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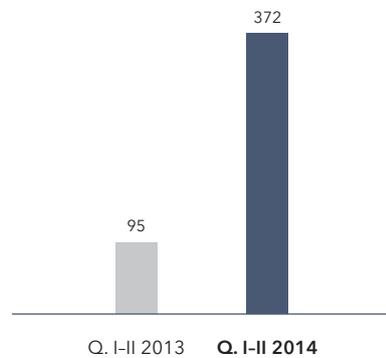
..... rising number of new customers .....  
.... half-yearly financial report of Lotto24 AG .....

.... growth in revenues .....  
..... increased billings .....  
... excellent customer quality ...

## ... ON COURSE FOR GROWTH

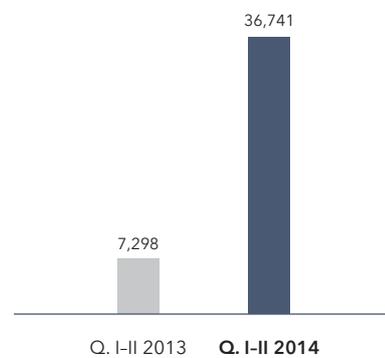
### Registered customers

in thousand (accumulated)



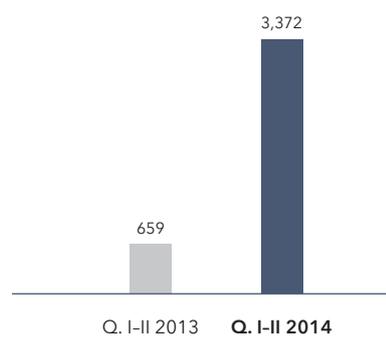
### Billings

in EUR thousand



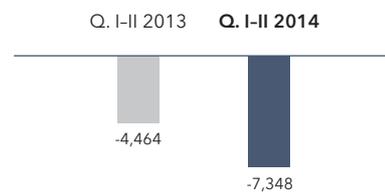
### Revenues

in EUR thousand



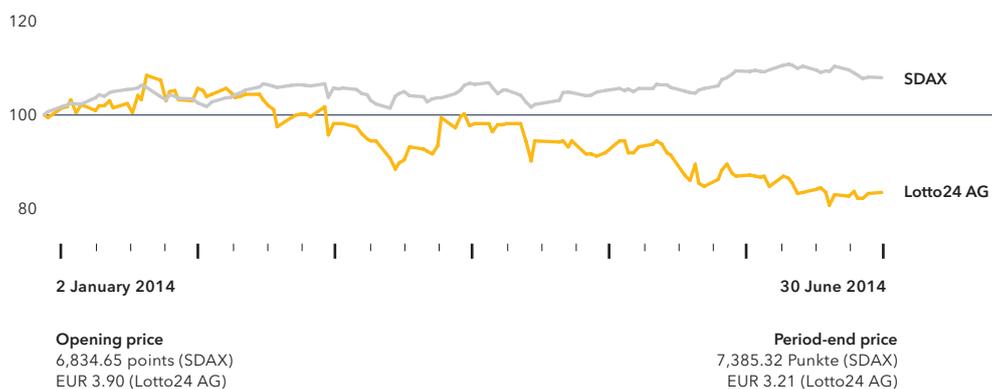
### EBIT

in EUR thousand

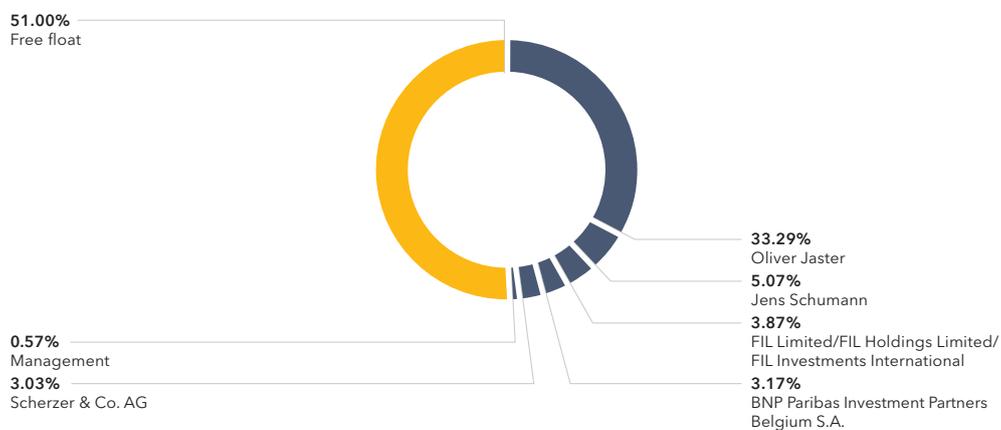


**Lotto24** is Germany's leading online broker of state-licensed lotteries. Founded in 2010, we were the first private online lottery broker to resume activities on the German market when the new State Treaty on Games of Chance came into effect in 2012. Our aim is to expand our position as Germany's leading broker of lottery products via the Internet.

### Share performance (indexed)



### Shareholder structure (as of 30 June 2014) <sup>1)</sup>



<sup>1)</sup> according to voting right notifications received

**Key figures of Lotto24 AG**

|   | <b>Q. I-II 2014</b> | Q. I-II 2013 |
|---|---------------------|--------------|
| in EUR thousand   |                     |              |
| Revenues  | 3,372               | 659          |
| EBIT  | -7,348              | -4,464       |
| Net profit for the period                               | -7,478              | -2,985       |
| Cash flow from operating activities                     | -6,575              | -4,491       |
| Equity as of 30 June 2014 respectively 31 December 2013 | 30,146              | 37,602       |
| Employees as of 30 June (headcount) <sup>1)</sup>       | 33                  | 22           |

<sup>1)</sup> not including members of the Executive Board

Subscribed capital equals the Company's capital stock and is fully paid.

**Shareholder service**

|                    |   |
|--------------------|---|
| WKN                | <b>LTT024</b>                           |
| ISIN <sup>1)</sup> | <b>DE000LTT0243</b>                     |
| Ticker symbol      | <b>LO24</b>                             |
| Reuters code       | <b>LO24G.DE</b>                         |
| Bloomberg code     | <b>LO24:GR</b>                          |
| Stock exchange     | <b>Frankfurt</b>                        |
| Market segment     | <b>Regulated Market, Prime Standard</b> |
| Designated sponsor | <b>Close Brothers Seydler Bank AG</b>   |

<sup>1)</sup> International Securities Identification Number

**Key share figures**

|  | <b>Q. I-II 2014</b> | Q. I-II 2013 |
|--|---------------------|--------------|
| Number of shares on reporting day                    | 19,962,720          | 13,973,904   |
| Highest price (EUR)                                  | 4.26                | 5.40         |
| Lowest price (EUR)                                   | 3.15                | 3.40         |
| Share price on reporting day (EUR)                   | 3.21                | 5.10         |
| Market capitalisation on reporting day (EUR million) | 64.1                | 71.3         |
| Average daily trading volume (Xetra)                 | 32,992              | 24,062       |
| Earnings per share (EUR)                             | -0.37               | -0.21        |

# 01. FOREWORD

## LADIES AND GENTLEMEN,

Despite a more challenging market environment compared to the previous year, we once again succeeded in stabilising and improving our key performance indicators in the first half of 2014: at EUR 36.7 million (+403.4%) and EUR 3.4 million (+411.3%), respectively, both billings and revenues easily exceeded their prior-year figures in the first six months of 2014. In the second quarter, billings amounted to EUR 17.5 million (prior year: EUR 5.3 million) with revenues of EUR 1.6 million (prior year: EUR 0.5 million). Thanks to an encouraging gross margin of 9.4% in the second quarter (prior year: 8.8%), the figure for the first six months as a whole rose to 9.2% (prior year: 9.0%).

The size of jackpots plays an increasingly important role, however: whereas a »Lotto 6aus49« jackpot of EUR 20 million was still sufficient in 2013 to attract German lottery players in their masses, much higher jackpot sums are now required. Customer acquisition in April to June 2014 was made more difficult by two external factors in particular: with just one »Lotto 6aus49« jackpot in excess of EUR 20 million and almost twice as many jackpots below EUR 10 million than in the first quarter, the German lottery market made only modest progress in the second quarter. Moreover, the FIFA World Cup in June was the major focus of attention - with the resulting unfavourable effects for lottery activities in Germany observed every four years.

Following the two TV campaigns and the radio test in the first quarter of 2014, we ran one further TV campaign in the second quarter in addition to our classic online advertising. With marketing expenses of EUR -2.6 million (prior year: EUR -1.7 million), cost per lead (CPL) in the second quarter of 2014 amounted to EUR 44.64 and was thus below the very high figure in the preceding quarter (EUR 47.30). For the first six months as a whole, CPL amounted to EUR 46.16 (prior year: EUR 29.80). With 58 thousand new customer registrations in the second quarter of 2014 (prior year: 52 thousand), the number of registered customers as of 30 June 2014 stood at 372 thousand (prior year: 95 thousand). In the first six months, we gained 135 thousand new customers and are therefore on track to meet our target of 300 thousand for 2014 as a whole - after consideration of seasonal fluctuations and jackpot effects. The quality of our customers continues to exceed expectations (based on past experience). After consideration of jackpot-related fluctuations, this quality can be seen in our average billings per active customer and their activity rate.

Our marketing activities are also reflected in brand awareness: a representative online survey conducted in June 2014 once again proved that Lotto24 held first place among online providers (in unaided tests) - improving even on the excellent results of the January survey. In the assessment of our brand profile, there was a strong improvement in the values security, trust and reliability. The survey also confirmed the huge potential for Lotto24: 74% of those surveyed could imagine playing lottery online in future and 58% had concrete plans to do so.

In line with planning, our EBIT result was burdened by higher advertising activities as well as higher direct operating expenses than in the previous year and fell to EUR -7.3 million in the first six months of 2014 (prior year: EUR -4.5 million).

As Germany's leading online lottery broker, we are delighted that in May a Lotto24 customer was the first mobile lottery winner in Germany with winnings of around EUR 640 thousand. This provides gratifying proof of the trend towards mobile applications - a trend for which we are ideally positioned with our range of products and services.

At our second Annual General Meeting as a listed company, our shareholders once again adopted all items on the agenda with large majorities and confirmed the course we have so far taken. Our central objective continues to be the further expansion of our position as Germany's leading broker of lottery products via the Internet.

Hamburg, 6 August 2014



**Petra von Strombeck**  
Chief Executive Officer



**Magnus von Zitzewitz**  
Member of the Executive Board

## 02. INTERIM MANAGEMENT REPORT

### BUSINESS AND ECONOMIC CONDITIONS

#### PROMISING BUSINESS MODEL

Lotto24 is attractively positioned in the value chain of the lottery business: we broker lottery products via the Internet, whereby we receive brokerage commissions from the state lottery companies. We can therefore generate income without bearing the bookmaking risk ourselves.

We currently offer our customers the possibility to participate in the state-licensed lottery products »Lotto 6aus49«, »Spiel 77«, »Super 6«, »EuroJackpot« and »Glücksspirale«, whereby we enter into gaming agreements with the respective gaming operator on behalf of, and in the name of, our customers. Our products and services are already well-known on the market and well received by our customers due to their appeal - for example simple processing and free additional features.

