

The logo for Tipp24de, featuring the text "Tipp24de" in white on a dark red background, which is itself on a yellow rectangular base.

**Tipp24de**

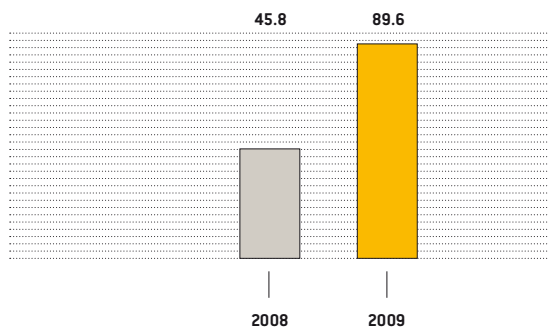
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10 YEARS OF TIPPP24  
5 YEARS STOCK EXCHANGE LISTING  
NOW IN THE SDAX

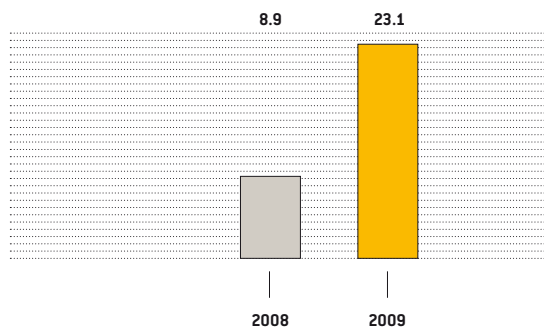
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ANNUAL REPORT 2009

**REVENUES** in EUR million



**EBIT** in EUR million



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## LADIES AND GENTLEMEN,

2009 was certainly one of the most difficult and eventful financial years in the ten-year history of our company. It brought drastic changes in the regulatory environment, especially in Germany, forcing us to realign our business fields, part company with the majority of our staff in Germany and reduce the size of the Executive Board. And yet we still succeeded in continuing the successful development of Tipp24 – albeit with a considerable shift in our main focus areas.

## REALIGNMENT OF BUSINESS

Following the introduction of the second stage of the new State Treaty on Gaming (GlüStV) on 1 January 2009 and the resulting withdrawal of our previous business model in Germany, Tipp24 SE restructured its business fields as of 1 January 2009: the majority of our activities in connection with the brokerage or offer of lottery products were terminated and numerous no longer required assets were transferred to MyLotto24 Limited and its subsidiaries, which has been active in the UK since 2007. This concerned both the brokerage of state-run German lottery products, as well as our subsidiaries Ventura24 S.L. in Spain and Puntogioco24 S.r.l. in Italy. On 30 April 2009, Tipp24 SE transferred control over its UK subsidiaries in accordance with company law. The move reflects the autonomy and individual responsibility of these companies in their respective business fields. Specifically, 60% of the voting shares in both MyLotto24 Limited and Tipp24Services Limited were sold to a Swiss foundation set up by Tipp24 SE. 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. We expect that the German legislation which forbids Tipp24 SE's operations – in contravention of EU law – will be adapted again to the requirements of higher-ranking European legislation in the medium term. Providing certain conditions are met (such as the settlement of the legal situation in its favour), Tipp24 SE has the right to repurchase the sold shares from the foundation.

## FOCUS ON NON-GERMAN BUSINESS

As a consequence of what we believe to be an illegal regulatory situation in Germany, the focus in 2009 was placed firmly on our foreign business: with the termination of our online brokerage of Lotto and other state lotteries in Germany and the pooling of remaining lottery activities with MyLotto24 Limited in the UK, we laid the foundations for a positive development of our business in Spain, Italy and the UK. In the course of restructuring, MyLotto24 Limited and its fully consolidated affiliates recruited new staff and gained numerous highly capable suppliers, which have enabled them to conduct their business independently and reliably with a high standard of quality.

In contrast to Germany, the UK enjoys a stable, market-oriented legal situation, and Spain has also proven to have a reliable regulatory environment. As of 14 September 2009, we are represented in Italy under [www.giochi24.it](http://www.giochi24.it) with the national 6 from 90 lottery (SuperEnalotto), as well as scratch cards and skill-based games. As a consequence, the blocked website belonging to Puntogioco24 S.r.l. has now been abandoned.

### INCREASED REVENUES AND EARNINGS

In spite of the difficult market environment, revenues leapt by a very gratifying 95.4% in 2009, to reach EUR 89,551 thousand. Consolidated EBIT rose to EUR 23,052 thousand.

Whereas revenues of our Germany segment fell by 91.9% to EUR 3,256 thousand as a result of the virtually complete withdrawal of our domestic business base, revenues generated by the Abroad segment rose strongly by EUR 82,681 thousand to EUR 88,537 thousand and dominated total revenues with a share of over 98%. In line with this development, the EBIT result of our Abroad segment grew to EUR 32,708 thousand, while that of our Germany segment fell to EUR -11,344 thousand – influenced by the GlüStV and start-up losses in the Skill-Based Games division.

The draw for an exceptionally high jackpot of EUR 31.7 million in September 2009 generated an unexpectedly high gaming volume for MyLotto24 Limited. However, this unusually high winnings payment is disclosed in full in the income statement and reduced revenues by the complete amount. The performance of a hedging transaction concluded in advance by MyLotto24 Limited to reduce the statistical fluctuation risk of such high winnings is not disclosed in the annual financial statements for 2009 as MyLotto24 Limited is currently involved in a legal dispute concerning payment with the company which provided the cover.

### LEGAL SITUATION IN GERMANY STILL UNRESOLVED

There was still no end to the intense political and legal discussions concerning the German gaming market and its regulatory conditions in 2009: numerous injunctions and verdicts of various courts, concerning both Tipp24 and other market participants, mean that the situation remains extremely unclear. Numerous proceedings have been suspended until a settlement has been reached at European level, and the ruling parties in the federal state of Schleswig-Holstein have already given the GlüStV its first publicly stated rejection from a leading political body: on the announcement of their coalition agreement on 16 October 2009, the newly elected state government confirmed that it intended to overturn the treaty at the next possible opportunity.

### SDAX ACCEPTANCE

A particular highlight of the year was our share's acceptance into the German SDAX index on 22 June 2009 – due not least to the share's outstanding performance. The capital market clearly approved of our restructuring and rewarded the successful development of Tipp24: the share price multiplied in value and reached an all-time-high of EUR 32.00 on 9 November following a steady upward trend throughout the year. We regard our inclusion in the SDAX as a major milestone for Tipp24, as it raises both our profile for investors and the liquidity of our share.

### TWO SHARE BUYBACK PROGRAMMES COMPLETED

We conducted two further share buyback programmes in fiscal 2009, during which Tipp24 SE purchased a total of 365,180 treasury shares (4.57% of capital stock). As a result, total equity was reduced by EUR 4,000 thousand. As part of the settlement of subscription rights from the Stock Option Plan 2005, 4,000 treasury shares were transferred to option beneficiaries of the second tranche in November 2009. As of 31 December 2009, Tipp24 SE therefore held a total of 361,180 treasury shares.

### STRONG REDUCTION IN WORK FORCE AND EXECUTIVE BOARD IN GERMANY

Following the termination of most of our operating activities in Germany, we were forced to lay off the majority of our German work force in 2009. In the course of restructuring and the realignment of our business, two members of the Executive Board of Tipp24 SE, Marcus Geiß and Petra von Strombeck, also retired from their seats as of 31 March 2009. The joint founder and former Chairman of the Executive Board of Tipp24 SE, Jens Schumann, retired from the Company's Executive Board on 30 September 2009 for personal reasons after ten years of service with the company. The decision was taken in coordination with the Supervisory Board and Executive Board, and made on amicable terms. He will continue to assist the Company in an advisory capacity: »Despite the legal uncertainties of the past few years, Tipp24 is now well equipped for the future – as demonstrated by the positive development of our business in 2009. I thus feel I have achieved my personal targets for Tipp24. However, I will continue to be available for advice and will remain in close contact, not least in my capacity as a major shareholder.«

We would like to thank all former members of the team for their outstanding commitment!

### NO DIVIDEND FOR 2009

Tipp24 SE incurs considerable running costs – mainly for administration and legal advice. At the same time, it has very few revenue streams from its own activities (the disclosed profit acc. to HGB resulted purely from a non-recurring effect during the restructuring of business), and profits of its associated companies in the Abroad segment are currently being carried forward and not distributed to Tipp24 SE. The balance sheet profit of Tipp24 SE was therefore zero. As a consequence, there is no proposal for the appropriation of profit. This will protect the liquidity of Tipp24 SE.

## OUTLOOK

In Germany, we plan to utilise all available appeal possibilities and continue our political lobbying in order to reach our most important target: clarification of the legal and political conditions for our business model. 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.

In view of the earnings and experience gained in our Abroad segment in 2009, we expect consolidated revenues to increase to at least EUR 100 million and EBIT to reach at least EUR 40 million in 2010. Statistically unusually high or frequent payments of large winnings, however, would also dampen these expectations.

Should the current legal and economic conditions remain stable beyond 2010, our forecast for 2010 would apply in the same way for 2011. Against the backdrop of an extremely unstable regulatory environment at present, however, this is subject to considerable uncertainties.



**Dr. Hans Cornehl**  
Executive Board

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**DR. HANS CORNEHL** (42), HAS A DOCTORATE IN CHEMISTRY AND HAS BEEN A MEMBER OF THE EXECUTIVE BOARD OF TIPP24 SE SINCE JUNE 2002 – AND SOLE MEMBER SINCE OCTOBER 2009. BEFORE JOINING TIPP24, DR. CORNEHL WAS SENIOR INVESTMENT MANAGER AT THE VENTURE CAPITAL COMPANY EARLYBIRD, WHERE HE SPECIALISED IN INVESTMENTS IN THE MEDIA AND TELECOMMUNICATIONS SECTOR. HE HAD PREVIOUSLY GAINED MANAGEMENT EXPERIENCE AS A TURNAROUND MANAGER AT A HOSPITAL. DR. CORNEHL STARTED HIS CAREER AS AN ADVISER FOR START-UP, HIGH-TECH AND SPIN-OFF COMPANIES AT MCKINSEY & COMPANY. DR. CORNEHL STUDIED CHEMISTRY AT THE TECHNICAL UNIVERSITY OF MUNICH AND GAINED HIS DOCTORATE AT THE TECHNICAL UNIVERSITY OF BERLIN.

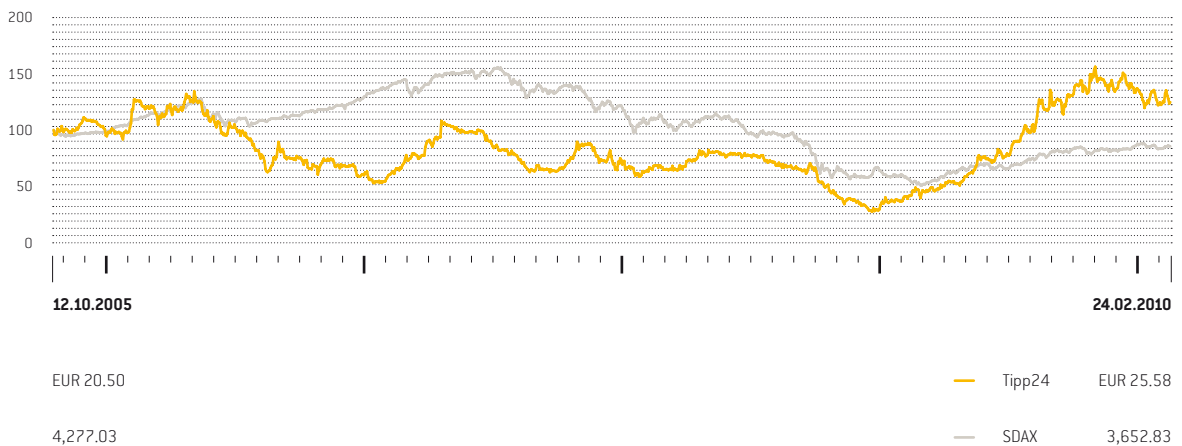


## SHARE & CORPORATE GOVERNANCE

# TIPP24 SHARE DISPLAYS IMPRESSIVE GROWTH

**IN A TURBULENT 2009,** THE TIPP24 SHARE GREW BY 400% AND THUS QUALIFIED FOR INCLUSION IN THE SDAX INDEX. THE SHARE BUYBACK PROGRAMMES WERE COMPLETED IN THE FIRST HALF OF 2009.

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





## SHARE

2009 was an extremely turbulent year for the world's stock exchanges: in the wake of the financial crisis, the DAX plummeted from a year-opening level of 5,000 to below 3,700 points, before climbing back to around 6,000 points by year-end. The German blue-chip index thus gained some 25% and enjoyed its best year since 2005. The MDAX rose by around 34% and the SDAX by around 27%. In the period under review, the Tipp24 share displayed impressive growth of over 400% and closed the stock exchange year 2009 at EUR 29.00.

Tipp24's acceptance into the SDAX index reflected this positive share price performance: on 22 June 2009, Tipp24 became the sixth Hamburg-based stock to be included in the index of 50 small-sized German companies.

## DIVIDEND

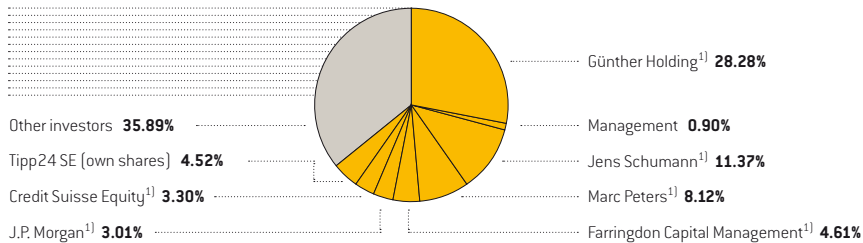
The Annual General Meeting of Tipp24 AG was held on 16 June 2009 at the InterContinental hotel in Hamburg. 55.16% of voting capital was represented and the Annual General Meeting adopted all resolutions proposed by management. In view of the generally satisfactory development of fiscal year 2008, we were able to propose a further dividend payment of 50 cents per share, which was distributed to shareholders as of 17 June 2009. Although there was a further significant improvement in earnings in fiscal 2009, the situation regarding dividend payments has completely changed. 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 no balance sheet profit for fiscal 2009, there is also no proposal of the Executive Board with regard to the appropriation of the balance sheet profit.

## SHARE BUYBACK

During the share buyback programmes of February and October 2007, Tipp24 SE already acquired a total of 887,231 treasury shares, corresponding to 10.00% less one share of total capital stock. These treasury shares were cancelled on 23 January 2009 by means of a simplified capital reduction with a corresponding reduction in capital stock of EUR 887,231 to EUR 7,985,088. On 16 January 2009 and 30 April 2009, the Executive Board of Tipp24 SE also adopted a resolution to implement two further share buyback programmes. In the period from 2 February 2009 to no later than 30 September 2009, shares of Tipp24 with a total value of up to EUR 2,000,000 each (including transaction costs) were to be bought through the stock exchange. The share buyback programmes were successfully completed in the first half of the year. As part of the settlement of subscription rights arising from the Stock Option Plan 2005, 4,000 treasury shares were transferred to option beneficiaries of the second tranche in November 2009. As of 31 December 2009, Tipp24 SE therefore held a total of 361,180 treasury shares, corresponding to 4.52% of capital stock.

## 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 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 1 March 2010)

<sup>1)</sup> according to the latest disclosure of voting rights by the investor

**KEY SHARE FIGURES**

Day of initial listing	<b>12.10.2005</b>
Year-opening price	<b>EUR 6.05</b>
Market capitalization (Year-opening)	<b>EUR 53.68 million</b>
Year-end price	<b>EUR 29.00</b>
Market capitalization (Year-end)	<b>EUR 231.57 million</b>
Highest price (09.11.2009)	<b>EUR 32.00</b>
Lowest price (07.01.2009)	<b>EUR 5.85</b>
Number of shares	<b>7,985 thousand</b>
Average daily trading (until 31.12.2009)	<b>37,345</b>
Earnings per share (undiluted and diluted)	<b>EUR 2.26</b>

**SHAREHOLDER SERVICE**

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

## 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 18 June 2009 ([www.corporate-governance-code.de](http://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](http://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). The following transactions were reported to Tipp24 SE in the past fiscal year:

Name/company of the reporting party	Status	Type of transaction	Date and location	Number of shares	Share price in EUR	Volume in EUR
Dr. Hans Cornehl	Member of the Executive Board	Share sale	28.05.2009, XETRA	14,000	14.23747	199,324.58
Dr. Hans Cornehl	Member of the Executive Board	Share sale	29.05.2009, XETRA	14,000	14.92095	208,893.30
Dr. Hans Cornehl	Member of the Executive Board	Share sale	02.06.2009, XETRA	6,000	15.59866	93,591.96
Dr. Hans Cornehl	Member of the Executive Board	Share sale	03.06.2009, XETRA	6,000	15.24644	91,478.64
Dr. Hans Cornehl	Member of the Executive Board	Share sale	02.11.2009, XETRA	20,000	29.9436	598,872.40
Dr. Hans Cornehl	Member of the Executive Board	Share sale	03.11.2009, XETRA	4,000	29.8675	119,470.08
Dr. Hans Cornehl	Member of the Executive Board	Share sale	04.11.2009, XETRA	9,300	30.0030	279,027.81
Dr. Hans Cornehl	Member of the Executive Board	Share sale	05.11.2009, XETRA	6,700	30.0773	201,517.84
Dr. Stephanie Cornehl	Natural person closely associated	Share sale	28.05.2009, XETRA	7,000	14.23747	99,662.29
Dr. Stephanie Cornehl	Natural person closely associated	Share sale	29.05.2009, XETRA	7,000	14.92095	104,446.65
Dr. Stephanie Cornehl	Natural person closely associated	Share sale	02.06.2009, XETRA	3,000	15.59866	46,795.98
Dr. Stephanie Cornehl	Natural person closely associated	Share sale	03.06.2009, XETRA	3,000	15.24644	45,739.32
Dr. Stephanie Cornehl	Natural person closely associated	Share sale	02.11.2009, XETRA	10,000	29.9436	299,436.20
Dr. Stephanie Cornehl	Natural person closely associated	Share sale	03.11.2009, XETRA	2,050	29.8675	61,228.42
Dr. Stephanie Cornehl	Natural person closely associated	Share sale	04.11.2009, XETRA	4,650	30.0030	139,513.90
Dr. Stephanie Cornehl	Natural person closely associated	Share sale	05.11.2009, XETRA	3,300	30.0773	99,255.06

## 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 premiums 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	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
<b>Total</b>	<b>69,000.00</b>	<b>70,000.00</b>	<b>139,000.00</b>

in EUR	Fixed salary	Variable remuneration	2008
Klaus F. Jaenecke (Chairman)	34,500.00	21,875.00	56,375.00
Oliver Jaster (Deputy Chairman, since 29 May 2008)	8,625.00	5,468.75	14,093.75
Dr. Hans-Wilhelm Jenckel (Deputy Chairman, until 29 May 2008)	13,800.00	8,750.00	22,550.00
Hendrik Pressmar (since 19 Dec. 2008)	0.00	0.00	0.00
Annet Aris (until 19 Dec. 2008)	12,075.00	7,656.25	19,731.25
<b>Total</b>	<b>69,000.00</b>	<b>43,750.00</b>	<b>112,750.00</b>

### Remuneration of the Executive Board

The annual remuneration of the Executive Board is determined by the Supervisory Board of Tipp24 SE and agreed with all members of the Executive Board. It consists of fixed and variable remuneration components and is largely based on the regulations of the GCGC. In the case of premature termination, the service contracts of Executive Board members do not include any specific severance pay provisions. No pension benefit commitments have been made to members of the Executive Board.

