



FINANCIAL REPORT Q.I-II 2015

1 January–30 June 2015

Very successful first six months
with record number of new customers
and significant growth in revenues

ON COURSE FOR GROWTH

Lotto24 is Germany's leading online provider of state-licensed lotteries. Founded in 2010, we are now one of the main drivers for online lotteries in Germany. Our aim is to achieve further growth and consolidate our market leadership.

+96%

REGISTERED CUSTOMERS

+70%

BILLINGS

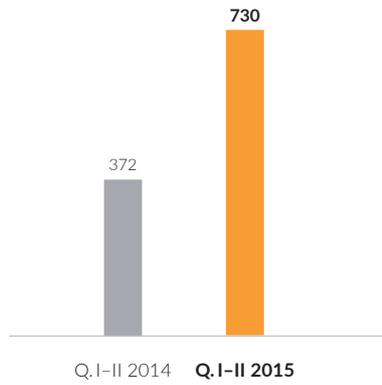
+81%

REVENUES

| | |
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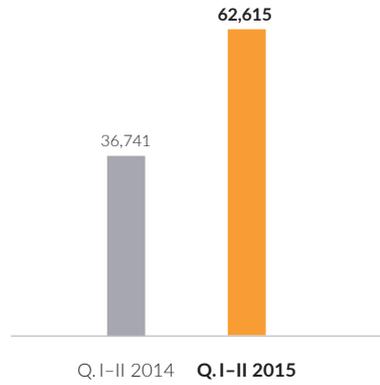
REGISTERED CUSTOMERS

in thousand (accumulated)



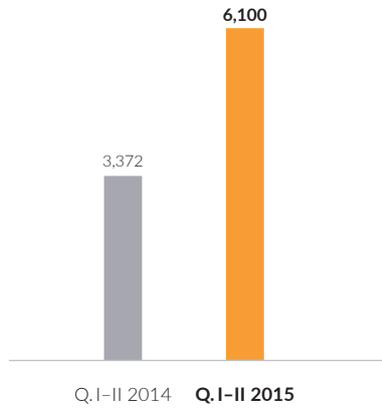
BILLINGS

in EUR thousand



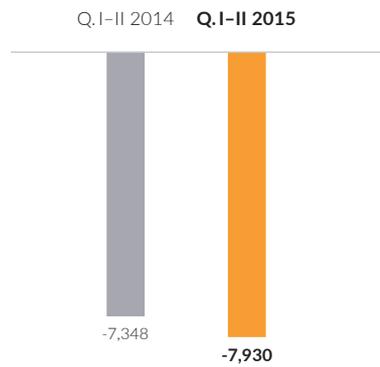
REVENUES

in EUR thousand



EBIT

in EUR thousand

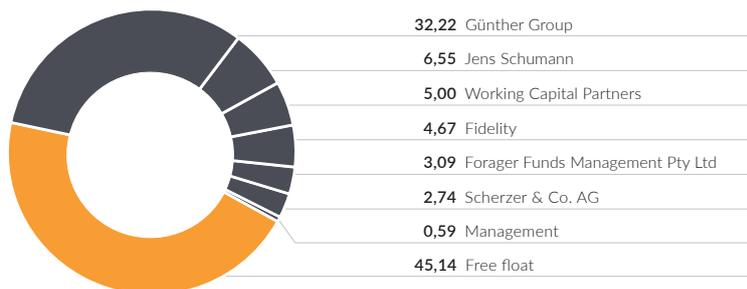


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The Company is aware of the following shareholdings in Lotto24 AG as of 12 August:

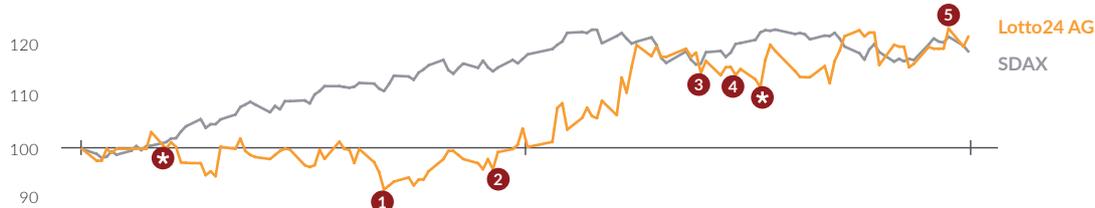
SHAREHOLDER STRUCTURE AS OF 12 AUGUST 2015¹⁾

in %



¹⁾ acc. to voting rights notifications and disclosures regarding directors' dealings; number of shares on 12 August 2015: 24,154,890

PERFORMANCE OF THE LOTTO24 SHARE



02.01.2015 = 100
7,251 points (SDAX)
EUR 2.60 (Lotto24 AG)

30.06.2015
8,578 points (SDAX)
3.15 Euro (Lotto24 AG)

- 1 04.03. lowest price
- 2 26.03. Annual Report 2014
- 3 07.05. report on the first quarter
- 4 12.05. Annual General Meeting
- 5 26.06. highest price
- * ad-hoc news

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KEY FIGURES OF LOTTO24 AG

| | Q. I-II 2015 | Q. I-II 2014 |
|--|--------------|--------------|
| in EUR thousand | | |
| Revenues | 6,100 | 3,372 |
| EBIT | -7,930 | -7,348 |
| Net profit for the period | -6,952 | -7,478 |
| Cash flow from operating activities | -6,486 | -6,575 |
| Equity as of 30 June 2015 resp. 31 December 2014 | 20,597 | 27,613 |
| Employees (FTE) ¹⁾ | 62 | 33 |

¹⁾ Not including members of the Executive Board.

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

SHAREHOLDER SERVICE

| | |
|--------------------|----------------------------------|
| WKN | LTT024 |
| ISIN | DE000LTT0243 |
| Ticker symbol | LO24 |
| Reuters code | LO24G.DE |
| Bloomberg code | LO24:GR |
| Stock exchange | Frankfurt |
| Market segment | Regulated Market, Prime Standard |
| Designated sponsor | ODDO SEYDLER BANK AG |

KEY SHARE FIGURES

| | Q. I-II 2015 | Q. I-II 2014 |
|--|--------------|--------------|
| Number of shares on reporting day | 21,958,991 | 19,962,720 |
| Highest price (EUR) | 3.19 | 4.26 |
| Lowest price (EUR) | 2.40 | 3.15 |
| Share price on reporting day (EUR) | 3.15 | 3.21 |
| Market capitalisation on reporting day (EUR million) | 69.2 | 64.1 |
| Average daily trading volume (Xetra) | 19,749 | 32,992 |
| Earnings per share (EUR) | -0.32 | -0.37 |

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01. FOREWORD

LADIES AND GENTLEMEN,

We are delighted to be able to report on our very successful first half-year 2015 and an outstanding second quarter of 2015. We succeeded in significantly improving our KPIs and taking a further major step towards pulling out of the start-up phase.

With growth of 70.4%, billings of EUR 62.6 million in the first half of 2015 were well above the prior-year figure of EUR 36.7 million. Revenues rose by 80.9%, from EUR 3.4 million in the same period last year to EUR 6.1 million. The second quarter of 2015 played a major role in this success with growth in billings of 114.8% to EUR 37.6 million (prior year: EUR 17.5 million) and in revenues of 125.4% to EUR 3.7 million (prior year: EUR 1.6 million). We improved the gross margin from 9.2% in the previous year to 9.7% in the first half of 2015.

Due to the very favourable jackpot situation over several weeks in April and May with high jackpots for the »Lotto 6aus49« lottery and record jackpots for the »EuroJackpot«, we almost tripled the number of new registered customers in the second quarter, from 58 thousand in the previous year to 153 thousand. This is the highest number of new customer registrations gained in a single quarter since our IPO in 2012. As of 30 June 2015, the number of registered customers totalled 730 thousand (prior year: 372 thousand). We are very proud of this successful acquisition of new customers!

In order to benefit from the increased efficiency of new customer acquisition during high jackpot periods, we stepped up our marketing activities in the second quarter and ran display and banner ads on all major Internet portals. As a result, marketing expenses increased from EUR -6.2 million in the previous year to EUR -6.8 million in the first half of 2015. We are pleased to report that we were able to significantly reduce cost per lead (CPL) to EUR 32.80 in the first half of 2015 (prior year: EUR 46.16). In the second quarter of 2015, CPL was just EUR 31.58 (prior year: EUR 44.64). Due to the increase in marketing activities, EBIT fell to EUR -7.9 million in the first half of 2015 (prior year: EUR -7.3 million). By contrast, net profit improved to EUR -7.0 million (prior year: EUR -7.5 million).

In view of the success expected for the second quarter, we already upgraded on 20 May 2015 our guidance for the current fiscal year published on 20 January 2015: instead of reduced growth, it forecast strong new customer growth in line with the prior-year figure (284 thousand). We expect a less significant year-on-year reduction in marketing expenses but still anticipate a decrease in CPL compared to last year. Assuming that the regulatory environment remains unchanged, and depending on the jackpot situation, we continue to expect a strong increase in billings of up to 50% and a slight year-on-year improvement in gross margin. We still anticipate that losses for both EBIT and net profit in the current fiscal year will be lower than in the previous year.

A key project in 2015 is the insourcing of our online platform – in other words, taking over development of our operating software and IT operations – which is progressing according to plan. In the course of this project, which will be completed by no later than 31 December 2015, we are expanding our IT department. A major step in the first half of the year was the assumption of ongoing development work by our own IT department. The next steps will be setting up our own data centres and preparing to take over operations. We have already decided on the locations and data centres. As a result, we have now already reached major milestones on the way to insourcing the online platform.

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As one of the first online lottery providers, we have completely revamped our branding and given our website an optimised and responsive design. The positive response from our customers – as reflected in the strong second quarter figures – and the results of our latest brand awareness survey demonstrate that we took the right steps towards offering customers a user-friendly and optimised gaming experience.

In addition, we have concluded a cooperation agreement as exclusive lotto partner with t-online.de, Germany's highest-reach portal. As a consequence, more than 26 million t-online customers can now play lotto conveniently using our service as of 1 June 2015. This partnership offers great potential to attract new customers with our offerings.