Our aim is to extend our position as the leading broker of online lottery products in Germany. We benefit from our many years of experience in marketing, technology and management in the lottery business, which we regard as major success factors.

The granting of a five-year permit for the commercial brokerage of state lotteries via the Internet in September 2012 and a permit for advertising via TV and the Internet in March 2013 - initially valid for a period of two years - fulfilled the basic prerequisites for nationwide operations in Germany and the expansion of our business.

#### PROMISING GROWTH STRATEGY

We aim to achieve growth in particular by using targeted marketing measures to acquire new customers. It is also planned to expand the Lotto24 product portfolio: in addition to the lotteries already offered - and depending on the prevailing legal conditions - we plan to introduce »Keno«, scratch cards, lottery teams, social lotteries and possibly other state-licensed games of chance in the medium term. We will continue to focus on the German lottery market.

## VALUE-ORIENTED CORPORATE GOVERNANCE

### Management and control

Lotto24 AG is headed by Petra von Strombeck (CEO) and Magnus von Zitzewitz. Ms von Strombeck is responsible for Corporate Strategy and Development, Marketing, Sales, the B2C (Business-to-Customer) and ASP (Application Service Provider) business fields, as well as Investor Relations, Human Resources and Organisation, IT Strategy, Systems, Processes and IT Operation. Mr von Zitzewitz is responsible for the divisions Legal Affairs and Regulation, Finance, Accounts, Taxes, Controlling, Compliance and Risk Management, as well as Communication.

### Management based on clear KPI system

We manage Lotto24 according to a clearly defined KPI system aimed primarily at raising the value of our customer base. This is derived from the accumulated contributions of active customers to total billings, and thus to revenues and earnings, as well as from the estimated future development of the intensity and duration of customer relationships.

The main KPIs which we use to steer the Company and whose respective values we strive to raise are:

- the number of registered customers (customers who have successfully completed the registration process on the Lotto24 website),
- the activity rate (ratio of the average number of active customers in one month - customers with at least one transaction per month - to the average number of registered customers in a year),
- billings (stakes placed by customers, influenced by the variety and attractiveness of Lotto24's product portfolio and the efficiency of customer retention measures) as well as
- average billings per active customer and
- gross margin (ratio of revenues to billings).

We also monitor the efficiency of our marketing activities with the KPI CPL.

## EMPLOYEES

At the end of the reporting period on 30 June 2014, Lotto24 AG had 33 employees (full-time equivalents, excluding the two Executive Board members, prior year: 22), of which four were on parental leave (prior year: 1). Over half of our employees were employed in the Marketing department. In addition, there were 23 student helpers - mainly in the call centre (prior year: 19).

## RESEARCH & DEVELOPMENT

Lotto24 did not conduct any research and development activities in the period under review. An IT service provider has been commissioned to continue the development of game brokerage software created and operated on our behalf by Smartgames Technologies Ltd..

## ECONOMIC REPORT

### LEGAL CONDITIONS

#### State Treaty on Games of Chance

The new German legislation on games of chance came into force on 1 July 2012 in the version of the First State Treaty to Revise the State Treaty on Games of Chance (»GlüStV«). Unfortunately, the new GlüStV maintains many of the more restrictive regulations of the previous State Treaty on Games of Chance of 15 December 2007 (»GlüStV 2008«). In contrast to the general Internet ban of the GlüStV 2008, however, the new GlüStV grants private providers the possibility to receive an online brokerage permit. As a result, our business model as a commercial online broker of lotteries has been legally permissible in Germany again since 2012. However, the conditions for receiving such a permit are highly restrictive and uncertain. Moreover, there is no legal claim to the granting of the respective permit.

#### Nationwide brokerage permit

On 24 September 2012, Lotto24 received the permit allowing it to broker state lotteries via the Internet throughout Germany. The permit is initially limited to a period of five years and contains many restrictive and in part uncertain ancillary provisions and conditions. Our entrepreneurial freedom is restricted above all by mandatory regulations regarding the protection of minors and the duty to regionalise gaming revenues according to the various federal states.

#### Advertising permit

On 13 March 2013, Lotto24 AG was one of the first private German companies to receive an advertising permit for an initial period of two years. It authorises Lotto24 to advertise the online marketing of state-run lotteries throughout Germany via the Internet and TV. However, the advertising permit also contains significant restrictions – for example, for e-mail advertising, discount amounts and social media advertising. So far, these restrictions have not significantly impacted our business activities. We also assume that they apply equally to our direct competitors.

#### Legal uncertainties

We believe that there are still significant legal uncertainties even with the current GlüStV. All in all, it is uncertain whether or not the GlüStV, or individual prohibitions and restrictions, can be legally applied at all in the long run. In the medium to long term, it is also uncertain which regulatory targets will be maintained and how the regulatory framework in Germany will develop. In our opinion, the German government continues to pursue hypocritical objectives and is therefore incoherent. The European Court of Justice (»ECJ«) has once again called for coherent and appropriate gaming regulation: in its ruling of 12 June 2014, it underlined that national restrictions in the field of gaming required special justification. We believe that there is no such justification for the severe restrictions placed on lottery brokerage in Germany and we therefore regard key regulations of the GlüStV as an infringement of EU law and thus inapplicable.

#### Legal disputes and regulatory proceedings

On 24 October 2012, we brought an action before the Administrative Court of Hamburg against Lower Saxony's Ministry for Economics, Labour and Transport regarding its restrictive permit regulations, demanding the issue of an unrestricted permit. On 12 April 2013, we also brought an action before the Administrative Court of Hamburg against the state of North Rhine-Westphalia, represented by the District Government of Düsseldorf, regarding the restrictive ancillary regulations of the advertising permit and for the granting of an unrestricted permit.

The hearing for our action against the ancillary regulations of the marketing and advertising permits was held at the Administrative Court of Hamburg on 3 July 2014. No decisions have been passed on either matter as yet. However, we expect first instance rulings in the coming weeks.

## ECONOMIC CONDITIONS

### Promising lottery market

Following the introduction of the GlüStV 2008 on 1 January 2008, which contained a general prohibition for the online brokering of all gaming products from 1 January 2009 onwards, the German lottery market fell strongly: according to a survey of Global Betting and Gaming Consultants »GBGC« in April 2013, German lottery revenues fell by 16.0% between 1 August 2007 and 31 December 2012, while international lottery revenues increased by 22.0% over the same period.

With the introduction of the GlüStV on 1 July 2012, a long-term rise in total lottery revenues to around EUR 11 billion in 2020 is now expected, representing a compound average growth rate (CAGR) of approximately 4.5% (source: Media & Entertainment Consulting Network GmbH »MECN«, »MECN Extra Research, German Lottery Market«, July 2013).

We believe that this growth of the German lottery market will be driven above all by three factors:

- strong revenue growth of the German lottery market due to catch-up effects in Germany,
- rising per capita spending for lottery products, for example due to new products and price/product changes for the German lottery »Lotto 6aus49«,
- greater awareness and improved perception of lottery products as a result of rising marketing expenditure following the advertising guideline of 1 February 2013, as well as an expansion of the advertising channels used due to the removal of marketing restrictions.

Assuming that the current regulatory situation remains unchanged, a study published by Goldmedia GmbH on 18 May 2010 estimates that online lottery revenues will grow on average by as much as 21.0% per year (CAGR) in the period 2013 to 2016. MECN expects that the online share of the lottery market will account for around EUR 3.5 billion of total revenues in 2020 – and thus approximately 30.0% of total revenues of around EUR 11 billion.

### Good revenue growth in 2013

In 2013, total revenues of the German Association of State Lottery Companies (»Deutscher Lotto- und Totoblock, DLTB«) consisting of the products »Lotto 6aus49«, »Spiel 77«, »EuroJackpot«, »Super 6«, »Sofortlotterien«, »Glücksspirale«, »ODDSET«, »KENO«, »BINGO«, »TOTO« and »Plus5« were over EUR 7 billion and thus around 10.0% higher than in the previous year.

The »Lotto 6aus49« lottery and »Spiel 77« supplementary lottery accounted for the largest share with revenues of EUR 4 billion and EUR 1 billion, respectively. The »EuroJackpot«, which is now played in 14 countries and has thus established itself as Europe's largest lottery, generated EUR 493 million in Germany alone.

### Market share of Lotto24 AG

In 2008 (the last year before the online brokerage ban was introduced), online revenues in Germany accounted for almost 10% of the total market (source: Dr. Luca Rebeggiani, »Deutschland im Jahr Drei des GlüStV«, May 2010). According to DLTB figures published annually, the share of online revenues was just 3.0% (or EUR 219 million) in 2013. With billings of around EUR 31 million, Lotto24's share of the online lottery market in fiscal year 2013 was thus approximately 14.0%.

#### Changing revenue situation in 2014

Although DLTB revenues (consisting here of »Lotto 6aus49«, »Spiel 77«, »EuroJackpot«, »Super 6« and »Glücksspirale«) in the first half of 2014 were up 4.5% on the previous year, revenues of DLTB in the second quarter of 2014 were down 9.3% on the first three months - due in part to modest jackpots.

#### Great potential for online segment

In addition to the two growth drivers of the German lottery market already mentioned, the following factors form the basis for our expectations of potential growth for its online segment:

- As online lottery offerings were completely forbidden until the end of 2011 and this market was only opened again in the course of 2012, we expect strong revenue growth in future. Compared with foreign online lottery markets, which were less strictly regulated in the past years, we expect above-average growth for Germany in the medium term: in selected European countries, the online lottery market in 2011 accounted for an average of around 10.8% - in Finland the figure was around 21.3%, in the UK around 15.9% and in Austria around 4.6% (source: MECN, »MECN Lottery Benchmarking and Success Factors, 4th Edition«, November 2012).
- The growing importance of e-commerce as a sales channel for various products and services confirms the potential for the online lottery market - and mobile offerings strengthen this trend even more. In 2011, for example, the proportion of holidays sold online was 45.0% (source: Ulysses »Web-Tourismus« Rossmann & Donner GbR, 2011), that of music was 47.5% in 2012 (source: Bundesverband Musikindustrie, »Jahrbuch Musikhandel 2012«) and that of online banking was 45.0% in 2013 (source: Bundesverband deutscher Banken e.V., »Zahlen, Daten, Fakten der Kreditwirtschaft«, November 2013).

#### Product portfolios of the lottery companies

The development of our revenues may be positively or negatively influenced by enhancements or changes to the product portfolios of the German lottery companies and the respective regulations for the online brokerage of these products. We currently expect the product portfolio to be expanded in future.

#### Advertising and competition

Both our revenues from the brokerage of gaming products and our profitability are strongly determined by the scope and success of our marketing measures - especially new customer acquisition. In addition to the regulatory conditions, our key performance indicators (KPIs) are also influenced by the number of competitors aggressively advertising their online lottery services, such as the state lottery companies and private brokers.