Remuneration of the Executive Board members consists of a fixed basic salary of EUR 180 thousand and a variable component. 50% of this variable component is based on revenue growth of the current and past year and 50% on the growth and absolute

size of the EBIT margin in the current fiscal year. On achievement of the targets, the variable component amounts to 55% of the fixed component. If targets are exceeded, the variable component can rise to around 110% of the fixed amount. There is also a long-term variable component, which is based on the growth of the 3-year average of earnings per share. On achievement of the targets, this component can also reach up to 55% of the fixed component. In exceptional circumstances, the Supervisory Board can adjust the variable components by up to 50%, upwards or downwards.

The amount and structure of the remuneration package is continually monitored by the Supervisory Board and is agreed and updated with each member of the Executive Board.

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
<b>Total</b>	<b>405,000.00</b>	<b>1,660,085.00</b>	<b>121,000.00</b>	<b>2,186,085.00</b>

in EUR	Fixed salary	Variable remuneration	2008
Dr. Hans Cornehl	180,000.00	261,731.28	441,731.28
Marcus Geiß	135,000.00	158,798.25	293,798.25
Jens Schumann	180,000.00	261,731.28	441,731.28
Petra von Strombeck	135,000.00	158,798.25	293,798.25
<b>Total</b>	<b>630,000.00</b>	<b>841,059.06</b>	<b>1,471,059.06</b>

### **DECLARATION BY THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD OF TIPP24 AG ON THE RECOMMENDATIONS OF THE 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 AG issue the following Declaration of Conformity:

»Tipp24 AG complies with the 18 June 2009 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**

Tipp24 AG has taken out a D&O insurance for its executive bodies that does not include a deductible. The Executive Board and Supervisory Board 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 Executive Board and Supervisory Board members themselves, so the actual purpose of the deductible is nullified and therefore ultimately all that matters is the level of compensation paid to the Executive Board and the Supervisory Board. In accordance with the amended legal regulations as of 1 July 2010, however, Tipp24 AG will adapt its D&O insurance for the Executive Board no later than the aforementioned date in such a way that it includes a deductible.

#### **4.2.1 – Composition of the Executive Board**

As of 1 October 2009, the Executive Board of Tipp24 AG 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 AG 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 an Executive Board member in the case of premature or regular termination of their activity as an Executive Board member, or changes made

in the course of the fiscal year, Tipp24 AG will first disclose such details in its Remuneration Report for fiscal year 2010. Tipp24 AG 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 Audit and Nomination Committees**

Since in accordance with the company statute the Supervisory Board of Tipp24 AG comprises only three persons, the Supervisory Board has formed no committees, and in particular no Audit Committee and no Nomination Committee.

Since submitting its last Declaration of Conformity in November 2008, Tipp24 AG has complied with all recommendations of the German Corporate Governance Code in the version dated 6 June 2008, with the exception of recommendations made under sections 3.8, 4.2.1, 5.3.1, 5.3.2 and 5.3.3, as well as the following exception:

The interim report concerning the first quarter of 2009 (1 January 2009 to 31 March 2009) was made publicly accessible after more than 45 days following the end of the reporting quarter, i. e. on 28 May 2009 instead of 15 May 2009 (section 7.1.2 s. 4 of the German Corporate Governance Code). The assessment and presentation of extensive and complex information in connection with the reorganisation of the Tipp24 Group in the first quarter of 2009 led to a significant increase in the time needed to prepare the interim report. As a result, the publication date was slightly after the 45-day deadline.«

Hamburg, November 2009

For the Supervisory Board



Klaus F. Jaenecke

For the Executive Board



Dr. Hans Cornehl

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## GROUP MANAGEMENT REPORT

# SUCCESSFUL REALIGNMENT

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**FOLLOWING THE SUCCESSFUL RESTRUCTURING** OF THE TIPP24 GROUP IN EARLY 2009 BUSINESS MADE ENCOURAGING PROGRESS – THE ABROAD SEGMENT MORE THAN COMPENSATED FOR THE NEGATIVE EFFECTS OF THE STATE TREATY ON GAMING IN GERMANY. REVENUES DOUBLED TO ALMOST EUR 89.6 MILLION WHILE THE EBIT MARGIN GREW FROM 19.4% TO 25.7%.



## BUSINESS & ECONOMIC CONDITIONS

### LOTTERY BUSINESS POOLED IN UK

Tipp24 SE reorganised its business fields as of 1 January 2009. The Company ended the majority of its activities in connection with the brokerage or offer of lottery products and transferred a number of assets which it no longer required to MyLotto24 Limited and its subsidiaries, which has 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. After terminating its lottery brokerage business in Germany, Tipp24 SE reorganised its activities in compliance with regulatory conditions – although it continues to fight for the legal right to resume its former activities in Germany.

On 30 April 2009, Tipp24 SE transferred control over its UK subsidiaries in accordance with company law. The move reflects 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. Tipp24 SE expects that the German legislation which forbids its operations – in contravention of EU law – will be adapted again 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. Providing certain conditions are met (such as the settlement of the legal situation in its favour), Tipp24 SE has the right to repurchase the sold shares from the foundation after 30 September 2010.

In the course of restructuring, MyLotto24 Limited and its subsidiaries recruited new staff and gained numerous highly capable suppliers, which have enabled them to conduct their business independently and reliably with a high standard of quality.

Marketing of the German class lotteries NKL and SKL, however, will continue to be conducted by Schumann e. K. in cooperation with Tipp24 SE. The development of skill-based games will also be maintained in Germany. In the following, Tipp24 SE and the consolidated group will be referred to simply as »Tipp24«.

### FOCUS ON NON-GERMAN BUSINESS

With the termination of our online brokerage of Lotto and other state lotteries in Germany and the pooling of remaining lottery activities with MyLotto24 Limited in the UK, we have laid the foundations for a positive development of our foreign business. We have therefore drawn the consequences from the German State Treaty on Gaming (GlüStV), whose second stage came into effect on 1 January 2009 and which completely bans the brokerage of state-run lotteries via the Internet in Germany. The Executive Board of Tipp24 SE will focus in future on expanding the Company's division for the development and creation of skill-based games as well as on identifying and acquiring new business models in Germany and Europe. After the legal situation has been settled in its favour, Tipp24 SE intends to resume its previous activities as a private gaming broker from its base in Germany as swiftly as possible.

Up to 8 January 2009, tickets were submitted by Tipp24 Services Limited directly to the German state lottery companies via the Tipp24.com website. From this day on, the lottery companies were no longer willing to provide their electronic interfaces for the acceptance of tickets. Tickets have since been transferred by Tipp24 Services Limited to MyLotto24 Limited. This company organises English secondary lotteries based on various European lotteries. In contrast to Tipp24 Services Limited, which merely acts as a broker, MyLotto24 Limited bears the bookmaking risk.

Active repeat tickets from 2008 or earlier were administered by Tipp24 Services Limited and mostly submitted to the German »Lottoblock« in the first quarter of 2009. They were thus still entitled to receive winnings from German state lottery draws.

As of 9 January 2009, tickets are only accepted from customers who confirm that they are not in Germany when submitting their tickets.

A technical service provider which formerly submitted online tickets for the German Lotto obtained a temporary injunction on 20 January 2009 and again on 23 September 2009 from the Regional Appeal Court in Koblenz, Germany, which forced the state lottery company of Rhineland-Palatinate (Lotto Rheinland-Pfalz) to re-open its interface for the submission of old repeat tickets. Following this decision, Tipp24 Services Limited also resumed its submission of old repeat tickets for the German Lotto via this interface. However, Lotto Rheinland-Pfalz disputes the legality of such submissions and is attempting to prevent them with its own temporary injunction which it obtained from the Regional Court of Hamburg. Other companies belonging to the »Deutscher Lotto- und Totoblock« are similarly attempting to prevent the submission of online lottery tickets for the German Lotto.

#### **CHANGES IN THE EXECUTIVE BOARD AND THE WORK FORCE**

As a consequence of the above mentioned changes and the strong reduction in our German operations, two members of the Executive Board of Tipp24 SE, Marcus Geiß and Petra von Strombeck, retired from their seats on the Executive Board as of 31 March 2009. For the same reasons, Tipp24 SE was also forced to terminate the employment contracts of 139 staff (including non-permanent staff) at its headquarters in Hamburg. The remaining employees of Tipp24 SE are engaged solely in administrative activities. Jobs at Tipp24 Entertainment GmbH are not affected by the GlüStV.

The joint founder and Chairman of the Executive Board of Tipp24 SE, Jens Schumann, retired from the Company's Executive Board on 30 September 2009. The decision was taken in coordination with the Supervisory Board and Executive Board, and made on amicable terms. He will continue to assist the Company in an advisory capacity. The Company's Chief Financial Officer, Dr. Hans Cornehl, assumed sole responsibility for Tipp24 SE as of 1 October 2009 and until further notice.

#### **CHANGE IN LEGAL FORM**

As of 28 December 2009, the former Tipp24 AG has been trading under the name of Tipp24 SE. On this date, the Hamburg Registry Court registered the merger adopted by the Annual General Meeting 2009 of Egela Beteiligungsverwaltungs AG and Tipp24 AG for the purpose of founding a European public company (Societas Europaea, SE).

The change in legal form to SE underlines the development from an operating company focusing predominantly on the German market to a holding company with a variety of equity interests in Europe.

The Company's registered office in Hamburg, the listing of Tipp24 shares in the Prime Standard segment of the Frankfurt Stock Exchange, and the share's inclusion in the SDAX index remain unaffected by the change in legal form.

#### **BUSINESS MODEL**

##### **End user business in Germany**

In fiscal year 2009, business in Germany was restricted to 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. We generate revenues from commissions received for submitting lottery tickets to the lottery companies.

The Skill-Based Games division is operated via the platform [www.tipp24games.de](http://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

Our entire non-German business was pooled with the UK-based MyLotto24 Limited in early 2009. This concerns our activities in Spain, Italy and the UK. MyLotto24 Limited 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 from 49 lottery (La Primitiva) and related lottery teams, the Christmas lottery (Sorteo de Navidad), the European lottery EuroMillones and other Spanish lotteries. In Italy, the blocked website belonging to Puntogioco24 S.r.l. was abandoned in the second half of 2009. However, this had no material effect on Tipp24's current net assets, financial position and results of operations, as Puntogioco24 S.r.l. had previously only made a small contribution to consolidated revenues and the company had not yet generated any significant profits. However, the remaining open questions concerning the technical connection by the state monopolies commission to use the legal brokerage concession for the Italian market already acquired by Giochi24 S.r.l. in 2008 have now been largely settled. As of 14 September 2009, Tipp24 is now represented in Italy under [www.giochi24.it](http://www.giochi24.it) with the national 6 from 90 lottery (SuperEnalotto), as well as scratch cards and skill-based games.

With regard to the organising of games in the **UK**, revenue results from stakes received less vouchers granted, and winnings to be distributed. In contrast to their presentation in the quarterly reports of 2009, license and operator fees payable in the UK are not disclosed within the item »Revenue«, but 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.

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.

#### Regulatory environment of the European gaming market

The business success of Tipp24 is dependent on there being no changes to the regulatory framework in which Tipp24 operates which would require a restriction of our activities. The GlüStV contains a general prohibition for the brokering of all gaming products, including lotteries, via the Internet from 1 January 2009 onwards, as well as the additional prohibition of commercial brokerage with the possibility of permissions, and sweeping restrictions in the field of German advertising, for example.

Considering what we believe is the obvious illegality of the GlüStV for lottery brokerage with regard to constitutional, antitrust and European legislation (supported by a wide range of expert opinions with respect to EU law prepared by respected professors of law, as well as by the Scientific Services of the state parliaments of Schleswig-Holstein and Lower Saxony, the verdicts of national and European courts, the resolutions and warnings of Germany's anti-trust authorities and a written rejection of key legislation passages from the European Commission as part of infringement proceedings already instituted), we believe that those provisions of the GlüStV which are particularly critical for our business are probably not applicable.

Moreover, there are also 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

Since the reorganisation of our business fields on 1 January 2009, the segments Germany and Abroad have been managed separately. This was further documented by the legal transfer of control completed on 30 April 2009.

### 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 seek to achieve the legal and political termination of the GlüStV, whose politically unwise regulations we believe to be an infringement of valid law. 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 countries belonging to our Abroad segment, value is also 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.

### Personnel expenses

As personnel expenses represent a significant proportion of total expenditure in both segments, the use of economies of scale to reduce the ratio of personnel costs to total revenue remains a key objective of both segments. Due to an increase in revenue, we were able to achieve this goal once again in fiscal year 2009.

### Development of key earnings ratios

Due to considerable economies of scale achieved by expanding its bookmaking business, Tipp24 succeeded in raising its EBIT margin significantly by 6.3 %-points to 25.7% during the period under review.

At 19.5% net operating margin was well above the prior-year level of 14.4%. Due to the growth in consolidated net profit, return-on-equity rose to 27.1% (prior year: 12.0%).

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

Strategy is determined independently in the respective business segments. In our traditional core market of **Germany**, we aim to achieve a binding legal clarification of the regulatory situation, in order to lay the foundation for renewed sustainable growth, and to gradually expand our product portfolio in the Skill-Based Games division.

In our **Abroad segment**, we want 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.

In view of the constantly changing regulatory environment in Europe, we expect increasing privatisation of currently state-owned market participants and thus a possible concentration of market players. Tipp24 aims to play an active role in these expected market changes and to grasp the resulting attractive opportunities for non-organic growth. Such growth can also be financed by using freely available liquid funds of around EUR 69.1 million and short-term financial investments of around EUR 11.8 million.

## MANAGEMENT & CONTROL

### Management

As of 1 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 remuneration of the Executive Board members consists of a fixed basic annual salary of EUR 180 thousand and a variable component. 50% of this variable component is based on revenue growth of the current and past year and 50% on the growth and absolute size of the EBIT margin in the current fiscal year. On achievement of the targets, the variable component amounts to 55% of the fixed component. If targets are exceeded, the variable component can rise to around 110% of the fixed amount. There is also a long-term variable component, which is based on the growth of the 3-year average of earnings per share. On achievement of the targets, this component can also reach up to 55% of the fixed component. In exceptional circumstances, the Supervisory Board can adjust the variable components by up to 50%, upwards or downwards.

### 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, 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 which depends 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.

### 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.

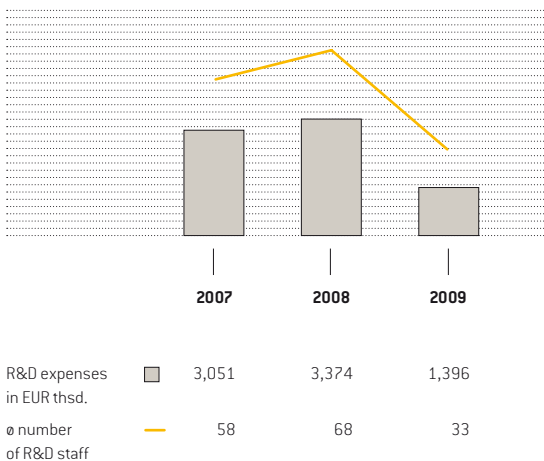
The General Managers of the Abroad segment receive a fixed salary, as well as a variable compensation component equivalent to 20–100% of their fixed salary. This variable component is based mainly on the achievement of specific targets relating to the key performance indicators of their respective business,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

## RESEARCH & DEVELOPMENT

In the period under review, **domestic** R&D activities focused on expanding the product range of our Skill-Based Games division.

