b>	<b>22.4</b>

(Rounding differences possible due to presentation in EUR thousand)

<sup>1)</sup> The consolidated net profit is attributable to the owners of Tipp24 SE, London, UK.

### EBIT

In view of the special items described above, as well as increased personnel expenses and increased other operating expenses, **consolidated EBIT** in the first three months 2014 amounted to EUR 1,253 thousand and thus fell short of the Q.I 2013 figure of EUR 12,045 thousand. The **EBIT margin** fell by 28.1 %-points, from 32.2% to 4.1%. Adjusted for statistic deviation from the expected level of payouts, EBIT amounted to EUR 6,515 thousand (Q.I 2013: EUR 9,272 thousand) and the EBIT margin to 18.5% (Q.I 2013: 28.7%).

The "**Germany**" segment posted an EBIT result of EUR -2,877 thousand (Q.I 2013: EUR -1,635 thousand), while the "**Abroad**" segment achieved EBIT of EUR 4,320 thousand (Q.I 2013: EUR 14,055 thousand).

Due to the share in earnings of associated companies and joint ventures (Geonomics Global Games Limited, Geo24 UK Limited), the **financial result** amounted to EUR -530 thousand (Q.I 2013: EUR 146 thousand). This figure includes a share in earnings of associated companies and joint ventures of EUR -751 thousand (Q.I 2013: EUR -130 thousand).

At EUR 109 thousand, **consolidated net profit** fell short of the Q.I 2013 figure of EUR 9,003 thousand, while the net operating margin after tax amounted to 0.4% (Q.I 2013: 24.1%).

At 81.2%, the consolidated **tax rate** in the first quarter of 2014 was much higher than in the previous year (26.1%), as in the case of different tax units, the losses of one tax unit cannot be offset against the earnings of another tax unit. The losses of the "Germany" segment cannot be netted with earnings in the "Abroad" segment. This already applied in the prior year.

**Return on equity** stood at 0.06% (Q.I 2013: 5.7%) while earnings per share (undiluted and diluted) decreased from EUR 1.13 to EUR 0.01.

#### *Revenues*

In the first quarter of 2014, Tipp24 generated revenues of EUR 30,810 thousand (Q.I 2013: EUR 37,373 thousand). Without consideration of consolidation effects, the **"Abroad" segment** accounted for EUR 30,711 thousand (Q.I 2013: EUR 37,271 thousand) and the **"Germany" segment** for EUR 100 thousand (Q.I 2013: EUR 102 thousand).

Adjusted for random statistical effects, consolidated revenues reached EUR 35,242 thousand and thus exceeded the Q.I 2013 figure of EUR 32,328 thousand by 9.0%. The increase resulted firstly from the price increase for the German lottery "6aus49" (with effect from May 2013), as well as a more favorable distribution of jackpots among the various lottery products.

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

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

In order to aid comprehension of the 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 months of 2014, **personnel expenses** were 38.6% up on Q.I 2013 at EUR 3,605 thousand (Q.I 2013: EUR 2,601 thousand). The year-on-year increase in personnel expenses resulted mainly from an enlargement of the Executive Board and increased number of employees.

Compared to the previous year, **other operating expenses** rose from EUR 21,691 thousand to EUR 26,551 thousand. The development in detail was as follows:

- **Marketing expenses** of EUR 3,413 thousand were up 152.6% on the Q.I 2013 figure of EUR 1,351 thousand.
- **Direct operating expenses** increased to EUR 13,306 thousand (Q.I 2013: EUR 12,050 thousand). This item is strongly influenced by license and operator fees as well as costs in connection with hedging transactions of MyLotto24 Limited. Hedging costs of EUR 6,296 thousand (Q.I 2013: EUR 4,720 thousand) were higher than in the previous quarter. License and operator fees amounted to EUR 4,130 thousand (Q.I 2013: EUR 4,894 thousand). Costs for non-deductible input tax totalled EUR 1,111 thousand (Q.I 2013: EUR 985 thousand).
- **Other expenses of operations** rose by 18.6% to EUR 9,832 thousand (Q.I 2013: EUR 8,289 thousand) – a rise which resulted mainly from increased outsourcing costs.