At the time of the introduction of the GlüStV in July 2012, most state lottery companies relaunched their online products and generally advertised them heavily. The private service providers, however, had to wait until the end of September 2012 - and in some cases much longer - to receive the necessary nationwide permits. The authorities thus gave the state companies a time advantage in this respect which we believe contravenes EU law. In October 2012, the state companies opened a joint marketing platform under [www.lotto.de](http://www.lotto.de) in addition to their own offers. We believe this offer is in breach of anti-trust regulations, as it greatly strengthens the market dominance of these providers and extends it to the Internet. This was also confirmed by an expert in anti-trust law Professor Dr. Andreas Fuchs in a report for the German Lottery Association:

»With the creation of the joint platform [www.lotto.de](http://www.lotto.de) for online marketing and simultaneous strict implementation of the need to regionalise revenues generated this way, the state lottery companies (...) have extended their existing market division regarding lottery products to this new sales channel, thus precluding any potential competition between each other and ensuring territorial division (...). This represents an intentional and enforced restriction of competition in contravention of Article 101 (1) TFEU and Section 1 GWB.«

According to information of the federal states of Lower Saxony and North Rhine-Westphalia, 23 private providers have received brokerage and advertising permits pursuant to GlüStV, in addition to the state-owned companies. Although these private brokers conducted only modest advertising in 2013, we observed both increased competition and higher advertising spending for online lotteries in the first half of 2014 - due in part to the investments of two media companies in smaller competitors announced in the first quarter. Finally, a number of secondary lottery providers are also active on the market. Some of these are aggressively advertising their products via the Internet, although they possess neither brokerage nor advertising permits for Germany.

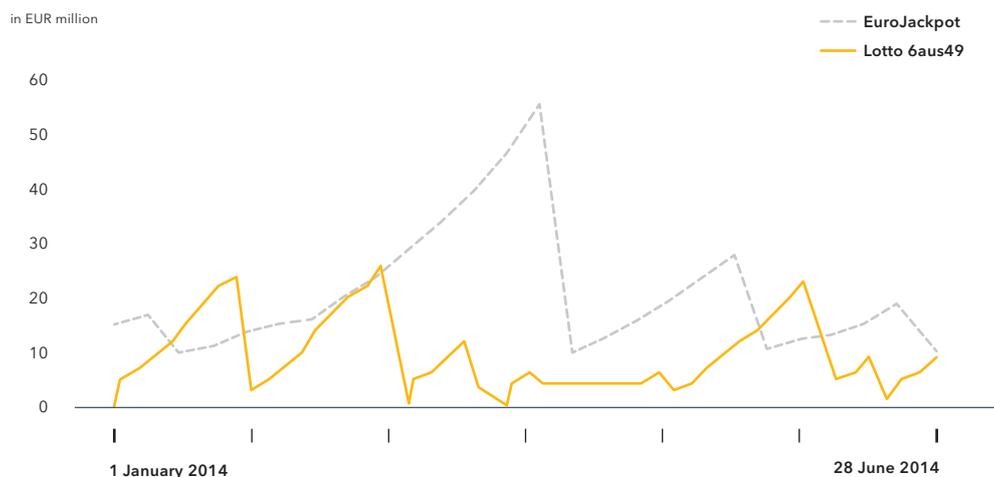
Although only limited information on revenues and customer figures of our competitors is publicly available, we assume that we are Germany's leading lottery broker by far. This is based on the low level of advertising conducted to date by our competitors as well as on other market research data (user figures GfK, Nielsen). This leading position has been confirmed to us by several DLTB companies.

#### High jackpots

We expect particularly strong increases in the number of registered customers when potential players have greater expectations of exceptional winnings, in other words whenever there are large jackpots. Such jackpots are comprised of 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 the German »6aus49« number lottery, this relates in particular to the combination of six correct numbers and the super number. In our opinion, the price and product changes introduced in May 2013 have had an effect on the frequency of attractive jackpots. However, there may also be inflationary effects: whereas a »Lotto 6aus49« jackpot of EUR 20 million was still sufficient in 2013 to attract German lottery players in their masses, much higher jackpot sums are now required.

In the first half of 2014, there were three »Lotto 6aus49« jackpots of over EUR 20 million - whereby the second quarter was relatively weak with just one jackpot in excess of EUR 20 million and almost twice as many jackpots below EUR 10 million as in the first quarter. The largest jackpot in the first six months of 2014 was the »EuroJackpot« of EUR 56 million won on 4 April 2014. Its impact on our customer figures is still relatively low, however, as this lottery was only introduced in 2012 and is thus a comparatively unknown product.

#### Jackpot development in 2014



## BUSINESS DEVELOPMENT

In 2014, we intend to build on our leading position among Germany's lottery brokers by efficiently acquiring new customers with targeted advertising and further establishing and strengthening the Lotto24 brand. We will focus mainly on using our wide range of online marketing measures, but will also continue to test the offline segment, for example via TV campaigns, radio commercials and posters.

As expected, there was strong year-on-year growth in billings and revenues in particular in the first half of 2014 with increases of over 400% thanks to our marketing activities. With 58 thousand new customer registrations in the second quarter of 2014 (prior year: 52 thousand), the number of registered customers as of 30 June 2014 amounted to 372 thousand (prior year: 95 thousand). Due to increased marketing expenditure - also in connection with more cost-intensive offline tests - CPL was comparatively high at EUR 46.16 in the first six months of 2014 (prior year: EUR 29.80). Despite the statistically unfavourable jackpot development and fiercer competition - leading to rising costs for search engine marketing, for example - CPL in the second quarter amounted to EUR 44.64 (prior year: EUR 32.42) and was thus below the very high level in the first quarter of 2014 (EUR 47.30).

### Mobile sales

On 10 April 2014, we received the approval for our iOS app. As a result, the Lotto24 app was briefly available for both Android (Google) and iOS (Apple) devices - optimised for the respective smartphones and tablets. Shortly after receiving Apple's release, however, Google informed us that the Lotto24 Android app available since December would no longer be offered in the so-called »Google Play Store«. This was due to a change in Google's guidelines for all gaming apps - and therefore also affects the competition. With reference to our official permit for lottery brokerage, we applied to Google for the renewed release of the app. When and whether Google will approve this request, however, is currently unknown. Until then, the Lotto24 Android app can be downloaded at [lotto24-app.de](http://lotto24-app.de). In addition, we entered into a cooperation with Formigas GmbH on 9 May 2014, the developers of the lottery app »Clever Lotto«. This high-reach app generates new customers and tickets which are brokered directly via Lotto24.

### Second successful Annual General Meeting in Hamburg

Our second Annual General Meeting as a listed company was held in Hamburg on 21 May 2014. With a total presence of around 50% of voting capital, the shareholders who attended once again adopted all items on the agenda with large majorities. In addition to the usual approval for the actions of both Executive Board and Supervisory Board, as well as the appointment of auditors for the annual financial statements, the existing Authorised Capital was increased and replaced by new Authorised Capital. As a result, the Executive Board was authorised to raise share capital by up to EUR 3,992,544 - or 20% of share capital - in the period up to 20 May 2019.

## POSITION

| Income statement                             | Q. I-II 2014    |                 |              | Q. II 2014      |                 |              |
|--|-----------------|-----------------|--------------|-----------------|-----------------|--------------|
|  | in EUR thousand | in EUR thousand | Change %     | in EUR thousand | in EUR thousand | Change %     |
| Billings                                     | 36,741          | 7,298           | 403.4        | 17,512          | 5,258           | 233.0        |
| Stakes to be remitted (less revenues)        | -33,369         | -6,639          | 402.6        | -15,864         | -4,794          | 231.0        |
| <b>Revenues</b>                              | <b>3,372</b>    | <b>659</b>      | <b>411.3</b> | <b>1,647</b>    | <b>465</b>      | <b>254.6</b> |
| Personnel expenses                           | -1,910          | -1,717          | 11.2         | -960            | -959            | 0.1          |
| Other operating expenses                     | -8,756          | -3,849          | 127.5        | -3,890          | -2,584          | 50.5         |
| less other operating income                  | 50              | 470             | -89.4        | 15              | 10              | 42.7         |
| <b>Operating expenses</b>                    | <b>-10,616</b>  | <b>-5,096</b>   | <b>108.3</b> | <b>-4,835</b>   | <b>-3,533</b>   | <b>36.9</b>  |
| <b>EBITDA</b>                                | <b>-7,244</b>   | <b>-4,437</b>   | <b>63.3</b>  | <b>-3,188</b>   | <b>-3,068</b>   | <b>3.9</b>   |
| Amortisation and depreciation                | -104            | -27             | 288.1        | -83             | -15             | 448.8        |
| <b>EBIT</b>                                  | <b>-7,348</b>   | <b>-4,464</b>   | <b>64.6</b>  | <b>-3,271</b>   | <b>-3,083</b>   | <b>6.1</b>   |
| Financial result                             | 64              | 99              | -35.2        | 7               | 30              | -77.2        |
| <b>Earnings before taxes</b>                 | <b>-7,283</b>   | <b>-4,364</b>   | <b>66.9</b>  | <b>-3,264</b>   | <b>-3,053</b>   | <b>6.9</b>   |
| Income taxes                                 | -195            | 1,379           | -114.1       | -95             | 951             | -110.0       |
| <b>Net profit</b>                            | <b>-7,478</b>   | <b>-2,985</b>   | <b>150.5</b> | <b>-3,360</b>   | <b>-2,102</b>   | <b>59.9</b>  |
| <b>Breakdown of other operating expenses</b> |                 |                 |              |                 |                 |              |
| Marketing expenses <sup>1)</sup>             | -6,220          | -1,983          | 213.7        | -2,574          | -1,673          | 53.8         |
| Direct operating expenses                    | -935            | -153            | 509.5        | -496            | -109            | 354.6        |
| Indirect operating expenses                  | -1,601          | -1,713          | -6.6         | -820            | -802            | 2.3          |
| Other expenses                               | -               | -               | -            | -               | -               | -            |
| <b>Other operating expenses</b>              | <b>-8,756</b>   | <b>-3,849</b>   | <b>127.5</b> | <b>-3,890</b>   | <b>-2,584</b>   | <b>50.5</b>  |

<sup>1)</sup> of which B2B and business services accounted for EUR -167 thousand (prior year: EUR -50 thousand)

| Key figures  | Q. I-II 2014 | Q. I-II 2013 |
|--|--------------|--------------|
| Number of registered customers as of 30 June (in thousand)         | 372          | 95           |
| Number of new customer registrations Q. I-II (in thousand)         | 135          | 67           |
| Average number of registered customers (in thousand) <sup>1)</sup> | -            | -            |
| Average number of active customers (in thousand) <sup>1)</sup>     | -            | -            |
| Average activity rate (%) <sup>1)</sup>                            | -            | -            |
| Average billings per active customer (in EUR) <sup>1)</sup>        | -            | -            |
| Cost per lead (in EUR)   | 46.16        | 29.80        |
| <b>Gross margin (%)</b>  | <b>9.2</b>   | <b>9.0</b>   |
| <b>Direct operating expenses as a proportion of billings (%)</b>   | <b>2.5</b>   | <b>2.1</b>   |
| Employees as of 30 June (headcount) <sup>2)</sup>                  | 33           | 22           |

<sup>1)</sup> figures only disclosed on annual basis

<sup>2)</sup> not including members of the Executive Board

**Registered customers:** customers who have successfully completed the registration process on the Company's website. This number is disclosed after adjustment for multiple registrations and deregistrations.