In the **Abroad segment**, the main focus was placed on updating, internationalising and standardising the gaming software used in the various national markets. This project is managed directly by the Abroad segment in cooperation with external service companies. The project will continue in 2010. In addition, various improvements were made to products, capacities and security systems in certain countries. We also acquired external R&D know-how for individual projects. These product improvements made a corresponding contribution towards raising revenue. In the course of fiscal year 2009, an average of 14 employees were involved with R&D activities on a full-time or part-time basis in the German segment and 19 in our Abroad segment. R&D expenses of our German segment amounted to EUR 740 thousand (prior year: EUR 2,748 thousand) and in our Abroad segment to EUR 656 thousand (prior year: EUR 626 thousand).

R&D EXPENSES/STAFF



## OVERVIEW OF BUSINESS DEVELOPMENT

### GENERAL ECONOMIC CONDITIONS

Following the dramatic decline in global economic activity in the wake of the financial crisis which dominated late 2008 and early 2009, the global economy has shown at least temporary signs of recovery since 2009. Thanks to the swift and massive support offered to the banking sector, coupled with a strongly expansionary fiscal policy, a collapse of the global financial system was avoided and the foundation was laid for a recovery of global manufacturing and trade. Nevertheless, for the first time since 1946 global GDP fell by 1% in 2009.

### Euro zone

After suffering a deep recession in the second half of 2008 and the first half of 2009, the Euro zone enjoyed a period of economic recovery from summer 2009 onward. In the third quarter of 2009, output increased again for the first time since the first quarter of 2008 – although growth rates diverged greatly between individual member states of the Euro zone. Among the larger economies, only Germany and Italy achieved significant growth rates, while output continued to fall in Spain and Greece, for example.

### SIGNIFICANT EVENTS FOR BUSINESS DEVELOPMENT

Following the introduction of the second stage of the new GlüStV on 1 January 2009 and the resulting withdrawal of our previous business model in Germany, Tipp24 SE restructured its business fields as of 1 January 2009: the majority of our activities in connection with the brokerage or offer of lottery products were terminated and numerous no longer required assets were transferred to MyLotto24 Limited and its subsidiaries, which has been active in the UK since 2007.

This concerned both the brokerage of state-run German lottery products, as well as our subsidiaries Ventura24 S.L. in Spain and Puntogioco24 S.r.l. in Italy. Considerable restructuring costs were incurred in the course of this reorganisation of the Group during the first six months of 2009.

In Italy, the blocked website belonging to Puntogioco24 S.r.l. has now been abandoned. The open questions concerning the technical connection by the state monopolies commission to use the legal brokerage concession for the Italian market already acquired by Giochi24 S.r.l. in 2008 have now been largely settled. As of 14 September 2009, Tipp24 is represented in Italy under [www.giochi24.it](http://www.giochi24.it) with the national 6 from 90 lottery (Super-Enalotto), as well as scratch cards and skill-based games.

### CONCLUDING ASSESSMENT OF BUSINESS DEVELOPMENT

The Executive Board judges business development to have been generally favourable. With the exception of our activities in the field of class lotteries and skill-based games, we were forced to abandon our business in the Germany segment and suffered considerable losses in this segment as a consequence. At the same time, we greatly expanded our Abroad segment. In addition to the brokerage of lotteries, we also organise secondary lotteries in this segment with the subsequent bookmaking risk. The increase in revenue and EBIT in this segment more than compensated for the negative effects in Germany.

We can currently observe varying developments in the regulatory conditions for lotteries among individual EU member states. In the medium term, this may lead to a significant liberalisation and privatisation of this market segment in Europe with major additional 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 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 subgroup 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.



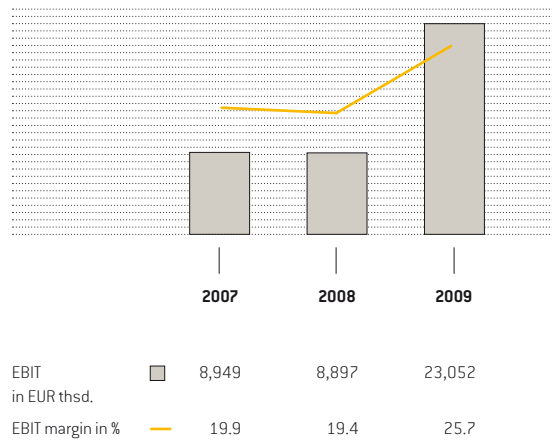
## EARNINGS, FINANCIAL POSITION AND NET ASSETS

### EARNINGS

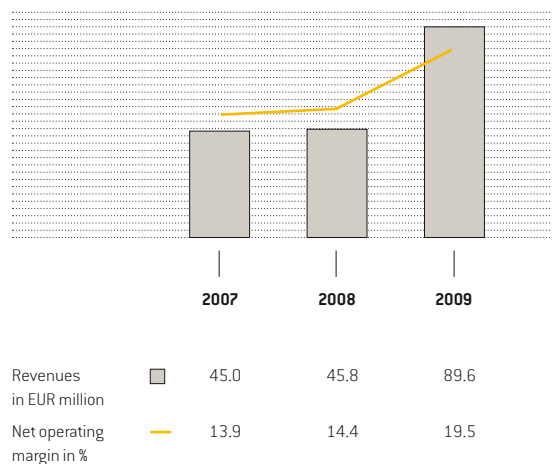
A total of four special items are to be considered when comparing figures with those of the previous year:

- The **second stage of the GlüStV** and its respective regulations came into effect on 1 January 2009. As a consequence, the online brokerage of lotteries and its advertising are now completely banned in Germany. Although we doubt the legal basis and binding nature of these bans, which are currently being contested in administrative court cases, Tipp24 was initially forced to restructure its business fields as the basis for its activities in Germany had been removed (with the exception of skill-based games and class lotteries).
- Considerable restructuring costs were incurred in the course of this **reorganisation of the Group** during the first six months of the year under review.
- In January and September 2009 there were **two exceptionally large jackpots** of over EUR 30 million in the German Lotto.
- MyLotto24 Limited, a fully consolidated minority holding of Tipp24, recorded a jackpot winning of EUR 31.7 million for one of its players on 23 September 2009 in the course of the secondary lottery it held. This **exceptionally high winnings payment** is disclosed fully in the income statement. Revenues are reduced by the full amount. MyLotto24 Limited concluded hedging transactions to reduce the statistical fluctuation risk of such high winnings. In this case, the hedging amount was EUR 21.7 million. The performance from this hedging transaction is not disclosed in the income statement or balance sheet as MyLotto24 Limited is currently involved in a legal dispute with the company providing hedging with regard to payment.

### EBIT/EBIT MARGIN



### REVENUES/NET OPERATING MARGIN



	1 Jan. – 31 Dec. 2009		1 Jan. – 31 Dec. 2008		change %
	in EUR thsd.	%	in EUR thsd.	%	
<b>Revenues</b>	<b>89,551</b>	<b>100.0</b>	<b>45,838</b>	<b>100.0</b>	<b>95.4</b>
Personnel expenses	-12,524	-14.0	-12,667	-27.6	-1.1
Other operating expenses	-54,787	-61.2	-23,496	-51.3	133.2
Other operating income	3,641	4.1	811	1.8	349.0
<b>Operating expenses</b>	<b>-63,670</b>	<b>-71.1</b>	<b>-35,352</b>	<b>-77.1</b>	<b>80.1</b>
<b>EBITDA</b>	<b>25,881</b>	<b>28.9</b>	<b>10,486</b>	<b>22.9</b>	<b>146.8</b>
Amortization and depreciation	-2,829	-3.2	-1,589	-3.5	78.0
<b>EBIT</b>	<b>23,052</b>	<b>25.7</b>	<b>8,897</b>	<b>19.4</b>	<b>159.1</b>
Financial result	2,024	2.3	1,823	4.0	11.0
<b>Earnings before taxes</b>	<b>25,076</b>	<b>28.0</b>	<b>10,720</b>	<b>23.4</b>	<b>133.9</b>
Income taxes	-7,594	-8.5	-4,114	-9.0	84.6
<b>Profit</b>	<b>17,482</b>	<b>19.5</b>	<b>6,606</b>	<b>14.4</b>	<b>164.6</b>
<b>Breakdown of other operating expenses</b>					
Marketing expenses	-7,500	-8.4	-12,084	-26.4	-37.9
Direct operating expenses	-28,668	-32.0	-3,740	-8.2	666.5
Other expenses of operations	-18,619	-20.8	-7,672	-16.7	142.7
<b>Other operating expenses</b>	<b>-54,787</b>	<b>-61.2</b>	<b>-23,496</b>	<b>-51.3</b>	<b>133.2</b>

(Rounding differences possible due to presentation in EUR thousand)

## EBIT

In the period under review, the **German segment** posted a negative EBIT of EUR -11,344 thousand (prior year: EUR +10,976 thousand). This was a result of the considerable legal restrictions imposed by the GlüStV and significant restructuring costs, as well as start-up losses in the Skill-Based Games division.

Thanks to the sustained focus we have placed on expanding our international business since 2008 and the assumption of the bookmaking risk by MyLotto24 Limited, the **Abroad segment** made good progress with an EBIT result of EUR 32,708 thousand (prior year: EUR -2,079 thousand).

In total, consolidated **EBIT** was raised to EUR 23,052 thousand (prior year: EUR 8,897 thousand). The EBIT margin grew from 19.4% last year to 25.7%.

Due to a far higher average level of cash and cash equivalents in fiscal 2009 compared with fiscal 2008, Tipp24's **financial result** grew to EUR 2,024 thousand (prior year: EUR 1,823 thousand).

**Consolidated net profit** increased to EUR 17,482 thousand (prior year: EUR 6,606 thousand). Net operating margin after tax grew by 5.1 %-points to 19.5%. Compared with the previous year, Tipp24's tax ratio fell by 8.1 %-points to 30.3%.

In the period under review, **return on equity** rose from 12.0% to 27.1%.

**Earnings per share** (undiluted and diluted) grew from EUR 0.82 to EUR 2.26.

**Net profit after tax acc. to HGB of Tipp24 SE** amounted to EUR 22 thousand in 2009. Tipp24 SE must bear considerable running costs – mainly for administration and legal advice – but has very few revenue streams itself from its own activities. The disclosed profit acc. to HGB resulted purely from a non-recurring effect during the restructuring of business. The profits of associated companies in the Abroad segment, however, are currently being carried forward and not distributed to Tipp24 SE. As there was no balance sheet profit for fiscal 2009, there is also no proposal of the Executive Board with regard to the appropriation of the balance sheet profit.

## REVENUES

As a result of the virtually complete withdrawal of our business base, revenues of our **Germany segment** fell by 91.9% to EUR 3,256 thousand in 2009. Revenues generated by the **Abroad segment** were up from EUR 5,856 thousand in the prior-year period to EUR 88,537 thousand and thus dominated total revenues with a share of > 98%. All in all, total revenues increased by 95.4% to EUR 89,551 thousand in the period under review.

In contrast to the quarterly reports in 2009, license and operator fees payable to the British state are carried as costs under »other operating expenses« and not deducted from revenues as disclosed during the year.

## 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

In the period under review, **personnel expenses** remained stable at EUR 12,524 thousand (prior year: EUR 12,667 thousand). This item includes special items resulting from the necessary restructuring of Tipp24 in the first six months of 2009. The personnel expense ratio fell by 13.6 %-points to 14.0%.

There was a year-on-year increase in **other operating expenses** of 133.2% to EUR 54,787 thousand in fiscal year 2009 (prior year: EUR 23,496 thousand). The development in detail was as follows:

- **Marketing expenses** fell by 37.9% to EUR 7,500 thousand (prior year: EUR 12,084 thousand) (8.4% of revenues; -18.0 %-points). This steep decline resulted from the termination of our marketing activities for online lottery brokerage in Germany as a result of the GlüStV. At the same time, we also discontinued our end-user business with so-called Business Service Partners in Germany. At present, our marketing activities focus on the Abroad segment and the development of our Skill-Based Games business.
- **Direct operating expenses** rose by a factor of more than seven to EUR 28,668 thousand in the period under review (prior year: EUR 3,740 thousand). For the first time in 2009, license and operator fees paid 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 Limited as well as costs incurred during the processing of gaming operations as a result of the organiser's inability to deduct input tax. These items were not material in 2008. Finally, this cost item includes increased data transmission costs in connection with a change in internet service provider to improve quality with regard to security and availability. In relation to revenues, this cost ratio rose by 24.9 %-points to 32.0%.
- **Other operating expenses** increased by 142.7% to EUR 18,619 thousand (prior year: EUR 7,672 thousand). This increase was largely due to outsourcing necessitated by restructuring and only conducted to a limited extent in the previous year, non-recurring costs incurred by restructuring measures, legal advice in connection with the current difficult regulatory situation, and consultancy costs in connection with labour-intensive development projects, especially with regard to the renewal and internationalisation of the gaming operation platform.

**Other operating income** amounted to EUR 3,641 thousand (prior year: EUR 811 thousand). This strong year-on-year growth resulted from an increase in income from hedging transactions.

In comparison with the previous year, **amortization/depreciation** on intangible assets and property, plant and equipment grew by EUR 1,240 thousand (+78.0%) to EUR 2,829 thousand in 2009. The development was in line with the volume of investments made.

## FINANCIAL POSITION

### Principles and objectives of financial 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 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.

- The equity ratio of Tipp24 should amount to around 35% in the medium term.
- Cash and cash equivalents covering short-term liabilities from betting operations are to be invested in safe investment categories. The majority of these investments should be short-term, with maturities of one week or less. 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 in line with our growth strategy. Cash and cash equivalents 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, this only appears prudent when MyLotto24 Limited can distribute a dividend to Tipp24 SE again.

### Financial analysis of Tipp24

The financial situation of Tipp24 is characterized mainly by two factors:

- Short-term other liabilities owed to customers from advance payments and winnings payments not yet settled as of the balance sheet date, as well as trade payables and tax liabilities. In the period under review, short-term other liabilities grew by 7.2% to EUR 29,823 thousand (prior year: EUR 27,821 thousand).
- Equity derived partly from accumulated profits, less loss carryforwards, and from capital contributions in the Company's early phase (1999 and 2000), as well as from the additional equity generated by our IPO. In total, there were long-term liabilities of EUR 605 thousand in the form of deferred tax liabilities as of the balance sheet date 2009. Tipp24 has not taken out any long-term interest-bearing debt.

Against this backdrop, our key performance indicator with regard to financial analysis is the Company's equity ratio (i.e. the relation between equity and total capital).

After the completion of the second share buyback programme on 29 June 2009, Tipp24 held a total of 365,180 treasury shares in the period under review (4.57% of share capital), which reduced equity by EUR 4,000 thousand. As part of the settlement of subscription rights arising from the Stock Option Plan 2005, 4,000 treasury shares were transferred to option beneficiaries of the second tranche in November 2009. As a result, Tipp24 held 361,180 treasury shares as of 31 December 2009.

On 16 June 2009, Tipp24 also distributed a total of EUR 3,837 thousand in its dividend payment of 50 cents per no-par value share with dividend rights. Compared with the previous year, equity capital of Tipp24 rose by EUR 9,477 thousand to EUR 64,399 thousand. The equity ratio increased by 0.6 %-points from 59.0% to 59.6% compared with 31 December 2008. The balance sheet total grew by 16.1% to EUR 108,123 thousand.

<b>Key cash flow positions in EUR thsd.</b>	2009	2008
Cash flow from operating activities	30,217	9,651
Cash flow from investing activities	25,579	-47,040
Cash flow from financing activities	-7,723	-7,386
<b>= Change in cash and cash equivalents</b>	<b>48,072</b>	<b>-44,775</b>
Changes due to consolidation	28	0
Cash and cash equivalents at the beginning of the period	20,711	65,821
Non-cash income/loss	0	-84
Change in pledged cash	299	-250
<b>= Cash and cash equivalents at the end of the period</b>	<b>69,111</b>	<b>20,711</b>

(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 251 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 1,228 thousand (prior year: EUR 1,527 thousand).

### Investment analysis

In the period under review, investing activities resulted in net cash flow of EUR 25,579 thousand (prior year: EUR -47,040 thousand). Proceeds and disbursements from financial investments resulted in a positive net balance of EUR 32,443 thousand (prior year: EUR -37,194 thousand). In our operating business, a total of EUR 7,322 thousand was invested mainly in improving gaming software and the ongoing expansion of live systems (prior year: EUR 9,854 thousand). According to information provided, the operating companies will continue the project to expand these systems in 2010 and are expected to bring it to a conclusion. Systems are to be continually expanded in line with growing capacity requirements and changing security standards. We also plan to continually update our Office systems.

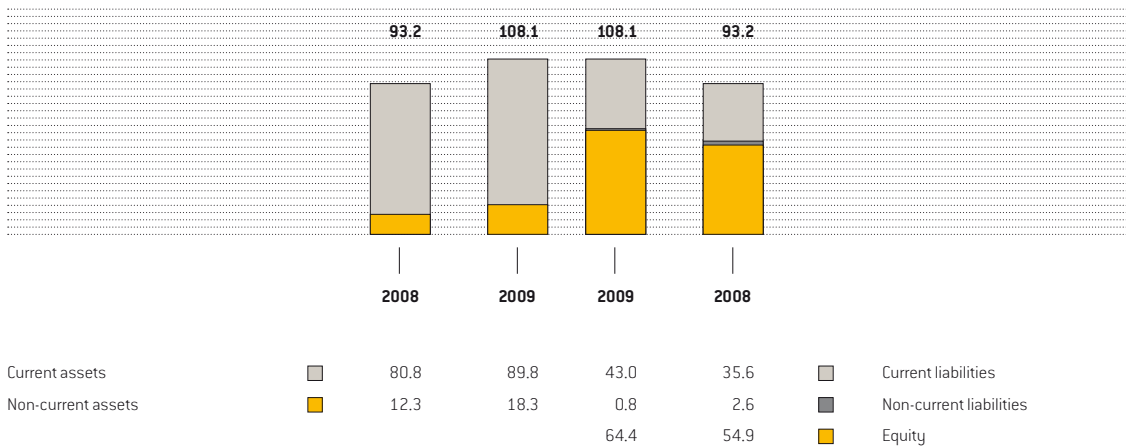
### Liquidity analysis

At EUR 30,217 thousand, cash flow from operating activities was higher in the period under review than in the previous year (EUR 9,651 thousand). The difference was mainly due to the rise in consolidated net profit and fluctuations in balance sheet items concerning gaming operations as of the balance sheet date.