Dear shareholders, we are on track for success – thanks also to your support! At our third Annual General Meeting as a listed company in Hamburg on 12 May 2015, you once again approved all items on the agenda with large majorities.

In order to expand our activities further, we increased our share capital by around EUR 2.2 million, from almost EUR 22 million to just over EUR 24 million, against cash contributions through the partial exercise of the Company's Authorised Capital as adopted by the Annual General Meeting of 12 May 2015 and under the exclusion of shareholder subscription rights. The almost 2.2 million new shares were placed entirely with two significant investors of Lotto24 AG, Othello Vier Beteiligungs GmbH & Co. KG, a company of the Günther Group, as well as Jens Schumann, at a price of EUR 3.49 per new share. The placement price exceeded the volume-weighted average price of the Lotto24 shares over the three trading days prior to the capital increase by more than 10%. This premium underlines the exceptional trust of our major shareholders in the current development and future of Lotto24 AG. The new shares are expected to be admitted for trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange without publication of a prospectus at the end of October 2015. The Company received gross proceeds from the capital increase of nearly EUR 7.7 million. Providing the regulatory environment remains unchanged, and depending on the jackpot situation, our competitors and market developments, we believe that either no or only minor additional funding will be required until we break even.

Our declared aim is to continue growing and to consolidate our market leadership as an online provider of state-run lotteries in Germany. We hope you will continue to accompany us along this path and thank you for your trust!

Hamburg, 12 August 2015



Petra von Strombeck
Chief Executive Officer



Magnus von Zitzewitz
Member of the Executive Board

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02. INTERIM MANAGEMENT REPORT

BUSINESS AND ECONOMIC CONDITIONS

ATTRACTIVE 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 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 achieve further growth and consolidate our position as Germany's leading provider of on-line state-licensed lottery products. 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 five-year permit for the commercial brokerage of state lotteries via the Internet in September 2012 and the permit for advertising via TV and the Internet granted in March 2013 – and since prolonged until March 2017 – form the basis for our nationwide operations and the expansion of Lotto24's business.

PROMISING GROWTH STRATEGY

We aim to achieve growth in Germany by focusing on targeted marketing measures to acquire new customers and expanding the Lotto24 product portfolio: in addition to the lotteries already offered – and depending on the prevailing legal conditions – we are thinking of introducing »Keno«, lotto clubs, social lotteries and possibly further 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 (Executive Board). 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.

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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 **cost per lead** (CPL).

EMPLOYEES

At the end of the reporting period on 30 June 2015, Lotto24 AG had 62 employees (full-time equivalents, excluding the two Executive Board members, prior year: 33). Most employees were employed in the Marketing and IT departments (79%; prior year: 67%). In addition, there were 23 student helpers – mainly in the call centre (prior year: 23).

The establishment of our own IT department started last year made successful progress and there are just a few remaining vacancies.

Lotto24 receives »Hamburg's Best Employers 2015« quality seal

Just two-and-a-half years after our foundation, we were named as one of the winners of the »Hamburg's Best Employers« competition, receiving a maximum five stars on 4 February 2015. We also picked up a special award in the »Family-Friendly« category. 267 Hamburg-based companies took part in the competition, which is run annually by Hamburg's Helmut Schmidt University, the Institute for Management and Economic Research »IMWF«, the radio station »alsterradio 106.8« and local newspaper »Hamburger Abendblatt«. Only nine participating companies achieved the top score of five stars. The scientific basis for assessing the candidates is a survey of management and staff based on the highly acclaimed Excellence Model of the »European Foundation for Quality Management« (EFQM). This award and our consistently good scores on employer rating sites like »kununu« are playing a major role in helping us find top staff for our newly created IT department.

RESEARCH & DEVELOPMENT

In the reporting period up to 31 March 2015, we commissioned an IT service provider to continue the development of the online platform. This task was successfully taken over by our own IT department on 1 April. This was an important milestone on the way to insourcing our IT systems. The Company's own development of its online platform is crucial to securing long-term independence and control of this strategically important area and enabling us to meet our development needs faster, more flexibly and more easily.

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ECONOMIC REPORT

LEGAL CONDITIONS

State Treaty on Games of Chance

The German State Treaty on Games of Chance («GlüStV») came into force on 1 July 2012. In contrast to the general Internet ban of the previous State Treaty on Games of Chance («GlüStV 2008») from 15 December 2007, the new GlüStV offers 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. Unfortunately, the GlüStV maintains many of the more restrictive regulations of its predecessor. The conditions for receiving permits are highly uncertain and there is no legal claim to the granting of the respective permit. Sales and advertising in particular continue to be significantly restricted.

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 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 strict regulations regarding the age verification of players and the duty to divide gaming revenues among all 16 federal states (regionalisation) – based on the player's place of residence.

Advertising permit

On 13 March 2013, Lotto24 AG was one of the first private German companies to receive an advertising permit, which was prolonged on 20 January 2015. It authorises us – for a further two years until 12 March 2017 – to advertise the online marketing of state-owned lotteries throughout Germany via the Internet and TV, thus driving the further expansion of our customer base. The restrictions which the permit contains – for example, regarding e-mail advertising, discount amounts and social media advertising – continue to apply for the most part. Lotto24 currently assumes that these restrictions will not significantly restrict its business and will apply equally to its direct competitors. The renewal of the advertising permit and the resulting legal certainty it provides form the basis for the planned expansion of business and market share. However, the possibility cannot be excluded that the authorities will apply the undefined permit restrictions more strictly in future. Stricter application of the advertising restrictions may impede new customer acquisition and have a negative impact on billings.

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Legal uncertainties

We believe that there are still significant legal uncertainties even under the current GlüStV. All in all, it is uncertain whether or not the GlüStV as a whole, 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 regulation in Germany continues to pursue hypocritical objectives and is therefore incoherent. We believe that there is no rational justification for the consistently strict restrictions placed on lottery brokerage. We therefore continue to regard the main regulations of the GlüStV as unlawful and thus inapplicable.

The liberalisation of the sports betting market and issue of licences to private providers proposed by Germany in 2012 has still not been implemented three years after the GlüStV came into effect. We do not expect any licences to be granted in the near future. On 5 and 27 May 2015, the Administrative Courts of Wiesbaden and Frankfurt am Main ordered a temporary injunction regarding the issue of sports betting licences pending principal proceedings and expressed significant doubts regarding the transparency and legality of the proceedings. Unless these emergency rulings are annulled by the Administrative Court of Hesse, the licensing procedure is permanently blocked. In its ruling of 12 June 2014, the European Court of Justice (»ECJ«) also called for coherent and appropriate gaming regulation and once again underlined that national restrictions in the field of gaming require special justification.

On 7 July 2015, it was announced that the European Commission had initiated so-called pilot proceedings against the Federal Republic of Germany on 30 June 2015 and thus confirmed the concerns it expressed in the 2011/2012 notification procedure regarding the compatibility of the GlüStV with EU law. A pilot process is conducted prior to the initiation of infringement proceedings. It serves to clarify or resolve problems regarding the compatibility of national legislation with EU law. The Federal Republic of Germany has ten weeks to issue a reply.

The Commission's criticism is directed against the incoherence of German gambling regulations, including the so-called regionalisation principle for lotteries. The justification offered by the German states for banning lottery brokers from operating in other German states is that this prevents the promotion of gambling. In view of the very low addictiveness of lotteries, however, the EU Commission does not follow this view. The regionalisation duty is therefore clearly unlawful. The EU Commission thus confirms the legal opinion of Lotto24.

Legal disputes and regulatory proceedings

In its rulings on 27 August 2014 and 10 September 2014, the Administrative Court of Hamburg mostly rejected the lawsuits we brought against restrictions of the brokerage and advertising permits – in our opinion with less than compelling reasoning, or none at all – and also refused to accept appeals for both proceedings. On 24 September 2014, we applied for the acceptance of appeals in both cases, which are currently awaiting a decision by the Higher Administrative Court of Hamburg. We have also challenged the restrictions contained in the new advertising permit before the Administrative Court of Hamburg. In these new proceedings, we are attempting to speed up a ruling by the first instance Administrative Court of Hamburg in order to bring about an initial ruling in the second instance by the Higher Administrative Court of Hamburg.

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ECONOMIC CONDITIONS

German market stagnating despite catch-up potential

Due to regulation, the German lottery market declined sharply from 2007 to 2012: according to a study by the market research company »Global Betting and Gaming Consultants, GBGC« of April 2013, the introduction of the first GlüStV 2008 caused German lottery revenues to fall by 16% between 1 August 2007 and 31 December 2012, while international lottery revenues rose by 22% over the same period (source: »Media & Entertainment Consulting Network GmbH, MECN«, »MECN Extra Research, German Lottery Market«, July 2013).

After the less restrictive new GlüStV came into force in July 2012, there was initially a significant surge in growth: from 2012 to 2013, total revenues of the German Association of State Lottery Companies (»Deutscher Lotto- und Totoblock, DLTB«) – comprising the products »Lotto 6aus49«, »Spiel 77«, »EuroJackpot«, »Super 6«, »Sofortlotterien«, »GlücksSpirale«, »Oddset«, »Keno«, »Bingo«, »Toto« and »Plus 5« – rose by 10%, due primarily to a price increase for the most important product »Lotto 6aus49«. Since 2013, sales progress has been mixed: in 2014, total revenues fell slightly by -0.7% from EUR 7.0 billion to EUR 6.9 billion.

According to estimates of individual state lottery companies, this trend also continued in the first half of 2015. While stakes for »Lotto 6aus49« were down, there was growth in revenues generated by »EuroJackpot« – the European lottery steadily establishing itself in the market (source: DLTB).

The current forecasts of GBGC indicate that the German market as a whole will virtually stagnate in the period up to 2019, while certain other European markets will enjoy double-digit growth rates. According to GBGC, the German market will expand by just 0.8% up to 2019, whereas Austria will grow by 32%, Finland by 28%, the UK by 24%, Norway by 23%, France by 16%, Spain by 11% and Italy by 8% (source: GBGC »European Lotteries«, April 2015).