**Average number of active customers:** the arithmetic mean of the month-end figures for registered customers in the period under review (prior year: arithmetic mean of the number of registered customers at the beginning and end of the period under review).

**Active customers:** customers who complete at least one transaction per month.

**Average activity rate:** the relationship between the average number of active customers and the average number of registered customers in one year.

**Average number of active customers in one year:** the arithmetic mean of the number of active customers in each month of a year.

**Average billings per active customer:** the relationship between total billings of Lotto24 AG (including B2B and business services) and the average number of active customers.

## EARNINGS POSITION

### Continued growth in billings and revenues

At EUR 36,741 thousand (prior year: EUR 7,298 thousand) and EUR 3,372 thousand (prior year: EUR 659 thousand), respectively, billings and revenues easily exceeded their prior-year figures in the first six months of 2014. In the second quarter, billings amounted to EUR 17,512 thousand (prior year: EUR 5,258 thousand) with revenues of EUR 1,647 thousand (prior year: EUR 465 thousand). Revenues result mainly from commissions received from the state lottery companies for the brokerage of lottery products, as well as from additional fees/ticket fees incurred in connection with the brokerage of stakes.

We offer major online portals and lottery companies IT and marketing services for the operation of their own online lottery services (B2B and business services). In 2012, we already recruited two major partners as multipliers for these integrated services with WEB.DE and GMX.

The billings from these cooperations and the corresponding revenues are included in our figures, but not disclosed separately for contractual reasons. Customers generated via these partners are therefore not included in the number of registered customers. This must be considered when assessing the respective figures.

Thanks to an encouraging gross margin of 9.4% in the second quarter (prior year: 8.8%), the figure for the first six months as a whole rose to 9.2% (prior year: 9.0%). This positive trend was due in part to the quantity scales negotiated with certain state lottery companies which positively impacted our gross margin when specific volume thresholds were reached.

### **CPL reduced despite adverse conditions**

Two external factors had a particularly negative impact on customer acquisition in April to June 2014: with just one »Lotto 6aus49« jackpot in excess of EUR 20 million and almost twice as many jackpots below EUR 10 million as in the first quarter, the German lottery market made only modest progress in the second quarter. Moreover, the FIFA World Cup in June was the major focus of attention - with the resulting unfavourable effects for lottery activities in Germany observed every four years.

Following the two TV campaigns and the radio test in the first quarter of 2014, we ran one further TV campaign in the second quarter in addition to our classic online advertising. With marketing expenses of EUR -2,574 thousand (prior year: EUR -1,673 thousand), CPL of EUR 44.64 in the second quarter of 2014 (prior year: EUR 32.42) fell below the very high figure for the preceding quarter (EUR 47.30) - despite the statistically unfavourable jackpot development and fiercer competition leading to rising costs for search engine marketing, for example. For the first six months as a whole, marketing expenses of EUR -6,220 thousand (prior year: EUR -1,983 thousand) resulted in a CPL of EUR 46.16 (prior year: EUR 29.80). With 58 thousand new customer registrations in the second quarter of 2014 (prior year: 52 thousand), the number of registered customers as of 30 June 2014 stood at 372 thousand (prior year: 95 thousand). The quality of our customers continued to exceed expectations (based on past experience). After consideration of jackpot-related fluctuations, this quality can be seen from average billings per active customer and the activity rate.

As the media mix will continue to be tested in the current fiscal year, CPL will also vary strongly in future - depending on the jackpot situation, the volume of marketing expenses and the behaviour of competitors

### **Earnings dominated as expected by start-up costs**

As expected, earnings were dominated by start-up costs - especially by the increased costs for marketing, higher direct operating expenses and the rise in personnel expenses. As a result, EBIT fell to EUR -7,348 thousand in the first six months of 2014 (prior year: EUR -4,464 thousand). The prior-year figure was also influenced by a cancellation agreement between Lotto24 AG and Tipp24 SE regarding a service contract for customer contacting and age verification, which raised earnings in this period by EUR 450 thousand.

The financial result amounted to EUR 64 thousand (prior year: EUR 99 thousand), whereby financial income resulted from interest received on investing liquid funds not immediately required. The net loss for the period grew by EUR -4,493 thousand to EUR -7,478 thousand (prior year: EUR -2,985 thousand). In the reporting period, no »negative« income taxes on loss carryforwards were considered due to a more conservative view compared to the previous year. Earnings per share amounted to EUR -0.37 (prior year: EUR -0.21).

### **Development of key income statement items**

At the end of the reporting period on 30 June 2014, Lotto24 AG had 33 employees (full-time equivalents, excluding the two Executive Board members, prior year: 22), of which four were on parental leave (prior year: 1). Over half of our employees were employed in the Marketing department. Due mainly to the year-on-year increase in staff, personnel expenses increased to EUR -1,910 thousand (prior year: EUR -1,717 thousand).

Compared to the same period last year, other operating expenses in the first six months of 2014 rose from EUR -3,849 thousand to EUR -8,756 thousand. The development in detail was as follows:

- As we did not receive an advertising permit until 13 March 2013 and thus only began relevant marketing activities in the second quarter of 2013, marketing expenses rose year on year from EUR -1,983 thousand to EUR -6,220 thousand. This was due in part to the above-mentioned and comparatively cost-intensive offline sector tests.

- Indirect operating expenses fell slightly from EUR -1,713 thousand to EUR -1,601 thousand. Technical costs of EUR -788 thousand (prior year: EUR -1,087 thousand) were incurred, for example, for the further development of repeat ticket offerings, the SEPA changes, general process improvements, and enhancements in connection with submitting tickets to the state lottery companies. Due mainly to the fact that our Annual General Meeting was held one quarter earlier than in 2013 (second half of the year), consultancy expenses rose from EUR -370 thousand to EUR -489 thousand.
- Direct costs of operations rose from EUR -153 thousand to EUR -935 thousand. These mainly comprise the costs for the technical processing of gaming operations and payment transactions. As all direct costs increase proportionately with the amount of billings, we expect a further significant increase in these costs in future.

The increase in depreciation/amortisation of tangible and intangible assets from EUR -27 thousand to EUR -104 thousand in the first half of 2014 resulted from the scheduled amortisation of intangible assets and depreciation of acquired office and communication technology.

## FINANCIAL POSITION

### Financial analysis

Our financial situation is mainly dominated by short-term liabilities and equity. As a result of our successful capital increase in September 2013, the subscribed capital of Lotto24 AG increased to EUR 19,963 thousand.

As of 30 June 2014, equity amounted to EUR 30,146 thousand and comprised the following items:

| Equity             | <u>30.06.2014</u>    | 31.12.2013           |
|--------------------|----------------------|----------------------|
| in EUR thousand    |                      |                      |
| Subscribed capital | 19,963               | 19,963               |
| Capital reserves   | 31,628               | 31,628               |
| Other reserves     | -14                  | -36                  |
| Retained earnings  | -21,431              | -13,953              |
| <b>Total</b>       | <b><u>30,146</u></b> | <b><u>37,602</u></b> |

Subscribed capital equals the Company's share capital and is fully paid. Influenced by the earnings position, the balance sheet total fell from EUR 42,830 thousand to EUR 35,595 thousand.

| Trade payables  | <u>30.06.2014</u>   | 31.12.2013          |
|-----------------|---------------------|---------------------|
| in EUR thousand |                     |                     |
| Trade payables  | 1,726               | 1,651               |
| <b>Total</b>    | <b><u>1,726</u></b> | <b><u>1,651</u></b> |

Trade payables mostly comprise open payment obligations as of the balance sheet date for marketing, legal and technical consultancy services already received. All trade payables have remaining terms of up to one year.

As of 30 June 2014, other liabilities consisted of the following:

| Other liabilities                                 | 30.06.2014   | 31.12.2013   |
|---|--------------|--------------|
| in EUR thousand                                   |              |              |
| Liabilities from gaming operations                | 2,417        | 2,193        |
| Amounts due in connection with payroll processing | 47           | 35           |
| Holiday obligations                               | 103          | 46           |
| Other   | 3            | -            |
| <b>Total</b>                                      | <b>2,570</b> | <b>2,274</b> |

As of 30 June 2014, other liabilities rose to EUR 2,570 thousand (prior year: EUR 2,274 thousand), mainly as a result of liabilities from extended brokerage operations of EUR 2,417 thousand (prior year: EUR 2,193 thousand). This item, which is expected to increase strongly as billings grow, comprises obligations from invoicing our customers and the state lottery companies.

#### Investment analysis

In the reporting period, we invested a total of EUR -191 thousand (prior year: EUR -95 thousand) in software and hardware needed for our operating business, as well as in furniture, fixtures and office equipment.

| Liquidity analysis  | Q. I-II 2014  | Q. I-II 2013  |
|---|---------------|---------------|
| in EUR thousand   |               |               |
| Cash flow from operating activities                       | -6,575        | -4,491        |
| Cash flow from investing activities                       | -2,188        | 826           |
| thereof financial investments                             | -1,997        | 921           |
| thereof operative investments                             | -191          | -95           |
| Cash flow from financing activities                       | -             | -             |
| <b>Change in cash and cash equivalents</b>                | <b>-8,763</b> | <b>-3,666</b> |
| Cash at the beginning of the period                       | 16,490        | 8,086         |
| <b>Cash and cash equivalents at the end of the period</b> | <b>7,727</b>  | <b>4,421</b>  |
| Available-for-sale financial investments (medium-term)    | 2,629         | 2,051         |
| Held-to-maturity financial investments                    | 1,500         | -             |
| <b>Available funds</b>                                    | <b>11,855</b> | <b>6,472</b>  |

In the reporting period, cash flow from operating activities amounted to EUR -6,575 thousand (prior year: EUR -4,491 thousand). This item mainly reflects the development of earnings, the effect from the decline in current receivables, and the increase in liabilities.

Cash flow from investing activities amounted to EUR -2,188 thousand (prior year: EUR 826 thousand). The net outgoings result mainly from the investment of free liquidity and capital expenditure.

There was no cash flow from financing activities in the reporting period (prior year: EUR - thousand).

As of 30 June 2014, other assets and prepaid expenses comprised the following items:

| Other assets and prepaid expenses  | 30.06.2014   | 31.12.2013   |
|------------------------------------|--------------|--------------|
| in EUR thousand                    |              |              |
| Tax receivables (VAT)              | 110          | 275          |
| Receivables from gaming operations | 774          | 909          |
| Prepaid expenses                   | 197          | 446          |
| Deposits                           | 537          | 412          |
| Other                              | 8            | 11           |
| <b>Total</b>                       | <b>1,626</b> | <b>2,053</b> |

### ASSET POSITION

Compared to 31 December 2013, total assets decreased by EUR -7,235 thousand to EUR 35,595 thousand as of 30 June 2014. This overall effect resulted mainly from the decline in cash and other financial assets to finance operations on the one hand, and the slight increase in liabilities on the other. Current assets mainly comprise cash and cash equivalents (EUR 5,018 thousand; prior year: EUR 16,490 thousand), other financial assets (EUR 6,837 thousand; prior year: EUR 2,099 thousand) and other receivables and prepaid expenses (EUR 1,626 thousand; prior year: EUR 2,053 thousand).

