

Tipp24de

FULL SPEED AHEAD
WITH A TAIL WIND
FROM EUROPE
— NEW RECORD EARNINGS

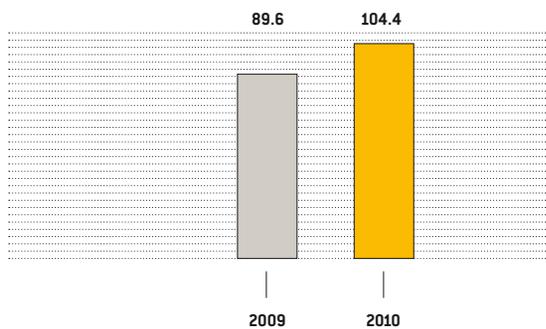
ANNUAL REPORT 2010



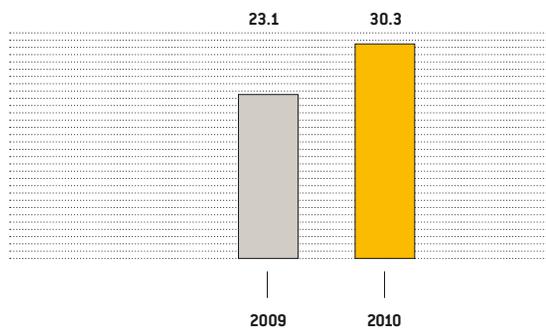
Tipp24de

» **EXCITING TIMES** FOLLOWING YEARS OF REGULATORY DISCUSSIONS, WE NOW EXPECT GERMAN LOTTERY SALES TO BE LIBERALISED IN THE SHORT TO MEDIUM TERM. UNTIL THEN, OUR ABROAD SEGMENT WILL CONTINUE TO DRIVE SUCCESS – WITH DOUBLE-DIGIT GROWTH RATES.

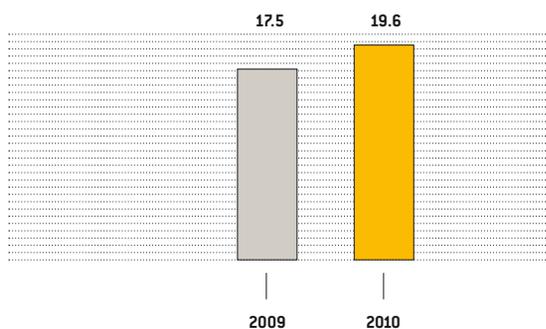
REVENUES in EUR million



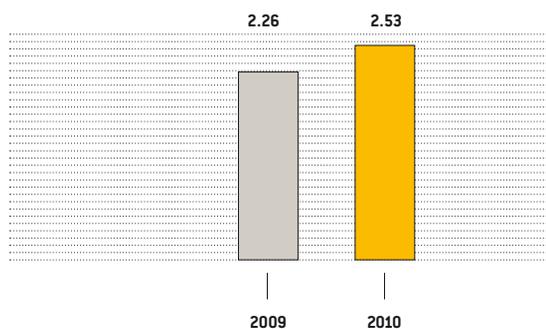
EBIT in EUR million



NET PROFIT in EUR million



EARNINGS PER SHARE in EUR



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» **DESPITE THE ONGOING UNCERTAINTY** REGARDING THE REGULATORY CONDITIONS, TIPP24 EXCEEDED ITS OWN FORECASTS AND POSTED RECORD FIGURES: CONSOLIDATED REVENUE GREW BY 16% TO EUR 104,370 THOUSAND AND CONSOLIDATED EBIT BY 31% TO EUR 30,258 THOUSAND. WE WILL CONTINUE TO UNDERTAKE EVERYTHING POSSIBLE TO RESUME OUR ORIGINAL BUSINESS IN GERMANY – THE ONLINE BROKERAGE OF HARMLESS LOTTERIES – AS SWIFTLY AS POSSIBLE. «



DR. HANS CORNEHL, CEO

LADIES AND GENTLEMEN,

Following a particularly strong fourth quarter, Tipp24 exceeded the forecast for fiscal year 2010 which it upgraded in August last year. With revenue growth of 16% and a 31% leap in EBIT, Tipp24 posted its best-ever annual results – a success which was also honoured by the capital market. On 27 January 2011, the Tipp24 share reached an all-time-high of EUR 32.20.

ABROAD SEGMENT DRIVING SUCCESS

As in the previous year, this outstanding performance was driven mainly by Tipp24's Abroad segment – even though MyLotto24 Limited had to pay out one major jackpot and several smaller single-figure million winnings in secondary lotteries it organised, thus burdening EBIT in the period under review. With revenue of EUR 103,733 thousand, the Abroad segment posted EBIT of EUR 40,202 thousand. In contrast, the Germany segment achieved revenue of EUR 3,125 thousand and EBIT of EUR -8,808 thousand, as it was still strongly burdened by the State Treaty on Games of Chance (GlüStV) and start-up costs for its Skill-Based Games division.

ECJ VERDICT OVERTURNS STATE TREATY ON GAMES OF CHANCE

The overall success of the past year once again demonstrates Tipp24's ability to generate reliable revenue and earnings – even in an environment marked by frequent change. Tipp24's high degree of organisational flexibility in the face of the current regulatory situation remains a key competitive advantage. Although the European Court of Justice (ECJ) clearly and decisively ruled on 8 September 2010 that significant GlüStV regulations constituted an infringement of EU law and were inapplicable with immediate effect, German courts and authorities have since issued conflicting rulings. As a consequence, the legal situation in Germany is still not consistent. Doubts as to the GlüStV's legality and effectiveness have so far been expressed by Germany's Federal Supreme Court (BGH) and Federal Administrative Court (BVerwG), amongst others, in their verdicts of 14 and 24 November 2010.

SETTLEMENT OF FUTURE CONDITIONS EXPECTED

As the EuGH's instructions regarding interpretation are binding, the regulations on existing gaming monopolies in Germany are no longer applicable in total. We believe that – especially in the field of lotteries – this affects the obligation of brokers to seek permission from the federal states, the prohibition of online gaming and the restriction and prohibition of advertising. On 3 March 2011, this was also confirmed by a verdict of the Administrative Court of Chemnitz, which upheld a declaratory action brought by Tipp24 against the GlüStV. Nevertheless, the political and legal implementation of the ECJ's rulings and the endorsing verdicts of various German courts will now probably take a few more months at least. The German states are currently discussing possible amendments to the GlüStV. A decision might be made in April.

TREASURY SHARES SOLD

On 28 September 2010, we sold our entire stock of treasury shares at a price of EUR 25 per share to reputable investors interested in holding a long-term stake in the company. We therefore sent a clear signal for our domestic business: we intend to invest the proceeds in re-establishing our online brokerage of state-run lotteries in Germany.

NO DIVIDEND FOR 2010

Due to the realignment of business completed in 2009, Tipp24 SE still incurs considerable running costs – mainly for administration and legal advice – but has very few revenue streams from its own activities. As the profits of our investments in the Abroad segment are also currently being carried forward and not distributed to Tipp24 SE, we will not be able to distribute any dividend again until the legal situation in Germany has been settled in our favour.

OUTLOOK

We still plan to clarify the legal and political conditions in Germany by utilising all available appeal possibilities and continuing our political lobbying. We aim to resume our business activities in Germany – brokering state-run lotteries – as swiftly as possible. We therefore appeal to the persons responsible to use the current opportunity to create sensible and forward-looking conditions for the online brokerage of harmless lotteries.

According to the executive boards of our minority shareholdings, the growth strategy in the rest of Europe is also to be continued.

For our fiscal year 2011, we expect revenue and EBIT to reach at least the level of last year (EUR 104 million and EUR 30 million). This forecast takes into consideration uncertainties regarding negative statistical fluctuations and increased costs for re-establishing business in Germany of up to EUR 10 million.



Dr. Hans Cornehl

CEO

DR. HANS CORNEHL [43], has a doctorate in chemistry and has been a member of the Executive Board of Tipp24 SE since June 2002 – and solely responsible since October 2009. He was previously Senior Investment Manager at the venture capital company Earlybird, where he specialised in investments in the media and telecommunications sector after gaining experience as a turnaround manager at a hospital. Dr. Cornehl started his career as an adviser for start-up, high-tech and spin-off companies at McKinsey & Company.

SHARE & CORPORATE GOVERNANCE

ALL TREASURY SHARES SUCCESSFULLY PLACED

TIPP24 SOLD ALL ITS TREASURY SHARES BY MEANS OF A BOOKBUILDING PROCESS IN SEPTEMBER 2010 WITH PROCEEDS OF EUR 8,950 THOUSAND. FOLLOWING AN IMPRESSIVE PERFORMANCE IN THE PREVIOUS YEAR, THE TIPP24 SHARE CLOSED 2010 JUST 1.4% DOWN.

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



EUR 20.50

4,277.03

— Tipp24

— SDAX

EUR 29.60

5,296.60

SHARE

At the beginning of 2010, the Greek state's impending insolvency dampened the stock market mood and led to falling share prices. There was widespread speculation that the debt crisis might spread to other European nations. The end of economic stimulus programmes also raised the danger of a renewed slide into recession. The announcement of a package of drastic spending cuts by the Greek government – the prerequisite for EU and IMF support – triggered an initial wave of relief around Europe's stock exchanges. In addition to this short-term aid, the EU states agreed a rescue package of EUR 750 billion, which was to be used to buy government bonds of highly indebted Euro states.

The stock markets reacted very positively to these moves: the leading German stock index, the DAX, grew by 16.1% in 2010 reaching 6,914.18 points. It was easily outperformed, however, by the SDAX which was up 45.8%. Following its impressive performance in the previous year, the Tipp24 share consolidated its position in 2010. The share price fell from EUR 29.00 to EUR 20.00 in summer, before recovering to EUR 28.59 at the end of the year – all in all, therefore, a year-on-year adjustment of -1.4%.

ANNUAL GENERAL MEETING

The Annual General Meeting of Tipp24 SE was held at the Hotel Atlantic Kempinski in Hamburg on 8 June 2010. A total of 62.22% of voting capital was represented at the meeting. The shareholders did not vote in favour of all resolutions proposed by management on the agenda: there was no approval for the management proposals regarding the agenda items for a further »Authorization to acquire and use treasury shares«, the extension of possibilities for the »Creation of new Authorized Capital« and a further »Authorization to set up a new stock option plan«. All other proposals made by management were approved with very large majorities.

DIVIDEND

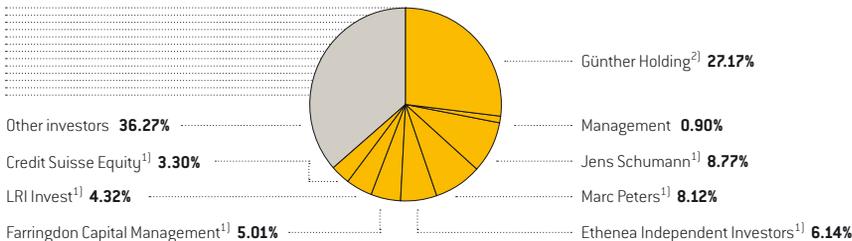
Although there was a further significant improvement in earnings in fiscal 2010, the ability of Tipp24 SE to make dividend payments is still heavily restricted. Due to the realignment of business and the resulting transfer of control in respect of the Group's UK companies, Tipp24 SE must bear considerable running costs – mainly for administration and legal advice – but has very few revenue streams itself from its own activities. At the same time, the profits of the fully consolidated associated companies in the Abroad segment are currently being carried forward and not distributed to Tipp24 SE. As there was once again no balance sheet profit in fiscal year 2010, the Executive Board will not be proposing any dividend payment.

SALE OF SHARES

Authorized by a resolution adopted by the Annual General Meeting of 16 June 2009, Tipp24 SE sold all 361,180 of its treasury shares on 28 September 2010, corresponding to around 4.5% of capital stock. The shares were sold at a price of EUR 25 per share by means of a bookbuilding process. As a result, Tipp24 SE received a further EUR 8,950 thousand in equity.

IR ACTIVITIES

In the period under review we once again pursued our investor relations targets – to maintain an open and ongoing exchange of information with the capital market – by participating in various roadshows and capital market conferences in various financial centres of Europe. The main focus of our investor relations work was once again the explanation of the current regulatory discussions and the restructuring of our business fields.

SHAREHOLDER STRUCTURE (as of 18 March 2011)

¹⁾ according to the latest disclosure of voting rights by the investor

²⁾ Günther Holding GmbH was renamed Günther GmbH as of 01.01.2011.

KEY SHARE FIGURES

Day of initial listing	12.10.2005
Year-opening price	EUR 29.00
Market capitalization (Year-opening)	EUR 231.57 million
Year-end price	EUR 28.59
Market capitalization (Year-end)	EUR 228.29 million
Highest price [17.03.2010]	EUR 30.55
Lowest price [12.07.2010]	EUR 20.00
Number of shares	7,985 thousand
Average daily trading (until 31.12.2010)	27,246
Earnings per share (undiluted and diluted)	EUR 2.56

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	Deutsche Bank, Macquire, Warburg, Hauck & Aufhäuser
Reuters	TIMGn.DE
Bloomberg	TIM GR

CORPORATE GOVERNANCE**RESPONSIBLE AND SUSTAINED VALUE GROWTH**

Good corporate governance is a central aspect of our corporate policy which extends to every area of the company: a management and control system based on responsible and long-term value growth. In addition to organisational and business policy principles, it comprises the internal and external mechanisms for

controlling and monitoring the company. These include, in particular, the efficient cooperation between Executive Board and Supervisory Board, the transparent communication of company activities and the respect of shareholder interests.

Good corporate governance promotes the trust of national and international investors, financial markets, business associates, employees and the general public in the management and monitoring of a company. Tipp24 has always attached great importance to these principles. Tipp24 generally follows the recommendations of the German Corporate Governance Code (GCGC) in its current version of 26 May 2010 (www.corporate-governance-code.de). The exceptions are listed and explained in the currently valid version of our Declaration of Conformity, which is shown below and is also permanently available to shareholders on our website at www.tipp24-se.de. Declarations of Conformity which are no longer valid are kept there for a period of five years each. We would like to highlight certain topic areas of our Corporate Governance policy in the following:

CLOSE COOPERATION BETWEEN EXECUTIVE BOARD AND SUPERVISORY BOARD

The Executive Board and Supervisory Board of Tipp24 SE work closely together. The Executive Board reports regularly and comprehensively to the Supervisory Board about all relevant questions of corporate planning and strategic development, as well as about the course of business and Tipp24's current position, including an assessment of the risk situation. All deviations in the development of business from targets and budgets, as well as Tipp24's strategic alignment and future development, are immediately reported to the Supervisory Board. The rules of procedure of the Executive Board include provisions regarding the necessary approval of the Supervisory Board for significant business transactions.

DIRECTORS' DEALINGS ACC. TO § 15A WPHG

According to § 15a WpHG (German Stock Trading Law), members of the Executive Board and Supervisory Board, as well as related persons, are obliged to declare any purchase or sale of Tipp24 SE shares, insofar as the value of the transactions during one calendar year reaches or exceeds EUR 5,000. Tipp24 immediately publishes details of such transactions on its website and submits the corresponding voucher to the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht). No transactions were reported to Tipp24 SE in the past fiscal year.

REMUNERATION REPORT

Remuneration of the Supervisory Board

The Annual General Meeting of Tipp24 SE on 29 May 2008 adopted a remuneration system for the Supervisory Board which consists of a fixed payment, a performance-oriented bonus, further benefits and the reimbursement of expenses. The remuneration regulations were adopted for the fiscal year 2008 and the following years, unless a different resolution is adopted for the future by a subsequent Annual General Meeting. This remuneration is based on the responsibility and scope of activities, as well as on the economic situation and success of the company. Moreover, the Company bears the cost of premium for suitable insurance coverage regarding legal liability from Supervisory Board activities (D&O insurance).

In addition to the reimbursement of their expenses, members of the Supervisory Board thus receive a fixed annual payment of EUR 13.8 thousand on completion of the respective fiscal year. As well as this fixed amount, members of the Supervisory Board also receive a performance-based annual payment based on consolidated EBIT, whereby this additional performance-based remuneration is limited to a total amount of no more than EUR 7 thousand.

Moreover, the members of the Supervisory Board receive a performance-based annual payment with a long-term incentive effect based on consolidated earnings per share. This additional remuneration is also limited to an amount of no more than EUR 7 thousand.

The Chairman of the Supervisory Board receives two-and-a-half times, the Deputy Chairman one-and-a-half times the above-mentioned fixed and variable remuneration amounts.

in EUR	Fixed salary	Variable remuneration	2010
Klaus F. Jaenecke (Chairman)	34,500.00	35,000.00	69,500.00
Oliver Jaster (Deputy Chairman)	20,700.00	21,000.00	41,700.00
Hendrik Pressmar	13,800.00	14,000.00	27,800.00
Total	69,000.00	70,000.00	139,000.00

in EUR	Fixed salary	Variable remuneration	2009
Klaus F. Jaenecke (Chairman)	34,500.00	35,000.00	69,500.00
Oliver Jaster (Deputy Chairman)	20,700.00	21,000.00	41,700.00
Hendrik Pressmar	13,800.00	14,000.00	27,800.00
Total	69,000.00	70,000.00	139,000.00

Remuneration of the Executive Board

The Executive Board remuneration consists of a fixed basic annual salary of EUR 350 thousand and a variable component. The Executive Board also receives an additional bonus which reflects the particular burden carried by its sole member. Moreover, the Supervisory Board may resolve to grant the Executive Board an additional voluntary bonus for special services to the company and in the case of corresponding economic success of the company. One third of the variable component is based on individual strategic targets, such as company growth, and two thirds on the size of the consolidated EBT margin based on the average of the past year and the two preceding years. On achievement of the targets, the variable component amounts to 100% of the fixed component. If targets are exceeded, the variable component can rise to a maximum of 200% of the fixed amount.