Just how far Germany has fallen behind is underlined by a comparison with other European countries of per capita spending on lotteries. In 2013, per capita spending on lotteries in Germany amounted to EUR 103, while in Austria it was EUR 360, in Finland EUR 267, in Italy EUR 291, in Norway EUR 251, in Spain EUR 219, in France EUR 168 and in the UK EUR 135 (source: GBGC »European Lotteries«, April 2015 and »statista«). In our opinion, there is a significant catch-up potential in Germany as per-capita spending on lotteries is well below the European average. However, this potential is not currently being realised due to the comparatively strict regulations and lower impetus for innovation in Germany's federal structures.

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Huge potential of online segment

Despite the stagnation of the German lottery market compared to other European countries, we see significant catch-up potential in the online segment. In our opinion, this anticipated growth is based on the following factors in particular:

- As online lottery offerings were completely forbidden until mid 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 2013, for example, the online segment of the lottery market was around 37% in Finland, and approximately 17% in Norway and the UK (source: GBGC, »Interactive Lottery Sales«, April 2015).
- 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% (source: Ulysses »Web-Tourismus« Rossmann & Donner GbR, 2011), that of music was 50.4% in 2013 (source: »Bundesverband Musikindustrie«, »Jahrbuch Musikhandel 2013«) and the proportion of online banking users in 2014 was 54% (source: »Bundesverband deutscher Banken e. V.« »Online-Banking in Deutschland«, July 2014).
- With increasing online marketing expenditure since the introduction of new advertising guidelines on 1 February 2013 and the growth in advertising channels used following the abolition of marketing restrictions, online lottery will receive more attention and enjoy greater awareness.

Our assessment is confirmed by the current growth rates of the online segment: according to information of DLTB and WestLotto, as well as calculations of the German Lottery Association (»Deutscher Lottoverband«), the online segment grew from EUR 31 million in 2012 (after the gradual reopening of the market) to EUR 253 million in 2013 and by more than 50% in 2014 to EUR 390 million. Online revenues thus accounted for almost 6% of total German lottery sales in 2014 (prior year: 4%) – a share which is still far below the comparative figures of other countries and that of other German online markets. There is still room for growth.

Lotto24 is the market leader and growth driver in the online lottery market

Lotto24 played a significant role in driving market growth in the online segment in 2014. Online revenues of the 16 state lottery companies rose to around EUR 285 million in 2014 (prior year: EUR 219 million), corresponding to growth of around 30%. Our billings nearly tripled from EUR 30 million to almost EUR 82 million and Lotto24's market share nearly doubled from 12% in 2013 to around 21% in 2014. According to information provided by DLTB, we are the largest provider and have also overtaken all the individual state lottery companies. We regard this as impressive confirmation of both our business model and our strategy. We plan to continue this growth in 2015 and to consolidate our market leadership.

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Product portfolios of the lottery companies

The »Lotto 6aus49« lottery and »Spiel 77« supplementary lottery again generated the largest individual revenues in 2014, with around EUR 4 billion (prior year: EUR 4 billion) and EUR 1 billion (prior year: EUR 1 billion), respectively. With sales of EUR 604 million (prior year: EUR 493 million), the European lottery »EuroJackpot« achieved particularly strong growth in Germany.

According to information provided by the individual state lottery companies, the »EuroJackpot« was the clear growth driver in the first half of 2015. Due in part to the favourable jackpot situation, there was growth in »EuroJackpot« stakes in the first half of 2015 – clearly underlining the potential of this product. By contrast, the market as a whole stagnated due to falling »Lotto 6aus49« revenues. Complete and detailed figures on the overall market will be released by DLTB in January 2016.

The development of our revenues may be positively or negatively influenced by enhancements or changes to the product portfolios of the German state-owned lottery companies and the respective regulations for the online brokerage of these products. We currently expect the product portfolio to be expanded in future. The German Sport Lottery was launched in February 2015 as the first new lottery product in Germany.

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. Our main competitors are the state-owned lottery companies with their joint platform www.lotto.de.

According to information of the federal states of Lower Saxony and North Rhine-Westphalia, 23 private commercial gaming brokers have also received brokerage and advertising permits pursuant to GlüStV, in addition to the state-owned companies. Our private competitors once again conducted only modest advertising in the first half of 2015, after we observed both increased competition and higher advertising spending for online lotteries in 2014.

In addition, there are secondary lottery providers who 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.

With a 21% share of the online lottery market, Lotto24 was the main growth driver for online lotteries – with a clear lead over the other private competitors. It remains to be seen how their competitive behaviour will develop in future.

We monitor our relevant competitors, for example, by regularly and systematically testing the respective websites. In addition, we use so-called media monitoring and social media monitoring to gather and evaluate social signals of Internet users with regard to specific sectors, brands or defined websites. This enables us to discover what this target group thinks about us and our competitors so that we can react accordingly. In the course of our brand tracking activities, we also regularly collect information on our competitors. We do not therefore rely solely on our own subjective perception, but also use customer surveys when defining the direction in which we want to evolve and how we can clearly differentiate ourselves from the competition.

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Record jackpots for EuroJackpot in second quarter of 2015

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« lottery, this relates in particular to the combination of six correct numbers and the super number.

After a year of numerous comparatively unattractive jackpots in 2014, this trend initially continued in the first quarter.

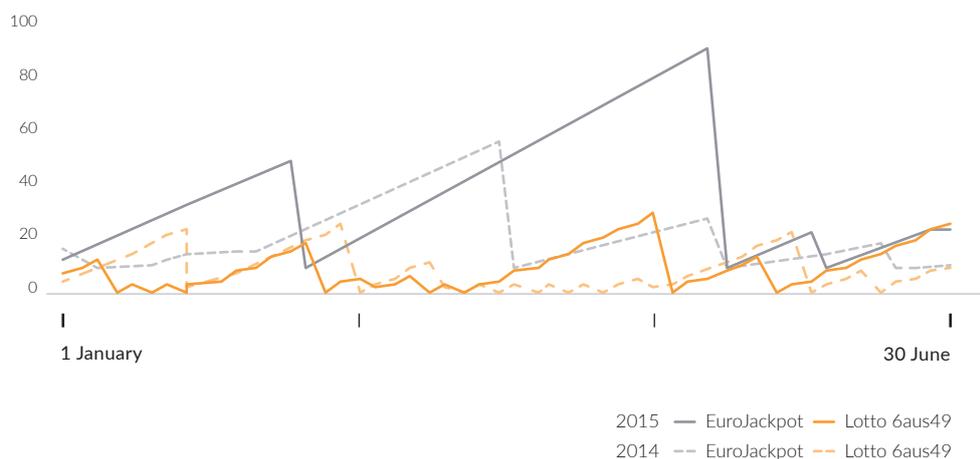
In the first quarter of 2015, there was just one larger jackpot of EUR 19 million for »Lotto 6aus49« on 19 February 2015 and one more attractive »EuroJackpot« of EUR 49 million on 14 February 2015. By contrast, there was much greater incentive to play the lottery in the previous year with at least two large »Lotto 6aus49« jackpots of over EUR 20 million and a »EuroJackpot« of EUR 47 million.

The second quarter of 2015, however, was marked by a very favourable jackpot situation over several weeks in April and May with high jackpots for »Lotto 6aus49« and record jackpots for »EuroJackpot« of EUR 90 million. In the same quarter of 2014, there was only one major jackpot for »Lotto 6aus49« of over EUR 20 million and one »EuroJackpot« of EUR 56 million.

Thanks to this high level of jackpots, we almost tripled the number of new customer registrations in the second quarter, from 58 thousand (previous year) to 153 thousand. This is the highest number of new customer registrations in a single quarter since our IPO in 2012.

JACKPOT DEVELOPMENT

in EUR million



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BUSINESS DEVELOPMENT

With growth of 70.4% in the first half of 2015, billings of EUR 62.6 million easily exceeded the prior-year figure of EUR 36.7 million. Revenues rose by 80.9% from EUR 3.4 million in the previous year to EUR 6.1 million. This was due above all to the strong second quarter of 2015 with growth in billings of 114.8% to EUR 37.6 million (prior year: EUR 17.5 million) and in revenues of 125.4% to EUR 3.7 million (prior year: EUR 1.6 million). We also raised the gross margin from 9.2% in the previous year to 9.7% in the first half of 2015.

Due to the very favourable jackpot situation over several weeks in April and May with high jackpots for »Lotto 6aus49« and record jackpots for »EuroJackpot«, we almost tripled the number of new customer registrations in the second quarter, from 58 thousand (previous year) to 153 thousand. This is the highest number of new customer registrations in a single quarter since our IPO in 2012. In the first half of 2015, we gained a total of 208 thousand new customers (prior year: 135 thousand). As of 30 June 2015, the number of registered customers amounted to 730 thousand in total (prior year: 372 thousand).

In order to benefit from the increased efficiency of new customer acquisition during high jackpot periods, we stepped up our marketing activities in the second quarter and ran display and banner ads on all major Internet portals. As a result, marketing expenses increased from EUR -6.2 million in the previous year to EUR -6.8 million in the first half of 2015. There was a significant reduction in cost per lead (CPL) to EUR 32.80 in the first half of 2015 (prior year: EUR 46.16). In the second quarter of 2015, CPL was just EUR 31.58 (prior year: EUR 44.64). Due to the increase in marketing activities, EBIT fell to EUR -7.9 million in the first half of 2015 (prior year: EUR -7.3 million). By contrast, net profit improved to EUR -7.0 million (prior year: EUR -7.5 million).

Insourcing of the online platform

The insourcing of our online platform – in other words, assuming the development of our operating software and IT operations – is progressing according to plan. In the course of this project, which will be completed by no later than 31 December 2015, we are setting up our own IT department. In the period up to 31 March 2015, we commissioned an IT service provider to continue the development of our online platform. This task was successfully taken over by our own IT department on 1 April 2015.

As we have already managed to fill most of the vacancies for the operation of the online platform, we can now focus on setting up the data centres and preparing to assume operations. We have already decided on the locations and data centre operators.

We have reached important milestones. All in all, the positive effects of insourcing – including reduced costs for the technical processing of gaming operations and IT development – will more than compensate for the additional expenses in the medium term.