Non-current assets are dominated by goodwill (EUR 18,850 thousand; unchanged from last year) and deferred tax assets (EUR 2,430 thousand; prior year: EUR 2,635 thousand).

### OVERALL ASSESSMENT OF THE ECONOMIC POSITION OF LOTTO24 AG

Lotto24 is well positioned to participate in the German online lottery market: whereas our business was still significantly restricted by regulatory conditions until mid March 2013, we have since been able to accelerate the establishment of operations as planned – thanks in part to the financial scope provided by our capital increase in September 2013 and the new Authorised Capital – and extend our position as the leading online broker of lottery products.

### SUBSEQUENT EVENTS

In a letter dated 17 February 2014, the Federal Financial Supervisory Authority (BaFin) expressed the view that by accepting stakes and forwarding them to the relevant lottery companies, and by accepting games winnings and forwarding them to the respective players, Lotto24 AG is acting as a payment institution by providing payment services in the form of money remittance transactions which require the relevant permit pursuant to Sec. 8 (1) Sentence 1 of the Payment Services Supervision Act («Zahlungsdienststeaufsichtsgesetz» – ZAG). In a detailed response to BaFin on 12 March 2014, we expressed the opinion that we do not require such a permit as we are already obliged and entitled under the relevant provisions of the German Money Laundering Act («Geldwäschegesetz») to set up gaming accounts for our clients and to use them to settle payment transactions for games of chance. In a letter dated 29 July 2014, BaFin confirmed our opinion and informed us that contrary to the assessment of 17 February 2014 there was no permit obligation pursuant to Sec. 8 (1) Sentence 1 ZAG, providing Lotto24 AG processed the payment transactions for games of chance.

At its most recent meeting, the Supervisory Board of Lotto24 AG reappointed Executive Board member Magnus von Zitzewitz for a period of five years up to the end of April 2020.

## REPORT ON EXPECTED DEVELOPMENTS AND ASSOCIATED MATERIAL OPPORTUNITIES AND RISKS

### RISK REPORT

Lotto24 is a young company which has only been in business since 2012 and competes in the dynamic and growing field of online brokerage of state-run lottery products.

Our business model is influenced by a number of factors, including the legal and macroeconomic conditions, the retention of brokerage and advertising permits, and cooperations with our business partners or other contractual relationships. On this basis, we make assumptions about our development and profitability, the level of billings and revenues, cost items, staffing, funding and key balance sheet items which may prove to be false or incomplete. There is also no guarantee that Lotto24 can succeed in this market. In particular, our continued growth depends on whether, and to what extent, we are able to gain new customers, to expand our current offerings, to add further products to the range and to establish new sales channels.

In the worst scenario, the business model may prove to be unprofitable or unviable. This may lead to impairment especially of capitalised non-current assets, as well as to other significant negative effects on the financial position and performance of Lotto24.

In our Annual Report 2013, we presented certain risks which may have an adverse effect on our financial position and performance as well as our reputation. In addition, we described our most important opportunities and our risk management system.

#### Assessment of the risk situation

We believe that the occurrence probability of the risks presented in our Annual Report 2013 varies and consider the overall risk position as moderate. We estimate the likelihood of risks that could jeopardise the continued existence of the Company as being minor. Moreover, in such cases we would fully exploit all possibilities of legal protection. In the first six months of fiscal year 2014, we did not identify any other material risks and opportunities which might endanger the Company's continued existence.

### FORECAST REPORT

We are well positioned to benefit from the liberalisation of online lottery brokerage in Germany and to exploit the tremendous market opportunities.

Following the receipt of an advertising permit in March 2013, we actively market our range of products and services via nationwide TV and online advertising. We therefore believe that this confirms our assessment regarding the viability of our business model and that we can look forward to a phase of dynamic company growth.

### EXPECTED EARNINGS POSITION

Assuming that the regulatory environment remains unchanged, we expect a significant year-on-year increase – of up to three times the prior-year figure – in billings and revenues for fiscal year 2014, depending on the jackpot situation. Gross margin is likely to be similar to that of the previous year. As revenues are still comparatively low and marketing expenses will continue to rise strongly, losses are expected to be higher than in 2013 with regard to both EBIT and net profit. Moreover, we expect to add at least 300 thousand new customer registrations in fiscal year 2014 – also depending on the jackpot situation.

With strong growth in billings (+403.4%) and revenues (+411.3%), a gross margin similar to the previous year (9.2%), an EBIT result (EUR -7,348 thousand) burdened by higher marketing expenses (EUR -6,220 thousand) and 135 thousand new customer registrations, our development in the first six months of 2014 remains in line with expectations.

### EXPECTED FINANCIAL POSITION

Thanks to the capital increase conducted in September 2013, we still have significant funds available after the first six months of 2014 with cash and other financial assets totalling EUR 11,855 thousand. We will use these funds mainly for marketing activities to accelerate new customer acquisition. Moreover, we plan to widen our product portfolio to include further lotteries to broker and to expand our services for state-licensed lotteries.

At our Annual General Meeting on 21 May 2014, the Executive Board was also authorised to raise share capital by up to EUR 3,992,544 – or 20% of share capital – in the period up to 20 May 2019.

Based on the relatively low revenue streams in the early stage of our business, and the strong increase in marketing activities, we expect significant use of funds in fiscal year 2014 – after cash and other financial assets already fell by EUR 6,734 thousand in the first six months of 2014 from EUR 18,589 thousand on 31 December 2013.

### REPORT ON TRANSACTIONS WITH RELATED PARTIES

With regard to disclosures on past transactions with related parties, we refer to Note 21 on page 37.

**Hamburg, 6 August 2014**

The Executive Board



**Petra von Strombeck**  
Chief Executive Officer



**Magnus von Zitzewitz**  
Member of the Executive Board

# 03. CONDENSED INTERIM FINANCIAL STATEMENTS

## INCOME STATEMENT

FROM 1 JANUARY TO 30 JUNE ACCORDING TO IFRS

|  |       | Q. I-II 2014  | Q. I-II 2013  | Q. II 2014    | Q. II 2013    |
|--|-------|---------------|---------------|---------------|---------------|
| in EUR thousand  | Note  |               |               |               |               |
| Billings   |       | 36,741        | 7,298         | 17,512        | 5,258         |
| Remitted stakes (less commissions)   |       | -33,369       | -6,639        | -15,864       | -4,794        |
| <b>Revenues</b>  | 5     | <b>3,372</b>  | <b>659</b>    | <b>1,647</b>  | <b>465</b>    |
| Other operating income   | 6     | 50            | 470           | 15            | 10            |
| <b>Total performance</b>   |       | <b>3,422</b>  | <b>1,129</b>  | <b>1,662</b>  | <b>475</b>    |
| <b>Operating expenses</b>  |       |               |               |               |               |
| Personnel expenses   | 7     | -1,910        | -1,717        | -960          | -959          |
| Amortisation/depreciation on intangible assets and property, plant and equipment   | 15,16 | -104          | -27           | -83           | -15           |
| Other operating expenses   | 8     | -8,756        | -3,849        | -3,890        | -2,584        |
| <b>Result from operating activities (EBIT)</b>                                     |       | <b>-7,348</b> | <b>-4,464</b> | <b>-3,271</b> | <b>-3,083</b> |
| Revenues from financial activities   | 9     | 64            | 100           | 7             | 31            |
| Expenses from financial activities   | 9     | 0             | 0             | -             | 0             |
| <b>Financial result</b>  | 9     | <b>64</b>     | <b>99</b>     | <b>7</b>      | <b>30</b>     |
| <b>Net profit before taxes</b>   |       | <b>-7,283</b> | <b>-4,364</b> | <b>-3,264</b> | <b>-3,053</b> |
| Income taxes   | 10    | -195          | 1,379         | -95           | 951           |
| <b>Net profit</b>  |       | <b>-7,478</b> | <b>-2,985</b> | <b>-3,360</b> | <b>-2,102</b> |
| Earnings per share (undiluted and diluted, in EUR/share)                           |       | -0.37         | -0.21         | -0.17         | -0.15         |
| Weighted average of ordinary shares outstanding (undiluted and diluted, in shares) |       | 19,962,720    | 13,973,904    | 19,962,720    | 13,974,904    |

Net profit after tax is attributable to the owners of Lotto24 AG, Hamburg.

## STATEMENT OF COMPREHENSIVE INCOME

FROM 1 JANUARY TO 30 JUNE ACCORDING TO IFRS

|   |      | Q. I-II 2014  | Q. I-II 2013  | Q. II 2014    | Q. II 2013    |
|---|------|---------------|---------------|---------------|---------------|
| in EUR thousand                               | Note |               |               |               |               |
| <b>Net profit for the period</b>              |      | <b>-7,478</b> | <b>-2,985</b> | <b>-3,360</b> | <b>-2,102</b> |
| Losses of financial assets available for sale | 11   | 33            | -105          | 63            | -48           |
| Income tax effects                            |      | -11           | 34            | -20           | 15            |
| Other result after tax <sup>1)</sup>          |      | 22            | -71           | 43            | -32           |
| <b>Total net profit after tax</b>             |      | <b>-7,456</b> | <b>-3,056</b> | <b>-3,317</b> | <b>-2,134</b> |

<sup>1)</sup> Possibly reclassified to income statement in subsequent periods.

Total net profit after tax is attributable to the owners of Lotto24 AG, Hamburg.