Benefits on termination of the Executive Board mandate

If a member of the Executive Board agrees to be reappointed on the basis of the contractual conditions offered, the Executive Board member shall receive maximum compensation of half an annual gross salary if the company is then culpable in failing to reappoint said member. If an appointment to the Executive Board is effectively revoked, the Executive Board member has the right to claim compensation amounting to the remaining gross salaries, but limited to two annual gross salaries. Should another enterprise gain control of the company and the appointment of an Executive Board member is revoked within one year, this Executive Board member has the right to claim compensation amounting to the remaining gross salaries, but limited to three annual gross salaries.

in EUR	Fixed salary	Variable remuneration	2010
Dr. Hans Cornehl	350,000.00	631,931.74	981,931.74
Total	350,000.00	631,931.74	981,931.74

in EUR	Fixed salary	Variable remuneration	Severance payments	2009
Dr. Hans Cornehl	180,000.00	586,695.00	0.00	766,695.00
Marcus Geiß	45,000.00	50,000.00	0.00	95,000.00
Jens Schumann	135,000.00	586,695.00	45,000.00	766,695.00
Petra von Strombeck	45,000.00	436,695.00	76,000.00	557,695.00
Total	405,000.00	1,660,085.00	121,000.00	2,186,085.00

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

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

»Tipp24 SE complies with the 26 May 2010 version of the conduct recommendations made by the Governmental Commission of the German Corporate Governance Code for corporate management and monitoring as published by the German Ministry of Justice in the official part of the electronic Federal Gazette and will continue to comply with them with the following exceptions:

3.8 – D&O insurance deductible

The D&O insurance taken out for the Supervisory Board of Tipp24 SE does not include a deductible. The Executive Board and Supervisory Board continue to take the view that a D&O insurance deductible does not constitute an adequate means of achieving the code's objectives. As a rule, deductibles of this kind are insured by the executive bodies themselves, so that the actual purpose of the deductible is nullified and therefore ultimately all that matters is the level of compensation paid to the executive bodies. Following the introduction of a corresponding obligation for members of the Executive Board, the decision not to include a deductible only concerns the Supervisory Board as of 1 July 2010; there was previously also no deductible included in the D&O insurance taken out for the Executive Board.

4.2.1 – Composition of the Executive Board

As of 1 October 2009, the Executive Board of Tipp24 SE consists of one person. In view of the restricted number of remaining tasks for the Executive Board following the termination of operating activities of Tipp24 SE in 2009, it appears inappropriate to maintain an Executive Board consisting of several members.

4.2.4 – Executive Board compensation

In the case of benefit commitments granted to Executive Board members in the case of premature or regular termination of their activity as Executive Board members, or changes made in the course of the fiscal year, Tipp24 SE will first disclose such details in its Remuneration Report for fiscal year 2010. Tipp24 SE

is thus taking into consideration the fact that German legislation has also introduced parallel legal disclosure obligations with initial effect for the annual financial statements and consolidated annual financial statements for fiscal year 2010.

5.3.1, 5.3.2 and 5.3.3 – Formation of committees, setting up of an audit committee and a nomination committee

Since in accordance with the company statute the Supervisory Board of Tipp24 SE comprises only three persons the Supervisory Board has formed no committees, and in particular no audit committee and no nomination committee.

5.4.1 – Specification of objectives for the composition of the Supervisory Board

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

Since submitting its last Declaration of Conformity in November 2009, Tipp24 SE has complied with all recommendations of the German Corporate Governance Code in the version dated 18 June 2009, with the exception of recommendations made under sections 3.8, 4.2.1, 4.2.4, 5.3.1, 5.3.2 and 5.3.3.«

Hamburg, September 2010

For the Supervisory Board



Klaus F. Jaenecke

For the Executive Board



Dr. Hans Cornehl

GROUP MANAGEMENT REPORT

BEST-EVER FISCAL YEAR

DESPITE THE UNCERTAIN REGULATORY ENVIRONMENT, TIPP24 RECORDED A FURTHER YEAR OF EXCEPTIONALLY STRONG PROGRESS. ONCE AGAIN, THE COMPANY'S ABROAD SEGMENT MORE THAN COMPENSATED FOR THE NEGATIVE EFFECTS OF THE STATE TREATY ON GAMES OF CHANCE IN GERMANY. REVENUES EXCEEDED EUR 100 MILLION FOR THE FIRST TIME WHILE THE EBIT MARGIN ROSE FROM 25.7% TO 29.0%.

BUSINESS & ECONOMIC CONDITIONS

REGULATORY CONDITIONS

Realignment of business due to GlüStV in Germany

Following the implementation of the second stage of the German State Treaty on Games of Chance (GlüStV), which completely prohibited the brokering of state-run lotteries via the Internet as of 1 January 2009, Tipp24 SE discontinued its lottery brokerage activities in Germany. Its alignment was therefore brought in line with the regulatory environment – although Tipp24 continues to fight in the courts for the resumption of its business in Germany.

In the course of this realignment, Tipp24 SE transferred assets that it no longer required to MyLotto24 Limited and its subsidiaries, which had been active in the UK since 2007. This concerned both the brokerage of state-run German lottery products, as well as the subsidiaries Ventura24 S.L. in Spain and Giochi24 S.r.l. in Italy. In addition, Tipp24 SE transferred control over its UK subsidiaries in accordance with company law in the second quarter of 2009 to reflect the autonomy and individual responsibility of these companies in their respective business fields. Specifically, 60% of the voting shares in both MyLotto24 Limited and Tipp24 Services Limited were sold to a Swiss foundation set up by Tipp24 SE in the form of preference shares stripped of their main economic rights. These shares have a guaranteed limited right to dividends of up to a total of GBP 30 thousand p.a.. The inclusion of 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. In the following, Tipp24 SE and the consolidated group will be referred to simply as »Tipp24«.

ECJ declares GlüStV invalid

In a number of preliminary ruling proceedings brought by German courts in connection with sports gambling cases (e.g. Carmen Media litigation), the European Court of Justice (ECJ) examined the regulations of Germany's gaming legislation, in particular the State Treaty on Games of Chance, with regard to their compliance with European law. On 8 September 2010, the ECJ proclaimed in two verdicts that the current and legal rulings of the referring German courts justified the courts' assumptions that significant regulations of the German State Treaty on Games of Chance (GlüStV) contravened EU law and were inapplicable. The regulations of Germany's gaming monopoly represented an unjustifiable restriction of the basic European freedoms of private suppliers. Moreover, the ECJ ruled that such an infringement of basic freedoms, as was the case under the old legislation, meant that the national law was immediately inapplicable, without any transition period for courts and authorities. We believe that – especially in the field of lotteries – this also affects the obligation of brokers to seek permission from the federal states, the prohibition of online gaming and the restriction and prohibition of advertising.

Legal opinion of Tipp24 SE confirmed by ECJ

The fundamental legal opinion of Tipp24 SE with regard to the GlüStV has now been clearly confirmed by the ECJ. Tipp24 SE therefore expects that the German legislation which forbids its German operations – in contravention of EU law – will be adapted to the requirements of higher-ranking European legislation in the medium term. Until this time, the profits generated by the affiliated companies in the UK will be retained on the level of MyLotto24 Limited. When certain conditions are met (e.g. a settlement of the legal situation in its favour), Tipp24 SE has the right to repurchase the sold shares from the foundation.

Against the backdrop of the ECJ ruling, we now plan to resume our former brokerage of state-run lotteries in Germany as soon as possible.

BUSINESS MODEL

End-user business in Germany

In fiscal year 2010, our business in Germany included activities in the field of class lotteries and skill-based games. The processing of class lottery tickets was governed by a cooperation agreement with Schumann e. K., whose sole shareholder is the former Executive Board member Jens Schumann. It conducts its operations on the basis of a sales agreement with the management of the North German State Lottery (Norddeutsche Klassenlotterie – NKL) and by way of appointment by the management of the South German State Lottery (Süddeutsche Klassenlotterie – SKL). The business volume generated by customers in Germany primarily comprises the stake money remitted to the gaming operators. Our revenues consist of commissions received for submitting lottery tickets to the lottery companies.

The Skill-Based Games division is operated via the website www.tipp24games.de. Tipp24 Entertainment GmbH develops the games offered and operates the platform. Revenues result primarily from withholding a defined share of the stakes received from players and are recognized at the time of game participation.

End-user business abroad

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

In Spain, Ventura24 S.L. currently offers the national 6 out of 49 lottery (La Primitiva) and related lottery teams, the Christmas lottery (Sorteo de Navidad), the European lottery Euromillones and other Spanish lotteries. In Italy, a legally binding operating and brokerage licence acquired by Giochi24 S.r.l. entitles it to offer the national 6 from 90 lottery (SuperEnalotto), as well as scratch cards and skill-based games via the website www.giochi24.it.

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

Revenue in **Spain** results mainly from additional fees, and in **Italy** mainly from commissions paid by lottery organisers for tickets transmitted.

SIGNIFICANT ECONOMIC AND LEGAL FACTORS AFFECTING BUSINESS

Large jackpots

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

Legal market situation in Germany

The ECJ rulings of 8 September 2010 have cast a new light on the ongoing political and legal discussion of Germany's gaming market and its respective legal framework. In litigation concerning »Carmen Media and Stoss et al«, the ECJ decided that significant regulations of German gaming legislation constituted an infringement of EU law as they represented an unjustifiable restriction of basic European freedoms. Due to the findings of the referring German courts, German gaming legislation as a whole was judged to be incoherent – including federal law on automated games, horse racing bets and lottery practices. Moreover, the ECJ ruled that such an infringement of EU law in the field of gaming meant that regulations contravening EU law were immediately inapplicable – without any transition period.

Despite the ECJ's clear rulings, German courts and authorities have passed various decrees and verdicts in summary and principal proceedings in application of the GlüStV, which contravenes EU law. These affected both Tipp24 itself and various other market participants. All in all, these decrees and verdicts in contravention of the ECJ rulings have resulted in a very varied picture.

In its verdict passed on 24 November 2010, the German Federal Administrative Court (Bundesverwaltungsgericht – BVerwG) also applied the principle of consistency to the provisions of gaming legislation. With reference to the need for consistency, it repealed a verdict of the Bavarian Administrative Court which denied any incoherencies in the German provisions without previously examining whether German gaming legislation as a whole was coherently regulated. The BVerwG rejected the proceedings, calling for a further examination of the coherency of German gaming regulations and practice. This incoherency has already been determined by the referring courts VG Cologne and VG Stuttgart, amongst others, in application of the provisions of the ECJ verdict. Once again, doubts about the legality and effectiveness of the GlüStV have been confirmed.

With the decision of the BVerwG, German authorities and courts which previously assumed the legality of the GlüStV are now expected to follow the doubts expressed by the ECJ with regard to the coherency of the legislation. This is also indicated by a decision of Germany's Federal Supreme Court (Bundesgerichtshof – BGH) on 14 November 2010, which for legal reasons could only deal with legislation before the GlüStV was introduced. Despite being restricted to former legislation, the BGH cites in its verdict the ECJ's ruling on »Carmen Media« which only relates to the new GlüStV as proof of its incompatibility with higher-ranking legislation and refers to the advertising practice of Germany's lottery companies, which is still not exclusively focused on measures aimed at combating addiction.

The ECJ's instructions regarding interpretation are binding – beyond the proceedings themselves. The political and legal implementation of the ECJ's and BVerwG's rulings will probably take a few more months at least.

In addition to the general questions of coherency regarding gaming legislation, there are also growing doubts among Germany's administrative courts in the more specific area of lottery brokerage, concerning the proportionality of restrictions (Internet ban) and their alignment with the aim of combating gambling addiction. In proceedings brought by Tipp24, VG Halle conducted an extensive survey among guardianship courts and addiction clinics due to considerable doubts regarding the existence of any »lottery addiction«. It found that lottery addiction played a very minor role, if at all. Against this backdrop, the court ruled that there was a disproportion between the the aim and the means, and that the current obligation of brokers to seek permission, the Internet ban and the so-called territoriality/regionality of German Lotto (i.e. the restriction of Lotto to one federal state) as regulated by the GlüStV contravened EU law.

Legal market situation abroad

The markets of our Abroad segment mainly offer stable legal environments in line with market requirements. The exception here is our legal dispute with Italy's anti-trust authorities. The question to be settled is whether the current obligation for all market participants to run online brokerage of the state-licensed lottery SuperEnalotto via the applet of organiser Sisal (which has hitherto also proven to be unsuitable for the market) represents a contravention of anti-trust law. The relevant departments of the European Commission have since become involved in the proceedings. There is a possibility that the matter may be settled in the course of fiscal year 2011.

Finally, there are strong indications that the gaming market in Germany and the rest of Europe will be liberalised in the medium term, influenced by the European Community and legislation of the European Court of Justice. In the course of such a deregulation process, we see an opportunity for us in future to market products from other European countries in the countries where Tipp24 is already active, thereby increasing our revenues. We would also have the opportunity to penetrate markets in further European countries, offering both our existing product range and products from different European countries.

VALUE-DRIVEN CORPORATE DEVELOPMENT

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

Germany segment

In our Germany segment, there are three main approaches to value creation. Firstly, the Skill-Based Games division is to be expanded further. We aim to steadily increase revenue by gaining new customers and intensifying existing business relations. By utilising economies of scale, we intend to reach break-even and subsequently improve the profitability of this business in the medium term. At the same, we aim to defend our business with class lotteries in a fast declining market which has been hit hard by the GlüStV. Finally, we will continue to seek a legally and politically sound improvement of the GlüStV, whose politically unwise regulations we believe to be an infringement of valid

law and have now been declared inapplicable by the ECJ. This would enable us to resume activities in our former core market of Germany and return to our historically proven growth rates for customer figures and billings.

Abroad segment

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

Development of key earnings ratios

Due to statistical effects in the payment of winnings in its bookmaking business, Tipp24 was able to raise its EBIT margin by 3.3 %-points to 29.0% during the period under review. At 18.7%, net operating margin was below the prior-year level (19.5%).

Due to an increase in equity capital, return-on-equity fell to 21.0% (prior year: 27.1%).

STRATEGY: MULTI-DIMENSIONAL GROWTH, CLARIFICATION OF THE REGULATORY ENVIRONMENT IN GERMANY

Strategy is determined independently in the respective business segments. On the one hand, we aim to achieve a binding legal clarification of the regulatory situation in our traditional core market of **Germany** in order to lay the foundation for renewed sustainable growth, and on the other hand to gradually expand our product portfolio in the Skill-Based Games division. Against the backdrop of the ECJ ruling, we plan to resume the brokerage of state-run lotteries in Germany as soon as possible. We have already fulfilled the main technological and organisational requirements for such a move. For example, the sale of treasury shares generated total proceeds of EUR 9 million, which will be used to re-establish our former business. In September 2010 we also established the company Tipp24 Deutschland GmbH especially for the operational implementation of our plans.

No significant changes were made to the strategic alignment of our **Abroad segment**. We aim to strengthen our business by achieving growth in Spain, Italy and the UK, as well as penetrating further European nations. At the same time, we intend to continually improve the quality and scope of our product range.

Following a possible deregulation of the European lottery markets, we plan to achieve additional growth in new and existing European markets in the medium term with the aid of a European product portfolio. The launch of our self-developed international gaming software will have a positive impact.

Changing regulatory conditions in Europe may result in the increased privatisation of currently state-owned market participants and thus lead to a possible concentration. Tipp24 aims to benefit from these expected market changes and grasp the resulting attractive opportunities for non-organic growth. This can be financed by using liquid funds of around EUR 42.7 million and short-term financial assets of around EUR 48.2 million.

MANAGEMENT & CONTROL

Management

As of October 2009, Tipp24 SE has been led by the sole member of its Executive Board, Dr. Hans Cornehl, together with an operating management team. The affiliated companies outside Germany are led by experienced general managers, who act independently.

Remuneration of Executive Board members

The Executive Board remuneration consists of a fixed basic annual salary of EUR 350 thousand and a variable component. The Executive Board also receives an additional bonus which reflects the particular burden carried by its sole member. Moreover, the Supervisory Board may resolve to grant the Executive Board an additional voluntary bonus for special services to the company and in the case of corresponding economic success of the company. One third of the variable component is based on individual strategic targets, such as company growth, and two thirds on the size of the consolidated EBT margin based on the average of the past year and the two preceding years. On achievement of the targets, the variable component amounts to 100% of the fixed component. If targets are exceeded, the variable component can rise to a maximum of 200% of the fixed amount.

Benefits on termination of the Executive Board mandate

If a member of the Executive Board agrees to be reappointed on the basis of the contractual conditions offered, the Executive Board member shall receive maximum compensation of half an annual gross salary if the company is then culpable in failing to reappoint said member. If an appointment to the Executive Board is effectively revoked, the Executive Board member has the right to claim compensation amounting to the remaining gross salaries, but limited to two annual gross salaries. Should another enterprise gain control of the company and the appointment of an Executive Board member is revoked within one year, this Executive Board member has the right to claim compensation amounting to the remaining gross salaries, but limited to three annual gross salaries.

Remuneration of Supervisory Board members

In addition to the reimbursement of their expenses, members of the Supervisory Board receive a fixed gross annual payment of EUR 13.8 thousand on completion of the respective fiscal year. They also receive a performance-based annual payment which depends on consolidated EBIT and is limited to a total amount of no more than EUR 7 thousand. Moreover, the members of the Supervisory Board receive a performance-based annual payment with a long-term incentive effect which depends on consolidated earnings per share and is also limited to an amount of no more than EUR 7 thousand. The Chairman of the Supervisory Board receives two-and-a-half times, the Deputy Chairman one-and-a-half times the above-mentioned fixed and variable remuneration amounts.

Remuneration of the second management tier

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

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

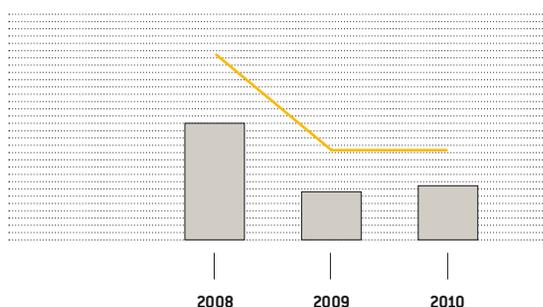
RESEARCH & DEVELOPMENT

In 2010, our R&D activities in **Germany** focused on expanding the product range of our Skill-Based Games division.

In the **Abroad segment**, work continued on the updating, internationalising and standardising our central gaming software. This project is managed directly by the Abroad segment in cooperation with external service companies and is expected to be completed in fiscal year 2011. In addition, various improvements were made to products, capacities and security systems in the various countries. External R&D know-how was acquired in some cases for individual projects.

In the course of fiscal year 2010, an average of 12 employees were involved with R&D activities on a full-time or part-time basis in the German segment and 21 in our Abroad segment. R&D expenses of our German segment amounted to EUR 636 thousand (prior year: EUR 740 thousand) and in our Abroad segment to EUR 943 thousand (prior year: EUR 656 thousand).

R&D EXPENSES/R&D STAFF



R&D expenses in EUR thsd.	■	3,374	1,396	1,579
Ø number of R&D staff	—	68	33	33

OVERVIEW OF BUSINESS DEVELOPMENT

GENERAL ECONOMIC CONDITIONS

Global economy

In 2010, the global economy continued to pull out of the recession caused by the financial crisis. Following a decline in global GDP of almost 1% in 2009, world-wide output expanded strongly in 2010 by 4.8%. Although the pace of growth was slowed somewhat during the year by various factors – tighter fiscal policy in most countries, the end of economic stimulus programmes, meagre growth in global trade during the second half of the year, structural problems in many industrialised nations – the major economic research institutes still expect a phase of moderate expansion in the near future.