By insourcing our IT operations, we aim to ensure our long-term independence and control over this strategically important field. At the same time, our systems operations in Germany will prepare the path for further B2B and business services. Furthermore, we expect that insourcing will enable us to meet our development needs more flexibly, quickly and simply in future.

The insourcing of IT represents a major step in our quest to become the industry's innovation leader.

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Launch of »Duolotto-Quicktipp«

In February 2015, we launched the market innovation »DuoLotto-Quicktipp«: with a single click, the customer can take part in the draw for two products – »Lotto 6aus49« and »EuroJackpot«. This combined offering has been very well received by our customers. We are the pioneer in the online lottery segment for this user-friendly solution offering a new and uncomplicated gaming experience.

Successful modernisation of »Lotto24«

In view of the increasing importance of sales via mobile devices, we revamped our Lotto24 branding including a new logo and a new website design which went live on 22 March 2015. The newly developed responsive design means that our offerings can now be displayed perfectly on all devices – from PC to tablet and smartphone. The responsive design – which we developed as one of the first online lottery providers – has been very well received by our customers. We were also the first German provider to develop an app for the three relevant mobile operating systems, i.e. for Apple, Google and Windows. The steady growth of revenues via mobile devices proves that we were quick to recognise the importance of this distribution channel and introduce the corresponding measures. The incorporation of cutting-edge technologies and development of suitable applications are essential prerequisites for ensuring a high level of customer satisfaction and capturing further market share.

Cooperation agreement with t-online.de

On 1 June 2015, we signed a cooperation agreement with t-online.de – the online portal with the highest reach in Germany (source: »AGOF Angebotsranking«, March 2015) – making Lotto24 the exclusive lottery partner for t-online.de. As a consequence, more than 26 million t-online customers can now play lotto conveniently using our service. The product range will have its own navigation point on t-online.de and be advertised by the marketing agency InteractiveMedia via media placements. This partnership offers great potential to attract new customers with our offerings.

Best-known online lottery brand

Our marketing activities are also having an impact on brand awareness. In June 2015, we conducted a representative online survey among 1,005 people which proved that Lotto24 takes first place in unaided responses among Germany's online providers. In the assessment of our brand profile, there was strong growth in the values Security, Trust and Reliability. The survey once again underlined the great potential for Lotto24: 76% of respondents can imagine playing lotto online in future, and 60% have specifically planned to do so.

Third Annual General Meeting in Hamburg

Our third Annual General Meeting as a listed company was held in Hamburg on 12 May 2015. With a total presence of over 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, Authorised Capital was renewed. The Executive Board was hereby authorised to raise share capital for cash or non-cash contributions by up to EUR 4,391,798 – corresponding to almost 20% of share capital – in the period up to 11 May 2020 subject to approval by the Supervisory Board.

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POSITION

| INCOME STATEMENT | Q. I-II 2015 | | | Q. II 2015 | | |
|--|--------------------|--------------------|-------------|--------------------|--------------------|--------------|
| | in EUR thousand | in EUR thousand | Change % | in EUR thousand | in EUR thousand | Change % |
| Billings | 62,615 | 36,741 | 70.4 | 37,613 | 17,512 | 114.8 |
| Stakes to be remitted (less revenues) | -56,515 | -33,369 | 69.4 | -33,900 | -15,864 | 113.7 |
| Revenues | 6,100 | 3,372 | 80.9 | 3,713 | 1,647 | 125.4 |
| Personnel expenses | -2,725 | -1,910 | 42.7 | -1,537 | -960 | 60.1 |
| Other operating expenses | -11,124 | -8,756 | 27.0 | -7,013 | -3,890 | 80.3 |
| less other operating income | 16 | 50 | -67.2 | 1 | 15 | -96.2 |
| Operating expenses | -13,832 | -10,616 | 30.3 | -8,549 | -4,835 | 76.8 |
| EBITDA | -7,732 | -7,244 | 6.7 | -4,837 | -3,188 | 51.7 |
| Amortisation and depreciation | -198 | -104 | 91.0 | -109 | -83 | 31.5 |
| EBIT | -7,930 | -7,348 | 7.9 | -4,946 | -3,271 | 51.2 |
| Financial result | 104 | 64 | 60.9 | 31 | 7 | 350.9 |
| Earnings before taxes | -7,826 | -7,283 | 7.5 | -4,915 | -3,264 | 50.6 |
| Income taxes | 875 | -195 | -548.8 | 592 | -95 | -721.9 |
| Net profit | -6,952 | -7,478 | -7.0 | -4,323 | -3,360 | 28.7 |
| Breakdown of other operating expenses | | | | | | |
| Marketing expenses ¹⁾ | -6,837 | -6,220 | 9.9 | -4,825 | -2,574 | 87.5 |
| Direct operating expenses | -1,448 | -935 | 54.8 | -859 | -496 | 73.1 |
| Indirect operating expenses | -2,838 | -1,601 | 77.3 | -1,329 | -820 | 62.1 |
| Other operating expenses | -11,124 | -8,756 | 27.0 | -7,013 | -3,890 | 80.3 |

¹⁾ of which B2B and business services accounted for EUR -40 thousand (prior year: EUR -167 thousand)

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KEY FIGURES

| | Q. I-II 2015 | Q. I-II 2014 |
|--|--------------|--------------|
| Number of registered customers as of 30 June (in thousand) | 730 | 372 |
| Number of new customer registrations in Q. I-II (in thousand) | 208 | 135 |
| Average number of registered customers (in thousand) ¹⁾ | - | - |
| Average number of active customers (in thousand) ¹⁾ | - | - |
| Average activity rate (%) ¹⁾ | - | - |
| Average billings per active customer (in EUR) ¹⁾ | - | - |
| Cost per lead (in EUR) | 32.80 | 46.16 |
| Gross margin (%) | 9.7 | 9.2 |
| Direct operating expenses as a proportion of billings (%) | 2.3 | 2.5 |
| Number of employees (30 June) ²⁾ | 62 | 33 |

¹⁾ figures only disclosed on annual basis

²⁾ full-time equivalents, 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 registered customers: the arithmetic mean of the month-end figures for registered customers in 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 (incl. B2B and business services) and the average number of active customers.

EARNINGS POSITION

Strong growth in billings and revenues

In the first half of 2015, we achieved significant growth in our KPIs. With an increase of 70.4%, billings of EUR 62,615 thousand in the first half of 2015 were well above the prior-year figure of EUR 36,741 thousand. Revenues rose by 80.9%, from EUR 3,372 thousand in the same period last year to EUR 6,100 thousand.

Revenues result mainly from commissions received from the state lottery companies for the brokerage of lottery products, as well as from additional fees and ticket fees incurred in connection with the brokerage of stakes.

We offer lottery companies and major online portals 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 the quantity scales negotiated with certain state lottery companies in 2014 which have a positive impact when specific volume thresholds are reached, our gross margin rose in total to 9.7% (prior year: 9.2%).

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Significant reduction in CPL

In the first half of 2015, we succeeded in reducing CPL significantly to EUR 32.80 (prior year: EUR 46.16). In the second quarter of 2015, CPL was as low as EUR 31.58 (prior year: EUR 44.64). As of 30 June 2015, the total number of registered customers totalled 730 thousand (prior year: 372 thousand) and had thus grown by more than 96%.

Depending on the jackpot situation, the volume of marketing expenses and the behaviour of competitors, CPL will continue to vary strongly in future.

Year-on-year improvement in earnings

As expected, earnings were burdened by further start-up costs in the first half of 2015. EBIT fell to EUR -7,930 thousand (prior year: EUR -7,348 thousand) – mainly due to the absolute increase in marketing expenses. By contrast, there were increased costs for IT personnel – especially for the further insourcing of the online platform – as well as for external management and consultancy services.

The financial result amounted to EUR 104 thousand (prior year: EUR 64 thousand), whereby financial income resulted from interest received on investing liquid funds not immediately required. The net result for the period improved by EUR 527 thousand to EUR -6,952 thousand (prior year: EUR -7,478 thousand). In the reporting period, deferred tax assets were formed for loss carryforwards again, while still taking a more conservative view compared to the previous year. Earnings per share improved to EUR -0.32 (prior year: EUR -0.37).

Development of key income statement items

At the end of the reporting period on 30 June 2015, Lotto24 AG had 62 employees (full-time equivalents, excluding the two Executive Board members, prior year: 33). Most employees were employed in the Marketing and IT departments (79%; prior year: 67%). In addition, there were 23 student helpers – mainly in the call centre (prior year: 23).

Due mainly to the year-on-year increase in IT and Marketing staff, personnel expenses increased to EUR -2,725 thousand (prior year: EUR -1,910 thousand).

Compared to the same period last year, other operating expenses in the first half of 2015 rose from EUR -8,756 thousand to EUR -11,124 thousand. The development in detail was as follows:

- In order to benefit from the increased efficiency of new customer acquisition during high jackpot periods, we stepped up our marketing activities in the second quarter. As a result, marketing expenses increased from EUR -6,220 thousand in the previous year to EUR -6,837 thousand in the first half of 2015.
- Indirect operating expenses rose from EUR -1,601 thousand to EUR -2,838 thousand. In particular, there were increased technical costs of EUR -803 thousand (prior year: EUR -788 thousand) in connection with the further extensive revamping of our website and technical adjustments to certain game offerings. Increased use of external management and consultancy services to help implement the IT insourcing led to a rise in consultancy expenses to EUR -1,341 thousand (prior year: EUR -489 thousand).
- Direct costs of operations rose from EUR -935 thousand to EUR -1,448 thousand and mainly comprise the costs for the technical processing of gaming operations and payment transactions. Following the transfer and complete takeover of IT operations, usage fees for the online platform based on billings will be incurred for the last time in 2015 as we will then handle the corresponding processes with our own IT resources. As the remaining direct costs rise in proportion with billings, we expect that they will continue to increase in future.

The increase in depreciation/amortisation of tangible and intangible assets to EUR -198 thousand (prior year: EUR -104 thousand) resulted mainly from the scheduled amortisation of our apps for smartphones and tablet PCs as well as depreciation of acquired office and communication technology.