## BALANCE SHEET

### AS OF 30 JUNE ACCORDING TO IFRS

| in EUR thousand                        |      | 30.06.2014    | 31.12.2013    |
|--|------|---------------|---------------|
| <b>ASSETS</b>                          | Note |               |               |
| <b>Current assets</b>                  |      |               |               |
| Cash and cash equivalents              | 11   | 5,018         | 16,490        |
| Other financial assets                 | 11   | 6,837         | 2,099         |
| Trade receivables                      | 12   | 195           | 151           |
| Other receivables and prepaid expenses | 13   | 1,626         | 2,053         |
| <b>Current assets, total</b>           |      | <b>13,675</b> | <b>20,793</b> |
| <b>Non-current assets</b>              |      |               |               |
| Goodwill                               | 14   | 18,850        | 18,850        |
| Intangible assets                      | 15   | 447           | 431           |
| Property, plant and equipment          | 16   | 193           | 121           |
| Deferred tax assets                    | 10   | 2,430         | 2,635         |
| <b>Non-current assets, total</b>       |      | <b>21,919</b> | <b>22,037</b> |
| <b>TOTAL ASSETS</b>                    |      | <b>35,595</b> | <b>42,830</b> |
| <b>EQUITY AND LIABILITIES</b>          |      |               |               |
| <b>Current liabilities</b>             |      |               |               |
| Trade payables                         | 17.1 | 1,726         | 1,651         |
| Other liabilities                      | 17.2 | 2,570         | 2,274         |
| Short-term provisions                  | 18   | 449           | 692           |
| <b>Current liabilities, total</b>      |      | <b>4,746</b>  | <b>4,618</b>  |
| <b>Non-current liabilities</b>         |      |               |               |
| Long-term provisions                   | 19   | 704           | 610           |
| <b>Non-current liabilities, total</b>  |      | <b>704</b>    | <b>610</b>    |
| <b>Equity</b>                          |      |               |               |
| Subscribed capital                     | 20   | 19,963        | 19,963        |
| Capital reserves                       | 20   | 31,628        | 31,628        |
| Other reserves                         | 20   | -14           | -36           |
| Retained earnings                      | 20   | -21,431       | -13,953       |
| <b>Equity, total</b>                   |      | <b>30,146</b> | <b>37,602</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>    |      | <b>35,595</b> | <b>42,830</b> |

**CASH FLOW STATEMENT**

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE ACCORDING TO IFRS

|  | Q. I-II 2014  | Q. I-II 2013  |
|--|---------------|---------------|
| in EUR thousand  |               |               |
| <b>Net profit before tax</b>   | <b>-7,283</b> | <b>-4,364</b> |
| Adjustments for:   |               |               |
| Amortisation/depreciation on non-current assets                                      | 104           | 27            |
| Financial income/financial expenditure   | -64           | -99           |
| Changes in:  |               |               |
| Trade receivables  | -44           | -98           |
| Other assets and prepaid expenses  | 428           | -1,530        |
| Trade payables   | 75            | 396           |
| Other liabilities  | 296           | 776           |
| Short-term provisions  | -243          | -28           |
| Long-term provisions   | 93            | 351           |
| Interest received  | 64            | 98            |
| Interest paid  | 0             | 0             |
| Taxes paid   | -             | -20           |
| <b>Cash flow from operating activities</b>   | <b>-6,575</b> | <b>-4,491</b> |
| Payments received (+)/Disbursements (-) for financial instruments                    | -1,997        | 921           |
| Investments in intangible assets   | -98           | -23           |
| Investments in tangible assets   | -94           | -73           |
| <b>Cash flow from investing activities</b>   | <b>-2,188</b> | <b>826</b>    |
| Disbursements for the repayment of financial liabilities                             | -             | -             |
| Payments received from taking out financing loans                                    | -             | -             |
| Payments received from the capital increase for cash                                 | -             | -             |
| Disbursements for transaction costs of capital increase                              | -             | -             |
| <b>Cash flow from financing activities</b>   | <b>-</b>      | <b>-</b>      |
| Change in cash and cash equivalents  | -8,763        | -3,666        |
| Cash and cash equivalents at the beginning of the period                             | 16,490        | 8,086         |
| <b>Cash and cash equivalents at the end of the period</b>                            | <b>7,727</b>  | <b>4,421</b>  |
| <b>Composition of cash, cash equivalents and securities at the end of the period</b> | <b>7,727</b>  | <b>4,421</b>  |
| Cash   | 5,018         | 1,269         |
| Cash equivalents   | 2,709         | 3,152         |

Explanations are provided in Note 3.

## STATEMENT OF CHANGES IN EQUITY

### FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE ACCORDING TO IFRS

|  | Subscribed<br>capital | Capital<br>reserves | Other<br>reserves | Retained<br>earnings | Total<br>equity |
|--|-----------------------|---------------------|-------------------|----------------------|-----------------|
| in EUR thousand                              |                       |                     |                   |                      |                 |
| <b>As of 1 January 2013</b>                  | <b>13,974</b>         | <b>20,203</b>       | <b>3</b>          | <b>-3,429</b>        | <b>30,751</b>   |
| Capital increase for contribution in kind    | -                     | -                   | -                 | -                    | -               |
| Capital increase for cash                    | -                     | -                   | -                 | -                    | -               |
| Transaction costs of capital increase        | -                     | -                   | -                 | -                    | -               |
| Deferred tax relief<br>for transaction costs | -                     | -                   | -                 | -                    | -               |
| Net profit                                   | -                     | -                   | -                 | -2,985               | -2,985          |
| Other result                                 | -                     | -                   | -71               | -                    | -71             |
| Total result                                 | -                     | -                   | -71               | -2,985               | -3,056          |
| <b>As of 30 June 2013</b>                    | <b>13,974</b>         | <b>20,203</b>       | <b>-68</b>        | <b>-6,413</b>        | <b>27,695</b>   |
| Capital increase for contribution in kind    | -                     | -                   | -                 | -                    | -               |
| Capital increase for cash                    | 5,989                 | 11,983              | -                 | -                    | 17,972          |
| Transaction costs of capital increase        | -                     | -824                | -                 | -                    | -824            |
| Deferred tax relief<br>for transaction costs | -                     | 266                 | -                 | -                    | 266             |
| Net profit                                   | -                     | -                   | -                 | -7,540               | -7,540          |
| Other result                                 | -                     | -                   | 33                | -                    | 33              |
| Total result                                 | -                     | -                   | 33                | -7,540               | -7,507          |
| <b>As of 31 December 2013</b>                | <b>19,963</b>         | <b>31,628</b>       | <b>-36</b>        | <b>-13,953</b>       | <b>37,602</b>   |
| <b>As of 1 January 2014</b>                  | <b>19,963</b>         | <b>31,628</b>       | <b>-36</b>        | <b>-13,953</b>       | <b>37,602</b>   |
| Capital increase for contribution in kind    | -                     | -                   | -                 | -                    | -               |
| Capital increase for cash                    | -                     | -                   | -                 | -                    | -               |
| Transaction costs of capital increase        | -                     | -                   | -                 | -                    | -               |
| Deferred tax relief<br>for transaction costs | -                     | -                   | -                 | -                    | -               |
| Net profit                                   | -                     | -                   | -                 | -7,478               | -7,478          |
| Other result                                 | -                     | -                   | 22                | -                    | 22              |
| Total result                                 | -                     | -                   | 22                | -7,478               | -7,456          |
| <b>As of 30 June 2014</b>                    | <b>19,963</b>         | <b>31,628</b>       | <b>-14</b>        | <b>-21,431</b>       | <b>30,146</b>   |

Explanations are provided in Note 20.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY TO 30 JUNE 2014

### 1 GENERAL

The following condensed interim financial statements and interim management report for the first six months of fiscal year 2014 (reporting period: 1 January to 30 June 2014) of Lotto24 AG

- were prepared in accordance with IAS 34 (Interim Financial Reporting), taking into account the valid IFRS standards and IFRIC interpretations of the International Accounting Standards Board (IASB) as applicable in the EU,
- do not include all information and disclosures required for IFRS separate financial statements and are therefore to be read in conjunction with the IFRS separate financial statements as of 31 December 2013,
- was not subjected to an auditor's review,
- was approved for publication by a resolution of the Executive Board on 6 August 2014.

Lotto24 AG has no subsidiaries and is in the start-up and growth phase. Its main activity is the online brokerage of state-run lotteries in Germany. Lotto24 AG is domiciled in Hamburg. Its address is Strassenbahnring 11, 20251 Hamburg, Germany.

### 2 GENERAL ACCOUNTING PRINCIPLES

The same accounting policies were used for this interim report as for the IFRS separate financial statements as of 31 December 2013, where the corresponding details are provided. There are no new or revised standards and interpretations to be applied in 2014 which have a significant impact on the IFRS interim financial statements. Unless stated otherwise, amounts are stated in thousands of euros (EUR thousand), which may lead to rounding differences in certain cases.

### 3 CASH FLOW STATEMENT

The 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 current activities was derived using the indirect method.

For the purpose of the cash flow statement, cash and cash equivalents comprised the following:

|   | <b>30.06.2014</b> | 31.12.2013    |
|---|-------------------|---------------|
| in EUR thousand                                       |                   |               |
| Available-for-sale financial investments (short-term) | 2,709             | -             |
| Cash  | 5,018             | 16,490        |
| <b>Total</b>  | <b>7,727</b>      | <b>16,490</b> |

|  | <b>30.06.2014</b> | 31.12.2013   |
|--|-------------------|--------------|
| in EUR thousand  |                   |              |
| Reconciliation to the balance sheet:                   |                   |              |
| Available-for-sale financial investments (short-term)  | 2,709             | -            |
| Available-for-sale financial investments (medium-term) | 2,629             | 2,099        |
| Held-to-maturity financial investments                 | 1,500             | -            |
| <b>Other financial assets</b>                          | <b>6,837</b>      | <b>2,099</b> |

#### 4 SEGMENT REPORTING

Apart from the online brokerage of state lotteries there are no reportable segments.

#### 5 REVENUES

|                 | <b>Q. I-II 2014</b> | Q. I-II 2013 |
|-----------------|---------------------|--------------|
| in EUR thousand |                     |              |
| Revenues        | 3,372               | 659          |
| <b>Total</b>    | <b>3,372</b>        | <b>659</b>   |

The strong increase in revenues to EUR 3,372 thousand (prior year: EUR 659 thousand) is due mainly to the advertising permit granted in March 2013 and the resulting launch of nationwide marketing campaigns, leading to a strong rise in the number of registered customers. As of 30 June 2014, the number of registered customers amounted to 372 thousand. The development was as follows:

|  | <b>2014</b> | 2013      |
|--|-------------|-----------|
| in thousand  |             |           |
| Number of registered customers on 31 December of the previous year | 237         | 29        |
| First quarter  | 77          | 15        |
| Second quarter   | 58          | 52        |
| <b>Number of registered customers on 30 June</b>                   | <b>372</b>  | <b>95</b> |

## 6 OTHER OPERATING INCOME

|                        | <b>Q. I-II 2014</b> | Q. I-II 2013 |
|------------------------|---------------------|--------------|
| in EUR thousand        |                     |              |
| Other operating income | 50                  | 470          |
| <b>Total</b>           | <b>50</b>           | <b>470</b>   |

In the first six months of 2014, other operating income mainly comprised amounts charged to the contractual partners for technical set-up costs and services under the terms of existing cooperation agreements (EUR 32 thousand; prior year: EUR 19 thousand).

The prior-year figure includes non-recurring income from the cancellation agreement signed on 15 February 2013 with Tipp24 SE (EUR 450 thousand) as well as other amounts charged. A detailed explanation of this cancellation agreement is provided in Note 25.2 of the IFRS separate financial statements as of 31 December 2012.

## 7 PERSONNEL EXPENSES

In comparison to the same period last year, Lotto24 AG had higher personnel expenses in the first six months of 2014.

|                               | <b>Q. I-II 2014</b> | Q. I-II 2013  |
|-------------------------------|---------------------|---------------|
| in EUR thousand               |                     |               |
| Salaries                      | -1,707              | -1,591        |
| Social security contributions | -203                | -126          |
| <b>Total</b>                  | <b>-1,910</b>       | <b>-1,717</b> |

In the first six months of 2014, personnel expenses included share-based remuneration with cash settlement (phantom shares) for the Executive Board members amounting to EUR -93 thousand (prior year: EUR -351 thousand). Details are provided in Note 19.