At EUR 2,275 thousand, **other operating income** was 222.2% above the Q.I 2013 figure of EUR 706 thousand. The strong year-on-year increase resulted from higher income from hedging transactions.

**Amortisation and depreciation** in the first quarter amounted to EUR 1,676 thousand (Q.I 2013: EUR 1,742 thousand).

### Financial position

Compared with the balance sheet date, Tipp24's **equity capital** fell in total by EUR 81 thousand to EUR 175,475 thousand as of 31 March 2014. Over the same period, the equity ratio decreased by 0.35 %-points to 81.9%, while the balance sheet total rose by 0.4% to EUR 214,371 thousand.

### Financial analysis

<b>Other liabilities</b> in EUR thousand	<b>31/03/2014</b>	31/12/2013
Liabilities from gaming operations	20,138	13,996
Tax liabilities	1,520	1,464
Liabilities from open invoices	1,540	600
Liabilities from social security	204	122
Others	1,594	1,787
	<b>24,996</b>	<b>17,971</b>

(Rounding differences possible due to presentation in EUR thousand)

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 up 39.1% to EUR 24,996 thousand compared with 31 December 2013 of EUR 17,971 thousand.

### Dividend policy

On 27 February 2014, the Executive Board of Tipp24 SE announced that it would distribute a one-off special dividend on 30 April 2014 in the form of an interim dividend amounting to EUR 7.50 per share.

The Executive Board also resolved to propose annual dividend payments for shareholders in future as of 2015. The first such dividend would be based on the annual financial statements for the current fiscal year 2014. The annual dividend is to be at least EUR 1.50 per share – provided that the company's financial position and performance enables such a dividend.

### Investment analysis

In the first quarter of 2014, investing activities resulted in cash outflows of EUR 48,886 thousand (Q.I 2013: EUR -7,367 thousand). Financial investments resulted in net cash inflows of EUR 49,684 thousand (Q.I 2013: outflows of EUR 6,670 thousand) from the selling of financial assets. Cash outflows for investments in our operating business for software, hardware and office equipment totalled EUR 798 thousand (Q.I 2013: EUR 698 thousand).

## Liquidity analysis

<b>Key cash flow positions</b> in EUR thousand	<b>Q.I 2014</b>	Q.I 2013
Cash flow from operating activities	4,969	8,207
Cash flow from investing activities	48,886	-7,367
thereof financial investments	49,684	-6,670
thereof operative investments	-798	-698
Cash flow from financing activities	0	0
<b>Change in cash and pledged cash</b>	<b>53,855</b>	<b>840</b>
Cash at the beginning of the period (without pledged cash)	85,465	77,946
Changes in consolidated group	0	-582
<b>Cash at the end of the period (without pledged cash)</b>	<b>139,320</b>	<b>78,204</b>
Short-term financial assets	24,737	60,246
<b>Available funds</b>	<b>164,057</b>	<b>138,450</b>

(Rounding differences possible due to presentation in EUR thousand)

At EUR 4,969 thousand, **cash flow from operating activities** in the first quarter of 2014 fell below the Q.I 2013 figure of EUR 8,207 thousand. This was mainly due to a decrease in profit before tax.

As explained in the investment analysis section above, **cash flow from investing activities** amounted to EUR 48,886 thousand in the period under review (Q.I 2013: EUR -7,367 thousand).

As of 31 March 2014, Tipp24 had available funds in the form of cash and short-term financial assets of EUR 164,057 thousand (Q.I 2013: EUR 138,450 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.

<b>Other assets</b> in EUR thousand	<b>31/03/2014</b>	31/12/2013
Receivables from gaming operations	1,445	5,164
Prepaid expenses	6,453	5,156
Receivables from tax authorities for sales tax	55	184
Others	2,727	1,882
	<b>10,680</b>	<b>12,386</b>

(Rounding differences possible due to presentation in EUR thousand)

### Asset situation

Tipp24's asset profile continues to be dominated by current assets of EUR 175,637 thousand (31 December 2013: EUR 168,988 thousand) – these largely consist of cash (EUR 139,677 thousand), short-term financial assets (EUR 24,737 thousand) and other assets and prepaid expenses (EUR 10,680 thousand).