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FINANCIAL POSITION

Financial analysis

Our financial situation is mainly dominated by equity and short-term liabilities.

As of 30 June 2015, equity amounted to EUR 20,597 thousand and comprised the following items:

| EQUITY | 30.06.2015 | 31.12.2014 |
|--------------------|-------------------|---------------|
| in EUR thousand | | |
| Subscribed capital | 21,959 | 21,959 |
| Capital reserves | 35,586 | 35,586 |
| Other reserves | -47 | 18 |
| Retained earnings | -36,901 | -29,950 |
| Total | 20,597 | 27,613 |

Subscribed capital equals the Company's share capital and is fully paid. Influenced by the earnings position, the balance sheet total fell from EUR 33,684 thousand as of 31 December 2014 to EUR 30,590 thousand.

| TRADE PAYABLES | 30.06.2015 | 31.12.2014 |
|-----------------------|-------------------|--------------|
| in EUR thousand | | |
| Trade payables | 2,045 | 1,322 |
| Total | 2,045 | 1,322 |

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

As of 30 June 2015, other liabilities consisted of the following:

| OTHER LIABILITIES | 30.06.2015 | 31.12.2014 |
|---|-------------------|--------------|
| in EUR thousand | | |
| Liabilities from gaming operations | 3,387 | 3,327 |
| Holiday obligations | 121 | 88 |
| Amounts due in connection with payroll processing | 75 | 58 |
| Interest obligations | 6 | - |
| Other | 0 | 12 |
| Total | 3,589 | 3,485 |

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Due to closing-date effects, other liabilities rose to EUR 3,589 thousand (prior year: EUR 3,485 thousand). They mainly comprise liabilities from gaming operations of EUR 3,387 thousand (prior year: EUR 3,327 thousand). This item, which is expected to increase further as billings grow, comprises obligations from invoicing our customers and the state lottery companies. There was also a rise in amounts due in connection with payroll processing (EUR 75 thousand; prior year: EUR 58 thousand) and holiday obligations (EUR 121 thousand; prior year: EUR 88 thousand) due to increased headcount. Interest obligations at the end of the reporting period (EUR 6 thousand; prior year: EUR – thousand) result from the loan taken out.

Investment analysis

In the reporting period, we invested a total of EUR -450 thousand (prior year: EUR -191 thousand) mainly in software and hardware needed for our operating business, as well as in furniture, fixtures and office equipment in connection with our IT insourcing.

Liquidity analysis

| KEY CASH FLOW ITEMS | Q. I-II 2015 | Q. I-II 2014 |
|--|---------------------|---------------------|
| in EUR thousand | | |
| Cash flow from operating activities | -6,486 | -6,575 |
| Cash flow from investing activities | 550 | -2,188 |
| thereof financial investments | 1,000 | -1,997 |
| thereof operative investments | -450 | -191 |
| Cash flow from financing activities | 3,000 | - |
| Change in available funds | -2,935 | -8,763 |
| Available funds at the beginning of the period | 6,588 | 16,490 |
| Available funds at the end of the period | 3,653 | 7,727 |
| Available-for-sale financial investments (available >3 months and <1 year) | 2,580 | 2,629 |
| Held-to-maturity financial investments | - | 1,500 |
| Available funds | 6,232 | 11,855 |

Due mainly to the development of earnings and increased liabilities in the first half of 2015, cash flow from operating activities amounted to EUR -6,486 thousand (prior year: EUR -6,575 thousand).

Cash flow from investing activities amounted to EUR 550 thousand (prior year: EUR -2,188 thousand), whereby net outgoings relate to capital expenditure.

Cash flow from financing of EUR 3,000 thousand (prior year: EUR – thousand) results from a loan taken out.

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As of 30 June 2015, other assets and prepaid expenses comprised the following items:

| OTHER ASSETS AND PREPAID EXPENSES | 30.06.2015 | 31.12.2014 |
|--|-------------------|--------------|
| in EUR thousand | | |
| Receivables from gaming operations | 1,145 | 1,530 |
| Deposits | 959 | 765 |
| Prepaid expenses | 275 | 303 |
| Tax receivables (VAT) | 68 | 179 |
| Other | 0 | 0 |
| Total | 2,447 | 2,776 |

ASSET POSITION

Compared to 31 December 2014, total assets decreased by EUR -3,095 thousand to EUR 30,590 thousand as of 30 June 2015 – due mainly to the decrease in cash and cash equivalents as well as other financial assets to finance operations. By contrast, there was an increase in deferred tax assets for loss carryforwards based on expected offsetting against future positive results.

Current assets mainly comprised cash and cash equivalents (EUR 3,653 thousand; prior year: EUR 2,096 thousand), other financial assets (EUR 2,580 thousand; prior year: EUR 8,141 thousand) and other assets and prepaid expenses (EUR 2,447 thousand; prior year: EUR 2,776 thousand).

Non-current assets were dominated by goodwill (EUR 18,850 thousand; unchanged from the previous year) and net deferred tax assets (EUR 1,713 thousand; prior year: EUR 807 thousand).

OVERALL ASSESSMENT OF THE ECONOMIC POSITION OF LOTTO24 AG

Lotto24 is well positioned to participate in the further development of Germany's online lottery market. In 2014, we established ourselves as market leader in the online lottery segment. In 2015, we plan to continue our growth and consolidate our market leadership.

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SUBSEQUENT EVENTS

SUCCESSFUL CAPITAL INCREASE

On 14 July 2015, we increased our share capital by around EUR 2.2 million, from almost EUR 22 million to around EUR 24.2 million, against cash contributions through the partial exercise of the Company's Authorised Capital as adopted by the Annual General Meeting of 12 May 2015 and under the exclusion of shareholder subscription rights. The almost 2.2 million new shares were placed entirely with two significant investors of Lotto24 AG, Othello Vier Beteiligungs GmbH & Co. KG, a company of the Günther Group, as well as Jens Schumann, at a price of EUR 3.49 per new share on 14 July 2015. The placement price exceeded the volume-weighted average price of the Lotto24 shares over the three trading days prior to the capital increase by more than 10%. This premium underlines the exceptional trust of our major shareholders in the current development and future of Lotto24 AG. The new shares are expected to be admitted for trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange without publication of a prospectus at the end of October 2015. M.M.Warburg & CO (AG & Co.) KGaA advised on the capital increase. The Company received gross proceeds from the capital increase of nearly EUR 7.7 million. Providing the regulatory environment remains unchanged, and depending on the jackpot situation, our competitors and market developments, we believe that either no or only minor additional funding will be required until we break even.

PILOT PROCEEDINGS OF EU COMMISSION

On 7 July 2015, it was announced that the European Commission had initiated so-called pilot proceedings against the Federal Republic of Germany on 30 June 2015 and thus confirmed the concerns it expressed in the 2011/2012 notification procedure regarding the compatibility of the GlüStV with EU law. A pilot process is conducted prior to the initiation of infringement proceedings. It serves to clarify or resolve problems regarding the compatibility of national legislation with EU law. The Federal Republic of Germany has ten weeks to issue a reply.

The Commission's criticism is directed against the incoherence of German gambling regulations, including the so-called regionalisation principle for lotteries. The justification offered by the German states for banning lottery brokers from operating in other German states is that this prevents the promotion of gambling. In view of the very low addictiveness of lotteries, however, the EU Commission does not follow this view. The regionalisation duty is therefore clearly unlawful. The EU Commission thus confirms the legal opinion of Lotto24.

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REPORT ON EXPECTED DEVELOPMENTS AND ASSOCIATED MATERIAL OPPORTUNITIES AND RISKS

RISK REPORT

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

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, as well as 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 the long run. In particular, our continued growth depends on whether, and to what extent, we are able to gain new customers who use Lotto24's products, to expand our current offerings, to add further products to the range and to build up 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.

Assessment of the risk situation

We believe that the occurrence probability of the risks presented above 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 the case of legal risks, we would fully exploit all possibilities of legal protection. We are not aware of any risks which might endanger the Company's continued existence.

In our Annual Report 2014, 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.

FORECAST REPORT

In 2012, we were the first private online lottery provider to resume activities in Germany after the new State Treaty on Games of Chance came into effect. After receiving our long awaited advertising permit in March 2013 – which was extended until 12 March 2017 – and greatly extending our market leadership in 2014, we are now well positioned to benefit from the liberalisation and enormous growth potential of online lottery brokerage in Germany and to exploit the tremendous market opportunities.

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Expected earnings position

In view of the success expected for the second quarter, we already upgraded on 20 May 2015 our guidance for the current fiscal year published on 20 January 2015: instead of reduced growth, it forecast strong new customer growth in line with the prior-year figure (284 thousand). We expect a less significant year-on-year reduction in marketing expenses but still anticipate a decrease in CPL compared to last year. Assuming that the regulatory environment remains unchanged, and depending on the jackpot situation, we continue to expect a strong increase in billings of up to 50% and a slight year-on-year improvement in gross margin. At the same time, we will continue insourcing the strategically important IT division started in 2014. We still anticipate that losses for both EBIT and net profit in 2015 will be lower than in the previous year. Our aim is to achieve further growth and consolidate our position as Germany's leading provider of online state-licensed lottery products.

Expected financial position

Despite growing revenues, we continue to expect significant use of funds in fiscal year 2015 with consistently high marketing expenditure – albeit strongly reduced. In the course of fiscal year 2014, cash and other financial assets fell by EUR -8,352 thousand, from EUR 18,589 thousand on 31 December 2013 to EUR 10,237 thousand. On 30 June 2015, we had cash and other financial assets totalling EUR 6,232 thousand, which we intend to use mainly for the expansion of business.

Moreover, we plan to widen our product portfolio with additional lotteries and to expand our services for state-licensed lotteries.