## 8 OTHER OPERATING EXPENSES

|                                  | Q. I-II 2014  | Q. I-II 2013  |
|----------------------------------|---------------|---------------|
| in EUR thousand                  |               |               |
| Marketing expenses <sup>1)</sup> | -6,220        | -1,983        |
| Direct operating expenses        | -935          | -153          |
| Indirect operating expenses      | -1,601        | -1,713        |
| Other expenses                   | -             | -             |
| <b>Total</b>                     | <b>-8,756</b> | <b>-3,849</b> |

<sup>1)</sup> of which B2B and business services accounted for EUR -167 thousand (prior year: EUR -50 thousand)

As of 30 June 2014, other operating expenses increased year on year by EUR -4,907 thousand, from EUR -3,849 thousand to EUR -8,756 thousand.

The following factors influenced this development: in contrast to the previous year, marketing expenses for new customer acquisition of EUR -6,220 thousand were incurred in the first six months of 2014 (prior year: EUR -1,983 thousand). This strong increase is related to the advertising permit which was only granted in March 2013 and the resulting launch of nationwide marketing campaigns (especially online and TV advertising).

Indirect operating expenses fell from EUR -1,713 thousand to EUR -1,601 thousand. Technical costs of EUR -788 thousand (prior year: EUR -1,087 thousand) were incurred, for example, for the further development of repeat ticket offerings, the SEPA changes, general process improvements, and enhancements in connection with submitting tickets to the state lottery companies. Due mainly to the fact that our Annual General Meeting was held one quarter earlier than in 2013 (second half of the year), consultancy expenses rose from EUR -370 thousand to EUR -489 thousand.

Direct costs of operations rose from EUR -153 thousand to EUR -935 thousand. These mainly comprise the costs for the technical processing of gaming operations and payment transactions.

## 9 FINANCIAL RESULT

|   | Q. I-II 2014 | Q. I-II 2013 |
|---|--------------|--------------|
| in EUR thousand                           |              |              |
| <b>Revenues from financial activities</b> |              |              |
| Interest income                           | 64           | 100          |
|   | <b>64</b>    | <b>100</b>   |
| <b>Expenses from financial activities</b> |              |              |
| Interest expenses                         | 0            | 0            |
|   | <b>0</b>     | <b>0</b>     |
| <b>Total</b>                              | <b>64</b>    | <b>99</b>    |

Interest income results from interest-bearing investments of surplus liquidity.

## 10 INCOME TAXES

The corporate income tax rate remained unchanged from 2013 at 15.0%; the solidarity surcharge was still 5.5% of corporate income tax.

The effective trade tax on income rate for Hamburg also remained unchanged in the first six months of 2014 at 16.45% with the same percentages 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 amounted to 32.28% (prior year: 32.28%).

Deferred tax assets and liabilities developed as follows:

|   | <b>30.06.2014</b> | Income (+)/<br>expense (-) | 01.01.2014   |
|---|-------------------|----------------------------|--------------|
| in EUR thousand                                   |                   |                            |              |
| <b>Deferred tax assets</b>                        |                   |                            |              |
| Deferred tax assets due to temporary differences  | 4                 | 4                          | -            |
| Deferred tax assets due to tax loss carryforwards | 3,234             | -                          | 3,234        |
|   | <b>3,239</b>      | <b>4</b>                   | <b>3,234</b> |
| Netting with deferred tax liabilities             | -809              |                            |              |
| <b>Total</b>                                      | <b>2,430</b>      |                            |              |

|   | <b>30.06.2014</b> | Income (+)/<br>expense (-) | 01.01.2014 |
|---|-------------------|----------------------------|------------|
| in EUR thousand                                       |                   |                            |            |
| <b>Deferred tax liabilities</b>                       |                   |                            |            |
| Deferred tax liabilities due to temporary differences | 809               | -210                       | 599        |
|   | <b>809</b>        | <b>-210</b>                | <b>599</b> |
| Netting with deferred tax assets                      | -809              |                            |            |
| <b>Total</b>  | <b>0</b>          |                            |            |

Lotto24 AG recognises deferred tax assets for tax loss carryforwards, as the underlying planning and experience of management provides substantial indications that there will be sufficient corresponding taxable results within the next five years. This planning also provides the basis for impairment tests of goodwill (see also Note 14). In addition to the brokerage permit already granted in September 2012, planning considers the permit for Internet and TV advertising of online lottery brokerage granted in March 2013. Moreover, a particular competitive strength of the company is its experienced team which has already successfully operated the marketing of online lottery brokerage and boasts experience in the lottery, gaming and e-commerce markets.

## 11 CASH AND OTHER FINANCIAL ASSETS

|                 | <b>30.06.2014</b> | 31.12.2013    |
|-----------------|-------------------|---------------|
| in EUR thousand |                   |               |
| <b>Cash</b>     |                   |               |
| Bank balances   | 5,017             | 16,489        |
| Cash on hand    | 0                 | 1             |
| <b>Total</b>    | <b>5,018</b>      | <b>16,490</b> |

Cash and cash equivalents are almost entirely held with three banks.

|   | <b>30.06.2014</b> | 31.12.2013   |
|---|-------------------|--------------|
| in EUR thousand                                 |                   |              |
| <b>Reconciliation to other financial assets</b> |                   |              |
| Other financial assets                          |                   |              |
| Available-for-sale financial investments        | 5,337             | 2,099        |
| Held-to-maturity financial investments          | 1,500             | -            |
| <b>Total</b>                                    | <b>6,837</b>      | <b>2,099</b> |

Available-for-sale financial investments comprise shares in pension and money market funds with a wide investment spread which are managed by two banks. A change in equity prior to income tax effects of EUR 33 thousand was recognised for these assets (prior year: EUR -105 thousand).

As of 30 June 2014, there were held-to-maturity financial investments of EUR 1,500 thousand (prior year: EUR - thousand).

|  | <b>30.06.2014</b> | 31.12.2013    |
|--|-------------------|---------------|
| in EUR thousand                          |                   |               |
| <b>Reconciliation to available funds</b> |                   |               |
| Cash                                     | 5,018             | 16,490        |
| Other financial assets                   | 6,837             | 2,099         |
| <b>Available funds</b>                   | <b>11,855</b>     | <b>18,589</b> |

## 12 TRADE RECEIVABLES

|                                    | <b>30.06.2014</b> | 31.12.2013 |
|------------------------------------|-------------------|------------|
| in EUR thousand                    |                   |            |
| Receivables from customers         | 185               | 135        |
| Receivables from amounts passed on | 10                | 15         |
| <b>Total</b>                       | <b>195</b>        | <b>151</b> |

Trade receivables mainly comprise receivables from amounts passed on, reimbursement claims and open billing amounts from customers, which are all due in less than one year. Value adjustments based on past experience have been made to account for any impairment risks in nominal receivables from customers.

## 13 OTHER ASSETS AND PREPAID EXPENSES

|                                    | <b>30.06.2014</b> | 31.12.2013   |
|------------------------------------|-------------------|--------------|
| in EUR thousand                    |                   |              |
| Tax receivables (VAT)              | 110               | 275          |
| Receivables from gaming operations | 774               | 909          |
| Prepaid expenses                   | 197               | 446          |
| Deposits                           | 537               | 412          |
| Others                             | 8                 | 11           |
| <b>Total</b>                       | <b>1,626</b>      | <b>2,053</b> |

With the exception of tax receivables (VAT) and prepaid expenses, other assets and prepaid expenses comprise financial assets.

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.

## 14 GOODWILL

The development of goodwill is presented in the table below.

|  | 2014          | 2013          |
|--|---------------|---------------|
| in EUR thousand  |               |               |
| <b>Acquisition costs as of 1 January</b>                                 | <b>18,850</b> | <b>18,850</b> |
| Additions (purchased from third parties)                                 | -             | -             |
| Additions (self-provided)  | -             | -             |
| Disposals  | -             | -             |
| <b>Acquisition costs as of 30 June 2014/31 December 2013</b>             | <b>18,850</b> | <b>18,850</b> |
| <b>Accumulated acquisition costs as of 1 January</b>                     | -             | -             |
| Depreciation of the period   | -             | -             |
| Disposals  | -             | -             |
| <b>Accumulated acquisition costs as of 30 June 2014/31 December 2013</b> | -             | -             |
| <b>Net book value as of 30 June 2014/31 December 2013</b>                | <b>18,850</b> | <b>18,850</b> |

Goodwill consists of the business operation of online lottery brokerage contributed to the Company in the form of a contribution in kind. The resulting goodwill (by derivation) has no estimable life expectancy and is not amortised in scheduled amounts (impairment-only approach). Instead of amortisation, the asset is subjected to an impairment test according to IAS 36 at least once per year – or during the year if there are indications of impairment. The relevant technical, market-based, economic and legal parameters and conditions for the impairment test are continually monitored and updated. In the reporting period, the impairment test for goodwill did not reveal any cause for impairment nor lead to any non-scheduled writedowns (prior year: EUR - thousand).

## 15 INTANGIBLE ASSETS

The development of intangible assets is presented in the table below.

|  | 2014        | 2013       |
|--|-------------|------------|
| in EUR thousand  |             |            |
| <b>Acquisition costs as of 1 January</b>                                 | <b>495</b>  | <b>99</b>  |
| Additions (purchased from third parties)                                 | 98          | 396        |
| Additions (self-provided)  | -           | -          |
| Disposals  | -           | -          |
| <b>Acquisition costs as of 30 June 2014/31 December 2013</b>             | <b>592</b>  | <b>495</b> |
| <b>Accumulated acquisition costs as of 1 January</b>                     | <b>-64</b>  | <b>-25</b> |
| Depreciation of the period   | -82         | -39        |
| Disposals  | -           | -          |
| <b>Accumulated acquisition costs as of 30 June 2014/31 December 2013</b> | <b>-146</b> | <b>-64</b> |
| <b>Net book value as of 30 June 2014/31 December 2013</b>                | <b>447</b>  | <b>431</b> |

The useful life of intangible assets is generally between one and five years. The intangible assets listed above have useful lives of three years on commencement of use. There are no restrictions on rights of disposal. Moreover, no assets were pledged as collateral for liabilities. The additions consist mainly of acquisition costs in connection with the Lotto24 app.

## 16 PROPERTY, PLANT AND EQUIPMENT

With regard to the development of property, plant and equipment, we refer to the following table. The item comprises furniture, fixtures and office equipment.

|  | 2014       | 2013       |
|--|------------|------------|
| in EUR thousand  |            |            |
| <b>Acquisition costs as of 1 January</b>                                 | <b>147</b> | <b>19</b>  |
| Additions (purchased from third parties)                                 | 94         | 128        |
| Additions (self-provided)  | -          | -          |
| Disposals  | -          | -          |
| <b>Acquisition costs as of 30 June 2014/31 December 2013</b>             | <b>240</b> | <b>147</b> |
| <b>Accumulated acquisition costs as of 1 January</b>                     | <b>-26</b> | <b>-4</b>  |
| Depreciation of the period   | -22        | -22        |
| Disposals  | -          | -          |
| <b>Accumulated acquisition costs as of 30 June 2014/31 December 2013</b> | <b>-48</b> | <b>-26</b> |
| <b>Net book value as of 30 June 2014/31 December 2013</b>                | <b>193</b> | <b>121</b> |

The useful life of tangible assets is generally between one and five years. There are no restrictions on rights of disposal and no assets were pledged as collateral for liabilities. The additions consist mainly of acquisitions of server and IT workstation hardware (EUR 53 thousand) as well as office equipment (EUR 41 thousand).