Moreover, Tipp24 has intangible assets (mainly software) amounting to EUR 11,608 thousand, at-equity financial assets of EUR 21,879 thousand, property, plant and equipment (mainly hardware and office equipment) amounting to EUR 2,471 thousand and deferred tax assets amounting to EUR 2,422 thousand.

### Overall statement on economic position

Since the implementation of the second stage of the GlüStV 2008 over five 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](http://www.lotto24.de). In view of the politically determined conditions in 2012, 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. At the same time, business activities in the "Abroad" segment remained stable at a high level.

Against this backdrop, we continue to regard Tipp24's situation as generally robust: Tipp24 has sufficient resources to successfully prevail even in the face of significant regulatory restrictions.

At the same time, we see the opportunity for sustained encouraging growth in the medium term: in comparison with other sectors, the global online lottery market is still underdeveloped and offers 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 the international lottery markets.

We also plan to efficiently tap the online lottery markets as a partner of the state lottery companies and private enterprises by utilizing our leading technological and marketing expertise as a service provider. Our activities with the Spanish ONCE lottery and further talks with potential customers have strengthened our view that this is a promising market segment. We also see attractive opportunities on the UK market with our investment in GeoLotto.

### SUBSEQUENT EVENTS

On 10 April 2014 Smartgames Technologies Limited purchased and became the legal owner of eSailors Limited.

## FORECAST, OPPORTUNITY AND RISK REPORT

### FORECAST REPORT

According to the executive boards of our minority shareholdings, they intend to continue business activities in the "Abroad" segment.

Our investment in the UK-based Geonomics Global Games Limited contains two key aspects for the future: firstly, an additional joint venture was founded with Geonomics in 2013 in order to launch and capitalise the product GeoLotto – for which Geonomics has received a license from the UK's Gambling Commission – in the UK. Secondly, Tipp24's investment represents the implementation of its strategy to establish a new international division for the provision of online services. This involves offering its product innovations to other lottery companies for roll-out in their respective lottery markets.

In particular, we regard the provision of technology and marketing services for international lottery operators enabling them to successfully market their products online, as a new and promising business field in the medium term. In addition to Europe, we see clear signs of deregulation especially in North America – and plan to efficiently tap this online lottery market as a partner of the state lottery companies.

### Expected earnings position

Tipp24 SE expects a slight increase in revenue in the range of EUR 135 to 145 million (prior-year forecast: EUR 130 to 140 million) with similar growth in EBIT to between EUR 25 and 35 million (prior-year forecast: EUR 20 to 30 million). This forecast takes account of costs for the readjustment of hedging structures in our secondary lottery business and adjustments to our IT platform, as well as additional, mostly non-recurring costs for the preparation of new business fields amounting to approximately EUR 10 million. The stated ranges for revenue and earnings also take account of statistic fluctuations in payouts for our secondary lottery business.

### OPPORTUNITIES REPORT

The growing online lottery markets rely heavily on the prevailing legal conditions of the respective countries. In certain European countries, and especially in North America, we see clear signs of a deregulation which may lead to an opening of the local online lottery market. This would open up promising potential for Tipp24's core competency in technology and marketing services for online lotteries.

In the UK, our investment Geonomics already holds a licence to operate and market GeoLotto – a lottery based on a virtual map. In order to quickly provide the best-possible funding for this business opportunity, a joint venture was formed with Geonomics. Tipp24 can contribute the online marketing know-how it has gathered over the years in order to efficiently launch this new lottery product on the market. Even a small market share of the UK's current lottery volume would significantly boost Tipp24's revenue.

Growth opportunities in countries such as Germany are still greatly restricted by legislation which goes against valid law and political common sense. However, a variety of verdicts may also result in steps towards deregulation in Germany over the medium term with a direct or indirect impact on lotteries. With its past experience of the German market, Tipp24 may benefit strongly from such a development.

### RISK REPORT

In our Management Report 2013, 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 in Germany it was forced to discontinue at the end of 2008. However, considering the many years of legal wrangling between Tipp24 SE and the authorities and the duration of the permit process which has already been pending for over a year, we assume that any permit application process involving Tipp24 SE will be burdened. In view of freely available information on the restrictions for those pro-

viders who have already received permits, it must further be assumed 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.