On 14 July 2015, we increased our share capital by around EUR 2.2 million, from almost EUR 22 million to around EUR 24.2 million, against cash contributions through the partial exercise of the Company's Authorised Capital as adopted by the Annual General Meeting of 12 May 2015 and under the exclusion of shareholder subscription rights. The almost 2.2 million new shares were placed entirely with two significant investors of Lotto24 AG, Othello Vier Beteiligungs GmbH & Co. KG, a company of the Günther Group, as well as Jens Schumann, at a price of EUR 3.49 per new share on 14 July 2015. The placement price exceeded the volume-weighted average price of the Lotto24 shares over the three trading days prior to the capital increase by more than 10%. This premium underlines the exceptional trust of our major shareholders in the current development and future of Lotto24 AG. The new shares are expected to be admitted for trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange without publication of a prospectus at the end of October 2015. M.M.Warburg & CO (AG & Co.) KGaA advised on the capital increase. The Company received gross proceeds from the capital increase of nearly EUR 7.7 million. Providing the regulatory environment remains unchanged, and depending on the jackpot situation, our competitors and market developments, we believe that either no or only minor additional funding will be required until we break even.

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Overall statement on the expected development of Lotto24 AG

We have many years of management experience, an attractive range of products and services, and are well positioned as market leader in the rapidly growing online lottery market. We therefore believe we are excellently prepared for the future and are confident that we can achieve our target of further growth while securing market leadership in 2015.

REPORT ON TRANSACTIONS WITH RELATED PARTIES

With regard to disclosures on past transactions with related parties, we refer to Note 22.

Hamburg, 12 August 2015

The Executive Board



Petra von Strombeck
Chief Executive Officer



Magnus von Zitzewitz
Member of the Executive Board

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03. CONDENSED INTERIM FINANCIAL STATEMENTS

INCOME STATEMENT

FROM 1 JANUARY TO 30 JUNE ACC. TO IFRS

| | | Q. I-II 2015 | Q. I-II 2014 | Q. II 2015 | Q. II 2014 |
|--|--------|---------------|---------------|---------------|---------------|
| in EUR thousand | Notes | | | | |
| Billings | | 62,615 | 36,741 | 37,613 | 17,512 |
| Remitted stakes (less commissions) | 5 | -56,515 | -33,369 | -33,900 | -15,864 |
| Revenues | 6 | 6,100 | 3,372 | 3,713 | 1,647 |
| Other operating income | | 16 | 50 | 1 | 15 |
| Total performance | | 6,117 | 3,422 | 3,713 | 1,662 |
| Personnel expenses | 7 | -2,725 | -1,910 | -1,537 | -960 |
| Amortisation/depreciation on intangible assets and property, plant and equipment | 15, 16 | -198 | -104 | -109 | -83 |
| Other operating expenses | 8 | -11,124 | -8,756 | -7,013 | -3,890 |
| Result from operating activities (EBIT) | | -7,930 | -7,348 | -4,946 | -3,271 |
| Revenues from financial activities | 9 | 110 | 64 | 38 | 7 |
| Expenses from financial activities | 9 | -6 | 0 | -6 | - |
| Financial result | 9 | 104 | 64 | 31 | 7 |
| Net profit before taxes | | -7,826 | -7,283 | -4,915 | -3,264 |
| Income taxes | 10 | 875 | -195 | 592 | -95 |
| Net profit | | -6,952 | -7,478 | -4,323 | -3,360 |
| Earnings per share (undiluted and diluted, in EUR/share) | | -0.32 | -0.37 | -0.20 | -0.17 |
| Weighted average of ordinary shares outstanding (undiluted and diluted, in shares) | | 21,958,991 | 19,962,720 | 21,958,991 | 19,962,720 |

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

STATEMENT OF COMPREHENSIVE INCOME

FROM 1 JANUARY TO 30 JUNE ACC. TO IFRS

| | | Q. I-II 2015 | Q. I-II 2014 | Q. II 2015 | Q. II 2014 |
|---|-------|---------------|---------------|---------------|---------------|
| in EUR thousand | Notes | | | | |
| Net profit for the period | | -6,952 | -7,478 | -4,323 | -3,360 |
| Other comprehensive income to be reclassified to the income statement in subsequent periods | | | | | |
| Revaluation gains (+)/losses (-) from the sale of available financial assets | 11 | -95 | 33 | -69 | 63 |
| Income tax effects | 10 | 31 | -11 | 22 | -20 |
| Other comprehensive income after taxes | | -65 | 22 | -47 | 43 |
| Total comprehensive income after taxes | | -7,016 | -7,456 | -4,370 | -3,317 |

Total comprehensive income after taxes is attributable solely to the owners of Lotto24 AG, Hamburg.

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BALANCE SHEET

AS OF 30 JUNE ACC. TO IFRS

| | | 30.06.2015 | 31.12.2014 |
|---|-------|---------------|---------------|
| ASSETS in EUR thousand | Notes | | |
| Current assets | | | |
| Cash and cash equivalents | 11 | 3,653 | 2,096 |
| Other financial assets | 11 | 2,580 | 8,141 |
| Trade receivables | 12 | 332 | 251 |
| Other receivables and prepaid expenses | 13 | 2,447 | 2,776 |
| Current assets, total | | 9,011 | 13,264 |
| Non-current assets | | | |
| Goodwill | 14 | 18,850 | 18,850 |
| Intangible assets | 15 | 429 | 483 |
| Property, plant and equipment | 16 | 587 | 280 |
| Deferred tax assets | 10 | 1,713 | 807 |
| Non-current assets, total | | 21,578 | 20,420 |
| ASSETS | | 30,590 | 33,684 |
| EQUITY AND LIABILITIES in EUR thousand | | | |
| Current liabilities | | | |
| Trade payables | 17.1 | 2,045 | 1,322 |
| Other liabilities | 17.2 | 3,589 | 3,485 |
| Short-term provisions | 18 | 541 | 625 |
| Current liabilities, total | | 6,176 | 5,432 |
| Non-current liabilities | | | |
| Interest-bearing financial loans | 19 | 3,000 | - |
| Long-term provisions | 20 | 816 | 639 |
| Non-current liabilities, total | | 3,816 | 639 |
| Equity | | | |
| Subscribed capital | 21 | 21,959 | 21,959 |
| Capital reserves | 21 | 35,586 | 35,586 |
| Other reserves | 21 | -47 | 18 |
| Retained earnings | 21 | -36,901 | -29,950 |
| Equity, total | | 20,597 | 27,613 |
| EQUITY AND LIABILITIES | | 30,590 | 33,684 |

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CASH FLOW STATEMENT

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE ACC. TO IFRS

| | Q. I-II 2015 | Q. I-II 2014 |
|--|---------------|---------------|
| in EUR thousand | | |
| Net profit before tax | -7,826 | -7,283 |
| Adjustments for: | | |
| Amortisation/depreciation on non-current assets | 198 | 104 |
| Financial income/financial expenditure | -104 | -64 |
| Other non-cash expenses/income | -27 | - |
| Changes in: | | |
| Trade receivables | -81 | -44 |
| Other assets and prepaid expenses | 329 | 428 |
| Trade payables | 723 | 75 |
| Other liabilities | 105 | 296 |
| Short-term provisions | -84 | -243 |
| Long-term provisions | 177 | 93 |
| Interest received | 110 | 64 |
| Interest paid | -6 | 0 |
| Taxes paid | - | - |
| Cash flow from operating activities | -6,486 | -6,575 |
| Payments received (+)/disbursements (-) for financial instruments | 1,000 | -1,997 |
| Investments in intangible assets | -87 | -98 |
| Investments in tangible assets | -363 | -94 |
| Cash flow from investing activities | 550 | -2,188 |
| Disbursements for the repayment of financial liabilities | - | - |
| Payments received from taking out financing loans | 3,000 | - |
| Payments received from the capital increase for cash | - | - |
| Disbursements for transaction costs of capital increase | - | - |
| Cash flow from financing activities | 3,000 | - |
| Change in available funds | -2,935 | -8,763 |
| Available funds at the beginning of the period | 6,588 | 16,490 |
| Available funds at the end of the period | 3,653 | 7,727 |
| Composition of cash, cash equivalents and securities at the end of the period | 3,653 | 7,727 |
| Cash | 3,653 | 5,018 |
| Available-for-sale financial investments (available <3 months) | - | 2,709 |

Explanations are provided in Note 3.

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STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE ACC. TO IFRS

| | Subscribed capital | Capital reserves | Other reserves | Retained earnings | Total equity |
|---|--------------------|------------------|----------------|-------------------|---------------|
| in EUR thousand | | | | | |
| As of 1 January 2014 | 19,963 | 31,628 | -36 | -13,953 | 37,602 |
| Capital increase for contribution in kind | - | - | - | - | - |
| Capital increase for cash | - | - | - | - | - |
| Transaction costs of capital increase | - | - | - | - | - |
| Deferred tax relief for transaction costs | - | - | - | - | - |
| Net profit | - | - | - | -7,478 | -7,478 |
| Other comprehensive income | - | - | 22 | - | 22 |
| Total comprehensive income | - | - | 22 | -7,478 | -7,456 |
| As of 30 June 2014 | 19,963 | 31,628 | -14 | -21,431 | 30,146 |
| Capital increase for contribution in kind | - | - | - | - | - |
| Capital increase for cash | 1,996 | 3,993 | - | - | 5,989 |
| Transaction costs of capital increase | - | -51 | - | - | -51 |
| Deferred tax relief for transaction costs | - | 17 | - | - | 17 |
| Net profit | - | - | - | -8,518 | -8,518 |
| Other comprehensive income | - | - | 32 | - | 32 |
| Total comprehensive income | - | - | 32 | -8,518 | -8,487 |
| As of 31 December 2014 | 21,959 | 35,586 | 18 | -29,950 | 27,613 |
| As of 1 January 2015 | 21,959 | 35,586 | 18 | -29,950 | 27,613 |
| Capital increase for contribution in kind | - | - | - | - | - |
| Capital increase for cash | - | - | - | - | - |
| Transaction costs of capital increase | - | - | - | - | - |
| Deferred tax relief for transaction costs | - | - | - | - | - |
| Net profit | - | - | - | -6,952 | -6,952 |
| Other comprehensive income | - | - | -65 | - | -65 |
| Total comprehensive income | - | - | -65 | -6,952 | -7,016 |
| As of 30 June 2015 | 21,959 | 35,586 | -47 | -36,901 | 20,597 |

Explanations are provided in Note 21.