There are currently no assets from financial leases.

## 17 CURRENT LIABILITIES

### 17.1 TRADE PAYABLES

|                 | <b>30.06.2014</b> | 31.12.2013   |
|-----------------|-------------------|--------------|
| in EUR thousand |                   |              |
| Trade payables  | 1,726             | 1,651        |
| <b>Total</b>    | <b>1,726</b>      | <b>1,651</b> |

Trade payables mainly consist of payment obligations still due on the balance sheet date for marketing services as well as legal and technical consultancy services already received. All trade payables are due within one year.

### 17.2 OTHER LIABILITIES

Other liabilities consist of the following items:

|   | <b>30.06.2014</b> | 31.12.2013   |
|---|-------------------|--------------|
| in EUR thousand                                   |                   |              |
| Liabilities from gaming operations                | 2,417             | 2,193        |
| Amounts due in connection with payroll processing | 47                | 35           |
| Holiday provisions                                | 103               | 46           |
| Others  | 3                 | -            |
| <b>Total</b>                                      | <b>2,570</b>      | <b>2,274</b> |

As of 30 June 2014, other liabilities rose to EUR 2,570 thousand (prior year: EUR 2,274 thousand), mainly as a result of liabilities from extended brokerage operations amounting to EUR 2,417 thousand (prior year EUR 2,193 thousand). This item - which we expect to grow significantly with increased billings - includes obligations from invoicing of our customers and the state lottery companies.

Apart from amounts due in connection with payroll processing and holiday obligations, this item comprises financial liabilities.

## 18 SHORT-TERM PROVISIONS

|                  | <b>30.06.2014</b> | 31.12.2013 |
|------------------|-------------------|------------|
| in EUR thousand  |                   |            |
| Bonus            | 399               | 631        |
| Litigation costs | 46                | 55         |
| Other            | 4                 | 7          |
| <b>Total</b>     | <b>449</b>        | <b>692</b> |

Bonus provisions are formed pro rata temporis in 2014. All provisions are expected to be used within one year.

## 19 LONG-TERM PROVISIONS

|                          | <b>30.06.2014</b> | 31.12.2013 |
|--------------------------|-------------------|------------|
| in EUR thousand          |                   |            |
| Share-based remuneration | 704               | 610        |
| <b>Total</b>             | <b>704</b>        | <b>610</b> |

The members of the Executive Board have been granted a share-based remuneration programme (phantom shares with cash compensation). The imputed number of shares is issued in annual tranches in the middle of the calendar year and vested in prorated amounts over the twelve following months (pro rata temporis). The calculation is made by dividing a nominal remuneration claim in Euro (initial value EUR 330 thousand) by the average Lotto24 share price (Xetra or a functionally comparable successor system) for the past 90 trading days. Claims to receive payment accrue after a vesting period of four years. The Company's share-based remuneration obligations are measured at fair value discounted for their remaining term using the rolling average Lotto24 share price (Xetra) for the past 90 trading days and are limited in the value growth to three times the initial value.

## 20 EQUITY

Subscribed capital equals the Company's capital stock and is fully paid.

|                    | <b>30.06.2014</b> | 31.12.2013    |
|--------------------|-------------------|---------------|
| in EUR thousand    |                   |               |
| Subscribed capital | 19,963            | 19,963        |
| Capital reserves   | 31,628            | 31,628        |
| Other reserves     | -14               | -36           |
| Retained earnings  | -21,431           | -13,953       |
| <b>Total</b>       | <b>30,146</b>     | <b>37,602</b> |

## 21 RELATED PARTIES

Apart from the remuneration of the Executive Board and Supervisory Board (see IFRS separate financial statements 2013), there were no reportable business relationships with executive bodies of the Company in the reporting period.

In June 2014, Lotto24 AG entered into two cooperation agreements with NKL lottery broker Oliver Jaster, the majority shareholder of Lotto24 AG, as well as with SKL lottery broker Walter Günther. The cooperation agreements regulate the marketing of the class lotteries NKL and SKL via the Lotto24 AG website ([www.lotto24.de](http://www.lotto24.de)) with effect from 1 July 2014. Customers selecting class lottery products on [www.lotto24.de](http://www.lotto24.de) are redirected to the website [www.guenther.de](http://www.guenther.de), where they can purchase these class lottery products. For such successful redirecting, Lotto24 AG receives a permanent fixed percentage of these class lottery revenues generated by these customers. Prior to signing the agreement, Lotto24 AG had solicited several offers from various class lottery brokers in order to gauge standard market conditions and ultimately decided in favour of the offer made by the Günther companies.

## 22 DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

As of 30 June 2014, Lotto24 AG holds available-for-sale financial instruments amounting to EUR 5,337 thousand (31 December 2013: EUR 2,099 thousand) which are measured at fair value, as well as held-to-maturity financial investments of EUR 1,500 thousand (prior year: EUR - thousand).

As of the balance sheet date, Lotto24 AG did not hold any financial liabilities measured at fair value.

The carrying values of the disclosed financial instruments represent a suitable approximate value for the respective fair value.

The scope of the credit risk of Lotto24 AG equals the sum of cash, short-term financial investments and other receivables.

In view of the ongoing adverse climate on the European and global financial markets, there may be a default risk both in respect of the cash and short-term financial assets themselves, as well as the accruing interest. Due to the total amount of cash and short-term financial assets held by Lotto24 AG, and the resulting absolute and relative importance, extensive management processes have been established to steer and regularly monitor the Company's investment strategy. Cash and short-term financial assets are invested in short-term securities offering as much liquidity and as little volatility as possible, while ensuring risk diversification. As of the balance sheet date, regular monitoring did not indicate any specific default risks in the portfolio.

## 23 EVENTS AFTER THE BALANCE SHEET DATE

### OTHER EVENTS

In a letter dated 17 February 2014, the Federal Financial Supervisory Authority (BaFin) expressed the view that by accepting stakes and forwarding them to the relevant lottery companies, and by accepting games winnings and forwarding them to the respective players, Lotto24 AG is acting as a payment institution by providing payment services in the form of money remittance transactions which require the relevant permit pursuant to Sec. 8 (1) Sentence 1 of the Payment Services Supervision Act («Zahlungsdienststeaufsichtsgesetz» - ZAG). In a detailed response to BaFin on 12 March 2014, we expressed the opinion that we do not require such a permit as we are already obliged and entitled under the relevant provisions of the German Money Laundering Act («Geldwäschegesetz») to set up gaming

accounts for our clients and to use them to settle payment transactions for games of chance. In a letter dated 29 July 2014, BaFin confirmed our opinion and informed us that contrary to the assessment of 17 February 2014 there was no permit obligation pursuant to Sec. 8 (1) Sentence 1 ZAG, providing Lotto24 AG processed the payment transactions for games of chance.

At its most recent meeting, the Supervisory Board of Lotto24 AG reappointed Executive Board member Magnus von Zitzewitz for a period of five years up to the end of April 2020.

## 24 OTHER DISCLOSURES

### 24.1 EXECUTIVE BOARD

Petra von Strombeck has been Chief Executive Officer of Lotto24 AG since 10 May 2012. Her responsibilities include the divisions Corporate Strategy and Development, Marketing, Sales, the B2C (Business-to-Customer) and ASP (Application Service Provider) business fields, Investor Relations, Human Resources, Organisation, as well as IT Strategy, Systems, Processes and IT Operation. Magnus von Zitzewitz has been a member of the Executive Board since 2 May 2012 with responsibility for the divisions Legal Affairs and Regulation, Finance, Accounts, Taxes, Controlling, Compliance, Risk Management, and Communication.

The members of the Executive Board work on a full-time basis.

### 24.2 EMPLOYEES

At the end of the reporting period on 30 June 2014, Lotto24 AG had 33 employees (full-time equivalents, excluding the two Executive Board members, prior year: 22), of which four were on parental leave (prior year: 1). Over half of our employees were employed in the Marketing department. In addition, there were 23 student helpers - mainly in the call centre (prior year: 19).

## RESPONSIBILITY STATEMENT

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

**Hamburg, 6 August 2014**

The Executive Board



**Petra von Strombeck**  
Chief Executive Officer



**Magnus von Zitzewitz**  
Member of the Executive Board

## KEY FIGURES

|  | Q. II 2014    | Q. I 2014     | Q. IV 2013    | Q. III 2013   | Q. II 2013    |
|--|---------------|---------------|---------------|---------------|---------------|
| in EUR thousand  |               |               |               |               |               |
| Billings   | 17,512        | 19,229        | 14,168        | 9,005         | 5,258         |
| Stakes to be remitted (less revenues)  | -15,864       | -17,504       | -12,849       | -8,221        | -4,794        |
| <b>Revenues</b>  | <b>1,647</b>  | <b>1,725</b>  | <b>1,319</b>  | <b>784</b>    | <b>465</b>    |
| Other operating income   | 15            | 35            | 17            | 10            | 10            |
| <b>Total performance</b>   | <b>1,662</b>  | <b>1,760</b>  | <b>1,336</b>  | <b>794</b>    | <b>475</b>    |
| Personnel expenses   | -960          | -950          | -706          | -707          | -959          |
| Amortisation/depreciation on intangible assets and property, plant and equipment | -83           | -20           | -18           | -17           | -15           |
| Other operating expenses   | -3,890        | -4,866        | -3,649        | -3,825        | -2,584        |
| <b>Result from operating activities (EBIT)</b>                                   | <b>-3,271</b> | <b>-4,076</b> | <b>-3,037</b> | <b>-3,756</b> | <b>-3,083</b> |
| Revenues from financial activities   | 7             | 58            | -             | 0             | 31            |
| Expenses from financial activities   | -             | 0             | 0             | -23           | 0             |
| <b>Financial result</b>  | <b>7</b>      | <b>57</b>     | <b>0</b>      | <b>-23</b>    | <b>30</b>     |
| <b>Earnings before taxes</b>   | <b>-3,264</b> | <b>-4,019</b> | <b>-3,037</b> | <b>-3,779</b> | <b>-3,053</b> |
| Income taxes   | -95           | -100          | -1,979        | 1,255         | 951           |
| <b>Net profit</b>  | <b>-3,360</b> | <b>-4,119</b> | <b>-5,016</b> | <b>-2,524</b> | <b>-2,102</b> |
| <b>Breakdown of other operating expenses</b>                                     |               |               |               |               |               |
| Marketing expenses   | -2,574        | -3,647        | -2,602        | -2,763        | -1,673        |
| of which B2B and business services   | -79           | -88           | -70           | -51           | -34           |
| Direct operating expenses  | -496          | -439          | -394          | -263          | -109          |
| Indirect operating expenses  | -820          | -781          | -653          | -799          | -802          |
| Other expenses   | -             | -             | -             | -             | -             |
| <b>Other operating expenses</b>  | <b>-3,890</b> | <b>-4,866</b> | <b>-3,649</b> | <b>-3,825</b> | <b>-2,584</b> |

## FINANCIAL CALENDAR

12 November 2014

Quarterly financial report as of 30 September 2014

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### PUBLISHED BY

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