Euro zone

The Euro zone economy became more stable during the course of 2010, with GDP growth of 1.7%. Whereas certain nations, such as Germany (GDP +3.7%) and the UK (GDP +1.7%), benefitted from a healthy economic upturn, the situation was more downbeat in other countries: there was only moderate GDP growth in Italy (+1.0%), while in Spain GDP was even down slightly on the previous year (-0.2%).

Fuelled mainly by increased energy costs, as well as tax increases in certain member states, inflation has grown steadily since August, reaching 1.8% in December. The job market has become more stable, albeit without any noticeable upturn.

In view of the debt crisis in countries such as Greece, Ireland and Portugal, the situation on the financial markets has continued to deteriorate, with record risk premiums being demanded for government bonds in the worst affected nations.

CONCLUDING ASSESSMENT OF BUSINESS DEVELOPMENT

The Executive Board regards the consolidated development of business as generally favourable. As expected, the German segment was only able to make a small contribution to consolidated revenue as the GlüStV still forbids online brokerage for games of chance. The Abroad segment made encouraging progress – even after adjustment for statistical effects for payouts.

Changes in the regulatory conditions for lotteries can currently be observed in various EU member states. In the medium term, this may lead to a liberalisation and privatisation of the lottery market with considerable growth opportunities for Tipp24.

FEATURES OF THE ACCOUNTING-RELATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

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

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

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

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

The Group's Executive Board bears full responsibility for the internal control and risk management system with regard to the accounting and consolidated accounting processes. All companies included in the consolidated financial statements are also included in a firmly defined management and reporting organisation. In contrast hereto, the companies of the UK sub-group are only included via a firmly defined reporting organisation. Within the framework of this reporting organisation, the Group's Executive Board is regularly provided with information about the following measures: definition of risk areas which may lead to developments endangering future survival; risk recognition and risk analysis; risk communication; allocation of responsibilities and tasks; the establishment of a monitoring system; documentation of the measures taken. Moreover, the reporting organisation requires that significant risks are to be reported immediately to the Group's Executive Board on occurrence.

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

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

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

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

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

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

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

EARNINGS, FINANCIAL POSITION AND NET ASSETS

EARNINGS

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

- In January 2009, there was the **second largest jackpot** in the history of German Lotto (EUR 35 million).
- In the first quarter of 2009, some **tickets** – especially those in connection with standing orders – could still be **brokered to state-run lottery companies**.
- Non-recurring costs in connection with the **restructuring** of business were incurred in the first half of 2009.
- A comparatively **high financial result** was posted in the first quarter of 2009 due to exceptionally successful financial investments.
- A **positive tax effect** resulted from the offsetting of tax loss carryforwards, for which no deferred tax assets were formed, with profits of the Abroad segment in the first quarter of 2009.
- MyLotto24 Limited, a fully consolidated minority shareholding of Tipp24 SE, recorded **jackpot winnings** for its players of EUR 31.7 million on 23 September 2009, EUR 11.7 million on 15 May 2010 and EUR 3.5 million on 3 July 2010 from secondary lotteries which it held. Including these jackpots, the total amount paid out for secondary lottery winnings was EUR 15.4 million above the expected payout value in fiscal year 2010 (prior year: EUR 26.7 million). This had a negative impact on revenue of the same amount and an EBIT effect of EUR -15.8 million (prior year: EUR -23.9 million).

EBIT

Due to the significant regulatory restrictions imposed on lottery activities and start-up losses in the Skill Based Games division, the **Germany segment** posted an EBIT result of EUR -8,808 thousand in 2010 (prior year: EUR -11,344 thousand).

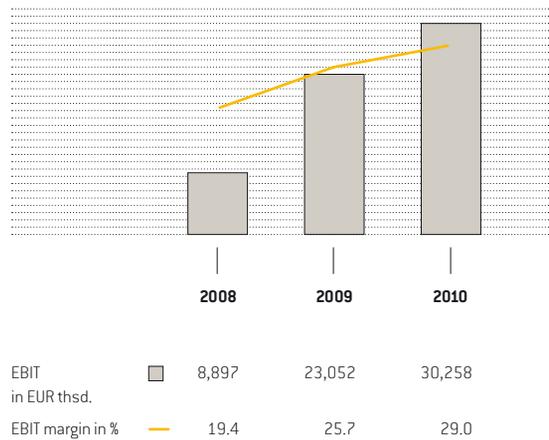
The **Abroad segment**, however, achieved an EBIT result of EUR 40,202 thousand. The prior-year EBIT figure of EUR 32,708 thousand benefited strongly from increased stakes due to two very large jackpots. In the second of these jackpot lotteries, however, a customer of MyLotto24 Limited won the jackpot of EUR 31.7 million with a correspondingly negative impact on earnings.

In 2010, MyLotto24 Limited once again recorded large jackpot winnings of EUR 11.7 million from a secondary lottery it held on 15 May. There were also several smaller single-figure million winnings which placed a burden on EBIT in the period under review.

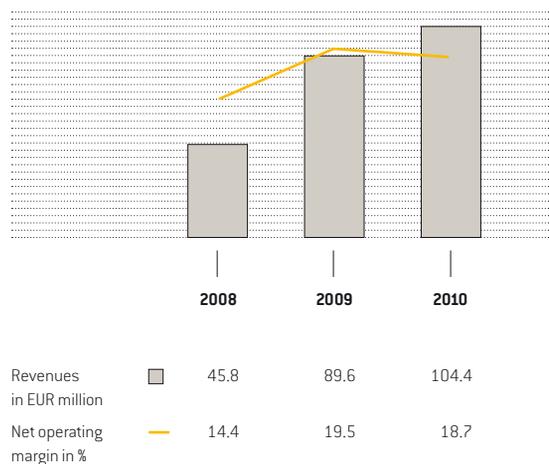
In total, consolidated EBIT amounted to EUR 30,258 thousand (prior year: EUR 23,052 thousand). The EBIT margin rose by 3.3 %-points from 25.7% to 29.0%. Adjusted for statistic deviation from the expected level of payouts, the figures amounted to EUR 46,065 thousand (prior year: EUR 46,984 thousand) and 38.5% (prior year: 40.4%).

Due to much lower interest rates in the period under review, the **financial result** fell to EUR 486 thousand (prior year: EUR 2,024 thousand). The sale of exceptionally successful financial investments had led to a strong financial result in the previous year.

EBIT/EBIT MARGIN



REVENUES/NET OPERATING MARGIN



	1 Jan. – 31 Dec. 2010		1 Jan. – 31 Dec. 2009		change %
	in EUR thsd.	%	in EUR thsd.	%	
Revenues	104,370	100.0	89,551	100.0	16.5
Personnel expenses	-11,815	-11.3	-12,524	-14.0	-5.7
Other operating expenses	-64,419	-61.7	-54,787	-61.2	17.6
Other operating income	4,981	4.8	3,641	4.1	36.8
Operating expenses	-71,253	-68.3	-63,670	-71.1	11.9
EBITDA	33,117	31.7	25,881	28.9	28.0
Amortization and depreciation	-2,860	-2.7	-2,829	-3.2	1.1
EBIT	30,258	29.0	23,052	25.7	31.3
Financial result	486	0.5	2,024	2.3	-76.0
Earnings before taxes	30,744	29.5	25,076	28.0	22.6
Income taxes	-11,192	-10.7	-7,594	-8.5	47.4
Profit	19,551	18.7	17,482	19.5	11.8
Breakdown of other operating expenses					
Marketing expenses	-11,471	-11.0	-7,500	-8.4	52.9
Direct operating expenses	-33,963	-32.5	-28,668	-32.0	18.5
Other expenses of operations	-18,985	-18.2	-18,619	-20.8	2.0
Other operating expenses	-64,419	-61.7	-54,787	-61.2	17.6

(Rounding differences possible due to presentation in EUR thousand)

Consolidated net profit in the period under review increased to EUR 19,551 thousand (prior year: EUR 17,482 thousand), while net operating margin after tax amounted to 18.7% (prior year: 19.5%). Compared to the previous year, the tax rate rose by 6.1 %-points to 36.4%. Tipp24's average tax rate is above the corporate tax rates in the various countries, as losses of Tipp24 SE and certain investments cannot be offset against the positive results of other investments. Moreover, in the first quarter of 2009, non-capitalised loss carryforwards of the Abroad segment from previous years were netted with profits, leading to an overall reduction in the consolidated tax rate in the previous year.

In the period under review, **return on equity** fell from 27.1% to 21.0%, mainly as a result of increased equity from retained earnings and proceeds from the sale of treasury shares.

Earnings per share (basic and diluted) increased from EUR 2.26 to EUR 2.53.

Net profit after tax acc. to HGB of Tipp24 SE amounted to EUR -4,477 thousand in 2010. Tipp24 SE must bear considerable administration and legal advice costs, but has very few revenue streams itself from its domestic subsidiaries. The profits of associated companies in the Abroad segment, however, are currently being carried forward and not distributed to Tipp24 SE. As in 2009, there was no balance sheet profit for fiscal year 2010 and thus no dividend proposal of the Executive Board.

Revenues

In the **Germany segment**, revenues amounted to EUR 3,125 thousand in the period under review (prior year: EUR 3,256 thousand), while in the **Abroad segment** revenues reached EUR 103,733 thousand (prior year: EUR 88,537 thousand).

For the organisation of **secondary lotteries**, reference is made to the organisation of lottery gaming systems which have a fixed ratio of **payouts to stakes**. The ratio of payouts to stakes is known as the payout ratio. In the lottery gaming systems 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 underlying payout ratio corresponds to the expected payout ratio for the organisation of secondary lotteries.

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

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

Consolidated revenues grew by 16.5% from EUR 89,551 thousand to EUR 104,370 thousand in 2010. Adjusted for the chance effects described above, revenues in 2010 would have grown by 3.0% from EUR 116,300 thousand to EUR 119,765 thousand. In fiscal year 2010, the actual payout ratio varied by 7.8 %-points (prior year: 13.6 %-points) from the expected value.

Development of orders

Due to the nature of the business model, it is not expedient to disclose the development of orders. Brokerage and game orders from customers are regularly carried out very soon after receipt.

Development of key income statement positions

Due in particular to the strong decrease in headcount in 2009, **personnel expenses** were below the prior-year figure and amounted to EUR 11,815 thousand (prior year: EUR 12,524 thousand). The personnel expense ratio fell by 2.7 %-points to 11.3%.

In fiscal year 2010, there was a year-on-year increase in **other operating expenses** of 17.6% to EUR 64,419 thousand (prior year: EUR 54,787 thousand). The development in detail was as follows:

- **Marketing expenses** grew by 52.9% to EUR 11,471 thousand (prior year: EUR 7,500 thousand), whereby marketing activities focused in particular on the Abroad segment.
- **Direct operating expenses** rose by 18.5% to EUR 33,963 thousand (prior year: EUR 28,668 thousand). This item is strongly influenced by licence and operator fees as well as costs in connection with hedging transactions of MyLotto24 Limited. The latter amounted to EUR 15,334 thousand in the period under review (prior year: EUR 11,987 thousand).
- **Other operating expenses** increased by 2.0% to EUR 18,985 thousand (prior year: EUR 18,619 thousand). This slight increase was largely due to costs for outsourcing necessitated by restructuring, which was only utilised from the second quarter of 2009 onwards, as well as increased consultancy fees, especially for legal advice. The prior-year period was burdened by restructuring costs.

Other operating income amounted to EUR 4,981 thousand (prior year: EUR 3,641 thousand). This item mainly consists of income from hedging transactions.

In comparison with the previous year, **amortization/depreciation** on intangible assets and property, plant and equipment grew by EUR 31 thousand (+1.1%) to EUR 2,860 thousand in fiscal year 2010. The development was in line with the volume of investments made.

FINANCIAL POSITION

Principles and objectives of financial management

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

- **Liquid funds** covering short-term liabilities from betting operations are to be invested in safe investment categories. The majority of these investments should be short-term. This short-term nature is mainly achieved by investing in highly liquid securities. A statistically proven base amount is to be invested over a medium-term period of one to four years.
- **Equity** which exceeds the targeted equity ratio of around 35% for ensuring the Company's stable financial position, is to be used for investments and other growth finance in line with our growth strategy. Liquid funds covering equity which have not yet been employed are also to be invested in safe short-term categories. In the medium term, Tipp24 may also leverage its financial position by means of interest-bearing debt. We shall continue to use equity capital which is not required for the Company's strategic objectives to pay dividends to our shareholders and buy back shares from the market. However, the above mentioned optimisation of equity is only prudent and possible when MyLotto24 Limited can distribute a dividend to Tipp24 SE again.

Financial analysis of Tipp24

The financial situation of Tipp24 is predominantly characterized by short-term other liabilities and equity.

Short-term other liabilities are mainly owed to customers from advance payments and payouts not yet made as of the balance sheet date, as well as to gaming licensors from licence and operator fees. In the period under review, short-term other liabilities fell by 41.2% to EUR 17,536 thousand (prior year: EUR 29,823 thousand). There are also trade payables and tax liabilities which grew by 53.9% to EUR 10,754 thousand in the period under review (prior year: EUR 6,989 thousand).

As of the end of the reporting period 2010, there were only long-term liabilities of EUR 181 thousand in the form of deferred tax liabilities (prior year: EUR 752 thousand). Tipp24 has not taken out any long-term interest-bearing debt.

Equity consists of accumulated profits, less loss carryforwards, from capital contributions in the Company's early phase (1999 and 2000), and from the additional equity generated by our IPO. In addition, Tipp24 SE sold all 361,180 of its treasury shares on 28 September 2010, corresponding to around 4.5% of capital stock. Authorized by a resolution adopted by the Annual General Meeting of 16 June 2009, the company sold the treasury shares at a price of 25 euros per share by means of a book-building process. As a result, Tipp24 SE received a further EUR 8,950 thousand in equity after deduction of transaction costs paid. At the end of the reporting period 2010, the equity capital of Tipp24 amounted to EUR 92,921 thousand (prior year: EUR 64,399 thousand), corresponding to an equity ratio of 71.5% (prior year: 59.6%).

In summary, the equity ratio – i.e. the ratio between equity and total capital – is our key indicator for financial analysis.

Key cash flow positions in EUR thsd.	2010	2009
Cash flow from operating activities	14,081	30,217
Cash flow from investing activities	-48,446	25,579
Cash flow from financing activities	8,950	-7,723
= Change in cash	-25,415	48,072
Changes due to consolidation	11	28
Cash at the beginning of the period	69,111	20,711
Change in pledged cash	-1,033	299
= Cash at the end of the period	42,673	69,111
Short-term financial assets	48,226	11,796
Available funds	90,899	80,907

(Rounding differences possible due to presentation in EUR thousand)

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

Off-balance-sheet financial instruments do not play a significant role in financing Tipp24. A bank guarantee facility in the amount of EUR 240 thousand has been taken out to secure future obligations under rental agreements for office space. Furthermore, Tipp24 had off-balance-sheet future obligations from operating lease agreements for offices, company cars and technical equipment in the amount of EUR 1,348 thousand (prior year: EUR 1,228 thousand).

Investment analysis

In the period under review, investing activities resulted in net cash flow of EUR -48,446 thousand (prior year: EUR 25,579). Proceeds and disbursements from financial investments resulted in net cash flow of EUR -36,431 thousand (prior year: EUR +32,443 thousand). Net cash flow from investments in our operating business totalled EUR -12.015 thousand (prior year: EUR -6,864 thousand). It was invested mainly in the current project to renew gaming software, as well as in the ongoing expansion and continual updating of live systems. Systems are continually expanded and updated in line with growing capacity requirements, as well as changing security standards and technologies.

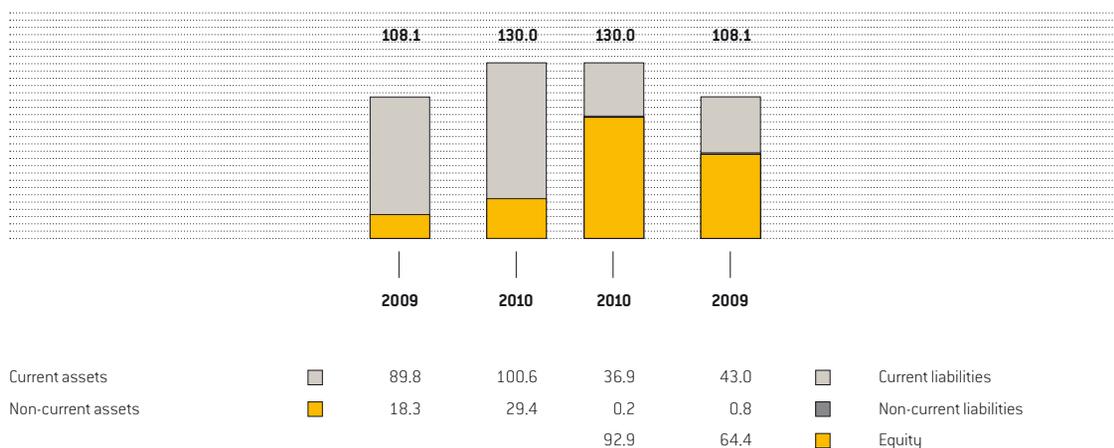
Liquidity analysis

At EUR 14,081 thousand, cash flow from operating activities was lower in the period under review than in the previous year (EUR 30,217 thousand). The difference was mainly due to the net change in other assets and other liabilities, as well as a reduction in deferred income.

Cash flow from investing activities fell by EUR 74,024 thousand to EUR -48.446 thousand, as explained in the investment analysis section above.

Cash flow from financing activities amounted to EUR 8,950 thousand (prior year: EUR -7,723 thousand), due to the above mentioned sale of treasury shares.

Tipp24 has available funds in the form of cash and short-term financial assets of EUR 90.9 million. This ensures that our operator of secondary lotteries, MyLotto24 Limited, always has sufficient short-term liquidity for the swift payment of high jackpot winnings.

BALANCE SHEET STRUCTURE in EUR million**ASSET SITUATION****Asset structure**

The assets of Tipp24 mainly comprise current assets amounting to EUR 100,569 thousand (prior year: EUR 89,827 thousand). These consist largely of cash (EUR 42,673 thousand), short-term financial assets (EUR 48,226 thousand) and other assets and prepaid expenses (EUR 7,964 thousand). Moreover, Tipp24 has intangible assets (mainly software) amounting to EUR 23,863 thousand, financial assets of EUR 1,600 thousand, property, plant and equipment (mainly hardware and office equipment) amounting to EUR 1,459 thousand and deferred tax assets amounting to EUR 2,521 thousand.

The development of assets mainly reflects increased revenues and the development of earnings. As a result of the sale of treasury shares on 28 September 2010, cash also increased by EUR 8,950 thousand.