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NOTES

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS ACC. TO IFRS FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2015

1 GENERAL

These condensed interim financial statements and interim management report for the first six months of 2015 (reporting period: 1 January to 30 June 2015) 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 2014,
- were not subjected to an auditor's review,
- were approved for publication by a resolution of the Executive Board on 12 August 2015.

Lotto24 AG has no subsidiaries and is in the start-up and growth phase. Its main activity is the online brokerage of state-licensed 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 2014, where the corresponding details are also provided. There are no new or revised standards and interpretations to be applied in 2015 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 accounting differences from rounding in certain cases.

3 CASH FLOW STATEMENT

The cash flow statement is prepared pursuant to IAS 7 (»Cash Flow Statements«), whereby 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, available funds comprised the following:

| | 30.06.2015 | 31.12.2014 |
|--|-------------------|--------------|
| in EUR thousand | | |
| Cash | 3,653 | 2,096 |
| Available-for-sale financial investments (available <3 months) | 0 | 4,492 |
| Total | 3,653 | 6,588 |

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| | 30.06.2015 | 31.12.2014 |
|--|-------------------|--------------|
| in EUR thousand | | |
| Reconciliation to the balance sheet: | | |
| Available-for-sale financial investments (available <3 months) | - | 4,492 |
| Available-for-sale financial investments (available >3 months and <1 year) | 2,580 | 3,649 |
| Other financial assets | 2,580 | 8,141 |

4 SEGMENT REPORTING

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

5 REVENUES

| | Q. I-II 2015 | Q. I-II 2014 |
|-----------------|---------------------|--------------|
| in EUR thousand | | |
| Revenues | 6,100 | 3,372 |
| Total | 6,100 | 3,372 |

The strong increase in revenues to EUR 6,100 thousand (prior year: EUR 3,372 thousand) resulted mainly from the growth in new customer registrations due to the further expansion of business. As a result of nationwide marketing campaigns and the growing awareness of Lotto24 AG, the number rose to 730 thousand as of 30 June 2015 (prior year: 372 thousand) and developed as follows:

| | 2015 | 2014 |
|---|-------------|------------|
| in thousand | | |
| Number of registered customers on 31 December of the previous year | 521 | 237 |
| First quarter (new customers) | 56 | 77 |
| Second quarter (new customers) | 153 | 58 |
| Number of registered customers on 30 June | 730 | 372 |

6 OTHER OPERATING INCOME

| | Q. I-II 2015 | Q. I-II 2014 |
|------------------------|---------------------|--------------|
| in EUR thousand | | |
| Other operating income | 16 | 50 |
| Total | 16 | 50 |

In the first six months of 2015, other operating income mainly comprised income from non-cash contributions for employees. Compared to the previous year, there were almost no amounts charged to the contractual partners for technical set-up costs and services under the terms of existing cooperation agreements (EUR 0 thousand; prior year: EUR 32 thousand).

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7 PERSONNEL EXPENSES

In the first six months of 2015, Lotto24 AG had a higher headcount than in the same period last year.

| | Q. I-II 2015 | Q. I-II 2014 |
|-------------------------------|---------------|---------------|
| in EUR thousand | | |
| Salaries | -2,421 | -1,707 |
| Social security contributions | -304 | -203 |
| Total | -2,725 | -1,910 |

Personnel expenses in the first six months of the reporting period 2015 rose as a result of increased headcount and include a higher amount of share-based remuneration with cash settlement for the Executive Board members (phantom shares, EUR -177 thousand; prior year: EUR -93 thousand). Details are provided in Note 20.

8 OTHER OPERATING EXPENSES

| | Q. I-II 2015 | Q. I-II 2014 |
|----------------------------------|----------------|---------------|
| in EUR thousand | | |
| Marketing expenses ¹⁾ | -6,837 | -6,220 |
| Direct operating expenses | -1,448 | -935 |
| Indirect operating expenses | -2,838 | -1,601 |
| Total | -11,124 | -8,756 |

¹⁾ of which B2B and business services accounted for EUR -40 thousand (prior year: EUR -167 thousand)

As of 30 June 2015, other operating expenses decreased year on year by EUR -2,368 thousand, from EUR -8,756 thousand to EUR -11,124 thousand.

The following factors influenced this development:

- Due to the very favourable jackpot situation over several weeks in April and May with high jackpots for the »Lotto 6aus49« lottery and record jackpots for the »EuroJackpot«, a departure was made from the strategy of moderate growth for 2015 and marketing activities increased in order to utilise this market opportunity. This enabled us to achieve the highest number of new customer registrations in a single quarter since our IPO in 2012 with a relatively low CPL. As a result, there was a year-on-year increase in marketing expenses from EUR -6,220 thousand to EUR -6,837 thousand.
- Indirect operating expenses rose from EUR -1,601 thousand to EUR -2,838 thousand. There was an increase in technical costs to EUR -803 thousand (prior year: EUR -788 thousand) in connection with developing the new responsive design of our website, as well as technical adjustments to certain game offerings. Increased use of external management and consultancy services to help implement IT insourcing raised consultancy expenses to EUR -1,341 thousand (prior year: EUR -489 thousand).
- As a result of the strong increase in billings, the direct costs of operations rose from EUR -935 thousand to EUR -1,448 thousand and mainly comprise expenses for the technical processing of gaming operations and payment transactions. Following the transfer and complete takeover of IT operations, usage fees for the technical processing of gaming operations based on billings will be incurred for the last time in 2015 as the corresponding processes will then be handled by our own IT resources. As the remaining direct costs rise in proportion with billings, we expect that they will continue to increase in future.

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9 FINANCIAL RESULT

| | Q. I-II 2015 | Q. I-II 2014 |
|---|--------------|--------------|
| in EUR thousand | | |
| Revenues from financial activities | | |
| Interest income | 110 | 64 |
| | 110 | 64 |
| Expenses from financial activities | | |
| Interest expenses | -6 | 0 |
| | -6 | 0 |
| Total | 104 | 64 |

Interest income results from interest-bearing investments of surplus liquidity. Interest expenses mainly relate to the assumption of a loan.

10 INCOME TAXES

The corporate income tax rate remained unchanged from 2014 at 15.0% and the solidarity surcharge was unchanged at 5.5% of corporate income tax.

The effective trade tax on income rate for Hamburg also remained unchanged in the first six months of 2015 at 16.45%. The same percentages are also used to calculate deferred taxes as in the previous year.

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:

| | 30.06.2015 | Income (+)/ expense (-) | Neutral (through equity) | 01.01.2015 |
|---|--------------|----------------------------|--------------------------------|--------------|
| in EUR thousand | | | | |
| Deferred tax assets | | | | |
| Deferred tax assets due to temporary differences | 7 | 2 | - | 5 |
| Deferred tax assets due to tax loss carryforwards | 2,901 | 1,075 | - | 1,826 |
| | 2,907 | 1,077 | - | 1,830 |
| Netting with deferred tax liabilities | -1,195 | | | |
| Total | 1,713 | | | |

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| | 30.06.2015 | Income (+)/ expense (-) | Neutral (through equity) | 01.01.2015 |
|---|-------------------|----------------------------|--------------------------------|--------------|
| in EUR thousand | | | | |
| Deferred tax liabilities | | | | |
| Deferred tax liabilities due to temporary differences (income statement) | 1,217 | -202 | - | 1,015 |
| Deferred tax liabilities due to temporary differences (equity) | -22 | - | 31 | 9 |
| | 1,195 | -202 | 31 | 1,023 |
| Netting with deferred tax assets | -1,195 | | | |
| Total | 0 | | | |

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

| | 30.06.2014 | Income (+)/ expense (-) | Neutral (through equity) | 01.01.2014 |
|---|-------------------|----------------------------|--------------------------------|------------|
| in EUR thousand | | | | |
| Deferred tax liabilities | | | | |
| Deferred tax liabilities due to temporary differences (income statement) | 815 | -199 | - | 616 |
| Deferred tax liabilities due to temporary differences (equity) | -7 | - | -11 | -17 |
| | 809 | -199 | -11 | 599 |
| Netting with deferred tax assets | -809 | | | |
| Total | 0 | | | |

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, under consideration of the German minimum tax regulations. Compared to the previous year, the amount had declined in fiscal year 2014 due to changed planning assumptions as the insourcing of the IT platform was already started in 2014 and the migration of IT operations initially increases expenditure and thus taxable income is postponed. For this reason, deferred taxes for loss carryforwards already formed were reversed in the amount of EUR 1,409 thousand in fiscal year 2014.

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In the medium- to long-term, the positive effects – including reduced costs for the technical processing of gaming operations and IT development – will more than compensate for the additional expenses. In the first six months of 2015, deferred tax assets of EUR 1,075 thousand were therefore formed again due to further tax loss carryforwards. The underlying planning also provides the basis for impairment tests of goodwill (see also Note 14). In addition to the brokerage permit granted until September 2017, planning also considers the permit for Internet and TV advertising of online lottery brokerage granted until March 2017. Moreover, Lotto24 also has a significant competitive advantage: its experienced management which has already successfully operated the marketing of online lottery brokerage and boasts experience in the lottery, gaming and e-commerce markets.

The income taxes of EUR 875 thousand (prior year: EUR -195 thousand) disclosed in the income statement result from the total changes in deferred tax assets and deferred tax liabilities affecting the income statement. The income tax effects of changes in equity amounting to EUR 31 thousand (prior year: EUR -11 thousand) are explained in the notes on the statement of comprehensive income, the statement of changes in equity and Note 11.

11 CASH AND OTHER FINANCIAL ASSETS

| | 30.06.2015 | 31.12.2014 |
|-----------------|-------------------|--------------|
| in EUR thousand | | |
| Cash | | |
| Bank balances | 3,652 | 2,096 |
| Cash on hand | 0 | 0 |
| Total | 3,653 | 2,096 |

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

| | 30.06.2015 | 31.12.2014 |
|---|-------------------|--------------|
| in EUR thousand | | |
| Reconciliation to other financial assets | | |
| Other financial assets | | |
| Available-for-sale financial investments | 2,580 | 8,141 |
| Held-to-maturity financial investments | - | - |
| Total | 2,580 | 8,141 |

Following the sale of floating rate notes, available-for-sale financial investments comprise solely of shares in pension and money market funds with a wide investment spread which are managed by banks. A change in equity prior to income tax effects of EUR -95 thousand (prior year: EUR 33 thousand) was recognised for these assets on the basis of an evaluation of these assets.