Cash flow from investing activities increased by EUR 72,618 thousand to EUR 25,579 thousand, as explained in the investment analysis section above.

Cash flow from financing activities amounted to EUR -7,723 thousand – due to the above mentioned share buyback programmes and the dividend paid on 17 June 2009. In the previous year it amounted to EUR -7,386 thousand. Free cash flow amounted to EUR 55,795 thousand in the period under review (prior year: EUR -37,398 thousand).

As of the balance sheet date, existing balances were invested as follows: EUR 11.8 million in short-term, interest-bearing financial assets and EUR 69.1 million in cash and bank deposits. This ensures that we always have sufficient short-term liquidity for the swift payment of high jackpot winnings.

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

The assets of Tipp24 mainly comprise current assets amounting to EUR 89,827 thousand (31 December 2008: EUR 80,848 thousand). These consist largely of cash and cash equivalents (EUR 69,111 thousand), short-term financial assets (EUR 11,796 thousand) and other assets and prepaid expenses (EUR 7,486 thousand). Moreover, Tipp24 has intangible assets (mainly software) amounting to EUR 14,228 thousand, financial assets of EUR 1,650 thousand, property, plant and equipment (mainly hardware and office equipment) amounting to EUR 1,942 thousand and deferred tax assets amounting to EUR 475 thousand.

The development of assets reflects increased revenues, the development of earnings, effects from our share buyback programmes and the dividend payment.

**Assets not recognized**

As in the past, Tipp24 does not recognize self-produced assets, such as customers, brands and software, in its financial statements. Against the backdrop of considerable restrictions imposed by the GlüStV in Germany, these assets are at least temporarily exposed to significant risks. The considerable costs incurred for the original development of gaming – 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 27,075 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 1,228 thousand.

**Employees**

In addition to the Executive Board and the general managers of the consolidated companies, Tipp24 had an average of 132 full-time employees (year-end: 114) and three apprentices in 2009. The average age was 34.1. In the course of restructuring at the beginning of fiscal year 2009, the employment contracts of most staff employed in Germany were terminated.

This explains the unusually high fluctuation rate in the period under review of 56%. There were also an average of 31 student helpers in 2009, 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. In the Abroad segment, there are tariff agreements according to the particular location. There have been no strikes to date. A works council has not been set up.

All employees regularly take part in training activities within their respective departments. In the period under review, Tipp24 invested EUR 379 thousand (prior year: EUR 304 thousand) in external training activities.

Based on current information, Tipp24 regularly ensures compliance with all industrial health and safety standards required by law. In 2009, there were three industrial accidents.

#### Other intangible assets

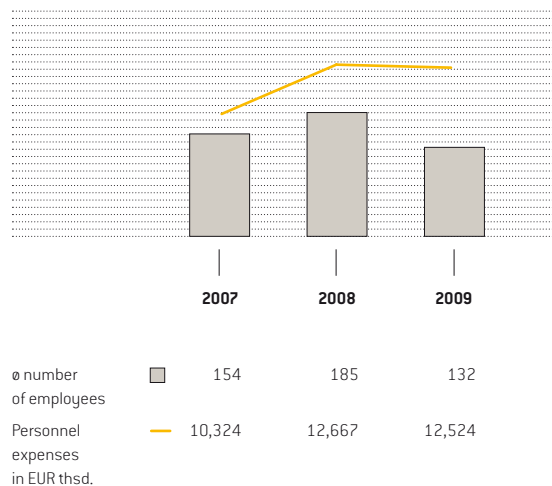
The value of Tipp24's organisational and process advantages – especially those of its minority shareholdings – results from our high processing expertise and the technical reliability of self-developed software.

### OVERALL STATEMENT TO ECONOMIC POSITION

#### Management's assessment of the economic position

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

#### NUMBER OF EMPLOYEES/PERSONNEL EXPENSES



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. Apart from the extremely low return on financial assets in 2009, the global financial crisis has so far had no significant negative impact on Tipp24.

### 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 PURSUANT TO THE GERMAN TAKEOVER DIRECTIVE IMPLEMENTATION ACT ACC. TO § 315 (4) HGB

The following mandatory disclosures are in compliance with the German Takeover Directive Implementation Act passed on 8 July 2006 in accordance with § 315 German Commercial Code (HGB):

- As of 31 December 2009, the Company's subscribed capital amounts to EUR 7,985,088.00 divided into 7,985,088 registered no-par value shares. The shares are fully paid.
- 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
Günther Holding GmbH, Hamburg	28.28%	28 April 2008
Jens Schumann, Hamburg	11.37%	11 November 2005

- In accordance with § 84 and § 85 of the German Stock Corporation Act (AktG), the Supervisory Board is responsible for appointing and dismissing members of the Executive Board. In § 6 of the Articles of Tipp24 SE, it is further specified that the Supervisory Board appoints the members of the Executive Board, determines their number and regulates the division of responsibility.
- Pursuant to § 119 (1) No. 5 AktG, resolutions concerning changes of the Company's Articles must be adopted by the Annual General Meeting. The corresponding specific rules of procedure are listed in §§ 179, 181 AktG in conjunction with § 16 of the Articles of Tipp24 SE (amendments to the Company's Articles).

- The resolution of the Annual General Meeting of 15 September 2005 authorises the Executive Board, with the consent of the Supervisory Board, to increase the Company's share capital on one or more occasions in the period up to 31 July 2010 by up to EUR 3,331,136.00 by issuing new shares against cash contributions or contributions in kind (Authorised Capital I). Moreover, the Company is authorised to increase its share capital in the period up to 31 December 2010 by up to EUR 500,000.00 by issuing new shares (Conditional Capital I). It serves to ensure that subscription rights can be exercised for stock options issued by the Company between 1 January 2006 and 31 December 2010 as part of the 2005 Stock Option Plan. At the Annual General Meeting of 16 June 2009, the Executive Board was also authorised to purchase shares in the Company up to a relative amount of approximately 10% of share capital, corresponding to 798,508 shares. This authorisation shall also enable the Company to quickly dispose of a sufficient number of its own shares for the acquisition of companies, or investments in other companies, and to offer such shares as compensation to the seller without having to use the Stock Exchange.

### EXPLANATORY REPORT OF THE EXECUTIVE BOARD REGARDING THE DETAILS PROVIDED ACC. TO § 315 (4) HGB:

- As of 31 December 2009, the Company's share capital amounts to EUR 7,985,088.00 divided into 7,985,088 registered no-par value shares. Each share entitles the owner to one vote and is decisive for profit participation. The exception are the 361,180 treasury shares which have no voting rights or dividend entitlements.
- The Company is managed and represented by the Executive Board. In accordance with § 84 AktG, the Supervisory Board is responsible for appointing and dismissing members of the Executive Board. The Executive Board members Marcus Geiß and Petra von Strombeck retired from the Executive Board on 31 March 2009. The co-founder and Chairman of the Executive Board of Tipp24 SE, Jens Schumann, retired from the Executive Board on 30 September 2009.



- The last amendments to the Articles of Tipp24 AG were made during the Annual General Meeting of 16 June 2009; § 5 of the Articles referring to the number of Executive Board members was revised. § 2 of the Articles referring to the Company's purpose and § 17 of the Articles referring to the participation in the Annual General Meeting were also revised. Moreover, new Articles of Association came into effect as of 28 December 2009 due to the change in legal form of Tipp24 AG to Tipp24 SE.
- On 23 January 2009, the Executive Board cancelled the 887,231 treasury shares held as of 31 December 2008, corresponding to 10% less one share of total capital stock, by means of a simplified capital reduction with a corresponding reduction in capital stock of EUR 887,231.00 to EUR 7,985,088.00.
- In the period under review, the Executive Board utilized its authorisation to buy back Company shares. As of 31 December 2009, a total of 365,180 shares, or 4.57% of share capital, were bought back. As part of the settlement of subscription rights arising from the Stock Option Plan 2005, 4,000 treasury shares were transferred to option beneficiaries in November 2009. As of 31 December 2009, Tipp24 SE therefore held a total of 361,180 treasury shares.

## SUBSEQUENT EVENTS

MyLotto24 Limited, a fully consolidated minority shareholding of Tipp24 SE, was informed by its insurer on 22 January 2010 that it refused to pay out the insurance amount in connection with the jackpot winnings of one of its game participants in autumn 2009. In the draw on 23 September 2009, a player won the record jackpot amount of around EUR 31.7 million.

MyLotto24 Limited regards the insurance company's refusal to pay as a breach of contract and intends to assert its claim for payment of the full insurance sum of around EUR 21.7 million in court. Moreover, MyLotto24 Limited plans to swiftly replace its existing insurance cover.

Irrespective of Tipp24 SE's view that MyLotto24 Limited has a valid claim against the insurance company, the refusal to pay means that at the level of the consolidated annual financial statements of Tipp24 SE, the insurance amount may no longer be carried in the consolidated balance sheet and income statement as at 31 December 2009.

## RISK REPORT

### RISK MANAGEMENT

In the course of Tipp24's reorganisation in early 2009, the operating responsibility for risk management was anchored within the segments. In addition, 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. 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.

In 2009, the existing risk management system was fundamentally adapted and refined in line with the changed organisational structures. The respective high-performance systems 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 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 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 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.

### Legal risks

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

This would prevent Tipp24 in the medium term, or even permanently, from accessing the huge market potential in Germany which it was able to exploit in the past. In the first three quarters of 2009, various authorities forbid Tipp24 SE from brokering domestic and foreign games to German customers. 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. Failure to meet these requests 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. We therefore challenged them in court. This applies all the more since control has been transferred. It cannot be excluded, however, that certain authorities will still impose coercive payments and regulatory fines which will be upheld in court.

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

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

Finally, Germany's supervisory authorities also regard skill-based games as illicit gaming or for not permissible via the Internet and have announced a ban. In their capacity as market participants, certain state lottery companies are trying 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](http://www.tipp24games.de)) are all legal knowledge-based or skill-based games. It cannot be ruled out, however, that we will fail to assert this claim in German courts. The possibility cannot be excluded, therefore, that the above mentioned risks may lead to a significant restriction in the business activities of Tipp24 Entertainment GmbH.

## **Business risks**

### ***Bookmaking risk of MyLotto24 Limited***

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

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

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

### *Financing and currency risks*

As Tipp24 conducts a significant proportion of its business in Euro, there is no significant currency risk for 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 their respective financing and currency risks.

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

The operating companies in the Abroad segment of Tipp24 are currently investing in the international standardisation and improvement of their gaming software as part of a very large development project involving several external partners and binding considerable internal resources. As a result of its complexity and sudden significant changes in requirements, there is a risk that this major project will not be completed in the expected scope, the expected quality and within the expected investment budget. This may lead to an adjustment of the carrying value of capitalised development costs, which in turn would have a significant adverse effect on the earnings, financial position and net assets of Tipp24.

### *Risks from payment transaction restrictions*

There is a risk that restrictions to payment transactions may be introduced in connection with the further regulation of the gaming market. This would have a significant adverse effect on the business activities of Tipp24. However, we believe that this is relatively unlikely to occur.

### *Risks from financial investments*

Tipp24 has cash, cash equivalents and short-term financial assets in Germany and abroad totalling EUR 80,907 thousand. The overwhelming majority of these investments is completely protected by national deposit guarantee funds. Should the global financial crisis deepen further and should – against all expectations – neither the national bank support systems nor the support packages provided by the leading industrialised states fail to avert the collapse of individual banks, this may result in the breakdown of various or possibly all credit institutes as well as all national support systems. Such a scenario may lead to the partial or complete loss of our cash deposits and financial assets. The collapse of individual issuers but not of the national support systems may lead to the partial or complete loss of interest income expected from our financial assets. The financial assets currently held also bear a significant interest risk. Both factors mainly apply to only a part of the potential yield, and only to a minor extent to the invested amounts.

### *Risks from economic development*

The gaming behaviour of customers in those countries in which Tipp24 operates has so far been largely unaffected by the macroeconomic fluctuations experienced in Germany 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.

### *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.

### *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 standard 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*

Tipp24 has grown strongly in the past few years. At the beginning of the fiscal year under review, the Company's business fields were also 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.

### **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 REPORT

### ALIGNMENT OF TIPP24

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

### EXPECTED EARNINGS POSITION

The earnings and experience gained in our Abroad segment in the past year enable us to make a forecast for the fiscal year 2010. We expect revenue to increase to at least EUR 100 million. According to our forecasts, EBIT will reach at least EUR 40 million in the current fiscal year. Statistically unusually high or frequent payments of large winnings in fiscal year 2010, however, would also dampen expectations with regard to revenue and EBIT.

Should the current legal and economic conditions remain stable beyond 2010, our forecast for 2010 would apply in the same way for 2011. Against the backdrop of an extremely unstable regulatory environment at present, however, this forecast is subject to considerable 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 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 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. In 2010, we plan to maintain our investment activities at

the level of 2009. In particular, the internationalisation and improvement of gaming software is to be continued in the Abroad segment. In addition, we will continue our current investments with the aim of steadily improving the performance of our gaming systems, regularly updating our security systems and software, and replacing outdated hardware. We expect a total investment volume of around EUR 11 million for 2010.

As the project for the internationalisation of gaming software is expected to be largely completed in 2010, we expect significantly reduced capital expenditure for 2011 of approximately EUR 3–5 million.

### OPPORTUNITIES

In the above-mentioned discussions of the legal framework, we believe it is unlikely that Germany's legislators will act against valid law and political common sense by restricting the growing market of online lottery brokerage. Recently announced verdicts of Germany's anti-trust authorities and subsequent court instances for EU anti-trust legislation, various temporary verdicts at German administrative and civil courts and the first principal proceedings of the Administrative Court of Berlin regarding lottery brokerage with reference to EU law – as well as supplementary regulations and official pronouncements on a European level – may 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.

Hamburg, 17 March 2010

The Executive Board  
**Dr. Hans Cornehl**

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## CONSOLIDATED FINANCIAL STATEMENTS

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

		2009	2008
in EUR	Notes		
Revenues		89,551,126.83	45,838,439.60
Other operating income	20	3,640,724.47	810,782.05
<b>Total operating performance</b>		<b>93,191,851.30</b>	<b>46,649,221.65</b>
Operating expenses			
Personnel expenses	18	-12,524,273.69	-12,666,797.66
Amortization/depreciation on intangible assets and property, plant and equipment	10, 11	-2,828,517.13	-1,589,190.07
Other operating expenses	19	-54,786,773.04	-23,496,359.77
Total marketing expenses		-7,499,855.55	-12,084,134.55
Total direct costs of operations		-28,668,335.88	-3,740,492.38
Total other costs of operations		-18,618,581.61	-7,671,732.84
<b>Result from operating activities</b>		<b>23,052,287.44</b>	<b>8,896,874.15</b>
Revenues from financial activities	21	2,184,874.31	2,150,192.28
Expenses from financial activities	21	-161,332.34	-327,170.75
<b>Financial result</b>	21	<b>2,023,541.97</b>	<b>1,823,021.53</b>
<b>Earnings before taxes</b>		<b>25,075,829.41</b>	<b>10,719,895.68</b>
Income taxes	22	-7,593,727.15	-4,114,318.75
<b>Consolidated net profit</b>		<b>17,482,102.26</b>	<b>6,605,576.93</b>
Earnings per share (undiluted and diluted, in EUR/share)	17	2.26	0.82
Weighted average of ordinary shares outstanding (undiluted and diluted, in shares)		7,730,961	8,032,265



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

	2009	2008
in EUR		
<b>Net profit for the period</b>	<b>17,482,102.26</b>	<b>6,605,576.93</b>
<b>Other result</b>		
Unrealised gains/losses	-245,966.14	133,377.26
Foreign currency translation	0.00	-83,916.38
<b>Other result after tax</b>	<b>-245,966.14</b>	<b>49,460.88</b>
<b>Total net profit after tax</b>	<b>17,236,136.12</b>	<b>6,655,037.81</b>

## CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER ACC. TO IFRS

		31 Dec. 2009	31 Dec. 2008
<b>ASSETS</b> in EUR	Notes		
<b>Current assets</b>			
Cash & cash equivalents	6	69,110,738.74	20,711,388.10
Pledged cash	6	250,567.50	550,000.00
Short-term financial assets	6	11,795,863.96	45,211,423.06
Trade receivables	7	9,918.52	5,314.97
Income tax refund claims	8	1,173,834.33	20,909.35
Other assets and prepaid expenses	9	7,486,472.61	14,348,744.23
<b>Total current assets</b>		<b>89,827,395.66</b>	<b>80,847,779.71</b>
<b>Non-current assets</b>			
Intangible assets	10	14,227,920.03	9,620,439.39
Other equipment, furniture & fixtures and leased assets	11	1,942,198.82	2,571,246.28
Financial assets	12	1,650,000.00	0.00
Deferred tax assets	22	475,338.36	111,824.65
<b>Total non-current assets</b>		<b>18,295,457.21</b>	<b>12,303,510.32</b>
		<b>108,122,852.87</b>	<b>93,151,290.03</b>