Assets not recognized

On 23 September 2009, MyLotto24 Limited, a fully consolidated minority holding of Tipp24 SE, recorded a jackpot win of EUR 31.7 million for one of its players in a secondary lottery it had organized. Revenue was reduced by the same amount. The jackpot payout was insured for an amount of EUR 21.7 million. After the insurance case developed into litigation in early 2010, the entire amount of the receivable due from the insurance company totaling EUR 21.7 million was classified in the annual financial statements 2009 as a contingent receivable and is thus no longer carried in the balance sheet.

As in the past, Tipp24 also does not recognize self-produced assets, such as customers, brands and gaming software, in its financial statements. Against the backdrop of the legal uncertainty in Germany, these assets are at least temporarily exposed to significant risks. The considerable costs incurred for the internal development of new gaming software – especially personnel expenses – were not capitalised as they do not meet all criteria prescribed by IAS 38.57.

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

Tipp24 has future obligations from agreements totalling EUR 20,481 thousand. These contain obligations from services, cooperation, insurance, maintenance and license agreements. There are also obligations from an operating lease with a present value of EUR 1,348 thousand.

Employees

In addition to the Executive Board and the general managers of the consolidated companies, Tipp24 had an average of 121 full-time employees (year-end: 127) and two apprentices in 2010. The average age was 34. There were also an average of 28 student helpers in 2010, generally working a 20-hour week.

The regular working week in both the Germany and Abroad segments comprises 40 hours. There are no applicable works agreements or collective wage agreements in place in the Germany segment. A works council has not been set up. In the Abroad segment, there are tariff agreements according to the particular location.

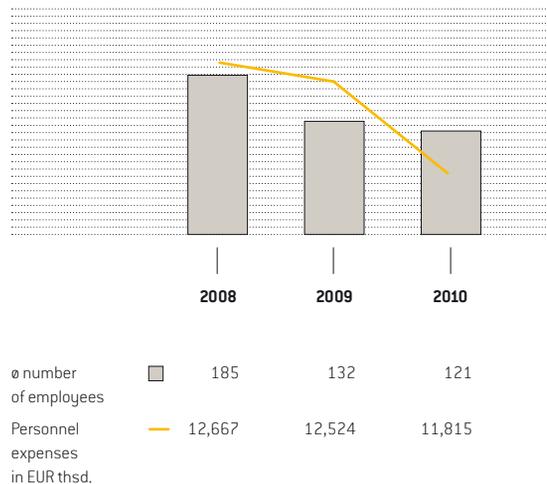
In the period under review, Tipp24 invested EUR 135 thousand (prior year: EUR 379 thousand) in external training activities. In addition, all employees take part in regular training measures within their respective departments.

Based on current information, Tipp24 regularly ensures compliance with all industrial health and safety standards required by law. There were no industrial accidents in 2010.

Other intangible assets

The value of Tipp24's organisational and process advantages – especially those of its minority shareholdings – results from our high processing expertise and the technical reliability of self-developed software.

NUMBER OF EMPLOYEES/PERSONNEL EXPENSES



OVERALL STATEMENT ON ECONOMIC POSITION

Management's assessment of the economic position

In the second year after implementation of the second stage of the GlüStV in Germany, and the resulting enforced termination of Tipp24's brokerage of state-run lotteries in Germany, business activities in the Abroad segment continued to make good progress and slightly exceeded the high level of 2009. 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 negative regulatory conditions. Above all, however, in view of what we regard as the obvious incompatibility of current gaming legislation in Germany with EU and anti-trust law, especially with regard to ongoing constitutional reservations, we believe that it is unlikely that such legislation can prevail in the long term. This belief has been confirmed by the ECJ with regard to its incompatibility with EU law.

At the same time, the Executive Board sees the opportunity for sustained encouraging growth in the medium term. In comparison with other sectors, the online lottery market in Germany, Spain, Italy and the UK is still underdeveloped – there is therefore a strong probability that the sector will enjoy significant growth in the coming years. Tipp24 is excellently positioned to benefit strongly from such growth. Furthermore, we see attractive additional potential in new product categories and in the course of ongoing deregulation of European lottery markets. Tipp24 has extensive financial liquidity, mainly from equity capital. This provides considerable scope to grasp future growth opportunities – for example by means of acquisitions.

Influence of balance sheet policy on the economic position

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

DISCLOSURES AND EXPLANATIONS PURSUANT TO TAKEOVERS

The following disclosures are in compliance with § 315 German Commercial Code (HGB):

- As of 31 December 2010, the Company's subscribed capital amounts to EUR 7,985,088.00 divided into 7,985,088 no-par value registered shares. The shares are fully paid. Each share entitles the owner to one vote and is decisive for the respective share of profit.
- The following direct or indirect holdings in the Company's share capital, in excess of 10% of total voting rights, were reported to the Company pursuant to § 21 WpHG during the period under review or at an earlier point and did not change during the period under review:

Name, location	Shareholding	Reporting date
Othello Drei Beteiligungs GmbH & Co. KG, Hamburg	27.17% (directly)	25 August 2010
Othello Drei Beteiligungs-Management GmbH, Hamburg	27.17% (attributable)	25 August 2010
GW Card Holding GmbH, ¹⁾ Hamburg	27.17% (attributable)	25 August 2010
Günther Holding GmbH, Bamberg ²⁾	27.17% (attributable)	28 April 2008

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

The members of the Executive Board of Tipp24 SE are appointed by the Supervisory Board for a period of no more than five years (Art. 9 (1), Art. 39 (2) and Art. 46 SE-Regulation, §§ 84, 85 of the German Stock Corporation Act (AktG), § 6 (2) of the Articles). Members may be re-appointed for further periods of no more than five years. Members of the Executive Board are appointed with a simple majority of the votes cast by the Supervisory Board. In the event of a tie, the Chairman has two votes in a second vote on the same matter if a tie also results (§ 13 (6) of the Articles). If a necessary member of the Executive Board is missing, the court may appoint a member in urgent cases and on application of a person involved in accordance with § 85 AktG. The Executive Board consists of one or more persons pursuant to § 6 (1) of the Company's Articles. Otherwise, the Supervisory Board determines the number of members of the Executive Board. In accordance with § 84 (2) AktG, the Supervisory Board appoints a Chairman of the Executive Board; as there is only one member of the Executive Board at present, this has not yet been done.

Resolutions concerning changes of the Company's Articles must be adopted by the Annual General Meeting. Pursuant to § 21 (1) sentence 2 of the Articles, and unless otherwise prescribed by law, amendments to the Articles require a majority of two thirds of votes cast or, providing half the share

¹⁾ GW Card Holding GmbH was renamed Günther Holding GmbH as of 01.01.2011

²⁾ Günther Holding GmbH was renamed Günther GmbH as of 01.01.2011

capital is represented, a simple majority of the votes cast. The Articles make use of the option available under § 51 sentence 1 SE-Implementation Act, which in turn is based on § 59 (1) and (2) SE-Regulation. A larger majority, for example, is required to change the purpose of the Company and to relocate its head office to another member state (§ 51 sentence 2 SE-Implementation Act). The Supervisory Board is authorised to resolve amendments to the Articles of Association that only concern the formal wording (§179 (1) sentence 2 AktG and §16 of the Articles). The last amendments to the Articles of Tipp24 SE were adopted by the Annual General Meeting of 8 June 2010; § 18 of the Articles regarding video and/or audio transmission of the Annual General Meeting was revised. At the same time, § 19 of the Articles regarding the exercise of voting rights by proxies at the Annual General Meeting was also revised.

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

There is no Authorised Capital at present which would authorise the Executive Board to issue shares.

Pursuant to § 4 (4) of the Company's Articles, there is a Contingent Capital of EUR 500,000, whereby the contingent capital increase is only implemented to the extent that the holders of stock options issued under the 2005 stock option plan exercise their option rights and the Company does not grant treasury shares or make a cash payment in order to satisfy the stock options. In the period of authorisation, a total of 18,000 stock options were issued under the 2005 stock option plan, of which 4,000 were satisfied with the Company's treasury shares and 14,000 have still not been exercised. Further tranches of the 2005 stock option plan can no longer be issued due to the plan's expiry.

The Executive Board is not currently authorised to purchase treasury shares. On 28 September 2010, Tipp24 SE sold all 361,180 treasury shares acquired on the basis of earlier authorisations, at a price of EUR 25 per share by means of a bookbuilding process.

- Tipp24 SE has concluded the following compensation agreement with Executive Board members:

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

SUBSEQUENT EVENTS

On 19 January 2011, Tipp24 SE informed the capital market via ad-hoc announcement that on the basis of preliminary and unaudited calculations its own forecasts for fiscal year 2010 had been significantly exceeded.

On 31 January 2011, the new gaming software developed over the past two-and-a-half years was put into operation in the Abroad segment as scheduled. There were no significant disruptions to operations.

The Chairman of the Supervisory Board of Tipp24 SE, Klaus F. Jaenecke, has informed the company's Executive Board on 18 February 2011 that he will resign from the Supervisory Board on completion of the Annual General Meeting 2011.

REPORT ON EXPECTED DEVELOPMENTS AND ASSOCIATED MATERIAL OPPORTUNITIES AND RISKS

RISK MANAGEMENT

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

In summary, Tipp24 is exposed to the typical sector and market risks associated with the economic activities of an internationally operating company in the Internet sector. In addition, there are market-typical regulatory risks in individual lottery markets from possible changes in the respective legal and political situation. Finally, there are specific risks associated with the organisation of secondary lotteries. These concern the statistical variations regarding the size of payouts as well as the increased risk of manipulation compared to the pure brokerage of lottery products. The realisation of one or more of these risks may materially impact Tipp24's business and have significant adverse effects on its net assets, financial position and results of operations.

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

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

Tipp24's risk management can be described as follows:

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

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

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

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

PRESENTATION OF INDIVIDUAL RISKS

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

Market and sector risks

General market risks

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

Risks from economic development

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

Financing and currency risks

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

Risks in the execution of large development projects

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

Risks from the processing of gaming operations

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

Risks from payment transactions

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

Risks from financial investments

Tipp24 has cash in Germany and abroad totalling EUR 42,673 thousand held in accounts with various major European banks. There is no evidence of any significant default risk. Should the global financial crisis deepen further and should – against all expectations – neither the national bank support systems nor the support packages provided by the leading industrialised states fail to avert the collapse of individual banks, this may result in the breakdown of various or possibly all credit institutes as well as all national support systems. Such a scenario may lead to the partial or complete loss of our cash deposits. Short-term financial assets of EUR 48,226 thousand are invested widely and comprise mainly investments with high credit ratings. The collapse of individual issuers of such securities may lead to the partial or complete loss of these financial assets. The financial assets and cash deposits currently held also bear a significant interest risk. A further reduction in interest rates may mean that no income can be generated from cash deposits and financial assets.

Personnel risks

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

General business risks

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

Legal development in Germany

As a result of the extensive Internet prohibition and other restrictions of the GlüStV in Germany, we were still unable to pursue the overwhelming proportion of our German business. In spite of the ECJ ruling of 8 September 2010, that of the BVerwG on 24 November 2010 and those of various other administrative courts which confirm our own assessment of the situation, there is still a risk that this restrictive legal framework may be upheld in the short to medium term.

Within the framework of its remit, the ECJ has examined the restrictions of the GlüStV with regard to its compliance with EU law and in response to inquiries brought by several German courts has confirmed reservations regarding the compliance of Germany's gaming laws with EU law. In application of the principles determined by the ECJ, the BVerwG also referred to the contradictory nature of the German gaming monopoly. The application of these instructions regarding interpretation, however, is initially still the duty of the national authorities and courts in Germany. In view of the doubts expressed by the supreme court, however, there is a not insignificant probability that the national courts will come to the conclusion, based on their own findings, that the German monopoly regulations are incoherent and thus disproportional. A coherent implementation of legislation intended to prevent gambling addiction would not ignore what the ECJ and BVerwG believe to be the most dangerous games (commercial gaming machines), whose operation is currently allowed and even facilitated for private persons – irrespective of which legislator is responsible, federal or state. Moreover, the current advertising methods of state-run lotteries are not conducive to preventing gambling addiction. Such incoherencies justified the decision that the European freedom of private persons to provide services was restricted in a disproportional manner. The ECJ further clarified that standards which infringe EU law could not be tolerated even temporarily but were inapplicable. German authorities and certain courts are currently adopting the view that the monopoly regulations may be ineffective, but that the need to

seek permission and the Internet ban were still effective. Based on numerous legal analyses and court verdicts to the contrary, we regard this view as incorrect. In the medium term, however, it remains to be seen to what extent enforceable prohibition orders can now be suspended or repealed by the courts and authorities on the basis of the European instructions. However, the courts must observe the interpretation of the ECJ which is binding in respect of decisions for the authorities and courts.

In the short to medium term, Tipp24 is still restricted in its direct access to the huge market potential of Germany, which it was able to exploit in the past. Since the end of 2008, various authorities have forbidden Tipp24 SE from brokering domestic and foreign games to customers in Germany. For the time being, these prohibition orders are still enforceable – even after the ECJ and BVerwG rulings. Tipp24 SE observes these regulations, whereby it should be noted that Tipp24 SE has never brokered foreign games. At the same time, some authorities also tried to force Tipp24 SE by means of injunctions to abandon the business model of the UK companies. These official orders are immediately enforceable and failure to meet them would result in coercive payments. However, as Tipp24 SE is not authorised to give directions to the UK companies (also before the sale of majority voting rights to the Swiss foundation) and no further details were provided as to how Tipp24 SE should achieve this with regard to the UK companies and their activities, we regard these requests as legally indeterminate and impossible to meet. This applies all the more since control has been transferred. We therefore challenged these orders in court. In two cases of a prohibition order and a coercive payment from January 2009, we failed to achieve a court suspension. In a further case, the authority itself lifted a prohibition order and two coercive payments following a notice from the administrative court and recognition of their illegality. In this case, no decision can be taken until principal proceedings have been completed. As the UK companies manage their business independently and Tipp24 SE cannot control them, we do not expect any further coercive payments. In contrast to this, in

summary proceedings of the administrative Court of Hesse in June 2010, it was assumed that Tipp24 SE controlled the offerings of the UK companies despite the legal transfer of control. With reference to these proceedings, the district government of Düsseldorf imposed a fine of EUR 100,000 in July 2010 based on the offerings of the UK companies and threatened further coercive payments. Due to Tipp24 SE's inability to control these companies, we regard this fine as a clear violation of valid law and shall challenge it in court. Tipp24 SE appealed to the administrative Court of Düsseldorf, which has since pronounced that the enforcement of such coercive payments must be temporarily suspended until a decision is taken in the summary proceedings. Against this backdrop, it cannot be excluded that certain authorities will impose further coercive payments and regulatory fines which will be upheld in court. Moreover, German authorities are attempting to directly forbid or prevent the UK companies from operating their own business model, even though the UK companies operate on the basis of concessions issued by the UK Gambling Commission and, according to the ECJ ruling on the interpretation of EU law, German legislation is to be regarded as incoherent and inapplicable. Even if the legal basis for such action outside Germany is difficult to comprehend and its effect questionable, it cannot be excluded that such measures would hinder or prevent the business activities of the UK companies.

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

Finally, Germany's supervisory authorities still also regard skill-based games as illicit gaming or for not permissible via the Internet and have announced a ban. In their capacity as market participants, certain state lottery companies are striving to forbid skill-based games by attempting to legally enforce an alleged contravention of German gaming law. We believe that the games offered on the website operated by Tipp24 Entertainment GmbH (www.tipp24games.de) are all knowledge-based or skill-based games which do not require permission. It cannot be ruled out, however, that we will fail to assert this claim in German courts. In the German state of North-Rhine Westphalia, the respective gaming authorities have issued a prohibition order against the game »Hush Hasis Mau Mau« which is temporarily enforceable in the area of the state. Should further games be removed from the website in future for similar considerations, without the ability to create a replacement of equal value, this would represent a significant restriction for the business of Tipp24 Entertainment GmbH, which would lead to a reduction in the value of the intangible assets disclosed in the balance sheet of Tipp24.

Bookmaking risk of MyLotto24 Limited

Statistical risks of winnings payouts

MyLotto24 Limited bears the bookmaking risks for secondary lotteries based on various European lotteries. The payout ratios are based on those offered by the organisers of the primary lotteries. Due to statistical fluctuation, these ratios may be greater than the payout ratios determined by the gaming systems of the primary lotteries – for example, 50% in the case of the German Lotto. They may even be temporarily greater than the stakes received by MyLotto24 Limited – as was the case in September 2009 – and thus have a significant negative effect on the earnings, financial position and net assets of MyLotto24 Limited, which through consolidation would also represent a burden for Tipp24 as a whole. MyLotto24 Limited informs Tipp24 SE immediately about individual payouts of at least EUR 5 million. Tipp24 SE currently has a communication guideline which re-

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

Risks from the assertion of claims from hedging transactions

MyLotto24 Limited has partially limited its bookmaking risk by conducting hedging transactions. The major winnings of EUR 31.7 million which MyLotto24 Limited experienced in September 2009 were thus also insured in the amount of EUR 21.7 million by such hedging transactions. The insurer has since completely rejected the claims from these transactions, so that MyLotto24 Limited must now enforce them in court. It cannot be fully excluded that the relevant courts fail to recognize the claims, in part or as a whole, or that in the case of an out-of-court settlement such claims are only met in part. The receivable is not carried in the balance sheet.

It cannot be fully excluded that insurers fail to fulfil their payment obligations also in future and that such claims have to be enforced in court. As such contingent receivables are not carried in the balance sheet, such a refusal to pay would have no impact on the earnings, financial position and net assets of MyLotto24 Limited, which through consolidation would also represent a burden for Tipp24 as a whole.

Manipulation risks

There is a risk that the participation in a secondary lottery organised by MyLotto24 Limited may be manipulated. In particular, participation may be subsequently simulated in knowledge of the winning numbers. This would have a correspondingly negative impact on the earnings, financial position and net assets of MyLotto24 Limited, which through consolidation would also represent a burden for Tipp24 as a whole.

MyLotto24 Limited has established extensive security systems in order to counter this risk. All game numbers of the participating customers are stored redundantly on special manipulation-protected systems with an unalterable time indicator prior to the time of the draw. The calculation of winnings payouts is also handled redundantly by the secure systems. There are regular

checks of winnings claims for every single game number. All processes and results concerning winnings are constantly monitored and audited by reputable independent auditors. Against this backdrop, the risk of manipulation is regarded as low.

CONCLUDING STATEMENT CONCERNING THE GROUP'S RISK SITUATION

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

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

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

FORECAST AND OPPORTUNITY REPORT

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

Expected earnings position

Tipp 24 still plans to clarify the legal and political conditions in Germany by utilising all available appeal possibilities and continuing its political lobbying. We aim to resume our business activities in Germany – brokering state-run lotteries – as swiftly as possible. Tipp24 therefore appeals to the persons responsible to use the current opportunity to create sensible and forward-looking conditions for the online brokerage of harmless lotteries.