Following the repeal in 2011 of a prohibition order addressed to Tipp24 SE regarding the offerings of its minority investments, there have been no further attempts by the German authorities to challenge Tipp24 SE about its minority investments. In 2011, the Administrative Court of Wiesbaden (Verwaltungsgericht – VG) had ruled that no action could be taken against Tipp24 SE regarding the offerings of its legally independent companies as it no longer had control over them. However, the possibility cannot be completely excluded that certain authorities will once again issue 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 liberalisation 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 criticised 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.

### **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, 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 recognised at all in the balance sheet – for example as a result of an initial payment pledge.



### 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. On 27 December 2013, the relevant tax office rejected the objection regarding one item. Tipp24 SE has taken legal action against this finding. As a result, there is a remaining tax risk of up to EUR 3.0 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 and has been recognised as a contingent liability.

### Risks from cash and financial investments

At the end of the reporting period, Tipp24 held cash in Germany and abroad totalling EUR 139,677 thousand, held in accounts with various major European banks and subject to the risks described in the Annual Report 2013 of Tipp24 SE on p. 32 et seq..

### GOING CONCERN

The directors have adopted the going concern basis in the preparation of these reviewed interim condensed financial statements due to the company's healthy liquidity position, the risk management and hedging procedures in place and the profitable and cash positive trading that is forecast for 2014 and beyond.

### DIRECTORS OF THE COMPANY

The directors who held office during the period were:

- Dr. Hans Cornehl
- Dr. Helmut Becker
- Andreas Keil

### RESPONSIBILITY STATEMENT

To best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim condensed consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group, and the interim management report of the Group includes a fair view of the development and performance of the business and the position of the Group, as well as a fair view of information on material transactions with related parties and changes since the last annual report together with a description of the principal risks and uncertainties associated with the expected development of the Group for the remaining months of the financial year.

London, 28 April 2014

### The Executive Board

Dr. Hans Cornehl      Dr. Helmut Becker      Andreas Keil

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 MARCH

	Q.I 2014	Q.I 2013
in EUR thousand		
<b>Revenues</b>	<b>30,810</b>	<b>37,373</b>
Other operating income	2,275	706
<b>Total operating performance</b>	<b>33,085</b>	<b>38,079</b>
Personnel expenses	-3,605	-2,601
Amortisation/depreciation on intangible assets and property, plant and equipment	-1,676	-1,742
Other operating expenses	-26,551	-21,691
Marketing expenses	-3,413	-1,351
Direct costs of operations	-13,306	-12,050
Other costs of operations	-9,832	-8,289
<b>Result from operating activities (EBIT)</b>	<b>1,253</b>	<b>12,045</b>
Revenues from financial activities	314	349
Expenses from financial activities	-93	-73
Result from associated companies	-263	-130
Result from joint ventures	-488	0
<b>Financial result</b>	<b>-530</b>	<b>146</b>
<b>Result from ordinary activities</b>	<b>723</b>	<b>12,191</b>
Income taxes	-587	-3,180
<b>Profit from continued operations</b>	<b>136</b>	<b>9,011</b>
Profit after tax from discontinued operations	-27	-8
<b>Consolidated net profit<sup>1)</sup></b>	<b>109</b>	<b>9,003</b>
Earnings per share (basic and diluted, in EUR/share)	0.02	1.13
Earnings per share from continued operations (basic and diluted, in EUR/share)	0.01	1.13
Weighted average of ordinary shares outstanding (basic and diluted, in shares)	8,291,755	7,985,088

<sup>1)</sup> The consolidated net profit is attributable to the owners of Tipp24 SE, London, UK.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH

	Q.I 2014	Q.I 2013
in EUR thousand		
<b>Net profit for the period</b>	<b>109</b>	<b>9,003</b>
<b>Other comprehensive income</b>		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Loss on available-for-sale financial assets (AFS)	-598	-198
Income tax effect	135	0
<b>Other comprehensive income, net of tax</b>	<b>-463</b>	<b>198</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>-354</b>	<b>8,805</b>