		31 Dec. 2009	31 Dec. 2008
<b>EQUITY &amp; LIABILITIES</b> in EUR	Notes		
<b>Current liabilities</b>			
Trade payables		5,256,097.62	4,822,352.74
Other liabilities	14	29,823,219.70	27,821,166.83
Financial liabilities	26	104,037.90	0.00
Deferred income	16	3,968,513.54	355,632.32
Income tax liabilities	22	1,732,919.61	931,481.90
Short-term provisions	15	2,086,595.02	1,692,280.31
<b>Total current liabilities</b>		<b>42,971,383.39</b>	<b>35,622,914.10</b>
<b>Non-current liabilities</b>			
Long-term provisions	15	147,500.00	0.00
Deferred tax liabilities	22	604,865.12	2,606,522.15
<b>Total non-current liabilities</b>		<b>752,365.12</b>	<b>2,606,522.15</b>
<b>Equity</b>			
Subscribed capital	17	7,985,088.00	8,872,319.00
Capital reserves	17	39,342,251.01	41,143,321.36
Other reserves	17	-146,285.77	135,719.37
Retained earnings		21,103,974.16	19,499,242.01
Own shares	17	-3,885,923.04	-14,728,747.96
<b>Total equity</b>		<b>64,399,104.36</b>	<b>54,921,853.78</b>
		<b>108,122,852.87</b>	<b>93,151,290.03</b>

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

	2009	2008
in EUR		
<b>Profit before tax</b>	<b>25,075,829.41</b>	<b>10,719,895.68</b>
Adjustments for:		
Amortization/depreciation on non-current assets	2,828,517.13	1,589,190.07
Result on the disposal on non-current assets	29,879.80	4,397.80
Revenues from financial activities	-2,184,874.31	-2,150,192.28
Expenses from financial activities	161,332.34	327,170.75
Changes in:		
Trade receivables	-4,603.55	1,640.15
Other assets and prepaid expenses	6,879,552.77	-103,536.92
Financial assets	-1,650,000.00	0.00
Trade payables	433,744.88	-1,136,166.42
Other liabilities	1,984,771.72	1,010,518.62
Financial liabilities	104,037.90	0.00
Short-term provisions	394,314.71	797,386.36
Deferred income	3,612,881.22	-60,601.35
Other non-cash changes	-36,039.00	23,315.00
Non-current provisions	147,500.00	0.00
Interest received	2,911,412.41	1,401,894.22
Interest paid	-161,332.34	-327,170.75
Taxes paid	-10,310,385.16	-2,446,963.22
<b>Cash flow from operating activities</b>	<b>30,216,539.93</b>	<b>9,650,777.71</b>
Financial investments (short term)	0.00	-44,100,000.00
Proceeds from financial investments (short term)	32,443,054.86	6,914,452.26
Investments in company acquisitions	-27,665.82	0.00
Investments in intangible assets	-6,258,507.62	-8,661,621.05
Investments in property, plant and equipment	-1,063,466.69	-1,192,597.78
Proceeds from property, plant and equipment	485,144.20	0.00
<b>Cash flow from investing activities</b>	<b>25,578,558.93</b>	<b>-47,039,766.57</b>
Purchase of own shares	-3,885,923.04	-3,393,938.31
Dividends paid	-3,836,923.50	-3,992,544.00
<b>Cash flow from financing activities</b>	<b>-7,722,846.54</b>	<b>-7,386,482.31</b>

	2009	2008
in EUR		
Change in cash, cash equivalents and securities	48,072,252.32	-44,775,471.17
Cash, cash equivalents and securities at the beginning of the period	20,711,388.10	65,820,775.65
Changes due to consolidation	27,665.82	0.00
Change in cash from exchange rate differences	0.00	-83,916.38
Change in pledged cash, cash equivalents and securities	299,432.50	-250,000.00
<b>Cash &amp; cash equivalents at the end of the period</b>	<b>69,110,738.74</b>	<b>20,711,388.10</b>
<b>Composition of cash, cash equivalents and securities at the end of the period</b>		
Cash on hand, bank balances and cheques	69,361,306.24	19,852,614.77
Cash equivalents (current investments)	0.00	1,408,773.33
Pledged cash, cash equivalents and securities	-250,567.50	-550,000.00
	<b>69,110,738.74</b>	<b>20,711,388.10</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR	Share capital	Capital reserves	Other reserves	Retained earnings	Own shares	Total equity
<b>As at 1 January 2008</b>	<b>8,872,319.00</b>	<b>41,143,321.36</b>	<b>62,943.49</b>	<b>16,886,209.08</b>	<b>-11,334,809.65</b>	<b>55,629,983.28</b>
Own shares	0.00	0.00	0.00	0.00	-3,393,938.31	-3,393,938.31
Share-based payments	0.00	0.00	23,315.00	0.00	0.00	23,315.00
Dividend payments	0.00	0.00	0.00	-3,992,544.00	0.00	-3,992,544.00
Other results	0.00	0.00	49,460.88	0.00	0.00	49,460.88
Net profit 2008	0.00	0.00	0.00	6,605,576.93	0.00	6,605,576.93
<b>Total net profit 2008</b>	<b>0.00</b>	<b>0.00</b>	<b>49,460.88</b>	<b>6,605,576.93</b>	<b>0.00</b>	<b>6,655,037.81</b>
<b>As at 31 December 2008</b>	<b>8,872,319.00</b>	<b>41,143,321.36</b>	<b>135,719.37</b>	<b>19,499,242.01</b>	<b>-14,728,747.96</b>	<b>54,921,853.78</b>
<b>As at 1 January 2009</b>	<b>8,872,319.00</b>	<b>41,143,321.36</b>	<b>135,719.37</b>	<b>19,499,242.01</b>	<b>-14,728,747.96</b>	<b>54,921,853.78</b>
Capital reduction	-887,231.00	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
Own 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
<b>Total net profit 2009</b>	<b>0.00</b>	<b>0.00</b>	<b>-245,966.14</b>	<b>17,482,102.26</b>	<b>0.00</b>	<b>17,236,136.12</b>
<b>As at 31 December 2009</b>	<b>7,985,088.00</b>	<b>39,342,251.01</b>	<b>-146,285.77</b>	<b>21,103,974.16</b>	<b>-3,885,923.04</b>	<b>64,399,104.36</b>

## NOTES TO THE CONSOLIDATED STATEMENTS AS AT 31 DECEMBER 2009 ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

### 1 GENERAL INFORMATION

On 28 December 2009, the Hamburg Registry Court registered the merger adopted by the Annual General Meeting 2009 of Egele Beteiligungsgesellschaft AG, acquired during the past year, and Tipp24 AG for the purpose of founding a European public company (Societas Europaea, SE). As of this date, the former Tipp24 AG has been trading under the name of Tipp24 SE.

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), Ventura24 S.L., Madrid, Spain (hereinafter referred to as Ventura24), Puntogioco24 S.r.l., Monza, Italy (hereinafter referred to as Puntogioco24), 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 Gaming (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, Puntogioco24 and GSG. Marketing of the German class lotteries NKL and SKL, however, continues to be conducted via Schumann e. K..

Up to 8 January 2009, Tipp24 submitted its tickets directly to the German state lottery companies. Since this time, Tipp24 has been processing the tickets itself. The tickets are no longer submitted to the systems of the state lotteries, but processed directly by the powerful systems of Tipp24 Services in the UK and brokered to MyLotto24, which organizes a secondary English lottery based on various European lotteries.

In contrast to Tipp24 Services, which merely acts as a broker, MyLotto24 bears the bookmaking risk.

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.

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.

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

The balance sheet date is 31 December 2009. Fiscal year 2009 covered the period from 1 January 2009 to 31 December 2009.

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 as of 31 December 2009 were prepared and approved for publication in accordance with a resolution of the Executive Board of 17 March 2010. The Annual General Meeting still has the fundamental right to alter the consolidated financial statements after they have been approved for publication.

## 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 2009 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:

As of 1 January 2009, Tipp24 applied the following new and revised IFRS interpretations for the first time.

- IFRS 2 Share-Based Payment: Vesting Conditions and Cancellations
- IFRS 7 Financial Instruments: Disclosures: Improvement of Disclosures
- IAS 1 Presentation of Financial Statements (revised 2007)
- IAS 23 Borrowing Costs (revised 2007)
- IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation
- IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- Improvements to IFRS 2008
- Improvements to IFRS 2009 (applied prematurely)

Insofar as the application of a standard or interpretation had an impact on Tipp24's net assets, financial position and earnings, these impacts are described below.

#### **IFRS 2 Share-Based Payment: Vesting Conditions and Cancellations:**

In January 2008, the IASB published an amendment to IFRS 2 in which vesting conditions are more precisely defined and the balance sheet treatment of effectively annulled commitments is regulated. Tipp24 applied this change as of 1 January 2009. There was no impact on Tipp24's net assets, financial position and earnings.

#### **IFRS 7 Financial Instruments: Disclosures: Improvement of Disclosures:**

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 27.1. The liquidity risk disclosures in these annual financial statements are not significantly impacted by the amendments and are presented in Note 26.3.

**IAS 1 Presentation of Financial Statements (revised 2007):** The revised standard requires separate presentation of changes in equity resulting from transactions with shareholders in their capacity as providers of equity capital, as well as other changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. Tipp24 has elected to present two statements.

**IAS 23 Borrowing Costs (revised 2007):** The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Tipp24 adopted the revised standard as of 1 January 2009. As Tipp24 does not currently have any borrowing costs which refer to qualifying assets, this revision has no effect on Tipp24's net assets, financial position and earnings.



**IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements: Puttable Financial Instruments and Obligations**

**Arising on Liquidation:** The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfil a number of specified criteria. The adoption of these amendments did not have any impact on Tipp24's net assets, financial position and earnings.

**IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement:**

This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss. Adoption has had no effect on Tipp24's net assets, financial position and earnings.

**IFRIC 13 Customer Loyalty Programmes:**

IFRIC 13 requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognised as revenue over the period that the award credits are redeemed. As Tipp24 does not operate any such customer loyalty programmes, there are no effects on its net assets, financial position and earnings.

**IFRIC 16 Hedges of a Net Investment in a Foreign Operation:**

IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The Interpretation is to be applied prospectively. Adoption has had no effect on Tipp24's net assets, financial position and earnings.

**Improvements to IFRSs:** In May 2008, the IASB issued an omnibus amendment to its standards, primarily with a view to remove inconsistencies and to clarify wording. Omnibus standards include separate transitional provisions for each amended IFRS. Although the adoption of the following revisions led to a change in accounting methods, there was no impact on the net assets, financial position and earnings of Tipp24:

**IFRS 5 Non-current Assets Held for Sale and Discontinued Operations:**

This clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if the standards or interpretations specifically require such disclosures for assets pursuant to IFRS 5 or discontinued operations. The Group does not currently need to change its segment reporting as a result of this amendment.

**IAS 1 Presentation of Financial Statements:**

Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. Tipp24 analysed whether the expected period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any reclassification of financial instruments between current and non-current in the statement of financial position.

**IAS 16 Property, Plant and Equipment:** Replaces the term »net selling price« with »fair value less costs to sell«. Tipp24 amended its accounting policy accordingly, which did not result in any change in net assets, financial position and earnings.

**IAS 18 Revenue:** The IASB has added guidance (which accompanies the standard as an appendix) to determine whether an entity is acting as a principal or as an agent. The criteria to consider are whether the entity:

- Has primary responsibility for providing the goods or service
- Has inventory risk
- Has discretion in establishing prices
- Bears the credit risk

Tipp24 has assessed its revenue arrangements against these criteria. As in the past, Tipp24 acts as an agent in various markets in which it operates. In addition, the organisation of secondary lotteries is a significant business field. It thus also acts as principal. The revenue recognition accounting policy in these cases has been updated accordingly.

**IAS 20 Accounting for Government Grants and Disclosures of Government Assistance:** Loans granted with no or low interest will not be exempt from the requirements in IAS 39 to impute interest. Interest is to be imputed on loans granted with below-market interest rates by comparing the received and discounted amount. This amendment did not impact Tipp24 as it does not receive government assistance in the form of loans.

**IAS 23 Borrowing Costs:** The definition of borrowing costs is revised to consolidate the two types of items that are considered components of »borrowing costs« into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39. Tipp24 has amended its accounting policy accordingly which did not result in any change in its net assets, financial position and earnings at present.

**IAS 36 Impairment of Assets:** When discounted cash flows are used to estimate »fair value less cost to sell«, additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate »value in use«. This amendment had no immediate impact on the Group's consolidated financial statements as the recoverable amount of its cash-generating units is currently estimated using »value in use«.

The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on Tipp24 as the annual impairment test is performed before aggregation.

**IAS 38 Intangible Assets:** Expenditure on advertising and promotional activities is recognised as an expense when Tipp24 either has the right to access the goods or has received the service. This amendment has no impact on Tipp24 because it does not enter into such promotional activities.

The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed. The Group reassessed the useful lives of its intangible assets and concluded that the straight-line method was still appropriate.

Other amendments and improvements to IFRSs listed below did not have any impact on the accounting policies or presentation of Tipp24's net assets, financial position and earnings:

- IFRS 7 Financial Instruments: Disclosures
- IAS 8 Accounting Policies, Change in Accounting Estimates and Error
- IAS 10 Events after the Reporting Period
- IAS 19 Employee Benefits
- IAS 27 Consolidated and Separate Financial Statements
- IAS 28 Investments in Associates
- IAS 31 Interest in Joint Ventures
- IAS 34 Interim Financial Reporting
- IAS 39 Financial Instruments: Recognition and Measurement

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

**IFRS 2 Share-Based Payment: Group Cash-Settled Share-Based Payment transactions:** The IASB issued an amendment to IFRS 2 in June 2009 on the application and accounting for group cash-settled share-based payment transactions. This amendment is effective for financial years beginning on or after 1 January 2010. Tipp24 does not expect any significant impact on its net assets, financial position and earnings from adoption.

**IFRS 3 Business Combinations (revised) and IAS 27 Consolidated and Separate Financial Statements (revised), including the subsequent revisions in IFRS 7, IAS 21, IAS 28, IAS 31 und IAS 39:** IFRS 3 (revised) introduces significant changes in the accounting for business combinations occurring after the time of adoption. It will affect the measurement of non-controlling interests, the treatment of transaction costs, the initial recognition and subsequent valuation of a conditional consideration and successive business combinations. The amendments will have an effect on the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

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 of IFRS 3 (revised) and IAS 27 (revised) 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 17 Distributions of Non-Cash Assets to Owners:** This interpretation is effective for annual periods beginning on or after 1 July 2009 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The interpretation 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 will have 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.

**Improvements to IFRSs:** In April 2009, the IASB issued a further omnibus amendment to its standards, primarily with a view to remove inconsistencies and to clarify wording. Omnibus standards include separate transitional provisions for each amended IFRS. Although the adoption of the following revisions led to a change in accounting methods, there was no impact on the net assets, financial position and earnings of Tipp24:

**IFRS 8 Operating Segments:** This clarifies that segment assets and liabilities need only be disclosed when those assets and liabilities are regularly reported to the chief operating decision maker. As the segment assets and liabilities are regularly reported to the Executive Board, this information continues to be disclosed.

**IAS 7 Statement of Cash Flows:** Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment is not expected to have an impact on Tipp24's presentation.

Other amendments and improvements to IFRSs listed below are not expected to have an impact on the accounting policies or presentation of Tipp24's net assets, financial position and earnings:

- IFRS 2 Share-Based Payment
- IAS 38 Intangible Assets
- IAS 40 Investment Properties
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 16 Hedge of a Net Investment in a Foreign Operation

### 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 17.4.

### 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 22.

### 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 15,000 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 30,000 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 after 30 September 2010 for an amount of GBP 30,000 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.

Following restructuring, 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, Puntogioco24, Giochi24, Tipp24 Operating Services and 40% of the voting rights in Tipp24 Services.

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.
- the owner-related and lender-related risks are contractually borne by Tipp24 SE.

Intragroup expenses and income, profits from intragroup transactions and receivables and liabilities between consolidated companies 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 2009, research and development expenses of EUR 1,396 thousand were recognized, compared with EUR 3,374 thousand in 2008. 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 carrying amount of items of property, plant and equipment and of intangible assets is tested annually for impairment, or if there are indications to that respect. If the carrying amount of a particular asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less selling costs and its value in use. Fair value is the amount obtainable from the sale of an asset in an arm's length transaction; the value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. The value in use is determined for each individual asset or for the corresponding cash-generating unit.

### 2.1.9 LEASING

#### Finance leases

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

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

### Operating leases

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

### 2.1.10 RECOGNITION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

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 instruments are initially measured at cost, which is the fair value of the consideration given, including transaction costs.

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.

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.

All securities held by the Company in the period under review were classified as available-for-sale financial assets. 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.

The main proportion of financial assets is invested in term deposits with various major European banks.

### 2.1.11 TRADE RECEIVABLES

Trade receivables are stated at the fair value of the consideration given and are carried at amortized cost. The receivables are regularly tested for impairment.

### 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, CASH EQUIVALENTS AND SHORT-TERM FINANCIAL ASSETS

Cash and cash equivalents include bank balances and cash on hand and are stated at amortized cost.

Cash equivalents can be converted to cash at all times, are only subject to minor fluctuation in value and have remaining terms of no more than 3 months.

Short-term financial assets mainly consist of call money deposits at various major European banks.

We also refer to the comments in Note 6, »Cash, cash equivalents, securities 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 3 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 taxes are recognized using the liability method for all temporary differences between the commercial balance sheets pursuant to IFRS and the tax balance sheets according to local law, if it is probable that there will be taxable income against which the deductible temporary differences (resulting from the difference between an asset's carrying value and taxable value) can be offset. Deferred tax claims and debts are measured using the legally binding or announced tax rates as of the balance sheet date for the period in which the asset will be recognized or the debt settled.