According to the executive boards of our minority shareholdings, the growth strategy in the rest of Europe is also to be continued.

For its fiscal year 2011, Tipp24 expects revenue and EBIT to reach at least the level of last year (EUR 104 million and EUR 30 million). This forecast takes into consideration uncertainties regarding negative statistical fluctuations and increased costs for re-establishing business in Germany of up to EUR 10 million.

Should the current legal and economic conditions remain stable beyond 2011 and into 2012, the forecast for 2011 can also be applied in the same way to fiscal year 2012. Against the backdrop of a very unsettled regulatory environment, however, this forecast is still subject to significant uncertainties.

Expected financial position

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

We expect capital expenditure to be well below the prior-year value in 2011. Investments are planned mainly in the Abroad segment and will focus partly on residual work for the new gaming software recently put into operation. In addition, investments will continue to be made in steadily improving the performance of the system components used, updating standard software, and replacing outdated hardware. We expect a total investment volume of around EUR 7 million for 2011. Investments in 2012 are expected to be less again at EUR 3–5 million.

Significant opportunities

In the above-mentioned discussions of the legal framework, we believe it is unlikely that Germany's legislators will act against valid law and political common sense by restricting the growing market of online lottery brokerage. The recently announced verdict of the ECJ on 8 September 2010, as well as verdicts of Germany's anti-trust authorities and subsequent court instances for EU anti-trust legislation, various temporary verdicts at German administrative and civil courts, and supplementary regulations and official pronouncements on a European level may also result in steps towards deregulation in the medium term with a direct or indirect impact on lotteries. With its international alignment, Tipp24 may benefit more than average from such a development: above all, it would allow Tipp24 SE to resume operations on the German market, it would enable further internationalisation and thus significantly increase access to our product portfolio and enable Tipp24 to enter new markets with its existing products.

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

in EUR		2010	2009
	Notes		
Revenues	16	104,369,984.28	89,551,126.83
Other operating income	19	4,981,099.79	3,640,724.47
Total operating performance		109,351,084.07	93,191,851.30
Operating expenses			
Personnel expenses	17	-11,815,378.23	-12,524,273.69
Amortization/depreciation on intangible assets and property, plant and equipment	9, 10	-2,859,569.44	-2,828,517.13
Other operating expenses	18	-64,418,502.79	-54,786,773.04
Total marketing expenses		-11,470,621.59	-7,499,855.55
Total direct costs of operations		-33,962,993.40	-28,668,335.88
Total other costs of operations		-18,984,887.80	-18,618,581.61
Result from operating activities (EBIT)		30,257,633.61	23,052,287.44
Revenues from financial activities	20	633,568.13	2,184,874.31
Expenses from financial activities	20	-147,652.38	-161,332.34
Financial result	20	485,915.75	2,023,541.97
Result from ordinary activities		30,743,549.36	25,075,829.41
Income taxes	21	-11,192,235.50	-7,593,727.15
Consolidated net profit		19,551,313.86	17,482,102.26
Earnings per share (undiluted and diluted, in EUR/share)	15	2.53	2.26
Weighted average of ordinary shares outstanding (undiluted and diluted, in shares)		7,715,614	7,730,961

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FROM 1 JANUARY TO 31 DECEMBER ACC. TO IFRS

		2010	2009
in EUR	Notes		
Net profit for the period		19,551,313.86	17,482,102.26
Other result			
Unrealised gains/losses from revaluation of financial assets held for sale	15	8,102.19	-245,966.14
Other Result after tax		8,102.19	-245,966.14
Total net profit after tax		19,559,416.05	17,236,136.12

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER ACC. TO IFRS

		31 Dec. 2010	31 Dec. 2009
ASSETS in EUR	Notes		
Current assets			
Cash	5	42,673,131.77	69,110,738.74
Pledged cash	5	1,283,533.24	250,567.50
Short-term financial assets	5	48,226,340.87	11,795,863.96
Trade receivables	6	26,638.77	9,918.52
Income tax refund claims	7	395,910.63	1,173,834.33
Other assets and prepaid expenses	8	7,963,908.08	7,486,472.61
Total current assets		100,569,463.36	89,827,395.66
Non-current assets			
Intangible assets	9	23,863,458.12	14,227,920.03
Other equipment, furniture & fixtures and leased assets	10	1,458,708.77	1,942,198.82
Financial assets	11	1,600,000.00	1,650,000.00
Deferred tax assets	21	2,521,421.46	475,338.36
Total non-current assets		29,443,588.35	18,295,457.21
		130,013,051.71	108,122,852.87

		31 Dec. 2010	31 Dec. 2009
EQUITY & LIABILITIES in EUR	Notes		
Current liabilities			
Trade payables		5,834,006.71	5,256,097.62
Other liabilities	12	17,536,134.51	29,823,219.70
Financial liabilities	25	87,321.49	104,037.90
Deferred income	14	4,561,252.98	3,968,513.54
Income tax liabilities		4,920,282.20	1,732,919.61
Short-term provisions	13	3,971,963.56	2,086,595.02
Total current liabilities		36,910,961.45	42,971,383.39
Non-current liabilities			
Long-term provisions	13	0.00	147,500.00
Deferred tax liabilities	21	181,273.85	604,865.12
Total non-current liabilities		181,273.85	752,365.12
Equity			
Subscribed capital	15	7,985,088.00	7,985,088.00
Capital reserves	15	43,814,586.79	39,342,251.01
Other reserves	15	-125,387.58	-146,285.77
Retained earnings	15	41,246,529.20	21,103,974.16
Own shares	15	0.00	-3,885,923.04
Total equity		92,920,816.41	64,399,104.36
		130,013,051.71	108,122,852.87

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

	2010	2009
in EUR		
Profit before tax	30,743,549.36	25,075,829.41
Adjustments for:		
Amortization/depreciation on non-current assets	2,859,569.44	2,828,517.13
Result from the disposal of non-current assets	2,456.67	29,879.80
Revenues from financial activities	-633,568.13	-2,184,874.31
Expenses from financial activities	147,652.38	161,332.34
Changes in:		
Trade receivables	-16,720.25	-4,603.55
Other assets and prepaid expenses	-477,435.47	6,879,552.77
Financial assets	50,000.00	-1,650,000.00
Trade payables	577,909.09	433,744.88
Other liabilities	-12,287,085.19	1,984,771.72
Financial liabilities	-16,716.41	104,037.90
Short-term provisions	1,885,368.54	394,314.71
Deferred income	592,739.44	3,612,881.22
Other non-cash changes	12,796.00	-36,039.00
Non-current provisions	-147,500.00	147,500.00
Interest received	632,011.73	2,911,412.41
Interest paid	-147,652.38	-161,332.34
Taxes paid	-9,696,623.58	-10,310,385.16
Cash flow from operating activities	14,080,751.24	30,216,539.93
Financial investments (short-term)	-96,938,590.92	0.00
Proceeds from financial investments (short-term)	60,507,539.96	32,443,054.86
Investments in company acquisitions	0.00	-27,665.82
Investments in intangible assets	-11,419,115.61	-6,258,507.62
Proceeds from intangible assets	96,000.00	0.00
Investments in property, plant and equipment	-702,583.61	-1,063,466.69
Proceeds from property, plant and equipment	11,194.20	485,144.20
Cash flow from investing activities	-48,445,555.98	25,578,558.93

	Notes	2010	2009
in EUR			
Purchase of treasury Shares		0.00	-3,885,923.04
Sale of treasury shares		8,949,500.00	0.00
Dividend payments		0.00	-3,836,923.50
Cash flow from financing activities		8,949,500.00	-7,722,846.54
Change in cash		-25,415,304.74	48,072,252.32
Cash at the beginning of the period		69,110,738.74	20,711,388.10
Changes due to consolidation		10,663.51	27,665.82
Change in pledged cash		-1,032,965.74	299,432.50
Cash at the end of the period		42,673,131.77	69,110,738.74
Composition of cash at the end of the period			
Cash	5	43,956,665.01	69,361,306.24
Pledged cash	5	-1,283,533.24	-250,567.50
		42,673,131.77	69,110,738.74

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR	Share capital	Capital reserves	Other reserves	Retained earnings	Own shares	Total equity
As at 1 January 2009	8,872,319.00	41,143,321.36	135,719.37	19,499,242.01	-14,728,747.96	54,921,853.78
Capital reduction	-887,231.00	887,231.00	0.00	0.00	0.00	0.00
Reduction of retained earnings due to collection of own shares	0.00	-1,268,599.01	0.00	-13,460,148.95	14,728,747.96	0.00
Withdrawal from capital reserves	42,120,000.00	-42,120,000.00	0.00	0.00	0.00	0.00
Contribution to capital reserves	-42,120,000.00	42,120,000.00	0.00	0.00	0.00	0.00
Purchase of treasury shares	0.00	0.00	0.00	0.00	-3,885,923.04	-3,885,923.04
Adjustment of balance sheet loss	0.00	-1,419,702.34	0.00	1,419,702.34	0.00	0.00
Share-based payments	0.00	0.00	-36,039.00	0.00	0.00	-36,039.00
Dividend payments	0.00	0.00	0.00	-3,836,923.50	0.00	-3,836,923.50
Other results	0.00	0.00	-245,966.14	0.00	0.00	-245,966.14
Net profit 2009	0.00	0.00	0.00	17,482,102.26	0.00	17,482,102.26
Total net profit 2009	0.00	0.00	-245,966.14	17,482,102.26	0.00	17,236,136.12
As at 31 December 2009	7,985,088.00	39,342,251.01	-146,285.77	21,103,974.16	-3,885,923.04	64,399,104.36
As at 1 January 2010	7,985,088.00	39,342,251.01	-146,285.77	21,103,974.16	-3,885,923.04	64,399,104.36
Sale of treasury shares	0.00	8,949,500.00	0.00	-3,885,923.04	3,885,923.04	8,949,500.00
Adjustment of balance sheet loss	0.00	-4,477,164.22	0.00	4,477,164.22	0.00	0.00
Share-based payments	0.00	0.00	12,796.00	0.00	0.00	12,796.00
Other results	0.00	0.00	8,102.19	0.00	0.00	8,102.19
Net profit 2010	0.00	0.00	0.00	19,551,313.86	0.00	19,551,313.86
Total net profit 2010	0.00	0.00	8,102.19	19,551,313.86	0.00	19,559,416.05
As at 31. Dezember 2010 ¹⁾	7,985,088.00	43,814,586.79	-125,387.58	41,246,529.20	0.00	92,920,816.41

¹⁾ Explanation cf. Note 15

NOTES TO THE CONSOLIDATED STATEMENTS AS AT 31 DECEMBER 2010 ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

1 GENERAL INFORMATION

Tipp24 SE, Hamburg, was formed in 1999 in Hamburg. Tipp24 SE holds a group of consolidated companies (hereinafter referred to as Tipp24) comprising the investment companies GSG Lottery Systems GmbH, Hamburg (hereinafter referred to as GSG), Tipp24 Entertainment GmbH, Hamburg (hereinafter referred to as Tipp24 Entertainment), Tipp24 Deutschland GmbH (hereinafter referred to as Tipp24 Deutschland), Ventura24 S.L., Madrid, Spain (hereinafter referred to as Ventura24), Giochi24 S.r.l., Monza, Italy, (hereinafter referred to as Giochi24), MyLotto24 Limited, London, UK (hereinafter referred to as MyLotto24), Tipp24 Services Limited, London, UK (hereinafter referred to as Tipp24 Services) and Tipp24 Operating Services Limited, London, UK (hereinafter referred to as Tipp24 Operating Services) as well as Schumann e. K., Hamburg (hereinafter referred to as Schumann e. K.).

Until the end of 2008, Tipp24 mainly operated as a commercial gaming broker in Germany, enabling its customers to participate in nearly all games of chance offered by state-owned and state-licensed lottery operators via the Internet.

The second stage of the German State Treaty on Games of Chance (GlüStV) came into effect on 1 January 2009, banning the brokerage of state-run lotteries via the Internet in Germany. As a consequence of this State Treaty on Gaming, which we believe contravenes valid law, Tipp24 restructured its business fields at the beginning of fiscal year 2009. Tipp24 SE discontinued the majority of its activities in connection with the brokerage or offer of lottery products and transferred a number of no longer required assets to MyLotto24 and its subsidiaries, which has been active in the UK since 2007. This concerned the brokerage of state-run German lottery products as well as the subsidiaries Ventura24 and GSG. Marketing of the German class lotteries NKL and SKL, however, continues to be conducted via Schumann e. K..

With the termination of its lottery brokerage activities in Germany, Tipp24 has adapted to the regulatory environment – irrespective of the fact that the Company continues to fight for the return and resumption of its business in Germany.

MyLotto24 organizes a secondary English lottery based on various European lotteries. As such, it bears the inherent bookmaking risk associated with this business. In contrast to the brokerage of lotteries, there is also the risk that winnings payouts may be significantly larger than stakes received due to statistical fluctuations.

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

Against the backdrop of the current legal and actual implementation of the gaming monopolies, including the lottery monopoly in Germany, the European Court of Justice (ECJ) declared on 8 September 2010 that key regulations of the German State Treaty on Games of Chance (GlüStV) were not applicable as they represented an unjustifiable restriction of basic European freedoms. The regulations for existing gaming monopolies in Germany are thus not applicable as a whole at present. We believe that this affects – especially in the field of lotteries – the obligation of brokers to seek permission from the federal states, the prohibition of online gaming and the restriction and prohibition of advertising. The ECJ rulings give a clear indication for a possible future online brokerage of state-run lotteries in Germany and thus for the resumption of our domestic business.

The registered offices of Tipp24 SE are located at Falkenried-Piazza, Strassenbahnring 11, 20251 Hamburg, Germany.

The balance sheet date is 31 December 2010. Fiscal year 2010 covered the period from 1 January 2010 to 31 December 2010.

Tipp24 SE has been listed at the Frankfurt Stock Exchange (Prime Standard) since 12 October 2005 and was accepted into the German SDAX index on 22 June 2009. The change in legal form has no influence on the listing of Tipp24's shares.

These consolidated financial statements were prepared on 18 March 2011 with a resolution of the Executive Board and subsequently forwarded to the Supervisory Board for examination and adoption. The Annual General Meeting still has the fundamental right to alter the consolidated financial statements.

2 GENERAL ACCOUNTING PRINCIPLES

The significant accounting principles applied by the Company in preparing the consolidated financial statements are presented below:

2.1 SIGNIFICANT ACCOUNTING POLICIES

2.1.1 GENERAL

The consolidated financial statements of Tipp24 as of 31 December 2010 were prepared in accordance with the valid IFRS and IFRIC of the International Accounting Standards Board (IASB) which have to be applied in the EU as of the balance sheet date.

The accounting and valuation principles applied correspond with the methods used in the previous year, with the following exceptions:

The following standards and revisions of existing standards and interpretations were applied for the first time in the fiscal year under review.

- IFRS 2 »Share-Based Payment« (amendments)
- IFRS 3 »Business Combinations« (revised)
- IAS 24 »Related Party Disclosures« (new version)
- IAS 27 »Consolidated and Separate Financial Statements« (revised)
- IAS 39 »Financial Instruments, Recognition and Measurement – Eligible Hedged Items«
- IFRIC 14 »IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction«
- IFRIC 17 »Distributions of Non-Cash Assets to Owners«
- IFRIC 18 »Transfers of Assets from Customers«
- IFRIC 19 »Extinguishing Financial Liabilities with Equity Instruments«

The impact on Tipp24's net assets, financial position and earnings from the application of these standards and interpretations is described below.

IFRS 2 »Share-Based Payment Transactions«

In June 2009, the IASB issued amendments concerning the balance sheet treatment of cash-settled share-based payments. The amendments adopted regulations into IFRS 2 which were previously contained in IFRIC 8 and IFRIC 11. As a result, the IASB withdrew IFRIC 8 and IFRIC 11. The amendments are effective for annual periods beginning on or after 1 January 2010 and have no impact on the net assets, financial position and earnings of Tipp24.

IFRS 3 »Business Combinations«

IFRS 3 (revised) introduces significant changes in the accounting for business combinations occurring after the time of adoption. The changes will affect future acquisitions or loss of control over subsidiaries and transactions with shares with a controlling interest.

IAS 24 »Related Party Disclosures«

The revision of this standard simplifies the reporting obligations of companies in which the state holds interests. The definition of related parties was also thoroughly revised. This will not have any impact on the net assets, financial position and earnings of Tipp24.

IAS 27 »Consolidated and Separate Financial Statements«

IAS 27 (revised) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the guidelines for sharing losses among shareholders of the parent company and the non-controlling interests, as well as accounting regulations for transactions leading to the loss of control of a subsidiary. These changes came into force on 1 January 2010. The amendments will have an effect on future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

IAS 39 »Financial Instruments: Recognition and Measurement – Eligible Hedged Items«

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. Tipp24 has concluded that the amendment will have no impact on its net assets, financial position and earnings, as Tipp24 has not entered into any such hedges.

IFRIC 14 »IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction«

The amendments concern pension plans with minimum remuneration obligations for which the company makes advance contribution payments. The amendments have no impact on the net assets, financial position and earnings of Tipp24.

IFRIC 17 »Distributions of Non-Cash Assets to Owners«

This interpretation provides guidance on how to account for non-cash distributions to owners. It clarifies when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability. Tipp24 has concluded that the amendment has no impact on its net assets, financial position and earnings, as Tipp24 has not made non-cash distributions to shareholders in the past.

IFRIC 18 »Transfers of Assets from Customers«

IFRIC 18 is to be adopted irrespective of the start of the respective fiscal year to transfers of certain assets by customers which take place on or after 1 July 2009. Tipp24 has concluded that the amendment will have no impact on its net assets, financial position and earnings, as Tipp24 has not made such transactions in the past.

IFRIC 19 »Extinguishing Financial Liabilities with Equity Instruments«

According to IFRIC 19, if a debtor issues equity instruments to a creditor to extinguish all or part of a financial liability, those equity instruments are »consideration paid« in accordance with IAS 39.41. In the case of issue and (partial) extinguishing by means of such instruments, there are several measurement and examination requirements for the debtor according to IFRS. As Tipp24 has not used such instruments to extinguish financial liabilities, there are no effects on the net assets, financial position and earnings of Tipp24.

Tipp24 did not apply the following published but not yet mandatory standards:

- IAS 32 »Financial Instruments: Presentation«
- »Improvements to IFRSs« (May 2010)

IAS 32 »Financial Instruments: Presentation«

The stated objective of IAS 32 is to make it easier for the addressees of financial statements to understand the influence of financial instruments on a company's financial position and profit or loss. The amendment thus contains an amended definition stating that rights issues (and certain options or warrants) are to be classified as equity instruments if such rights entitle the owner to acquire a fixed amount of the company's equity instruments at a fixed price in any currency and the company offers them pro rata to all current owners of the same class of its non-derivative equity instruments.