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS AT

	31/03/2014	31/12/2013
<b>ASSETS</b> in EUR thousand		
Cash and pledged cash	139,677	85,822
Short-term financial assets	24,737	70,307
Trade receivables	330	259
Receivables from joint ventures	190	190
Income tax refund claims	24	24
Other current assets and prepaid expenses	10,680	12,386
<b>Total current assets</b>	<b>175,637</b>	<b>168,988</b>
Intangible assets	11,608	12,905
Other equipment, furniture & fixtures and leased assets	2,471	2,143
Financial assets	0	4,511
Shares in associated companies	17,275	17,538
Shares in joint ventures	4,604	5,039
Other assets and prepaid expenses	354	435
Deferred tax assets	2,422	1,992
<b>Total non-current assets</b>	<b>38,734</b>	<b>44,593</b>
<b>ASSETS</b>	<b>214,371</b>	<b>213,581</b>

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS AT

	31/03/2014	31/12/2013
<b>EQUITY &amp; LIABILITIES</b> in EUR thousand		
Trade payables	6,178	9,812
Other liabilities	24,996	17,971
Financial liabilities	117	108
Deferred incomes	3,346	3,783
Income tax liabilities	1,311	3,607
Short-term liabilities	1,749	1,540
<b>Total current liabilities</b>	<b>37,698</b>	<b>36,821</b>
Deferred tax liabilities	1,198	1,204
<b>Total non-current liabilities</b>	<b>1,198</b>	<b>1,204</b>
Subscribed capital	8,385	8,385
Capital reserves	22,741	22,741
Other reserves	-379	-209
Retained earnings	144,729	144,639
<b>Total equity</b>	<b>175,475</b>	<b>175,556</b>
<b>EQUITY &amp; LIABILITIES</b>	<b>214,371</b>	<b>213,581</b>

## INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE THREE MONTHS ENDED 31 MARCH

	Q.I 2014	Q.I 2013
in EUR thousand		
Profit from continued operations before tax	723	12,191
Profit from discontinued operations before tax	-27	-8
<b>Result before tax</b>	<b>696</b>	<b>12,183</b>
Adjustments for		
Amortisation/depreciation on non-current assets	1,667	1,742
Result from disposal of non-current assets	-112	4
Result from foreign exchange transactions	195	338
Revenues from financial activities	-314	-349
Expenses from financial activities	93	73
Deconsolidation of Giochi24 S.r.l.	0	4
Share of result from associated companies	263	-0
Share of result from joint ventures	476	-0
Other non-cash changes	334	-130
Changes in		
Trade receivables	-71	29
Other assets and prepaid expenses	1,548	-595
Non-current other assets or prepaid expenses	81	-11
Trade payables	-3,634	-297
Other liabilities	7,123	-440
Financial liabilities	9	7
Short-term provisions	127	-791
Deferred income	-437	-1,200
Non-current provisions	-0	36
Interests received	314	349
Interests paid	-93	-73
Taxes paid	-3,298	-2,672
<b>Cash flow from operating activities</b>	<b>4,969</b>	<b>8,207</b>
Changes (net) on financial investments (short-term)		
Changes (net) on financial investments (short-term)	49,684	-6,670
Payments for investments in intangible assets	-89	-78
Payments for investments in property, plant and equipment	-709	-620
<b>Cash flow from investing activities</b>	<b>48,886</b>	<b>-7,367</b>

## INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE THREE MONTHS ENDED 31 MARCH

	Q.I 2014	Q.I 2013
in EUR thousand		
<b>Cash flow from financing activities</b>	<b>0</b>	<b>0</b>
Changes in cash and pledged cash	53,855	840
Cash at the beginning of the period (except pledged cash)	85,465	77,946
Changes due to consolidation	0	-582
<b>Cash at the end of the period (except pledged cash)</b>	<b>139,320</b>	<b>78,204</b>
<b>Composition of cash at the end of the period</b>		
Cash and pledged cash	139,677	78,561
Pledged cash	-357	-357
	<b>139,320</b>	<b>78,204</b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH

in EUR thousand	Subscribed capital	Capital reserves	Other reserves	Retained earnings	<b>Total equity</b>
<b>As at 1 January 2012</b>	<b>7,985</b>	<b>7,805</b>	<b>134</b>	<b>134,451</b>	<b>150,375</b>
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	-343	0	-343
Net profit 2013	0	0	0	10,188	10,188
Total net profit 2013	0	0	-343	10,188	9,845
<b>As at 31 December 2013</b>	<b>8,385</b>	<b>22,741</b>	<b>-209</b>	<b>144,639</b>	<b>175,556</b>
<b>As at 1 January 2014</b>	<b>-8,385</b>	<b>-22,741</b>	<b>-209</b>	<b>144,639</b>	<b>175,556</b>
Contribution to other provisions	0	0	0	0	0
Dividend in kind	0	0	0	0	0
Capital increase	0	0	0	0	0
Transaction costs for capital increase	0	0	0	0	0
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	-170	-20	-190
Net profit 2014	0	0	0	109	109
Total net profit 2014	0	0	-170	89	-81
<b>As at 31 March 2014</b>	<b>-8,385</b>	<b>-22,741</b>	<b>-379</b>	<b>144,729</b>	<b>175,475</b>



## SEGMENT REPORTING

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

The "Germany" segment comprises all activities which are controlled by Tipp24 SE and this includes activities in both 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 minority shareholding.

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.

in EUR thousand	Germany		Abroad		Consolidation		Consolidated	
	01/01-31/03		01/01-31/03		01/01-31/03		01/01-31/03	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>Revenue</b>	<b>100</b>	<b>102</b>	<b>30,711</b>	<b>37,271</b>	<b>2</b>	<b>-</b>	<b>30,810</b>	<b>37,373</b>
Depreciation/amortisation	-26	-31	-1,253	-1,116	-397	-596	-1,676	-1,742
<b>EBIT</b>	<b>-2,877</b>	<b>-1,635</b>	<b>4,320</b>	<b>14,055</b>	<b>-190</b>	<b>-375</b>	<b>1,253</b>	<b>12,045</b>
Finance result	79,101	-408	369	387	-80,000	-125	-530	-146
Income tax	-44	-4	-634	-3,262	91	85	-587	-3,180
<b>Profit from continued operations</b>	<b>76,181</b>	<b>-2,047</b>	<b>4,054</b>	<b>14,055</b>	<b>-80,098</b>	<b>37</b>	<b>136</b>	<b>9,011</b>
<b>Assets</b>	<b>133,282</b>	<b>46,502</b>	<b>112,697</b>	<b>138,624</b>	<b>-58,791</b>	<b>-49,806</b>	<b>187,188</b>	<b>135,320</b>
<b>Debts</b>	<b>134,247</b>	<b>49,581</b>	<b>136,413</b>	<b>189,964</b>	<b>214,028</b>	<b>329,421</b>	<b>211,861</b>	<b>189,037</b>

## SELECTED EXPLANATORY NOTES

### GENERAL

The interim condensed consolidated financial statements of Tipp24 SE and its subsidiaries (collectively, the Group) for the three months ended 31 March 2014 were authorised for issue in accordance with a resolution of the directors on 7 May 2014.

Tipp24 SE successfully relocated its registered office in London, UK, on entry in the commercial register of the UK's Companies House on 7 February 2014.

Tipp24 SE (the company) was incorporated and domiciled in London, UK, whose shares are publicly traded (registered in England and Wales Nr. SE000078).

As of 10 February 2014, the registered shares of Tipp24 SE are traded on the regulated market (Prime Standard) of the Frankfurt Stock Exchange in the form of so-called Clearstream Interests (CI) under the ISIN GB00BHD66J/WKN TIPPO24.

The interim condensed consolidated financial statements for the three months ended 31 March 2014 have been prepared in accordance with IAS 34 Interim Financial Reporting. Accordingly, these interim condensed consolidated financial statements do not include all of the information and disclosures required by IFRS for complete financial statements for year-end-reporting purposes.

The interim condensed consolidated financial statements include all adjustments of a normal and recurring nature considered necessary for a fair presentation of results for interim periods. Results of the periods ended 31 March 2014 are not necessarily indicative for future results.