Deferred tax assets are recognized for all deductible temporary differences. On every balance sheet date, an estimate is made of the capitalized loss carryforwards or deferred tax assets on tax loss carryforwards that have not yet been capitalized. Deferred tax assets on tax loss carryforwards are measured at a lower amount to the extent that it is no longer probable that future taxable profit will be available for that purpose.

Current tax expenses and income as well as deferred tax expenses and income are charged or credited directly to equity if they are based on adjustments to retained earnings due to changes in accounting principles, the correction of an error, exchange rate changes or postings with no effect on profit and loss such as available-for-sale financial assets.

A deferred tax liability is recognized for all taxable temporary differences.

### 2.1.18 REVENUE

Revenue is 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. Revenue which MyLotto24 generates as the organizer of secondary lotteries based on various European lotteries is 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. Revenue results from the stakes received less vouchers granted, and winnings to be distributed.

In contrast to the quarterly reports in 2009, license and operator fees payable to the British state are carried as costs under »Other operating expenses« and not as a kind of sales tax within the item »Revenue«.

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 and Puntogioco24 receive advance payments from some of their 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.

With the commencement of fiscal year 2009, the functional currency of all the Group's UK subsidiaries was changed from GBP to Euro. As a consequence, the Group currency (Euro) is now also the functional currency of all fully consolidated companies.

### 2.1.24 EVENTS AFTER THE BALANCE SHEET DATE

Events which become known after the balance sheet date yet which arose economically prior to the balance sheet date, are recognized in the consolidated financial statements. Significant events which arise economically after the balance sheet date are discussed in Note 27.

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### 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.

Cash and cash equivalents comprise both cash and cash equivalents, provided that these are not subject to any restrictions. Cash includes cash in hand and sight deposits. Cash equivalents can be converted to cash at all times, are only subject to minor fluctuation in value and have remaining terms of no more than 3 months.

In the period under review, the starting point of the consolidated cash flow statement was changed from »Result from operating activities« to »Profit before tax«. The prior-year column was changed accordingly.

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### 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 comprises the Group's activities in Spain, Italy and the UK.

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 reorganization of Tipp24 at the beginning of the year, caused by the German State Treaty on Gaming (GlüStV), also resulted in the separation of the former group-wide financial management system (including financial expenses and income) and income taxes into the geographical segments »Germany« and »Abroad«. The prior-year figures were adjusted accordingly. The development of each segment is evaluated on the basis of revenue and EBIT. 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.	
	2009	2008	2009	2008	2009	2008	2009	2008
<b>Revenue</b>	<b>3,256</b>	<b>39,983</b>	<b>88,537</b>	<b>5,856</b>	<b>-2,243</b>	<b>0</b>	<b>89,551</b>	<b>45,838</b>
Depreciation/amortization	1,160	1,077	1,901	512	-232	0	2,829	1,589
<b>EBIT</b>	<b>-11,344</b>	<b>10,976</b>	<b>32,708</b>	<b>-2,079</b>	<b>1,688</b>	<b>0</b>	<b>23,052</b>	<b>8,897</b>
Financial result	1,777	1,939	247	-116	0		2,024	1,823
Income taxes	2,267	-3,952	-9,316	-162	-545		-7,594	-4,114
<b>Consolidated net profit for the period</b>	<b>-7,300</b>	<b>8,963</b>	<b>23,639</b>	<b>-2,357</b>	<b>1,143</b>		<b>17,482</b>	<b>6,606</b>
<b>Assets</b>	<b>45,415</b>	<b>49,222</b>	<b>82,904</b>	<b>8,694</b>	<b>-33,641</b>	<b>-10,109</b>	<b>94,678</b>	<b>47,807</b>
<b>Reconciliation to balance sheet</b>								
Deferred taxes							475	112
Tax refund claims							1,174	21
Short-term financial assets							11,796	45,211
<b>Total assets</b>							<b>108,123</b>	<b>93,151</b>
<b>Debts</b>	<b>4,292</b>	<b>29,860</b>	<b>45,656</b>	<b>8,084</b>	<b>-8,562</b>	<b>-3,253</b>	<b>41,386</b>	<b>34,691</b>
<b>Reconciliation to balance sheet</b>								
Deferred taxes							605	2,607
Tax liabilities							1,733	931
<b>Total debts</b>							<b>43,724</b>	<b>38,229</b>
<b>Investments</b>	<b>2,613</b>	<b>8,982</b>	<b>14,471</b>	<b>872</b>	<b>-9,762</b>	<b>0</b>	<b>7,322</b>	<b>9,854</b>

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 STRUCTURE OF TIPP24

The following changes were made to the structure of Tipp24 in fiscal year 2009:

Tipp24 restructured its business fields at the beginning of fiscal year 2009. As a result, 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 both the brokerage of state-run German lottery products and the offers of our subsidiaries Ventura24, Puntogioco24 and GSG.

On 30 April 2009, Tipp24 transferred control over its UK subsidiaries in accordance with company law. 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. The inclusion of this affiliated company and its respective subsidiaries in the consolidated financial statements is based on an economic view of its situation, whereby Tipp24 SE bears the significant risks and opportunities.

As of 28 December 2009, the former Tipp24 AG has been trading under the name of Tipp24 SE. On this date, the Hamburg Registry Court registered the merger adopted by the Annual General Meeting 2009 of Egela

Beteiligungsverwaltungs AG, acquired during the past year, and Tipp24 AG for the purpose of founding a European public company (Societas Europaea, SE).

## 6 CASH, CASH EQUIVALENTS, SECURITIES AND SHORT-TERM FINANCIAL ASSETS

in EUR	31 Dec. 2009	31 Dec. 2008
<b>Cash on hand</b>		
Bank balances	69,357,503.00	19,816,292.24
<i>Thereof bank balances</i>	<i>69,415,249.35</i>	<i>19,441,841.01</i>
<i>Thereof changes in foreign exchange rates</i>	<i>-308,313.85</i>	<i>-175,548.77</i>
<i>Thereof pledged cash</i>	<i>250,567.50</i>	<i>550,000.00</i>
Cash on hand	3,803.24	36,322.53
	<b>69,361,306.24</b>	<b>19,852,614.77</b>
Cash equivalents	0.00	1,408,773.33
	<b>69,361,306.24</b>	<b>21,261,388.10</b>
Pledged cash	-250,567.50	-550,000.00
	<b>69,110,738.74</b>	<b>20,711,388.10</b>

Cash equivalents disclosed in the previous year related to Euro-denominated investments of a major European bank.

in EUR	31 Dec. 2009	31 Dec. 2008
<b>Short term financial assets</b>		
Available-for-sale	11,795,863.96	10,363,125.00
Held-to-maturity	0.00	34,848,298.06
	<b>11,795,863.96</b>	<b>45,211,423.06</b>

Income from financial assets classified as held-to-maturity financial instruments is recognized in the income statement using the effective interest method.

A positive change in equity of EUR 6 thousand (prior year: EUR 252 thousand) was recognized for available-for-sale short-term financial assets.

As of the balance sheet date, the Company had no held-to-maturity financial assets. An amount of EUR 748 thousand was recognized for this item in the previous year.

## 7 TRADE RECEIVABLES

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

## 8 INCOME TAX REFUND CLAIMS

As of the balance sheet date for the fiscal year 2009, the Company had claims to income tax refunds amounting to EUR 1,174 thousand (prior year: EUR 21 thousand).

## 9 OTHER ASSETS AND PREPAID EXPENSES

in EUR	31 Dec. 2009	31 Dec. 2008
<b>Receivables from gaming operations</b>		
Receivables from lottery companies	494,667.80	6,897,484.06
Receivables from payment systems	2,551,572.36	5,349,510.83
Security retainers	533,706.36	893,802.37
	<b>3,579,946.52</b>	<b>13,140,797.26</b>
<b>Prepaid expenses</b>	<b>1,405,710.03</b>	<b>934,420.04</b>
<b>Receivables from tax authorities for sales tax</b>	<b>529,487.96</b>	<b>63,411.92</b>
<b>Others</b>		
Stock of tickets not sold at cut-off day	0.00	27.50
Receivables from loans granted	1,650,000.00	0.00
Receivables from employees	6,576.06	56,695.93
Creditors with debit balances	77,983.66	56,628.20
Other	236,768.38	96,763.38
	<b>1,971,328.10</b>	<b>210,115.01</b>
	<b>7,486,472.61</b>	<b>14,348,744.23</b>

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.

## 10 INTANGIBLE ASSETS

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

in EUR	2009	2008
<b>Accumulated acquisition costs as of 1 January</b>	<b>12,167,242.93</b>	<b>3,506,964.26</b>
Additions (purchased from third parties)	730,468.04	2,749,242.39
Additions (self-provided)	5,528,039.58	5,856,868.66
Reclassifications	0.00	55,510.00
Disposals	-1,870,031.39	-1,342.38
<b>Accumulated acquisition costs as of 31 December</b>	<b>16,555,719.16</b>	<b>12,167,242.93</b>
<b>Accumulated depreciation as of 1 January</b>	<b>-2,546,803.54</b>	<b>-1,925,011.08</b>
Depreciation of the period	-1,568,137.78	-623,062.61
Reclassifications	0.00	0.00
Disposals	1,787,142.19	1,270.15
<b>Accumulated depreciation as of 31 December</b>	<b>-2,327,799.13</b>	<b>-2,546,803.54</b>
<b>Net book value as of 31 December</b>	<b>14,227,920.03</b>	<b>9,620,439.39</b>

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.

## 11 PROPERTY, PLANT AND EQUIPMENT

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

in EUR	2009	2008
<b>Accumulated acquisition costs as of 1 January</b>	<b>5,152,376.33</b>	<b>4,317,049.83</b>
Additions (purchased from third parties)	1,063,466.69	1,248,107.78
Reclassifications	0.00	-55,510.00
Disposals	-1,843,535.47	-357,271.28
<b>Accumulated acquisition costs as of 31 December</b>	<b>4,372,307.55</b>	<b>5,152,376.33</b>
<b>Accumulated depreciation as of 1 January</b>	<b>-2,581,130.05</b>	<b>-1,967,948.30</b>
Depreciation of the period	-1,260,379.35	-966,127.46
Disposals	1,411,400.67	352,945.71
<b>Accumulated depreciation as of 31 December</b>	<b>-2,430,108.73</b>	<b>-2,581,130.05</b>
<b>Net book value as of 31 December</b>	<b>1,942,198.82</b>	<b>2,571,246.28</b>

There are currently no assets from financial leases.

## 12 LONG-TERM FINANCIAL ASSETS

Long-term financial assets include an amount of EUR 1,650 thousand (prior year: EUR 0 thousand) for loans to external service companies. As

of the balance sheet date, there was no cause for impairment requiring value adjustment.

## 13 LIABILITIES FROM FINANCIAL LEASES

There are no liabilities from financial leases at present.

## 14 OTHER LIABILITIES

in EUR	31 Dec. 2009	31 Dec. 2008
<b>Liabilities from gaming operations</b>		
Liabilities to players	13,943,483.75	20,180,414.73
Liabilities to lottery companies	601,619.64	5,837,080.12
Liabilities to game brokers	0.00	277.30
Liabilities from gaming duty	11,258,799.43	0.00
Liabilities to Business Service Partners	0.00	379,727.95
<b>Total liabilities from gaming operations</b>	<b>25,803,902.82</b>	<b>26,397,500.10</b>
<b>Tax liabilities</b>		
VAT	2,217,560.43	467,126.40
Wage & church tax	217,789.13	268,879.83
<b>Total tax liabilities</b>	<b>2,435,349.56</b>	<b>736,006.23</b>
<b>Liabilities from social security</b>		
Social security contributions	138,956.69	111,467.74
<b>Total liabilities from social security</b>	<b>138,956.69</b>	<b>111,467.74</b>
<b>Other liabilities</b>		
Outstanding invoices	528,694.54	48,632.20
Other liabilities	916,316.09	527,560.56
<b>Total other liabilities</b>	<b>1,445,010.63</b>	<b>576,192.76</b>
	<b>29,823,219.70</b>	<b>27,821,166.83</b>

All other liabilities are due in less than one year.

## 15 PROVISIONS

in EUR	Opening balance 1 Jan. 2009	Usage	Releases	Additions	Closing balance 31 Dec. 2009
Provisions for bonuses	1,672,280.31	-1,667,138.47	-4,570.29	1,531,150.44	1,531,721.99
Provisions for lawsuits	20,000.00	-20,000.00	0.00	702,373.03	702,373.03
<b>Total</b>	<b>1,692,280.31</b>	<b>-1,687,138.47</b>	<b>-4,570.29</b>	<b>2,233,523.47</b>	<b>2,234,095.02</b>

Provisions amounting in total to EUR 702 thousand (prior year: EUR 20 thousand) mainly comprise court costs and lawyers' fees incurred for trial preparation and management. Bonus provisions include long-term incentive components totalling EUR 600 thousand (prior year: EUR 275

thousand). The majority of these bonus provisions will be paid out in the first quarter of 2010. A portion of bonus provisions amounting to EUR 148 thousand has a maturity of over one year. All other provisions are expected to be used within one year.



## 16 DEFERRED INCOME

The company disclosed deferred income of EUR 3,969 thousand (prior year: EUR 356 thousand). It relates to payments for gaming orders and

stakes received prior to 31 December 2009, yet which can only be recognized when the service is provided in the following year.

## 17 EQUITY

### 17.1 SHARE CAPITAL

The Company's share capital equals its capital stock, which was reduced in the period under review by the cancellation of treasury shares by means of a simplified capital reduction with a corresponding reduction in capital stock by EUR 887,231, or 10% less one share of capital stock, to EUR 7,985,088. It is fully paid and divided into 7,985,088 registered no-par value shares.

In the period under review, the Executive Board made use of its authorization to buy back Company shares. In the course of two consecutive share buyback programmes, shares in Tipp24 SE with a total value of up to EUR 2,000,000.00 for each programme (including transaction costs) were bought back through the stock exchange. In the period ending 31 December 2009, a total of 365,180 shares or 4.57% of capital stock was bought back. Both share buyback programmes have thus been completed. In 2008, a total of 233,184 shares or 2.63% of capital stock was bought back.

The number of shares outstanding therefore fell from 7,985,088 to 7,623,908 during the period under review. As part of the settlement of subscription rights arising from the Stock Option Plan 2005, 4,000 treasury shares were transferred to option beneficiaries of the second tranche in November 2009.

### 17.2 AUTHORIZED AND CONDITIONAL CAPITAL

Authorized Capital I of up to a total of EUR 3,331,136.00 and Conditional Capital of up to a total of EUR 500,000.00 remain unchanged as of the balance sheet date.

### 17.3 CAPITAL RESERVES

With the cancellation of treasury shares, an amount of EUR 887,231,00 was transferred to capital reserves. This corresponds to the share of capital stock attributable to the cancelled shares and is included in the legal reserve fund. The carrying value of the cancelled treasury shares in excess of this amount was netted with capital reserves (EUR 1,268,599.01) and the balance sheet result (EUR 13,460,148.95).

With a resolution of the Annual General Meeting of 16 June 2009, restricted capital reserves of EUR 42,120,000.00 were converted into free capital reserves by means of a capital increase from Company funds with subsequent orderly reduction of capital.

An amount of EUR 1,419,702.34 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.

### 17.4 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 Act (AktG). As part of the first three tranches of the Stock Option Plan 2005, 6 thousand share options have been issued to entitled employees to date. As part of the fourth tranche of the Stock Option Plan 2005, the Executive Board resolved on 16 July 2009 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. A total amount of EUR 36 thousand was reversed in fiscal year 2009 (prior year: addition of EUR 23 thousand) with a corresponding reduction in personnel expenses.

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 2 years after the respective date of issuance and within a period of 3 years. Options can only be exercised if an absolute or relative performance target is reached at the end of the lock-up period. At the end of the exercise period, any options which have not been exercised will expire.

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

The relative performance target is linked to the performance of the Tipp24 share relative to the SDAX index. The relative performance target is achieved if the share's performance during the above mentioned performance period exceeds the index by at least 20%.

#### 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

	2009 Number	2009 WAEP	2008 Number	2008 WAEP
<b>Share-based payments</b>				
Outstanding at beginning of the reporting period	28,000.00	15.20	20,000.00	17.66
Granted during the reporting period	4,000.00	17.57	25,000.00	13.52
Forfeited during the reporting period	18,000.00	14.82	17,000.00	15.62
Exercised during the reporting period	4,000.00	13.67	0.00	-
Expired during the reporting period	0.00	-	0.00	-
<b>Outstanding at end of the reporting period</b>	<b>10,000.00</b>	<b>17.45</b>	<b>28,000.00</b>	<b>15.20</b>

At the end of the reporting period, none 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 13.67 and EUR 17.57 (prior year: EUR 13.52 to EUR 17.66). The average contract term was around 4 years.

### Underlying parameters

The following table contains the underlying parameters for the valuation of both tranches of the stock option plan of Tipp24 SE:

#### Share-based payments

Underlying parameters	Tranche 4	Tranche 3	Tranche 2	Tranche 1
<b>Share-based payments</b>				
Dividend yield (%)	2.9	3.7	0.0	0.0
Expected volatility (%)	60.0	44.3	47.9	46.0
Risk-free interest rate (%)	0.73	3.72	3.98	3.44
Anticipated term of option (years)	2	2	2	2
Weighted average share price (EUR)	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.