»Improvements to IFRSs« (May 2010)

»Improvements to IFRSs« are an omnibus amendment to various standards (mainly IFRS ?) with a view to remove inconsistencies and to clarify wording. The omnibus standard includes separate transitional provisions for each amended IFRS. Adoption will have no significant impact on the net assets, financial position and earnings of Tipp24.

2.1.2 BASIS OF PREPARATION

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

2.1.3 MEASUREMENT CURRENCY

The measurement currency is the euro (EUR). Unless otherwise stated, amounts are stated in euros and cents. In certain cases, rounding differences result from presentation in EUR thousand.

2.1.4 ESTIMATES AND ASSUMPTIONS

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

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

Share-based payment

The cost of granting stock options to employees is measured by the Group using the fair value of these stock options at the moment they were granted. A valuation process has been determined to estimate their fair value; this depends on the conditions attached when granted. The valuation process also requires consideration of further relevant data, in particular the expected option term, volatility and dividend yield, as well as the corresponding assumptions. These assumptions and the related procedures are disclosed in Note 15.4.

Deferred tax assets

Deferred tax assets are recognized for all unused tax loss carryforwards to the extent that it appears probable that taxable income will be available, so that the loss carryforwards can actually be used. When determining the amount of the deferred tax assets, management must make estimations regarding the expected time and size of the future taxable income, as well as future tax planning. Further details are provided in Note 21.

Development costs

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

2.1.5 CONSOLIDATION PRINCIPLES

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

On 30 April 2009, Tipp24 SE transferred control over its UK subsidiaries in accordance with company law and sold 60% of the voting shares in both MyLotto24 and Tipp24 Services to a Swiss foundation set up by Tipp24 in the form of preference shares stripped of their main economic rights. As a consequence, Tipp24 owns no more than half the voting rights in MyLotto24, while MyLotto24 owns no more than half the voting rights in Tipp24 Services. The inclusion of these affiliated companies and their respective subsidiaries in the consolidated financial statements is based on an economic view of their situation, whereby the significant opportunities and risks are still borne by Tipp24:

- The owner of the majority of voting rights receives a preliminary annual dividend of up to GBP 15 thousand for each company. In the case of liquidation, the owner of the majority of voting rights is entitled to receive previously agreed liquidation proceeds of GBP 30 thousand for each company. Tipp24 SE alone is entitled to the entire remaining profits and any remaining liquidation proceeds.
- Should certain conditions be met, Tipp24 has the right to repurchase the majority of voting rights for an amount of GBP 30 thousand for each company.
- Tipp24 SE can sell its shares in MyLotto24 as well as its right to repurchase the majority of voting rights in MyLotto24 and Tipp24 Services.
- Tipp24 SE has the right to block changes in the articles of MyLotto24 and Tipp24 Services.

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

Since its restructuring in 2009, Tipp24 SE holds (directly or indirectly) 100% of the shares in Tipp24 Entertainment and 40% of the voting rights in the UK sub-group. In addition to its parent company, MyLotto24, the UK sub-group includes 100% of shares in the subsidiaries GSG, Ventura24, Giochi24, Tipp24 Operating Services and 40% of the voting rights in Tipp24 Services. Puntogioco24 also belonged to the UK sub-group, but was liquidated and deconsolidated in fiscal year 2010.

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

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

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

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

2.1.6 INTANGIBLE ASSETS

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

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

Patents, trademarks and licenses

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

Software

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

Research and development expenses

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

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

In 2010, research and development expenses of EUR 1,579 thousand were recognized, compared with EUR 1,396 thousand in 2009. The Company capitalized those development costs which met the criteria of IAS 38.57. These criteria were only met by externally acquired components and services.

2.1.7 PROPERTY, PLANT AND EQUIPMENT

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

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

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

	Years
Technical equipment	2–14
Office equipment	3–25

2.1.8 IMPAIRMENT OR WRITE-BACKS OF NON-CURRENT ASSETS

The Group assesses on every balance sheet date whether there is any indication of impairment of its non-financial assets. If there is any indication of impairment, the Group makes an estimation of the recoverable amount of the respective asset. The recoverable amount of an asset is the higher of the fair value of an asset or cash-generating unit less selling costs and its value in use. The recoverable amount must be determined for each individual asset, unless the asset does not generate cash inflows that are largely independent from other assets or groups of assets. If the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount. In order to calculate the value in use of the asset, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market expectations of interest and the specific risks of the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. A review of non-financial assets is carried out on each reporting date to ascertain whether there is any indication

that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited to the extent that the carrying amount of an asset may not exceed its recoverable amount nor the carrying value that would have been determined, net of depreciation, if no impairment loss had been recognized for the asset in prior years. A reversal is recognized in the income statement.

2.1.9 LEASING

Finance leases

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

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

Operating-Leasing

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

2.1.10 RECOGNITION AND MEASUREMENT OF FINANCIAL ASSETS

Financial instruments are divided into four categories: held-for-trading financial instruments; held-to-maturity financial instruments; loans and receivables originated by the entity; and available-for-sale financial assets.

Financial instruments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as held-for-trading.

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

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

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

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

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

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

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

Gains and losses on the fair value measurement of held-for-trading financial instruments are recognized in profit or loss in the period in which they arise.

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

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

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

2.1.11 RECOGNITION AND MEASUREMENT OF FINANCIAL LIABILITIES

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

2.1.12 OTHER ASSETS

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

2.1.13 CASH AND SHORT-TERM FINANCIAL ASSETS

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

We refer to the comments in Note 5, »Cash and short-term financial assets«.

2.1.14 TRADE PAYABLES AND OTHER LIABILITIES

Trade payables and other liabilities are disclosed at amortized cost.

2.1.15 OTHER PROVISIONS

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

2.1.16 SHARE-BASED PAYMENT

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

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

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

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

2.1.17 INCOME TAXES

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

Tax expenses are determined on the basis of the profit or loss recorded for the period and take account of current and deferred taxes. Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax losses and unused tax credits, to the extent that it is probable that there will be taxable income against which the deductible temporary differences, and the carry forward of unused tax losses and unused tax credits can be utilised. Deferred tax assets and deferred tax liabilities are offset, if the Group has a legally enforceable right to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority. Deferred tax and current tax relating to items recognized outside profit or loss is also recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

2.1.18 REVENUES

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

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

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

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

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

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

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

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

Tipp24 Entertainment offers interactive games – so-called skill-based games. Revenue is recognized at the moment of participation in the game and mainly generated from retaining a defined proportion of the stakes remitted.

2.1.19 INTEREST INCOME

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

2.1.20 OPERATING EXPENSES

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

2.1.21 BORROWING COSTS

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

2.1.22 CONTINGENT LIABILITIES

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

2.1.23 FOREIGN CURRENCY TRANSLATION

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

2.1.24 EVENTS AFTER THE BALANCE SHEET DATE

Events after the balance sheet date are events which could be favourable or unfavourable, that occur between the end of the reporting period and the date on which the consolidated financial statements are prepared. Events that provide further material evidence of conditions that existed at the end of the reporting period (»adjusting events«) are recognized in the consolidated financial statements. Significant events that provide evidence of conditions that existed after the end of the reporting period (»non-adjusting events«) are discussed in Note 26.

3 CONSOLIDATED CASH FLOW STATEMENT

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

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

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

4 SEGMENT REPORTING

For the purposes of corporate control, Tipp24 is organised in business units with the following two geographic segments:

The »Germany« segment comprises all activities in Germany, while the »Abroad« segment mainly comprises the Group's activities in the UK, as well as in Spain and Italy.

Revenue from these business segments corresponds to the revenue of the geographical location of the operating units (Group subsidiaries) which generate that revenue. This more or less equates to the geographical location of the respective customers.

No segments were pooled together to form the above business segments. The development of each segment is evaluated on the basis of revenue and EBIT. The group-wide financial management system (including financial expenses and income) and income taxes are controlled separately according to the geographical segments »Germany« and »Abroad« and allocated to the individual business segments. Transfer prices between segments are calculated at standard conditions on an arm's length basis.

in EUR thsd.	Germany		Abroad		Consolidation		Consolidated	
	1 Jan.–31 Dec.		1 Jan.–31 Dec.		1 Jan.–31 Dec.		1 Jan.–31 Dec.	
	2010	2009	2010	2009	2010	2009	2010	2009
Revenue	3,125	3,256	103,733	88,537	-2,488	-2,243	104,370	89,551
Depreciation/amortization	1,037	1,160	1,822	1,901	0	-232	2,860	2,829
EBIT	-8,808	-11,344	40,202	32,708	-1,136	1,688	30,258	23,052
Financial result	21	1,777	465	247	0	0	486	2,024
Income taxes	913	2,267	-12,472	-9,316	367	-545	-11,192	-7,594
Consolidated net profit	-7,874	-7,300	28,195	23,639	-769	1,143	19,551	17,482
Assets	47,590	45,415	67,946	82,904	-36,667	-33,641	78,869	94,678
Reconciliation to balance sheet								
Deferred taxes							2,521	475
Tax refund claims							396	1,174
Short-term financial assets							48,226	11,796
Total assets							130,013	108,123
Debts	7,435	4,292	35,043	45,656	-10,487	-8,562	31,991	41,386
Reconciliation to balance sheet								
Deferred taxes							181	605
Tax liabilities							4,920	1,733
Total debts							37,092	43,724
Investments	212	2,613	11,909	14,471	0	-9,762	12,121	7,322

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

5 CASH AND SHORT-TERM FINANCIAL ASSETS

in EUR	31 Dec. 2010	31 Dec. 2009
Cash		
Bank balances	43,950,915.19	69,357,503.00
- <i>thereof bank balances</i>	42,667,381.95	69,415,249.35
- <i>thereof changes in foreign exchange rates</i>	0.00	-308,313.85
- <i>thereof pledged cash</i>	1,283,533.24	250,567.50
Cash on hand	5,749.82	3,803.24
	43,956,665.01	69,361,306.24
Pledged cash	-1,283,533.24	-250,567.50
	42,673,131.77	69,110,738.74

In addition, Tipp24 held available-for-sale short-term financial assets amounting to EUR 48,226 thousand as of the balance sheet date (prior year: EUR 11,796 thousand). They comprise government bonds issued by Euro zone nations, as well as shares and fixed-income funds. These securities are used for short-term investment of excess liquidity. A posi-

tive change in equity of EUR 8 thousand (prior year: EUR 6 thousand) was recognized. There were no held-to-maturity financial assets as of the balance sheet date nor in the previous year.

6 TRADE RECEIVABLES

All trade receivables are due in less than one year. There are no restrictions on rights of disposal.

7 INCOME TAX REFUND CLAIMS

As of the balance sheet date for the fiscal year 2010, the Company had claims to income tax refunds amounting to EUR 396 thousand (prior year: EUR 1,174 thousand).

8 OTHER ASSETS AND PREPAID EXPENSES

in EUR	31 Dec. 2010	31 Dec. 2009
Receivables from gaming operations		
Receivables from lottery companies	492,377.53	494,667.80
Receivables from payment systems	2,393,347.60	2,551,572.36
Security retainers	492,130.46	533,706.36
Receivables from players	167,833.57	0.00
	3,545,689.16	3,579,946.52
Prepaid expenses	1,247,355.06	1,405,710.03
Receivables from tax authorities for sales tax	1,160,342.41	529,487.96
Others		
Receivables from loans granted	1,467,075.76	1,650,000.00
Receivables from employees	9,821.78	6,576.06
Creditors with debit balances	55,067.68	77,983.66
Other	478,556.23	236,768.38
	2,010,521.45	1,971,328.10
	7,963,908.08	7,486,472.61

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

9 INTANGIBLE ASSETS

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

in EUR	2010	2009
Accumulated aquisition costs as of 1 January	16,555,719.16	12,167,242.93
Additions (purchased from third parties)	926,318.34	730,468.04
Additions (self-provided)	10,492,797.27	5,528,039.58
Disposals	-164,044.18	-1,870,031.39
Accumulated aquisition costs as of 31 December	27,810,790.59	16,555,719.16
Accumulated depreciation as of 1 January	-2,327,799.13	-2,546,803.54
Depreciation of the period	-1,687,577.52	-1,568,137.78
Disposals	68,044.18	1,787,142.19
Accumulated depreciation as of 31 December	-3,947,332.47	-2,327,799.13
Net book value as of 31 December	23,863,458.12	14,227,920.03

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

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

Additions mainly refer to development costs for the renewal of international gaming software already in progress. In total, this asset is recognized in the balance sheet in the amount of EUR 22.9 million.

10 PROPERTY, PLANT AND EQUIPMENT

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

in EUR	2010	2009
Accumulated aquisition costs as of 1 January	4,372,307.55	5,152,376.33
Additions (purchased from third parties)	702,583.61	1,063,466.69
Disposals	-54,524.35	-1,843,535.47
Accumulated aquisition costs as of 31 December	5,020,366.81	4,372,307.55
Accumulated depreciation as of 1 January	-2,430,108.73	-2,581,130.05
Depreciation of the period	-1,171,991.92	-1,260,379.35
Disposals	40,442.61	1,411,400.67
Accumulated depreciation as of 31 December	-3,561,658.04	-2,430,108.73
Accumulated depreciation as of 31 December	1,458,708.77	1,942,198.82

There are currently no assets from financial leases.

11 LONG-TERM FINANCIAL ASSETS

Long-term financial assets of EUR 1,600 thousand (prior year: EUR 1,650) include loans to external service companies. As of the balance sheet date, there was no cause for impairment requiring value adjustment.

12 OTHER LIABILITIES

in EUR	31 Dec. 2010	31 Dec. 2009
Liabilities from gaming operations		
Liabilities to players	13,757,395.06	13,943,483.75
Liabilities to lottery companies	0.00	601,619.64
Liabilities to game brokers	163,880.51	0.00
Liabilities from gaming duty	1,649,681.82	11,258,799.43
Total liabilities from gaming operations	15,570,957.39	25,803,902.82
Tax liabilities		
VAT	720,923.48	2,217,560.43
Wage & church tax	187,592.23	217,789.13
Total tax liabilities	908,515.71	2,435,349.56
Liabilities from social security		
Social security contributions	118,250.43	138,956.69
Total liabilities from social security	118,250.43	138,956.69
Other liabilities		
Outstanding invoices	714,453.87	528,694.54
Other liabilities	223,957.11	916,316.09
Total other liabilities	938,410.98	1,445,010.63
	17,536,134.51	29,823,219.70

All other liabilities are due in less than one year.

13 PROVISIONS

in EUR	Opening balance 1 Jan. 2010	Usage	Releases	Additions	Closing balance 31 Dec. 2010
Provisions for bonuses	1,531,721.99	-1,496,604.62	-35,117.37	3,176,046.34	3,176,046.34
Provisions for lawsuits	702,373.03	-666,772.09	0.00	760,316.28	795,917.22
Total	2,234,095.02	2,163,376.71	-35,117.37	3,936,362.62	3,971,963.56

Provisions amounting in total to EUR 796 thousand (prior year: EUR 702 thousand) comprise the court costs and lawyers' fees incurred for trial preparation and management. Bonus provisions will be paid out in the first quarter of 2011. All provisions are expected to be used within one year.

14 DEFERRED INCOME

The company disclosed deferred income of EUR 4,561 thousand (prior year: EUR 3,969 thousand). It relates to payments for gaming orders

and stakes received prior to 31 December 2010, yet which can only be recognized when the service is provided in the following year.

15 EQUITY

15.1 SHARE CAPITAL

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

In the period under review, the Executive Board made use of its authorization to sell Company shares and sold all 361,180 of its treasury shares on 28 September 2010, corresponding to 4.57% of capital stock. Authorized by a resolution adopted by the Annual General Meeting of 16 June 2009, the Company sold the treasury shares by means of a bookbuilding process at a price of EUR 25 per share to institutional investors in Switzerland, Germany and the UK. The shares in Tipp24 SE had been acquired through the stock exchange in two consecutive share buyback programmes in the fiscal years 2008 and 2009 with a total value of up to EUR 2,000 thousand for each programme (including transaction costs).

The number of shares outstanding therefore rose from 7,623,908 to 7,985,088 during the period under review.

15.2 AUTHORIZED AND CONDITIONAL CAPITAL

Authorized Capital I of up to a total of EUR 3,331 thousand and Conditional Capital of up to a total of EUR 500 thousand expired as of 30 July 2010 and no longer exist.

15.3 CAPITAL RESERVES

With the sale of treasury shares, an amount of EUR 8,950 thousand was transferred to capital reserves after deduction of fees paid.

An amount of EUR 4,477 thousand was transferred from capital reserves to settle a balance sheet loss in the amount of the balance sheet result disclosed in the commercial financial statements of the company Tipp24 SE.

15.4 SHARE-BASED PAYMENT

As part of the creation of Conditional Capital I at the Annual General Meeting of 7 September 2005, the Executive Board was authorized to establish a stock option plan (Stock Option Plan 2005). The stock options are limited to a period of up to five years and intended exclusively for issue to members of the Executive Board, selected executives and other key employees of the Company as well as the general management, selected executives and key employees of associated companies, as defined by § 15, German Stock Corporation Law (AktG). As part of the first four tranches of the Stock Option Plan 2005, 10 thousand share options have been issued to entitled employees to date. As part of the fifth tranche of the Stock Option Plan 2005, the Executive Board resolved on 22 February 2010 to offer entitled employees a further 4 thousand options, which were all accepted.

The stock option plan of Tipp24 SE is a share-based payment system, whereby the method of compensation is at the Company's discretion. The transaction is expected to be settled via equity instruments, whereby fair value is calculated at the time of granting. As of fiscal year 2007, the Company measures the Stock Option Plan 2005 of Tipp24 SE using financial valuation methods according to the Black-Scholes-Merton formula.

With the introduction of the Stock Option Plan 2005, stock options were granted to those employees entitled in four annual tranches. The stock options from all tranches can be exercised no sooner than two years after the respective date of issuance and within a period of three years. Options can only be exercised if an absolute or relative performance target is reached at the end of the lock-up period. At the end of the exercise period, any options which have not been exercised will expire.

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

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

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

Performance during the fiscal year

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

Share-based payments

Development during the fiscal year

	2010 Number	2010 WAEP	2009 Number	2009 WAEP
Share-based payments				
Outstanding at beginning of the reporting period	10,000.00	17.45	28,000.00	15.20
Granted during the reporting period	4,000.00	26.30	4,000.00	17.57
Forfeited during the reporting period	0.00	-	18,000.00	14.82
Exercised during the reporting period	0.00	-	4,000.00	13.67
Expired during the reporting period	0.00	-	0.00	-
Outstanding at end of the reporting period	14,000.00	19.98	10,000.00	17.45

At the end of the reporting period, 4 thousand of the stock options of the various tranches outstanding at this time fulfilled the necessary exercise conditions. In the period under review, the range of exercise prices for outstanding options lay between EUR 13.52 and EUR 26.30 (prior year: EUR 13.67 to EUR 17.57). The average contract term was around 4 years.