The reporting period is 1 January to 31 March 2014.

The same accounting policies and calculation methods were used for this interim condensed consolidated financial statement as for the consolidated financial statement as at 31 December 2013.

On 25 February 2014, Tipp24 (Netherlands) B.V., based in Amsterdam, the Netherlands, was formed. It is a wholly-owned subsidiary of Tipp24 UK Limited.

### NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with the following in the preparation of the annual consolidated financial statement for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014.

The nature and the impact of each new standard or amendment are described below:

#### Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 "Consolidated Financial Statements". The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Group, since none of the entities in the Group qualify to be investing entities under IFRS 10.

#### Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact to the Group.

#### Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Group, as the Group does not have derivatives.

#### Recoverable Amount Disclosures for Non-Financial-Assets – Amendments to IAS 36

These amendments remove the unintended consequences of IFRS 13 "Fair Value Measurement" on the disclosures required under IAS 36 "Impairment of Assets". In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. These amendments have no impact to the Group.

**IFRIC 21 Levies**

IFRIC 21 is effective for annual periods beginning on or after 1 January 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 Income Taxes) and fines or other penalties for breaches of legislation.

The interpretation clarifies that an entity recognises a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued

progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached. The interpretation requires these same principles to be applied in interim financial statements. IFRIC 21 is not applicable in the 31 March 2014 interim condensed consolidated financial statements and has not chosen to early adopt IFRIC 21.

The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not effective.

**REVENUES**

Compared with Q.I 2013, revenues in the first quarter of 2014 rose by EUR 6,563 thousand to EUR 30,810 thousand. Actual payout ratio in Q.I 2014 was 10.9 %-points (Q.I 2013: 10.9 %-points).

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

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

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

**Revenues**

in EUR thousand	Q.I 2014		Q.I 2013		Deviation absolute
<b>Revenues</b>	<b>30,810</b>	<b>100.0%</b>	<b>37,373</b>	<b>100.0%</b>	<b>-6,563</b>
+/- Deviations between actual winnings payouts and expected value	4,432	14.4%	-5,045	13.5%	9,477
Revenues adjusted for chance effects	35,242	114.4%	32,328	86.5%	2,914

## PERSONNEL EXPENSES

The year-on-year increase in personnel expenses of EUR 1,004 thousand resulted mainly from increase in headcount.

## OTHER OPERATING EXPENSES

The increase in other operating expenses resulted mainly from increased rent and maintenance costs of EUR 695 thousand and outsourcing costs of EUR 1,616 thousand, which was offset in part by savings in the field of consulting costs of EUR 1,303 thousand.

## TAXES

On conclusion of the tax inspection for the period 2005–2007, there is currently a dispute with the relevant tax authority regarding the validity of tax assessments for various items. Although we have grounds to believe that all the items queried by the tax authority were correctly assessed in accordance with the relevant regulations, the possibility

cannot be excluded that the relevant authority may come to a different conclusion and successfully uphold this view in any respective legal proceedings. As a result, there is a total tax risk of up to EUR 3.0 million, which might have a correspondingly negative effect on the earnings, financial position and net assets of Tipp24 SE.

## INCOME TAX

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

in EUR thousand	Q.I 2014	Q.I 2013
Current income tax expense	986	3,341
Current deferred tax expense/income	-399	-161
<b>Total income tax</b>	<b>587</b>	<b>3,180</b>

## DISCONTINUED OPERATIONS

Tipp24 Deutschland GmbH was classified as a discontinued operation.  
Its result can be broken down as follows:

in EUR thousand	Q.I 2014	Q.I 2013
Expenses	-27	-8
<b>Profit before tax from discontinued operations</b>	<b>-27</b>	<b>-8</b>
<b>Profit after tax from discontinued operations</b>	<b>-27</b>	<b>-8</b>