### 17.5 DEVELOPMENT OF OTHER RESERVES

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
<b>Total</b>	<b>135,719.37</b>	<b>-287,907.14</b>	<b>5,902.00</b>	<b>-146,285.77</b>

in EUR	Opening balance 1 Jan. 2008	Reversals	Additions	Closing balance 31 Dec. 2008
Share-based payments	36,085.00	0.00	23,315.00	59,400.00
Changes in foreign exchange rates	-91,632.39	0.00	-83,916.38	-175,548.77
Changes in fair values	118,490.88	-118,490.88	251,868.14	251,868.14
<b>Total</b>	<b>62,943.49</b>	<b>-118,490.88</b>	<b>191,266.76</b>	<b>135,719.37</b>

This reserve includes changes in the fair value of available-for-sale financial investments amounting to EUR 6 thousand (prior year: EUR 252 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.

### 17.6 EARNINGS PER SHARE

Earnings per share (undiluted and diluted) increased in the past fiscal year from EUR 0.82 to EUR 2.26 per share. In comparison with the previous year, the growth in earnings per share of 175% was stronger than that in net profit (+168%), as the average number of weighted outstanding shares fell from 8,032,265 to 7,730,961 as a result of the share buyback programme.

#### Development of outstanding shares

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

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 2009, there was no significant dilutive effect from stock options.

## 18 PERSONNEL EXPENSES

Tipp24 recognized total personnel expenses of EUR 12,524 thousand in 2009 (prior year: EUR 12,667 thousand). Of this total, an amount of EUR 10,951 thousand (prior year: EUR 10,674 thousand) referred to wages and salaries and EUR 1,573 thousand (prior year: EUR 1,993 thousand) to social security contributions. In Germany, pension insurance contributions of EUR 223 thousand (prior year: EUR 517 thousand) were made by the employer. The proportion of employer social security

contributions accounted for by pension insurance contributions is not disclosed in the UK, Spain and Italy. The decline in personnel expenses in Germany results mainly from the restructuring of business activities of Tipp24 SE as of 1 January 2009 and the strong reduction in German operations, as a result of which two members of the Executive Board retired from their seats on the Executive Board as of 31 March 2009 and 139 employees at the Hamburg office were made redundant.

## 19 OTHER OPERATING EXPENSES

in EUR	2009	2008
<b>Marketing expenses</b>		
Marketing expenses for own customers	7,499,855.55	9,426,997.53
Business Service commissions	0.00	2,657,137.02
<b>Total marketing expenses</b>	<b>7,499,855.55</b>	<b>12,084,134.55</b>
<b>Direct costs of operations</b>		
Costs of hedging transactions	11,987,336.70	59,058.52
License and operator fees <sup>1)</sup>	11,239,160.57	19,677.93
Handling of customer payments	1,680,296.75	1,875,319.81
Traffic <sup>2)</sup>	1,585,980.95	1,268,926.47
Non-deductable input tax	1,204,211.37	0.00
Bad debt	622,607.51	218,243.96
Product processing <sup>1)</sup>	348,742.03	299,265.69
<b>Total direct costs of operations</b>	<b>28,668,335.88</b>	<b>3,740,492.38</b>
<b>Other costs of operations</b>		
Consulting	7,412,588.52	4,167,476.51
Third-party capacities/services	5,490,585.37	0.00
Rent & leasing <sup>2)</sup>	1,552,777.18	1,337,768.69
Travel, training and representation costs	1,170,174.09	805,794.66
Office expenses and insurance <sup>3)</sup>	534,549.39	587,228.49
PR, CSR & lobbying expenses <sup>3)</sup>	448,931.58	446,647.18
Non-deductible expenses	251,732.08	91,385.13
Exchange rate differences	239,643.95	0.00
Other <sup>4)</sup>	1,517,599.45	235,432.18
<b>Total other costs of operations</b>	<b>18,618,581.61</b>	<b>7,671,732.84</b>
	<b>54,786,773.04</b>	<b>23,496,359.77</b>

<sup>1)</sup> License and operator fees included in cost of product processing in previous year

<sup>2)</sup> Correction of prior-year figure due to adjusted allocation

<sup>3)</sup> Prior-year items summarised to aid readability

<sup>4)</sup> Other costs include expenses of EUR 940 thousand relating to other periods

Marketing expenses fell by 37.9% to EUR 7,500 thousand (prior year: EUR 12,084 thousand). This decline resulted from the termination of our marketing activities for online lottery brokerage in Germany as a result of the GlüStV. At the same time, end-user business with so-called Business Service Partners in Germany was also discontinued. At present, marketing activities focus on the Abroad segment and the development of the Skill-Based Games business.

Direct operating expenses rose by a factor of almost seven to EUR 28,668 thousand in the period under review (prior year: EUR 3,740 thousand). For the first time in 2009, license and operator fees paid 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. These items were not material in 2008. Finally, this cost item includes increased data transmission costs in connection with a change in internet service provider to improve quality with regard to security and availability.

Other operating expenses increased by 142.7% to EUR 18,619 thousand (prior year: EUR 7,672 thousand). This increase was largely due to outsourcing necessitated by restructuring and only conducted to a limited extent in the previous year, non-recurring costs incurred by restructuring measures, legal advice in connection with the current difficult regulatory situation, and consultancy costs in connection with labour-intensive development projects, especially with regard to the renewal and internationalisation of the gaming operation platform.

## 20 OTHER OPERATING INCOME

in EUR	2009	2008
<b>Operating income</b>		
Income from hedging transactions	2,968,336.59	13,190.84
Reversal of provisions	4,570.29	246,829.06
Income not relating to the period	381,277.28	325,727.84
Income from lottery tickets bought for own account	60,913.17	66,408.70
Other	225,627.14	158,625.61
<b>Total operating income</b>	<b>3,640,724.47</b>	<b>810,782.05</b>

## 21 FINANCIAL RESULT

in EUR	2009	2008
<b>Interest and similar income</b>		
Other interest and similar income	221,761.05	618,220.58
Income from other long-term securities and loans	1,963,113.26	1,531,971.70
<b>Financing income</b>	<b>2,184,874.31</b>	<b>2,150,192.28</b>
<b>Interest and similar expenses</b>		
Interest expenses for current liabilities	-23,057.10	-2,268.36
Interest expenses and similar expenses	-56,056.80	-324,902.39
Interest expenses for other long-term securities and loans	-82,218.44	0.00
<b>Financing costs</b>	<b>-161,332.34</b>	<b>-327,170.75</b>
	<b>2,023,541.97</b>	<b>1,823,021.53</b>

The average interest income of total financial assets in 2009 amounted to 2.7% (prior year: 3.4%) before considering tax aspects.

## 22 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.

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 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 2009 amounted to 16.45% (2008: 16.45%).

The corporate income tax rate amounts to 15% (in 2009 as in the previous year), while the solidarity surcharge remains 5.5% of corporate income tax.

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 as of 31 Dec. 2009 – Group**

in EUR	31 Dec. 2009	31 Dec. 2008
<b>Actual tax expense</b>	<b>-9,838,867.70</b>	<b>-1,924,686.79</b>
Tax expense/income from the use/recognition of deferred tax assets on loss carryforwards/temporary differences	363,513.71	18,082.29
Tax expense/income from the recognition/reversal of deferred tax liabilities due to temporary differences	1,881,626.84	-2,207,714.25
<b>Deferred taxes</b>	<b>2,245,140.55</b>	<b>-2,189,631.96</b>
<b>Actual and deferred income taxes</b>	<b>-7,593,727.15</b>	<b>-4,114,318.75</b>
<b>Earnings before taxes</b>	<b>25,075,829.41</b>	<b>10,719,895.63</b>
Income tax rate	32.275%	32.275%
Anticipated tax expense	-8,093,223.94	-3,459,846.31
Income/expenses IFRS without deferred tax (VBR, stock options)	33,120.67	-19,173.15
Additions acc. to § 8 GewStG (see tax calculation)	-9,885.94	-7,797.43
Tax effects from not fully deductible operating expenses	-220,622.40	-34,683.57
Tax rate difference of foreign subsidiaries	1,536,071.27	10,906.39
Tax effects from not fully taxable income	-445.56	736,714.91
Unrecognized tax loss carryforwards	-850,061.50	-1,359,549.92
Non-taxable expenses/income from consolidation	-2,625.00	-1,214.10
Tax effects from previous years	0.00	20,324.43
Other	13,945.25	0.00
<b>Income taxes</b>	<b>-7,593,727.15</b>	<b>-4,114,318.75</b>

Deferred tax assets and liabilities developed as follows:

in EUR	1 Jan. 2009	Income/expense	Neutral (via equity)	31 Dec. 2009
<b>Deferred tax assets</b>				
Deferred tax assets on temporary differences	0.00	375,831.23	0.00	375,831.23
Deferred tax assets on tax loss carryforwards	111,824.65	-12,317.52	0.00	99,507.13
<b>Total deferred tax assets</b>	<b>111,824.65</b>	<b>363,513.71</b>	<b>0.00</b>	<b>475,338.36</b>

in EUR	1 Jan. 2009	Income/expense	Neutral (via equity)	31 Dec. 2009
<b>Deferred tax liabilities</b>				
Deferred tax liabilities on temporary differences	2,606,522.15	-1,881,626.84	-120,030.19	604,865.12
<b>Total deferred tax liabilities</b>	<b>2,606,522.15</b>	<b>-1,881,626.84</b>	<b>-120,030.19</b>	<b>604,865.12</b>



Of the deferred tax assets carried by Tipp24, an amount of EUR 100 thousand refers to tax loss carryforwards and an amount of EUR 375 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. It is therefore assumed that these tax claims can be utilized in full in future. Deferred tax liabilities amounting to EUR 0.6 million result mainly from the different treatment of self-produced software.

Tipp24 did not capitalize refund claims for tax loss carryforwards resulting from cumulative start-up losses amounting to EUR 7,715 thousand as of the balance sheet date (prior year: EUR 5,794 thousand) due to the lack of a positive performance record of the companies concerned.

Tax loss carryforwards (EUR 3,487 thousand, prior year: EUR 539 thousand) are limited to 5 years.

## 23 PAID AND PROPOSED DIVIDENDS

Following approval from the Annual General Meeting 2008, a dividend of EUR 0.50 per share was paid out for 2008 in June 2009 (total amount: EUR 3,837 thousand). Following the restructuring of business fields and the resulting transfer of control, net income according to commercial law of Tipp24 amounted to just EUR 21 thousand. At the same time, the pay-

ment of a dividend to Tipp24 SE of profits generated in the UK is currently excluded. As a consequence, the Executive Board recommends that no dividend be paid for fiscal year 2009 in order to protect the liquidity of Tipp24 SE.

## 24 LEASES

### 24.1 FINANCE LEASES

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

### 24.2 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 889 thousand (prior year: EUR 803 thousand) and lease payments for vehicles amounting to EUR 12 thousand (prior year: EUR 37 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. 2009		31 Dec. 2008	
	Minimum lease payments		Present value of the minimum lease payments	
Obligations from the following year	807,527.62	763,062.98	775,173.83	700,732.24
> 1 – 5 years	508,868.55	1,016,763.63	453,157.00	826,310.80
> 5 years	0.00	0.00	0.00	0.00
<b>Minimum lease obligations</b>	<b>1,316,396.17</b>	<b>1,779,826.61</b>	<b>1,228,330.83</b>	<b>1,527,043.04</b>
Less interest	-88,065.34	-252,783.57	0.00	0.00
<b>Present value of minimum obligations</b>	<b>1,228,330.83</b>	<b>1,527,043.04</b>	<b>1,228,330.83</b>	<b>1,527,043.04</b>

### 24.3 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	2010	2011	2012	2013	2014 and beyond	Total
<b>Other contracts</b>	13,872,703.64	10,012,840.70	3,178,118.20	654.00	10,800.00	<b>27,075,116.54</b>

## 25 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 28 for details on Executive Board remuneration.

### COOPERATION AGREEMENT WITH SCHUMANN E. K.

Tipp24 brokers participation in the class lotteries NKL and SKL in cooperation with Schumann e. K.. Schumann e. K. has concluded a marketing agreement with the management of the North German State Lottery (Norddeutsche Klassenlotterie – NKL); Schumann e. K. has been appointed as state lottery collector by the management of the South German State Lottery (Süddeutsche Klassenlotterie – SKL).

In terms of its legal status, Schumann e. K. is not a subsidiary of Tipp24 SE. The sole shareholder of Schumann e. K. is Jens Schumann, who retired from Tipp24 SE's Executive Board on 30 September 2009. The structure is necessary as the class lotteries' current practice is only to issue sales licenses to natural persons or companies in which neither

the liability of the company or its direct and indirect partners is limited. A cooperation agreement is in place between Tipp24 SE and Schumann e. K., which replaced the management agreement between the two companies of 7 September 2005 with effect from 1 January 2009. As with the former management agreement, the cooperation agreement governs the processing of game participation of class lottery customers by Schumann e. K.. Under the terms of the agreement, Schumann e. K. must pay all commissions and other brokerage fees collected in this context to Tipp24 SE. Tipp24 SE provides Schumann e. K. with services in the field of controlling, bookkeeping, marketing and technical services and bears the costs incurred by Schumann e. K. in running its operations.

As Jens Schumann operates Schumann e. K. in the interest of Tipp24 SE, Tipp24 SE has undertaken to indemnify them in the event of any personal claims by third parties arising from or in connection with the operation of Schumann e. K.. Indemnification is limited to the extent that fulfilment of this indemnification may not cause Tipp24 to become insolvent or over-indebted.

## 26 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.

### 26.1 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, cash equivalents and short-term financial assets

The amortized cost of cash, cash equivalents 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 or losses from significant financial instruments:

#### Net profits from financial instruments

in EUR	2009	2008	2009	2008
	Carried in equity		Carried in income statement	
<b>Financial assets</b>				
<b>Cash and cash equivalents</b>	<b>0.00</b>	<b>0.00</b>	<b>351,295.67</b>	<b>616,619.71</b>
<b>Short-term financial assets</b>				
Available-for-sale financial assets	-245,966.14	133,377.27	2,372,539.38	458,103.76
Held-to-maturity financial assets	0.00	0.00	-737,418.08	748,298.06
<b>Long-term financial assets</b>				
Available-for-sale financial assets	0.00	0.00	37,125.00	0.00
Held-to-maturity financial assets	0.00	0.00	0.00	0.00
<b>Financial result</b>			<b>2,023,541.97</b>	<b>1,823,021.53</b>
Other financial assets (short-term)	0.00	0.00	-297,975.23	-31,900.27
	<b>-245,966.14</b>	<b>133,377.27</b>	<b>1,725,566.74</b>	<b>1,791,121.26</b>

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 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
<b>Assets</b>						
<b>Cash and cash equivalents</b>						
Receivables	69,106,935.50	0.00	0.00	69,106,935.50		
Available-for-sale financial assets	0.00	0.00	0.00	0.00		
Non-financial assets	0.00	0.00	3,803.24	3,803.24	69,110,738.74	69,110,738.74
<b>Pledged cash</b>						
Receivables	250,567.50	0.00	0.00	250,567.50	250,567.50	250,567.50
<b>Short-term financial assets</b>						
Available-for-sale financial assets	0.00	11,795,863.96	0.00	11,795,863.96		
Held-to-maturity financial assets	0.00	0.00	0.00	0.00	11,795,863.96	11,795,863.96
<b>Trade receivables</b>						
Receivables	9,918.52	0.00	0.00	9,918.52	9,918.52	9,918.52
<b>Other assets</b>						
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
<b>Long-term financial assets</b>						
Loans	1,650,000.00	0.00	0.00	1,650,000.00	1,650,000.00	1,650,000.00
<b>Total</b>					<b>90,303,561.33</b>	<b>90,303,561.33</b>
– 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
– of which held-to-maturity financial assets					0.00	0.00
<b>Liabilities</b>						
<b>Trade payables</b>						
Other payables	5,256,097.62	0.00	0.00	5,256,097.62	5,256,097.62	5,256,097.62
<b>Other liabilities</b>						
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
<b>Total</b>					<b>35,183,355.22</b>	<b>35,183,355.22</b>
– of which other liabilities					32,070,481.25	32,070,481.25

**Financial Instruments 2008**

in EUR	Amortized cost	Fair value recognized in equity	Non-financial assets/ liabilities	Total	Book value 31 Dec. 2008	Fair value 31 Dec. 2008
<b>Assets</b>						
<b>Cash and cash equivalents</b>						
Receivables	19,266,292.24	0.00	0.00	19,266,292.24		
Available-for-sale financial assets	0.00	1,408,773.33	0.00	1,408,773.33		
Non-financial assets	0.00	0.00	36,322.53	36,322.53	20,711,388.10	20,711,388.10
<b>Pledged cash</b>						
Receivables	550,000.00	0.00	0.00	550,000.00	550,000.00	550,000.00
<b>Short-term financial assets</b>						
Available-for-sale financial assets	0.00	10,363,125.00	0.00	10,363,125.00		
Held-to-maturity financial assets	34,848,298.06	0.00	0.00	34,848,298.06	45,211,423.06	45,211,423.06
<b>Trade receivables</b>						
Receivables	5,314.97	0.00	0.00	5,314.97	5,314.97	5,314.97
<b>Other assets</b>						
Receivables	14,348,744.23	0.00	0.00	14,348,744.23	14,348,744.23	14,348,744.23
<b>Total</b>					<b>80,826,870.36</b>	<b>80,826,870.36</b>
– of which receivables					34,170,351.44	34,170,351.44
– of which available-for-sale financial assets					11,771,898.33	11,771,898.33
– of which held-to-maturity financial assets					34,848,298.06	34,848,298.06
<b>Liabilities</b>						
<b>Trade payables</b>						
Other payables	4,822,352.74	0.00	0.00	4,822,352.74	4,822,352.74	4,822,352.74
<b>Other liabilities</b>						
Liabilities	26,704,362.23	0.00	1,116,804.60	27,821,166.83	27,821,166.83	27,821,166.83
<b>Total</b>					<b>32,643,519.57</b>	<b>32,643,519.57</b>
– of which other liabilities					31,526,714.97	31,526,714.97

### Hierarchy of fair values

As of 31 December 2009, Tipp24 held the following financial instruments measured at fair value:

#### Financial instruments measured at fair value

in EUR	31 Dec. 2009	Level 1	Level 2	Level 3
<b>Financial instruments available for sale</b>				
Securities	11,795,863.96	11,795,863.96	0.00	0.00
	<b>11,795,863.96</b>	<b>11,795,863.96</b>	<b>0.00</b>	<b>0.00</b>

#### Financial instruments measured at fair value

in EUR	31 Dec. 2008	Level 1	Level 2	Level 3
<b>Financial instruments available for sale</b>				
Securities	11,771,898.33	11,771,898.33	0.00	0.00
	<b>11,771,898.33</b>	<b>11,771,898.33</b>	<b>0.00</b>	<b>0.00</b>

As of the balance sheet date, the Company did not hold any liabilities measured at fair value.