Underlying parameters

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

Share-based payments

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

The anticipated term of the options is based on historical data and does not necessarily correspond to the actual exercise behaviour of the entitled persons. Expected volatility is based on the assumption that historical volatilities can be applied to future trends, whereby actual volatility may differ from these assumptions.

15.5 OTHER RESERVES

in EUR	Opening balance 1 Jan. 2010	Reversals	Additions	Closing balance 31 Dec. 2010
Share-based payments	23,361.00	0.00	12,796.00	36,157.00
Changes in foreign exchange rates	-175,548.77	0.00	0.00	-175,548.77
Changes in fair values	5,902.00	0.00	8,102.19	14,004.19
Total	-146,285.77	0.00	20,898.19	-125,387.58

in EUR	Opening balance 1 Jan. 2009	Reversals	Additions	Closing balance 31 Dec. 2009
Share-based payments	59,400.00	-36,039.00	0.00	23,361.00
Changes in foreign exchange rates	-175,548.77	0.00	0.00	-175,548.77
Changes in fair values	251,868.14	-251,868.14	5,902.00	5,902.00
Total	135,719.37	-287,907.14	5,902.00	-146,285.77

This reserve includes changes in the fair value of available-for-sale financial investments amounting to EUR 14 thousand (prior year: EUR 6 thousand). The reserve is disclosed net of the expected tax burden.

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

15.6 RETAINED EARNINGS

Retained earnings increased by the amount of the consolidated net profit 2010.

15.7 EARNINGS PER SHARE

Earnings per share (basic and diluted) increased in the past fiscal year from EUR 2.26 to EUR 2.53 per share. In comparison with the previous year, the average number of weighted outstanding shares fell from 7,730,961 to 7,715,614.

Development of outstanding shares

As of 31 December 2006	8,872,319
Change in 2007	-654,047
As of 31 December 2007	8,218,272
Change in 2008	-233,184
As of 31 December 2008	7,985,088
Change in 2009	-361,180
As of 31 December 2009	7,623,908
Change in 2010	+361,180
As of 31 December 2010	7,985,088

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

Diluted earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year (increased to account for the diluting effects from stock options). In fiscal year 2010, there was no significant dilutive effect from stock options.

16 REVENUES

For the organisation of secondary lotteries, reference is made to the organisation of lottery gaming systems which have a fixed ratio of payouts to stakes. The ratio of payouts to stakes is known as the payout ratio. In the lottery gaming systems 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 underlying payout ratio corresponds to the expected payout ratio for the organisation of secondary lotteries.

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

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

Revenues grew by 16.5% to EUR 104.4 million in 2010. Adjusted for the chance effects described above, revenues in 2010 would have grown by 3.0% to EUR 119.8 million. In fiscal year 2010, the actual payout ratio varied by 7.8 %-points (prior year: 13.6 %-points) from the expected value.

The following table presents the reconciliation between actual revenues and revenues adjusted for chance effects, as well as the impact of deviations between actual winnings payouts and the expected value.

Revenues

in EUR	2010		2009		Deviation absolute
Revenues adjusted for chance effects	119,765,260.45	114.8%	116,300,078.61	129.9%	3,465,181.84
+/- Deviations between actual winnings payouts and expected value	15,395,276.17	14.8%	26,748,951.78	29.9%	-11,353,675.61
	104,369,984.28	100.0%	89,551,126.83	100.0%	14,818,857.45

17 PERSONNEL EXPENSES

Tipp 24 recognized total personnel expenses of EUR 11,815 thousand in 2010 (prior year: EUR 12,524 thousand). Of this total, an amount of EUR 10,278 thousand (prior year: EUR 10,951 thousand) referred to wages and salaries and EUR 1,537 thousand (prior year: EUR 1,573 thousand) to social security contributions. In Germany, pension insur-

ance contributions of EUR 182 thousand (prior year: EUR 223 thousand) were made by the employer. The proportion of employer social security contributions accounted for by pension insurance contributions is not disclosed separately in the UK, Spain and Italy.

18 OTHER OPERATING EXPENSES

in EUR	2010	2009
Marketing expenses	11,470,621.59	7,499,855.55
Direct costs of operations		
Cost of hedging transactions	15,334,268.03	11,987,336.70
License and operator fees	12,988,757.91	11,239,160.57
Handling of customer payments	2,049,398.08	1,680,296.75
Traffic	1,428,846.86	1,585,980.95
Non-deductible input tax	1,385,706.99	1,204,211.37
Bad debt	321,902.31	622,607.51
Product processing	454,113.22	348,742.03
	33,962,993.40	28,668,335.88
Other costs of operations		
Consulting	7,830,231.59	7,412,588.52
Third-party capacities /services	5,902,922.89	5,490,585.37
Rent & leasing	1,429,129.73	1,552,777.18
Travel, training and representation costs	1,029,083.72	1,170,174.09
Office expenses and insurance	515,133.86	534,549.39
PR, CSR and lobbying expenses	475,348.80	448,931.58
Non-deductible expenses	97,528.95	251,732.08
Exchange rate differences	375,909.86	239,643.95
Other ¹⁾	1,329,598.40	1,517,599.45
	18,984,887.80	18,618,581.61
	64,418,502.79	54,786,773.04

¹⁾ Other costs include expenses of EUR 468 thousand relating to other periods.

Due to the expansion of international marketing activities, marketing expenses increased by 52.9% to EUR 11,471 thousand (prior year: EUR 7,500 thousand).

Direct operating expenses rose by EUR 5,295 thousand in the period under review (prior year: EUR 28,668 thousand). License and operator fees payable to the British state are carried as costs in this item. In addition, costs are disclosed in this item which were incurred in connection with hedging transactions of MyLotto24 as well as costs incurred during the processing of gaming operations as a result of the organiser's inability to deduct input tax.

Other operating expenses remained virtually stable at EUR 18,985 thousand (prior year: EUR 18,619 thousand). They mainly comprise costs for legal advice in connection with the current difficult regulatory situation, as well as consultancy costs in connection with labour-intensive development projects (especially with regard to the renewal and internationalisation of the gaming platform).

19 OTHER OPERATING INCOME

in EUR	2010	2009
Other Operating Income		
Income from hedging transactions	4,534,166.94	2,968,336.59
Reversal of provisions	45,480.51	381,277.28
Income not relating to the period	35,117.37	4,570.29
Income from lottery tickets bought for own account	17,011.08	60,913.17
Other	349,323.89	225,627.14
	4,981,099.79	3,640,724.47

20 FINANCIAL RESULT

in EUR	2010	2009
Revenues from financial activities		
Other interest and similar income	335,996.18	221,761.05
Income from other long-term securities and loans	297,571.95	1,963,113.26
	633,568.13	2,184,874.31
Expenses from financial activities		
Interest expenses for current liabilities	-147,619.78	-56,056.80
Interest expenses and similar expenses	-32.60	-23,057.10
Interest expenses for other long-term securities and loans	0.00	-82,218.44
	-147,652.38	-161,332.34
	485,915.75	2,023,541.97

The average interest income of total financial assets in 2010 amounted to 0.7%, (prior year: 2.7%) before considering tax aspects.

21 INCOME TAXES

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

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

The corporate income tax rate amounts to 15% (in 2010 as in the previous year), while the solidarity surcharge remains 5.5% of corporate income tax.

Trade tax on income is levied on the trading profit of an entity. Trading profit is calculated by taking the taxable income according to income and corporation tax law together with any additions or subtractions according to German trade tax law. The effective trade tax on income rate

depends on the municipality in which the entity maintains a permanent establishment for carrying on its operations. The effective trade tax on income rate for Hamburg in 2010 amounted to 16.45% (2009: 16.45%).

The same percentages are used to calculate deferred taxes.

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

Tax reconciliation

in EUR	31 Dec. 2010	31 Dec. 2009
Actual tax expense	-13,759,377.41	-9,838,867.70
Tax expense/income from the use/recognition of deferred tax assets on loss carryforwards/temporary differences	1,752,639.99	363,513.71
Tax expense/income from the recognition/reversal of deferred tax liabilities due to temporary differences	718,734.22	1,881,626.84
Deferred taxes	2,471,374.21	2,245,140.55
Actual and deferred income taxes	-11,288,003.20	-7,593,727.15
Earnings before taxes	30,743,549.36	25,075,829.41
Income tax rate	32.275%	32.275%
Anticipated tax expense	-9,922,480.56	-8,093,223.94
Income/expenses IFRS without deferred tax (virtual participation rights, stock options)	78,348.46	33,120.67
Additions acc. to § 8 GewStG (see tax calculation)	-5,713.56	-9,885.94
Tax effects from not fully deductible operating expenses	-34,896.43	-220,622.40
Tax rate difference of foreign subsidiaries	1,905,641.22	1,536,071.27
Tax effects from not fully taxable income	-75,800.45	-445.56
Unrecognized tax loss carryforwards	-3,417,493.40	-850,061.50
Non-taxable expenses/income from consolidation	1,145.59	-2,625.00
Tax effects from previous years	-89,728.95	0.00
Other	368,742.58	13,945.25
Income taxes	-11,192,235.50	-7,593,727.15

Deferred tax assets and liabilities developed as follows:

in EUR	1 Jan. 2010	Income/expense	31 Dec. 2010
Deferred tax assets			
Deferred tax assets on temporary differences	375,831.23	295,142.97	670,974.20
Deferred tax assets on tax loss carryforwards	99,507.13	1,750,940.13	1,850,447.26
	475,338.36	2,046,083.10	2,521,421.46

in EUR	1 Jan. 2010	Income/expense	31 Dec. 2010
Deferred tax liabilities			
Deferred tax liabilities on temporary differences	604,865.12	-423,591.27	181,273.85
	604,865.12	-423,591.27	181,273.85

Of the deferred tax assets carried by Tipp24, an amount of EUR 1,850 thousand refers to tax loss carryforwards of Ventura24, and an amount of EUR 671 thousand to temporary differences. Based on current business planning of the companies concerned, positive results and cash flows – and thus taxable income – are expected to be generated in future. Deferred tax liabilities amounting to EUR 0.2 million result mainly from the different treatment of self-produced software.

Of total tax loss carryforwards amounting to EUR 23,690 thousand as of the balance sheet date (prior year: EUR 7,715 thousand), Tipp24 did not form deferred taxes for an amount of EUR 17,584 thousand (prior year: EUR 7,715 thousand).

22 PAID AND PROPOSED DIVIDENDS

Following the restructuring of business fields and the resulting transfer of control, Tipp24 SE currently has no significant cash flows as the payment of a dividend from profits generated in the UK is currently excluded. The net income of Tipp24 SE according to commercial law amounted to EUR -4,477 thousand. The balance sheet profit of Tipp24 SE is zero.

As a consequence, and as in the previous year, there is no proposal for the appropriation of profit for fiscal year 2010. A dividend of EUR 0.50 per share was paid for fiscal year 2008 (total payout: EUR 3,837 thousand) in June 2009.

23 LEASES

23.1 FINANCE LEASES

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

23.2 OPERATING LEASES

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

Tipp24 expensed rental payments for offices amounting to EUR 836 thousand (prior year: EUR 889 thousand) and lease payments for vehicles amounting to EUR 9 thousand (prior year: EUR 12 thousand).

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

in EUR	31 Dec. 2010	31 Dec. 2009	31 Dec. 2010	31 Dec. 2009
	Minimum lease payments		Present value of the minimum lease payments	
Obligations from the following year	971,662.21	807,527.62	915,198.45	775,173.83
> 1 – 5 years	493,784.91	508,868.55	432,656.90	453,157.00
> 5 years	0.00	0.00	0.00	0.00
Minimum lease obligations	1,465,447.12	1,316,396.17	1,347,855.35	1,228,330.83
Less interest	-117,591.77	-88,065.34	0.00	0.00
Present value of minimum obligations	1,347,855.35	1,228,330.83	1,347,855.35	1,228,330.83

23.3 OTHER FINANCIAL OBLIGATIONS

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

in EUR	2011	2012	2013	2014	2015 and beyond	Total
Other contracts	14,143,594.22	6,300,106.59	1,554.00	1,200.00	34,800.00	20,481,254.81

24 RELATED PARTIES

The members of the Executive Board and the Supervisory Board of Tipp24 SE are considered to be related parties within the meaning of IAS 24. In the fiscal year, there were no material business relationships between the Executive Board and the Supervisory Board members on the one hand and the companies included in the consolidated financial statements on the other, apart from those which are explicitly mentioned here. Please refer to Note 27 for details on Executive Board remuneration.

Tipp24 brokers participation in the class lotteries NKL and SKL in cooperation with Schumann e. K.. 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..

Günther Holding owns a significant stake of voting rights in Tipp24 SE (27.17%) and is thus regarded as a related party. The operating business of Schumann e.K. was hived off to Günther Direct Services GmbH, an affiliated company of Günther Holding. As a result, Günther Direct Services received compensation of EUR 201 thousand in the period under review.

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

25 OBJECTIVES AND METHODS OF CAPITAL MANAGEMENT

As of 2009, Tipp24 operates a decentralised capital management system. All major decisions concerning the financial structure of the Germany segment are taken by the Executive Board of Tipp24. Capital management activities of the Abroad segment are handled by MyLotto24, with the exception of Tipp24 Services which operates its own capital management system.

25.1 FINANCIAL INSTRUMENTS

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

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

Cash and short-term financial assets

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

Non-current financial assets

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

Current liabilities

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

Non-current liabilities

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

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

Net profits from financial investments

in EUR	2010	2009	2010	2009
	Carried in equity		Carried in income statement	
Financial assets				
Cash	0.00	0.00	129,409.64	351,295.67
Short-term financial assets				
Available-for-sale financial assets	8,102.19	-245,966.14	140,058.25	2,372,539.38
Held-to-maturity financial assets	0.00	0.00	0.00	-737,418.08
Long-term financial assets				
Available-for-sale financial assets	0.00	0.00	216,447.86	37,125.00
Financial result			485,915.75	2,023,541.97
Other financial assets (short-term)	0.00	0.00	7,216.84	-297,975.23
	8,102.19	-245,966.14	493,132.59	1,725,566.74

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

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

Financial Instruments 2010

in EUR	Amortized cost	Fair value recognized in equity	Non-financial assets/ liabilities	Total	Book value 31 Dec. 2010	Fair value 31 Dec. 2010
Assets						
Cash						
Receivables	42,667,381.95	0.00	0.00	42,667,381.95		
Non-financial assets	0.00	0.00	5,749.82	5,749.82	42,673,131.77	42,673,131.77
Pledged cash						
Receivables	1,283,533.24	0.00	0.00	1,283,533.24	1,283,533.24	1,283,533.24
Short-term financial assets						
Available-for-sale financial assets	5,618,867.32	42,607,473.55	0.00	48,226,340.87	48,226,340.87	48,226,340.87
Trade receivables						
Receivables	26,638.77	0.00	0.00	26,638.77	26,638.77	26,638.77
Other assets						
Receivables	5,369,820.91	0.00	1,328,899.71	6,698,720.62		
Loans	1,467,075.76	0.00	0.00	1,467,075.76	8,165,796.38	8,165,796.38
Long-term financial assets						
Loans	1,600,000.00	0.00	0.00	1,600,000.00	1,600,000.00	1,600,000.00
Total assets					101,975,441.03	101,975,441.03
– of which loans and receivables					52,414,450.64	52,414,450.64
– of which available-for-sale financial assets					48,226,340.87	48,226,340.87
Liabilities						
Trade payables						
Other payables	5,834,006.71	0.00	0.00	5,834,006.71	5,834,006.71	5,834,006.71
Other liabilities						
Other liabilities	14,725,513.30	0.00	2,771,499.89	17,497,013.19		
Financial liabilities	87,321.49	0.00	122,025.18	209,346.67	17,706,359.86	17,706,359.86
Total liabilities					23,540,366.57	23,540,366.57
– of which other liabilities					20,646,841.50	20,646,841.50

Financial Instruments 2009

in EUR	Amortized cost	Fair value recognized in equity	Non-financial assets/ liabilities	Total	Book value 31 Dec. 2009	Fair value 31 Dec. 2009
Assets						
Cash						
Receivables	69,106,935.50	0.00	0.00	69,106,935.50		
Non-financial assets	0.00	0.00	3,803.24	3,803.24	69,110,738.74	69,110,738.74
Pledged cash						
Receivables	250,567.50	0.00	0.00	250,567.50	250,567.50	250,567.50
Short-term financial assets						
Available-for-sale financial assets	0.00	11,795,863.96	0.00	11,795,863.96	11,795,863.96	11,795,863.96
Trade receivables						
Receivables	9,918.52	0.00	0.00	9,918.52	9,918.52	9,918.52
Other assets						
Receivables	5,306,984.65	0.00	529,487.96	5,836,472.61		
Loans	1,650,000.00	0.00	0.00	1,650,000.00	7,486,472.61	7,486,472.61
Long-term financial assets						
Loans	1,650,000.00	0.00	0.00	1,650,000.00	1,650,000.00	1,650,000.00
Total assets					90,303,561.33	90,303,561.33
– of which loans and receivables					77,974,406.17	77,974,406.17
– of which available-for-sale financial assets					11,795,863.96	11,795,863.96
Liabilities						
Trade payables						
Other payables	5,256,097.62	0.00	0.00	5,256,097.62	5,256,097.62	5,256,097.62
Other liabilities						
Other liabilities	26,710,345.73	0.00	3,112,873.97	29,823,219.70		
Financial liabilities	104,037.90	0.00	0.00	104,037.90	29,927,257.60	29,927,257.60
Total liabilities					35,183,355.22	35,183,355.22
– of which other liabilities					32,070,481.25	32,070,481.25

Hierarchy of fair values

As of 31 December 2010, Tipp24 held securities amounting to EUR 48,226 thousand (prior year: EUR 11,796 thousand), which were all classified as Level 1 financial instruments measured at fair value (as in the previous year). As in the previous year, Tipp24 did not hold any Level 2 and Level 3 financial instruments.

As in the previous year, the Company did not hold any liabilities measured at fair value on the balance sheet date.

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

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

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

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

25.2 CREDIT RISK

The scope of the credit risk of Tipp24 equals the sum of trade receivables and other receivables.

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

The Company generates receivables from lottery organizers for the winnings of its customers, which are passed on directly to the winners upon receipt. Due to the credit standing of the lottery organizers, the Company does not anticipate any significant default on payment.