## SHARES IN ASSOCIATED COMPANIES

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

in EUR thousand	31/03/2014	31/12/2013
<b>Shares in the assets and liabilities of the associated company</b>		
Short-term assets	-2,216	2,130
Long-term assets	-374	343
Short-term liabilities	-166	158
Long-term liabilities	-1,117	-0
<b>Equity</b>	<b>-1,308</b>	<b>2,315</b>

in EUR thousand	Q.I 2014	Q.I 2013
<b>Share in profit or loss of the associated company</b>		
Revenue	102	-31
Annual net loss	-263	-127
Other comprehensive income	-0	-0
Total comprehensive income	-263	-127

in EUR thousand	31/03/2014	31/12/2013
<b>Net assets of the associated company</b>	<b>4,214</b>	<b>10,595</b>
<i>Group's shareholding</i>	25.70%	25.70%
Group's share in result	263	-587
Write-downs on undisclosed reserves (net)	0	-270
<b>Carrying value of the Group's shareholding in Geonomics Global Games Limited</b>	<b>17,275</b>	<b>17,538</b>

Geonomics Global Games Limited is accounted for in the interim condensed consolidated financial statements using the equity method. The fiscal year of Geonomics Global Games Limited ends on 31 December.

## SHARES IN JOINT VENTURES

The Group holds a shareholding of 50% in Geo24 UK Limited, London, UK.

Geo24 UK Limited is accounted for the interim condensed consolidated financial statement using the equity method. The fiscal year of Geo24 UK Limited ends on 31 December.

in EUR thousand	31/03/2014	31/12/2013
<b>Shares in the assets and liabilities of the associated company</b>		
Short-term assets	717	2.145
Long-term assets	7	12
Short-term liabilities	349	1.315
Long-term liabilities	28	0
<b>Equity</b>	<b>347</b>	<b>842</b>

in EUR thousand	Q.I 2014	Q.I 2013
<b>Share in profit or loss of the joint venture</b>		
Revenue	2	-
Annual net loss	-488	-
Other comprehensive income	0	-
Total comprehensive income	-488	-

in EUR thousand	31/03/2014	31/12/2013
<b>Net assets of the joint venture</b>	<b>347</b>	<b>1,685</b>
<i>Group's shareholding</i>	<i>50.00%</i>	<i>50.00%</i>
Group's share in result	4,341	4,341
<b>Carrying value of the Group's shareholding in Geo24 UK Limited</b>	<b>4,604</b>	<b>5,069</b>

## OBJECTIVES AND METHODS OF CAPITAL MANAGEMENT

The Group operates a decentralised 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

The Group invests the majority of its funds in a combination of fixed term deposits. For these funds, which are mainly held in liquid or short-term investments, there is a general risk from changing interest rates. A sensitivity analysis was conducted for the portfolio of cash and short-term financial assets held on 31 March 2014 with a simulated interest rate increase of 50 base points. Assuming no changes are made to the port-

folio in response to the interest rate increase, there would be a rise in interest income of EUR 822 thousand (in a simplified calculation). Under consideration of the duration of those investments currently in the portfolio, there would be an expected reduction of this interest income of EUR 13 thousand. The overall effect, therefore, would be an increase in interest income of EUR 790 thousand.

## CURRENCY RISK

The Group is exposed to a currency risk as a result of GBP exchange rates arising from payments received and made in foreign currency which differ from Group'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 British pound and thus exposed to a currency risk.

In order to determine the currency risk, a fluctuation of the euro to British pound exchange rate of 10% was assumed as of 31 March 2014. On the basis of this assumption, a revaluation of the British pound against the euro of 10% to 0.9302 GBP/EUR would result in an effect of EUR -2,495 thousand on earnings. A devaluation of the British pound against the euro of 10% to 0.7610 GBP/EUR would result in an effect of EUR 3,032 thousand on earnings.

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## SUBSEQUENT EVENTS

On 10 April 2014 Smartgames Technologies Limited purchased and became the legal owner of eSailors Limited.

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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, 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 GmbH received compensation of EUR 69 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 accounting, 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 arising from or in connection with the operation of Schumann e. K.. Indemnification is limited to the extent that fulfillment 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.

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



## FINANCIAL CALENDAR

19 JUNE 2014	ANNUAL GENERAL MEETING
17 AUGUST 2014	HALF-YEAR REPORT
13 NOVEMBER 2014	Q.III REPORT

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