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.

### 26.2 CREDIT RISK

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

The Company 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 statistically limited. Missing amounts from such cancellations are charged directly to 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 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 September 2009 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, recognition of this claim in the balance sheet and income statement under the items »Other receivables« and »Other operating income« is no longer appropriate, even though Tipp24 still believes its claim is valid. It is now disclosed as a contingent asset which MyLotto24 holds in respect of the party providing cover. It is not unlikely that MyLotto24 will need to assert its claims from these transactions in court. Moreover, 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.

### 26.3 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 are not discounted.

### 26.4 INTEREST RATE RISK

in EUR	short-term	long-term	Total
<b>31 Dec. 2009</b>			
<b>Cash and cash equivalents</b>			
Variable interest rates	69,110,738.74	0.00	69,110,738.74
Fixed interest rates	0.00	0.00	0.00
	<b>69,110,738.74</b>	<b>0.00</b>	<b>69,110,738.74</b>
<b>Pledged cash</b>			
Variable interest rates	250,567.50	0.00	<b>250,567.50</b>
<b>Short-term financial assets</b>			
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
	<b>11,895,863.96</b>	<b>0.00</b>	<b>11,895,863.96</b>
<b>Long-term financial assets</b>			
Variable interest rates	0.00	0.00	0.00
Fixed interest rates	0.00	1,650,000.00	1,650,000.00
	<b>0.00</b>	<b>1,650,000.00</b>	<b>1,650,000.00</b>
<b>Total</b>	<b>81,157,170.20</b>	<b>1,650,000.00</b>	<b>82,807,170.20</b>

in EUR	short-term	Total
<b>31 Dec. 2008</b>		
<b>Cash and cash equivalents</b>		
Variable interest rates	19,302,614.77	19,302,614.77
Fixed interest rates	1,408,773.33	1,408,773.33
	<b>20,711,388.10</b>	<b>20,711,388.10</b>
<b>Pledged cash</b>		
Variable interest rates	550,000.00	<b>550,000.00</b>
<b>Short-term financial assets</b>		
Variable interest rates	0.00	0.00
Fixed interest rates		
Available-for-sale financial assets	10,363,125.00	10,363,125.00
Held-to-maturity financial assets	34,848,298.06	34,848,298.06
	<b>45,211,423.06</b>	<b>45,211,423.06</b>
<b>Long-term financial assets</b>		
Variable interest rates	0.00	0.00
Fixed interest rates	0.00	0.00
	<b>0.00</b>	<b>0.00</b>
<b>Total</b>	<b>66,472,811.16</b>	<b>66,472,811.16</b>

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 81 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 405 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.

## 26.5 CURRENCY RISK

Compared to the previous year, the Company was exposed for the first time to a currency risk in the period under review, 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 2009.

On the basis of this assumption, a revaluation of the Euro against the British Pound of 10% to 0.9868 EUR/GBP would result in an effect of EUR 1,403 thousand on earnings. A devaluation of the Euro against the British Pound of 10% to 0.8074 EUR/GBP would result in an effect of EUR -1,403 thousand on earnings.



## 26.6 PRINCIPLES AND OBJECTIVES 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 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.

- The **equity ratio** of Tipp24 should amount to around 35% in the medium term.
- **Cash and cash equivalents** covering short-term liabilities from betting operations are to be invested in safe investment categories. The majority of these investments should be short-term, with maturities of one week or less. 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 in line with our growth strategy. Cash and cash equivalents 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, this only appears prudent when MyLotto24 can distribute a dividend to Tipp24 SE again.

### Principles and objectives of capital management

in EUR	31 Dec. 2009	31 Dec. 2008
Equity ratio	59.6%	59.0%
Cash and cash equivalents	69,110,738.74	20,711,388.10
Capital expenditures	8,152,424.92	9,854,218.83
Interest-bearing debt	0.00	0.00
Proposed dividend for the fiscal year per share	0.00	0.50

## 27 EVENTS AFTER THE BALANCE SHEET DATE

MyLotto24, a fully consolidated minority shareholding of Tipp24 SE, was informed by its insurer on 22 January 2010 that it refused to pay out the insurance amount in connection with the jackpot winnings of one of its game participants in autumn 2009. In the draw on 23 September 2009, a player won the record jackpot amount of around EUR 31.7 million.

MyLotto24 regards the insurance company's refusal to pay as a breach of contract and intends to assert its claim for payment of the full insurance sum of around EUR 21.7 million in court. Moreover, MyLotto24 plans to swiftly replace its existing insurance cover.

Irrespective of Tipp24 SE's view that MyLotto24 has a valid claim against the insurance company, the refusal to pay means that at the level of the consolidated annual financial statements of Tipp24 SE, the insurance amount may no longer be carried in the consolidated balance sheet and income statement as at 31 December 2009.

## 28 OTHER DISCLOSURES ACC. TO GERMAN COMMERCIAL LAW

### 28.1 EXECUTIVE BOARD

The following persons held seats on the Executive Board in fiscal year 2009:

- Dr. Hans Cornehl, responsible for Finance, Investor Relations, Human Resources and Technology until 30 September 2009, and sole member of the Executive Board of Tipp24 since 1 October 2009.
- Jens Schumann, responsible for Strategy, Lobbying and Public Relations (Chairman) until 30 September 2009.
- Marcus Geiß, responsible for Corporate Development until 31 March 2009.
- Petra von Strombeck, responsible for Marketing until 31 March 2009.

The members of the Executive Board worked on a full-time basis. The remuneration of the Executive Board 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
<b>Total</b>	<b>405,000.00</b>	<b>1,660,085.00</b>	<b>121,000.00</b>	<b>2,186,085.00</b>

in EUR	Fixed salary	Variable remuneration	2008
Dr. Hans Cornehl	180,000.00	261,731.28	441,731.28
Marcus Geiß	135,000.00	158,798.25	293,798.25
Jens Schumann	180,000.00	261,731.28	441,731.28
Petra von Strombeck	135,000.00	158,798.25	293,798.25
<b>Total</b>	<b>630,000.00</b>	<b>841,059.06</b>	<b>1,471,059.06</b>

In fiscal year 2009, total remuneration of the Executive Board members amounted to EUR 2,186 thousand (prior year: EUR 1,471 thousand).

- Oliver Jaster, managing partner of Günther Holding (Deputy Chairman)
- Hendrik Pressmar, consultant (regular member)

### 28.2 SUPERVISORY BOARD

The following persons held seats on the Supervisory Board in fiscal year 2009:

- Klaus F. Jaenecke, managing partner of Jaenecke & Cie. GmbH & Co. KG (Chairman)

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
<b>Total</b>	<b>69,000.00</b>	<b>70,000.00</b>	<b>139,000.00</b>

in EUR	Fixed salary	Variable remuneration	2008
Klaus F. Jaenecke (Chairman)	34,500.00	21,875.00	56,375.00
Oliver Jaster (Deputy Chairman, since 29 May 2008)	8,625.00	5,468.75	14,093.75
Dr. Hans-Wilhelm Jenckel (Deputy Chairman, until 29 May 2008)	13,800.00	8,750.00	22,550.00
Hendrik Pressmar (since 19 Dec. 2008)	0.00	0.00	0.00
Annet Aris (until 19 Dec. 2008)	12,075.00	7,656.25	19,731.25
<b>Total</b>	<b>69,000.00</b>	<b>43,750.00</b>	<b>112,750.00</b>

### 28.3 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 2009, as well as changes in shareholdings since 1 January 2009.

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

Shares	1 Jan. 2009	Changes	31 Dec. 2009
<b>Executive Board</b>			
Dr. Hans Cornehl	135,389	-80,000	55,389
Marcus Geiß*	20,895	0	20,895
Petra von Strombeck*	900	0	900
Jens Schumann**	908,171	0	908,171

\* departed as of 31 March 2009

\*\* departed as of 30 September 2009

### 28.4 CORPORATE GOVERNANCE

#### Declaration of Conformity with German Corporate Governance Code

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.

## 28.5 EMPLOYEES

The average number of employees is shown below:

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
<b>Total</b>	<b>96</b>	<b>78</b>	<b>174</b>

2008	Germany	Abroad	Tipp24
Executive Board	4	0	4
General Managers	0	3	3
Employees	108	77	185
Trainees	3	3	6
Temporary personnel	47	3	50
<b>Total</b>	<b>162</b>	<b>86</b>	<b>248</b>

## 28.6 AUDITING COSTS

The following fees were charged by the auditors of the annual financial statements, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft for fiscal year 2009:

in EUR thsd.	2009	2008
Auditing fees	498	66
thereof for international partner companies of the auditing company	381	0
Tax consulting	466	47
thereof for international partner companies of the auditing company	215	0
Other auditing and assessment services	57	57
thereof for international partner companies of the auditing company	17	34
Other services	183	66
thereof for international partner companies of the auditing company	45	0
<b>Total</b>	<b>1,204</b>	<b>236</b>

## 28.7 CONSOLIDATED GROUP

The consolidated group comprises the companies listed below, for which the respective present and past shareholdings are also stated (see also Note 2.1.5 »Consolidation principles«). In the first half of 2009, Tipp24 AG acquired 100% of shares in Egela Beteiligungsverwaltungs GmbH, an Austrian shelf company without operating activities, for the purpose of a transnational merger with Tipp24 AG and was included in the consolidated group. The acquisition costs of EUR 28 thousand correspond to the acquired newly valued net assets. In the first half of 2009 the legal status of Egela Beteiligungsverwaltungs GmbH was changed to that of a public limited company (»Aktiengesellschaft«) with the company name Egela Beteiligungsverwaltungs AG.

With a resolution of the Annual General Meeting of 16 June 2009 and entry in the Commercial Register on 28 December 2009, the merger of Egela Beteiligungsverwaltungs AG and Tipp24 AG to form a European public company (Societas Europaea, SE) was completed. As of this date, the former Tipp24 AG has been trading as Tipp24 SE.

As of 31 December 2009, Puntogioco24 S.r.l. is in the process of liquidation.

in %	2009	2008	Initial Cconsolidation
Tipp24 Entertainment GmbH, Hamburg, Germany	100	100	2008
MyLotto24 Limited, London, UK	40	100	2007
Tipp24 Operating Services Limited, London, UK	40	100	2007
Ventura24 S.L., Madrid, Spain	40	100	2001
Puntogioco24 S.r.l., Monza, Italy	40	100	2004
Giochi24 S.r.l., Monza, Italy	40	100	2008
GSG Lottery Systems GmbH, Hamburg, Germany	40	100	2001
Tipp24 Services Limited, London, UK	16	100	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 Note 2.1.5 »Consolidation principles«.

Hamburg, 17 March 2010

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, 2009. 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, 25 March 2010

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

Klimmer Hoyer

Wirtschaftsprüfer Wirtschaftsprüfer

## RESPONSIBILITY STATEMENT

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

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 seven Supervisory Board meetings were held in fiscal year 2009, 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, and in particular the composition of the Executive Board,
- 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 Gaming in Germany,
- the strategic alignment and growth strategy of Tipp24 SE and its fully consolidated associated companies,
- the amendments to the Corporate Governance Code and new regulations of the German Accounting Law Modernization Act and German Act on the Appropriateness of Management Board Compensation,
- the ongoing development of the early risk warning systems and
- discussion and consultation of all business transactions requiring approval.

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 November 2009, the Executive Board and Supervisory Board submitted a Declaration of Conformity, pursuant to § 161 German Stock Corporation Act (AktG) and made it permanently available to shareholders via the Company's website [www.tipp24-se.de](http://www.tipp24-se.de).

### AUDITING OF THE PARENT COMPANY AND CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The annual financial statements and management report for fiscal 2009 of Tipp24 SE, as prepared by the Executive Board in accordance with the German Commercial Code (HGB), and the consolidated annual financial statements and Group management report prepared in accordance with International Financial Reporting Standards (IFRS) were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, 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 25 March 2010, 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 25 March 2010, 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 2009, there was also no proposal of the Executive Board with regard to the appropriation of the balance sheet profit.

### PERSONNEL

The Supervisory Board member appointed by the District Court of Hamburg in December 2008, Hendrik Pressmar, was elected by the Annual General Meeting of 16 June 2009 for the period ending with the close of the Annual General Meeting that resolves on the approval of the fiscal year 2012.

The Executive Board members Marcus Geiß and Petra von Strombeck retired from the Company's Executive Board on 30 April 2009, while the Chairman of the Executive Board Jens Schumann retired from the Company's Executive Board on 30 September 2009. Dr. Hans Cornehl has thus been acting as sole member of the Executive Board since 1 October 2010.

### CONCLUDING STATEMENT

The Supervisory Board would like to thank the current and former members of 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. We would also like to take this opportunity to thank those former employees who had to leave the Company in early 2009 as a result of the restrictive regulations of the State Treaty on Gaming in Germany. They displayed exemplary dedication to their duties until the very last day. 2009 saw the most far-reaching changes for the Company since its foundation. Despite massive state encroachment on its business model, Tipp24 can look back on its best-ever fiscal year in respect of consolidated earnings. This would not have been possible without the outstanding contribution of everyone involved.

Hamburg, 25 March 2010



**Klaus F. Jaenecke**

(Chairman of the Supervisory Board)



## KEY CONSOLIDATED FIGURES OF TIPP24 SE

As of 15 March 2010

		2009	2008	2007	2006
<b>Customers</b>					
Number of registered customers (at year-end)	Thsd.	n/a	2,526	2,344	1,770
Number of registered new customers (at year-end)	Thsd.	n/a	203	574	448
Customer activity rate		n/a	24.7%	28.7%	28.6%
Average billings/customer	EUR	n/a	566	588	598
Acquisition costs per new customer	EUR	n/a	46.44	20.11	18.81
<b>Income statement</b>					
	EUR thsd.				
Billings		n/a	335,947	346,776	264,235
Revenue		89,551	45,838	44,974	34,575
EBIT		23,052	8,897	8,949	7,244
EBT		25,076	10,720	11,192	8,365
Net profit		17,482	6,606	6,272	7,445
<b>Balance sheet</b>					
	EUR thsd.				
Cash, cash equivalents and securities (incl. pledged cash, cash equivalents and securities)		69,361	21,261	66,121	60,764
Other current assets		20,466	59,586	18,405	16,290
Total non-current assets		18,296	12,304	7,213	5,740
ASSETS		108,123	93,151	91,739	82,794
Current liabilities		42,971	35,623	35,774	22,128
Non-current liabilities		752	2,607	335	14
Equity		64,399	54,922	55,630	60,652
EQUITY AND LIABILITIES		108,123	93,151	91,739	82,794
<b>Cash flow</b>					
	EUR thsd.				
Cash flow from operating activities		30,217	9,651	17,886	8,360
Cash flow from investing activities		25,579	-47,040	-1,200	-4,769
Cash flow from financing activities		-7,723	-7,386	-11,335	-
<b>Personnel</b>					
Number of employees (average no. of full-time staff without board members/managing directors/interns/apprentices)	No.	132	185	154	144
Personnel expenses	EUR thsd.	12,524	12,667	10,324	8,277
Expenses per employee	EUR thsd.	72	69	67	58
R&D expenses	EUR thsd.	1,396	3,374	3,051	2,767
R&D staff	No.	33	68	58	56
<b>Share (from 2004)</b>					
Average number of shares (undiluted)	No.	7,730,961	8,032,265	8,524,199	8,872,319
Earnings per share (undiluted)	EUR	2.26	0.82	0.74	0.84
Operating cash flow per share (undiluted)	EUR	3.91	1.20	2.10	0.94
<b>Ratios</b>					
	%				
Gross margin		n/a	13.6%	13.0%	13.1%
EBIT margin		25.7%	19.4%	19.9%	21.0%
Net operating margin		19.5%	14.4%	13.9%	21.5%
Return-on-equity (RoE)		27.1%	12.0%	11.3%	12.3%

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

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

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## FINANCIAL CALENDAR

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31 MARCH 2010 ..... ANNUAL PRESS CONFERENCE

6 MAY 2010 ..... REPORT FIRST QUARTER

8 JUNE 2010 ..... ANNUAL GENERAL MEETING

5 AUGUST 2010 ..... HALF-YEAR REPORT

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

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

### **PUBLISHED BY:**

#### **Tipp24 SE**

Falkenried-Piazza  
Strassenbahnring 11  
20251 Hamburg  
Germany

Telephone +49 (0) 40-32 55 33 0

Fax +49 (0) 40-32 55 33 77

[www.tipp24-se.de](http://www.tipp24-se.de)

Concept, text & design

Impacct GmbH

[www.impacct.de](http://www.impacct.de)