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

MyLotto24 has partially limited its bookmaking risk by conducting hedging transactions. The major winnings of EUR 31.7 million which MyLotto24 experienced in the previous year were also covered in the amount of EUR 21.7 million by such hedging transactions. On 22 January 2010, the party providing cover informed MyLotto24 that it contested a claim from the hedging transaction. Against this backdrop, this claim was not recognized in the balance sheet but disclosed as a contingent asset which MyLotto24 holds in respect of the party providing cover. MyLotto24 is currently attempting to assert its claims in court. The place of jurisdiction for this dispute is the United Kingdom.

25.3 LIQUIDITY RISK

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

25.4 INTEREST RATE RISK

in EUR	short-term	long-term	Total
31 Dec. 2010			
Cash			
Variable interest rates	42,673,131.77	0.00	42,673,131.77
Fixed interest rates	0.00	0.00	0.00
	42,673,131.77	0.00	42,673,131.77
Pledged cash			
Variable interest rates	1,283,533.24	0.00	1,283,533.24
Short-term financial assets			
Variable interest rates			
Available-for-sale financial assets	5,618,867.32	0.00	5,618,867.32
Fixed interest rates			
Available-for-sale financial assets	42,607,473.55	0.00	42,607,473.55
	48,226,340.87	0.00	48,226,340.87
Long-term financial investments			
Fixed interest rates	0.00	1,600,000.00	1,600,000.00
	0.00	1,600,000.00	1,600,000.00
Total	92,183,005.88	1,600,000.00	93,783,005.88

in EUR	short-term	long-term	Total
31 Dec. 2009			
Cash			
Variable interest rates	69,110,738.74	0.00	69,110,738.74
Fixed interest rates	0.00	0.00	0.00
	69,110,738.74	0.00	69,110,738.74
Pledged cash			
Variable interest rates	250,567.50	0.00	250,567.50
Short-term financial assets			
Variable interest rates	0.00	0.00	0.00
Fixed interest rates			
Available-for-sale financial assets	11,795,863.96	0.00	11,795,863.96
Held-to-maturity financial assets	0.00	0.00	0.00
	11,795,863.96	0.00	11,795,863.96
Long-term financial investments			
Variable interest rates	0.00	0.00	0.00
Fixed interest rates	0.00	1,650,000.00	1,650,000.00
	0.00	1,650,000.00	1,650,000.00
Total	81,157,170.20	1,650,000.00	82,807,170.20

Tipp24 invests the majority of its financial assets in a combination of fixed term deposits and short-term government bonds. Financial assets currently held bear no currency risk. As a high proportion of liquid assets (EUR 92 million) is held in liquid or short-term investments, there is a considerable risk from changing interest rates. Should short-term interest rates change by 50 base points, this would lead to a change in interest income of EUR 460 thousand p.a.. Irrespective of this fact, there is a default risk with respect to both interest agreed for financial assets as well as the invested sums themselves and bank deposits.

25.5 CURRENCY RISK

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

For the presentation of currency risks, IFRS 7 requires sensitivity analyses which display the effects of hypothetical changes of the relevant risk variables on earnings and equity. In order to determine the currency risk, a fluctuation of the Euro to British Pound exchange rate of 10% was assumed as of 31 December 2010.

On the basis of this assumption, a revaluation of the Euro against the British Pound of 10% to 0.9468 GBP/EUR would result in an effect of EUR 454 thousand on earnings. A devaluation of the Euro against the British Pound of 10% to 0.7747 GBP/EUR would result in an effect of EUR -555 thousand on earnings.

25.6 PRINCIPLES AND OBJECTIVES OF CAPITAL MANAGEMENT

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

- Liquid funds** covering short-term liabilities from betting operations are to be invested in safe investment categories. The majority of these investments should be short-term. This short-term nature is mainly ensured by investing in highly liquid securities. A statistically proven base amount is to be invested over a medium-term period of one to four years.
- Equity** which exceeds the targeted equity ratio of around 35% for ensuring the company's stable financial position, is to be used for investments and further growth finance in line with our growth strategy. Liquid funds covering equity which have not yet been employed are also to be invested in safe short-term categories. In the medium term, Tipp24 may also leverage its financial position by means of interest-bearing debt. We shall continue to use equity capital which is not required for the company's strategic objectives to pay dividends to our shareholders and buy back shares from the market. The aforementioned optimization of the equity ratio, however, only appears prudent and possible when MyLotto24 can distribute a dividend to Tipp24 SE again.

Principles and objectives of capital management

in EUR	31 Dec. 2010	31 Dec. 2009
Equity ratio	71.5%	59.6%
Cash	42,673,131.77	69,110,738.74
Capital expenditures	12,121,699.22	8,152,424.92
Interest-bearing debt	0.00	0.00
Proposed dividend for the fiscal year per share	0.00	0.00

26 EVENTS AFTER THE BALANCE SHEET DATE

The operating companies in the Abroad segment of Tipp24 have invested in the international standardisation and improvement of their gaming software over the past two-and-a-half years as part of a very large development project involving several external partners and binding considerable internal resources. This software was put into operation in late January 2011 without any significant disruptions.

The Chairman of the Supervisory Board of Tipp24 SE, Klaus F. Jaenecke, informed the Executive Board on 18 February 2011 that he would retire from the Supervisory Board at the end of the Annual General Meeting 2011.

27 OTHER DISCLOSURES ACC. TO GERMAN COMMERCIAL LAW

27.1 EXECUTIVE BOARD

Dr. Hans Cornehl was the sole member of the Executive Board in fiscal year 2010. He worked on a full-time basis.

The remuneration of the Executive Board in fiscal year 2010 consisted of the following elements:

in EUR	Fixed salary	Variable remuneration	2010
Dr. Hans Cornehl	350,000.00	631,931.74	981,931.74
Total	350,000.00	631,931.74	981,931.74

The remuneration of the Executive Board in fiscal year 2009 consisted of the following elements:

in EUR	Fixed salary	Variable remuneration	Severance payments	2009
Dr. Hans Cornehl	180,000.00	586,695.00	0.00	766,695.00
Marcus Geiß	45,000.00	50,000.00	0.00	95,000.00
Jens Schumann	135,000.00	586,695.00	45,000.00	766,695.00
Petra von Strombeck	45,000.00	436,695.00	76,000.00	557,695.00
Total	405,000.00	1,660,085.00	121,000.00	2,186,085.00

In fiscal year 2010, total remuneration of the Executive Board amounted to EUR 982 thousand (prior year: EUR 2,186 thousand). In addition, an amount of EUR 370 thousand was recognized in personnel expenses in fiscal year 2010 for retired members of the Executive Board as well as EUR 185 thousand for active members of the Executive Board for services in 2009 as part of the long-term incentive agreement.

27.2 SUPERVISORY BOARD

The following persons held seats on the Supervisory Board in fiscal year 2010:

- Klaus F. Jaenecke, managing partner of Jaenecke & Cie. GmbH & Co. KG (Chairman)
- Oliver Jaster, managing partner of Günther Holding (Deputy Chairman)
- Hendrik Pressmar, consultant (regular member)

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

in EUR	Fixed salary	Variable remuneration	2010
Klaus F. Jaenecke (Chairman)	34,500.00	35,000.00	69,500.00
Oliver Jaster (Deputy Chairman)	20,700.00	21,000.00	41,700.00
Hendrik Pressmar	13,800.00	14,000.00	27,800.00
Total	69,000.00	70,000.00	139,000.00

in EUR	Fixed salary	Variable remuneration	2009
Klaus F. Jaenecke (Chairman)	34,500.00	35,000.00	69,500.00
Oliver Jaster (Deputy Chairman)	20,700.00	21,000.00	41,700.00
Hendrik Pressmar	13,800.00	14,000.00	27,800.00
Total	69,000.00	70,000.00	139,000.00

27.3 DIRECTORS' DEALINGS

Shares and subscription rights held by executive bodies

The following table shows the number of shares held in Tipp24 SE by members of the executive bodies of Tipp24 SE as of 31 December 2010, as well as changes in shareholdings since 1 January 2010.

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

Shares	1 Jan. 2010	Changes	31 Dec. 2010
Executive Board			
Dr. Hans Cornehl	55,389	0	55,389

27.4 CORPORATE GOVERNANCE

Declaration of conformity with German Corporate Governance Code

In September 2010, the Supervisory Board and Executive Board have submitted their declaration of conformity with the German Corporate Governance Code pursuant to § 161 AktG and made the declaration permanently available to shareholders via the Company's website (www.tipp24-se.de).

27.5 EMPLOYEES

The average number of employees is shown below:

2010	Germany	Abroad	Tipp24
Executive Board	1	0	1
General Managers	0	6	6
Employees	35	86	121
Trainees	2	0	2
Temporary personnel	28	0	28
Total	66	92	158

2009	Germany	Abroad	Tipp24
Executive Board	2	0	2
General Managers	0	6	6
Employees	60	72	132
Trainees	3	0	3
Temporary personnel	31	0	31
Total	96	78	174

27.6 AUDITING COSTS

The following fees were charged by the auditors of the annual financial statements, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft for fiscal year 2010:

in EUR thsd.	2010	2009
Auditing fees	508	498
thereof for international partner companies of the auditing company	408	381
Tax consulting	259	466
thereof for international partner companies of the auditing company	200	215
Other services	762	240
thereof for international partner companies of the auditing company	78	62
Total	1,529	1,204

27.7 CONSOLIDATED GROUP

The consolidated group comprises the companies listed below, for which the respective present and past shareholdings are also stated (see also Note 2.1.5 »Consolidation principles«). Puntogioco24 S.r.l. was liquidated and deconsolidated in 2010.

Tipp24 Deutschland GmbH was founded by Tipp24 SE in 2010. There were formation costs of EUR 1 thousand. At the time of formation, there was no difference between carrying value and fair value. The result of the abbreviated fiscal year for this company since its formation amounts to EUR -176 thousand.

in %	2010	2009	Initial Cconsolidation
Tipp24 Entertainment GmbH, Hamburg	100	100	2008
Tipp24 Deutschland GmbH, Hamburg	100	0	2010
MyLotto24 Limited, London, Great Britain	40	40	2007
Tipp24 Operating Services Limited, London, Great Britain	40	40	2007
Ventura24 S.L., Madrid, Spain	40	40	2001
Giochi24 s.r.l., Monza, Italy	40	40	2008
GSG Lottery Systems GmbH, Hamburg	40	40	2001
Tipp24 Services Limited, London, Great Britain	16	16	2007

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

Hamburg, 18 March 2011

The Executive Board

Dr. Hans Cornehl

AUDIT OPINION

We have audited the consolidated financial statements prepared by the Tipp24 SE, Hamburg, comprising the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity, and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1 to December 31, 2010. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

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

Our audit has not led to any reservations.

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

Hamburg, 18 March 2011

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Klimmer Hoyer

Wirtschaftsprüfer Wirtschaftsprüfer

RESPONSIBILITY STATEMENT

To the best of my knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

The Executive Board



Dr. Hans Cornehl

REPORT OF THE SUPERVISORY BOARD

ADVISING AND MONITORING MANAGEMENT

The Supervisory Board of Tipp24 SE regularly monitored and advised the Executive Board in accordance with statutory obligations during the period under review. We were directly involved in all decisions of the Executive Board which were of significance for the Company. Moreover, the Executive Board regularly informed the Supervisory Board fully and promptly, in oral and written reports, about all material issues of business planning and strategic development, about the course of events, the Group's current situation, including possible risks and the risk management system. Moreover, the Executive Board provided the Supervisory Board with comprehensive reports about the course of business, including the development of revenue and profitability, as well as the Company's current situation and business policy. These reports were presented to all members of the Supervisory Board. Based on these reports concerning Tipp24 SE, the Supervisory Board was able to monitor and advise on all important business activities. The Chairman of the Supervisory Board also met regularly with the Executive Board to exchange information and provide advice.

A total of eleven Supervisory Board meetings were held in fiscal year 2010, which were attended by all members. Further resolutions concerning current topics were adopted by circular written consent.

MAIN TOPICS OF DISCUSSION

The meetings of the Supervisory Board focused on the following topics:

- the development of sales and earnings, as well as the financial position, of Tipp24 SE and its fully consolidated associated companies in Germany and in the foreign markets UK, Spain and Italy,
- corporate planning, including investment and personnel planning,
- the legal disputes being conducted by Tipp24 SE and its fully consolidated associated companies,
- the development of the regulatory and economic environment in those markets of relevance for Tipp24, focusing in particular on the development of the regulatory discussion relating to the State Treaty on Games of Chance in Germany, especially following the ECJ rulings in early September 2010,
- the strategic alignment and growth strategy of Tipp24 SE and its fully consolidated associated companies, with particular regard to the re-establishment of lottery brokerage in Germany,
- the ongoing development of the early risk warning systems.
- discussion and consultation of all business transactions requiring approval and
- the continuous improvement of Corporate Governance and its adaptation to new statutory requirements.

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

COMPOSITION OF THE SUPERVISORY BOARD

The Supervisory Board of Tipp24 SE consists of three members. Chairman of the Supervisory Board is Klaus F. Jaenecke. He was appointed to the Supervisory Board on 10 August 2005 and was re-elected on 29 May 2008. Oliver Jaster is the Deputy Chairman. He has been a member of the Supervisory Board since 29 May 2008. Hendrik Pressmar has been a member of the Supervisory Board since 19 December 2008.

COMMITTEES

As the Supervisory Board consists of only three members, no committees were formed.

CORPORATE GOVERNANCE AND THE DECLARATION OF CONFORMITY

The Supervisory Board dealt in detail with the further implementation of measures recommended by the German Corporate Governance Code. In September 2010, the Executive Board and Supervisory Board submitted a Declaration of Conformity, pursuant to § 161 German Stock Corporation Law (AktG) and made it permanently available to shareholders via the Company's website www.tipp24-se.de.

AUDITING OF THE PARENT COMPANY AND CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The annual financial statements and management report for fiscal 2010 of Tipp24 SE, as prepared by the Executive Board in accordance with the German Commercial Code (HGB), and the consolidated annual financial statements and Group management report prepared in accordance with International Financial Reporting Standards (IFRS) were audited by Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, which issued an unqualified audit certificate in each case. The audit also included an examination of the respective accounting systems. With the knowledge of these audit reports, the Supervisory Board also examined the annual financial statements, management report and proposal for appropriation of the balance sheet profit prepared by the Executive Board, as well as the consolidated annual financial statements and Group management report. At the Supervisory Board meeting on 24 March 2011, the chief auditors were on hand to report on the main results of their audit. The Supervisory Board concurred with the auditor's findings and, also on the basis of its own final examination, raised no objections. At its meeting on 24 March 2011, the Supervisory Board approved the annual financial statements prepared by the Executive Board as well as the consolidated annual financial statements. The annual financial statements are thus adopted. As there was no balance sheet profit for fiscal 2010, there was also no proposal of the Executive Board with regard to the appropriation of the balance sheet profit.

PERSONNEL

There were no personnel changes in the Executive Board during fiscal year 2010. On 18 February 2011, I myself declared my intention to resign from my office as Chairman of the Supervisory Board at the end of this year's Annual General Meeting. I took this decision after careful consideration with regard to my personal plans and the targeted partial restructuring of the Supervisory Board. I expressly welcome this reform – which aims in particular to expand the Supervisory Board from three to six members – and look forward to actively accompanying it in the period up to the coming Annual General Meeting. Regular change within the Supervisory Board complies with the principles of good corporate governance, provided that a balance is maintained between renewal and continuity. All in all, I have come to the conclusion that the coming Annual General Meeting is the right time for me to lay down my mandate.

CONCLUDING STATEMENT

The Supervisory Board would like to thank the Executive Board and all employees of Tipp24 SE and its fully consolidated associated companies for their hard work and outstanding commitment over the past fiscal year. Marked by a high degree of self-responsibility and loyalty, their consistently successful contribution to the development of Tipp24 in a highly challenging regulatory environment deserves the utmost respect.

Hamburg, 24 March 2011



Klaus F. Jaenecke

(Chairman of the Supervisory Board)



KEY CONSOLIDATED FIGURES OF TIPP24 SE

As of 18 March 2011

		2010	2009	2008	2007
Customers					
Number of registered customers (at year-end)	Thsd.	n/a	n/a	2,526	2,344
Number of registered new customers (at year-end)	Thsd.	n/a	n/a	203	574
Customer activity rate		n/a	n/a	24.7%	28.7%
Average billings/customer	EUR	n/a	n/a	566	588
Acquisition costs per new customer	EUR	n/a	n/a	46.44	20.11
Income statement					
	EUR thsd.				
Billings		n/a	n/a	335,947	346,776
Revenue		104,370	89,551	45,838	44,974
EBIT		30,258	23,052	8,897	8,949
EBT		30,744	25,076	10,720	11,192
Net profit		19,551	17,482	6,606	6,272
Balance sheet					
	EUR thsd.				
Cash, cash equivalents and securities (incl. pledged cash, cash equivalents and securities)		43,957	69,361	21,261	66,121
Other current assets		56,613	20,466	59,586	18,405
Total non-current assets		29,444	18,296	12,304	7,213
ASSETS		130,013	108,123	93,151	91,739
Current liabilities		36,911	42,971	35,623	35,774
Non-current liabilities		181	752	2,607	335
Equity		92,921	64,399	54,922	55,630
EQUITY AND LIABILITIES		130,013	108,123	93,151	91,739
Cash flow					
	EUR thsd.				
Cash flow from operating activities		14,081	30,217	9,651	17,886
Cash flow from investing activities		-48,446	25,579	-47,040	-1,200
Cash flow from financing activities		8,950	-7,723	-7,386	-11,335
Personnel					
Number of employees (average no. of full-time staff without board members/managing directors/interns/apprentices)	No.	121	132	185	154
Personnel expenses	EUR thsd.	11,815	12,524	12,667	10,324
Expenses per employee	EUR thsd.	98	72	69	67
R&D expenses	EUR thsd.	1,579	1,396	3,374	3,051
R&D staff	No.	33	33	68	58
Share (from 2004)					
Average number of shares (undiluted)	No.	7,715,614	7,730,961	8,032,265	8,524,199
Earnings per share (undiluted)	EUR	2.53	2.26	0.82	0.74
Operating cash flow per share (undiluted)	EUR	1.82	3.91	1.20	2.10
Ratios					
	%				
Gross margin		n/a	n/a	13.6%	13.0%
EBIT margin		29.0%	25.7%	19.4%	19.9%
Net operating margin		18.7%	19.5%	14.4%	13.9%
Return-on-equity (RoE)		21.0%	27.1%	12.0%	11.3%

*1999–2003: unaudited; 1999: Short fiscal year from 31 July until 31 December 1999

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

FINANCIAL CALENDAR

30 MARCH 2011 ANNUAL PRESS CONFERENCE

6 MAY 2011 REPORT FIRST QUARTER

10 JUNE 2011 ANNUAL GENERAL MEETING

5 AUGUST 2011 HALF-YEAR REPORT

8 NOVEMBER 2011 NINE-MONTH REPORT

IN NOVEMBER 2011 ANALYST CONFERENCE (FRANKFURT)

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