As of 30 June 2015 there were no held-to-maturity financial investments (prior year: EUR – thousand).

| | 30.06.2015 | 31.12.2014 |
|--|-------------------|---------------|
| in EUR thousand | | |
| Reconciliation to available funds | | |
| Cash | 3,653 | 2,096 |
| Other financial assets | 2,580 | 8,141 |
| Available funds | 6,232 | 10,237 |

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|----------------------|-----------|
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12 TRADE RECEIVABLES

| | 30.06.2015 | 31.12.2014 |
|------------------------------------|-------------------|------------|
| in EUR thousand | | |
| Receivables from customers | 319 | 224 |
| Receivables from amounts passed on | 12 | 26 |
| Total | 332 | 251 |

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

| | 30.06.2015 | 31.12.2014 |
|------------------------------------|-------------------|--------------|
| in EUR thousand | | |
| Receivables from gaming operations | 1,145 | 1,530 |
| Deposits | 959 | 765 |
| Prepaid expenses | 275 | 303 |
| Tax receivables (VAT) | 68 | 179 |
| Others | 0 | 0 |
| Total | 2,447 | 2,776 |

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.

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14 GOODWILL

The development of goodwill is presented in the table below.

| | 2015 | 2014 |
|--|---------------|---------------|
| in EUR thousand | | |
| Acquisition costs as of 1 January | 18,850 | 18,850 |
| Additions (purchased from third parties) | - | - |
| Additions (self-provided) | - | - |
| Disposals | - | - |
| Acquisition costs as of 30 June 2015/31 December 2014 | 18,850 | 18,850 |
| Accumulated acquisition costs as of 1 January | - | - |
| Depreciation of the period | - | - |
| Disposals | - | - |
| Accumulated acquisition costs as of 30 June 2015/31 December 2014 | - | - |
| Net book value as of 30 June 2015/31 December 2014 | 18,850 | 18,850 |

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. There were no aforementioned indications of impairment in the reporting period. No impairment test for goodwill was therefore conducted and no non-scheduled writedowns were recognised (prior year: EUR – thousand).

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15 INTANGIBLE ASSETS

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

| | 2015 | 2014 |
|--|-------------|-------------|
| in EUR thousand | | |
| Acquisition costs as of 1 January | 739 | 495 |
| Additions (purchased from third parties) | 87 | 244 |
| Additions (self-provided) | - | - |
| Disposals | - | - |
| Acquisition costs as of 30 June 2015/31 December 2014 | 826 | 739 |
| Accumulated acquisition costs as of 1 January | -255 | -64 |
| Depreciation of the period | -142 | -191 |
| Disposals | - | - |
| Accumulated acquisition costs as of 30 June 2015/31 December 2014 | -397 | -255 |
| Net book value as of 30 June 2015/31 December 2014 | 429 | 483 |

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

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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.

| | 2015 | 2014 |
|--|-------------|------------|
| in EUR thousand | | |
| Acquisition costs as of 1 January | 365 | 147 |
| Additions (purchased from third parties) | 365 | 218 |
| Additions (self-provided) | - | - |
| Disposals | -2 | - |
| Acquisition costs as of 30 June 2015/31 December 2014 | 728 | 365 |
| Accumulated acquisition costs as of 1 January | -85 | -26 |
| Depreciation of the period | -56 | -60 |
| Disposals | 0 | - |
| Accumulated acquisition costs as of 30 June 2015/31 December 2014 | -141 | -85 |
| Net book value as of 30 June 2015/31 December 2014 | 587 | 280 |

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 176 thousand), office equipment (EUR 49 thousand) and prepaid expenses (EUR 140 thousand).

There are currently no assets from financial leases.

17 CURRENT LIABILITIES

17.1 TRADE PAYABLES

| | 30.06.2015 | 31.12.2014 |
|-----------------|--------------|--------------|
| in EUR thousand | | |
| Trade payables | 2,045 | 1,322 |
| Total | 2,045 | 1,322 |

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.

| | |
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17.2 OTHER LIABILITIES

Other liabilities consist of the following items:

| | 30.06.2015 | 31.12.2014 |
|---|-------------------|--------------|
| in EUR thousand | | |
| Liabilities from gaming operations | 3,387 | 3,327 |
| Amounts due in connection with payroll processing | 75 | 58 |
| Holiday provisions | 121 | 88 |
| Interest liabilities | 6 | - |
| Others | 0 | 12 |
| Total | 3,589 | 3,485 |

As of 30 June 2015, other liabilities increased to EUR 3,589 thousand (prior year: EUR 3,485 thousand) and mainly comprised liabilities from extended brokerage operations of EUR 3,387 thousand (prior year: EUR 3,327 thousand). This item – which we expect to grow significantly with increased billings – includes obligations from invoicing the state lottery companies and our customers. Due to the increase in headcount, there was also an increase in amounts due in connection with payroll processing (EUR 75 thousand; prior year: EUR 58 thousand) and holiday obligations (EUR 121 thousand; prior year: EUR 88 thousand). The interest disclosed on the reporting date (EUR 6 thousand; prior year: EUR – thousand) results from the assumption of loans.

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

18 SHORT-TERM PROVISIONS

| | 30.06.2015 | 31.12.2014 |
|------------------|-------------------|------------|
| in EUR thousand | | |
| Bonus | 483 | 554 |
| Litigation costs | 50 | 60 |
| Other | 8 | 11 |
| Total | 541 | 625 |

Bonus provisions were formed pro rata temporis in 2015. All provisions are expected to be used within one year.

19 LONG-TERM FINANCIAL LOANS

| | 30.06.2015 | 31.12.2014 |
|------------------------|-------------------|------------|
| in EUR thousand | | |
| Interest-bearing loans | 3,000 | - |
| Total | 3,000 | - |

In order to finance the further expansion of business, we have utilised in full the available loan facility.

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20 LONG-TERM PROVISIONS

| | 30.06.2015 | 31.12.2014 |
|--------------------------|-------------------|------------|
| in EUR thousand | | |
| Share-based remuneration | 816 | 639 |
| Total | 816 | 639 |

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 their value growth to three times the initial value.

21 EQUITY

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

| | 30.06.2015 | 31.12.2014 |
|--------------------|-------------------|---------------|
| in EUR thousand | | |
| Subscribed capital | 21,959 | 21,959 |
| Capital reserves | 35,586 | 35,586 |
| Other reserves | -47 | 18 |
| Retained earnings | -36,901 | -29,950 |
| Total | 20,597 | 27,613 |

At the Annual General Meeting on 12 May 2015, Authorised Capital was renewed. The Executive Board was hereby authorised to raise share capital for cash or non-cash contributions by up to EUR 4,391,798 – corresponding to almost 20% of share capital – in the period up to 11 May 2020 subject to approval by the Supervisory Board.

22 RELATED PARTIES

In the reporting period, there were no reportable business relationships between Lotto24 AG, members of the executive body (Executive Board) and members of the Supervisory Board in addition to those already existing on 31 December 2014. Detailed explanations are provided in Note 22 of the IFRS separate financial statements as of 31 December 2014.

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23 DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

On 30 June 2015, Lotto24 AG held available-for-sale financial instruments amounting to EUR 2,580 thousand (31 December 2014: EUR 8,141 thousand), which are measured at fair value (Level 1), but held no held-to-maturity financial investments (prior year: EUR – thousand).

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

In the case of disclosed financial instruments not measured at fair value, the carrying values 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. Detailed explanations are provided in Note 23 of the IFRS separate financial statements as of 31 December 2014.

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.

24 EVENTS AFTER 30 JUNE 2015

OTHER EVENTS

Successful capital increase

On 14 July 2015, Lotto24 AG increased its share capital by EUR 2,195,899, from EUR 21,958,991 to EUR 24,154,890, against cash contributions through the partial exercise of the Company's Authorised Capital as adopted by the Annual General Meeting of 12 May 2015 and under the exclusion of shareholder subscription rights. The 2,195,899 new shares were placed entirely with two significant investors of Lotto24 AG, Othello Vier Beteiligungs GmbH & Co. KG, a company of the Günther Group, as well as Jens Schumann, at a price of EUR 3.49 per new share on 14 July 2015. The placement price exceeded the volume-weighted average price of the Lotto24 shares over the three trading days prior to the capital increase by more than 10%. The new shares are expected to be admitted for trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange without publication of a prospectus at the end of October 2015. M.M.Warburg & CO (AG & Co.) KGaA advised on the capital increase.

The Company received gross proceeds from the capital increase of nearly EUR 7.7 million. Lotto24 AG intends to use the net proceeds from the capital increase to expand its business. Providing the regulatory environment remains unchanged, and depending on the jackpot situation, our competitors and market developments, we believe that either no or only minor additional funding will be required until we break even.

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Pilot proceedings of EU commission

On 7 July 2015, it was announced that the European Commission had initiated so-called pilot proceedings against the Federal Republic of Germany on 30 June 2015 and thus confirmed the concerns it expressed in the 2011/2012 notification procedure regarding the compatibility of the GlüStV with EU law. A pilot process is conducted prior to the initiation of infringement proceedings. It serves to clarify or resolve problems regarding the compatibility of national legislation with EU law. The Federal Republic of Germany has ten weeks to issue a reply.

The Commission's criticism is directed against the incoherence of German gambling regulations, including the so-called regionalisation principle for lotteries. The justification offered by the German states for banning lottery brokers from operating in other German states is that this prevents the promotion of gambling. In view of the very low addictiveness of lotteries, however, the EU Commission does not follow this view. The regionalisation duty is therefore clearly unlawful. The EU Commission thus confirms the legal opinion of Lotto24.

25 OTHER DISCLOSURES

25.1 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.

25.2 EMPLOYEES

At the end of the reporting period on 30 June 2015, Lotto24 AG had 62 employees (full-time equivalents, excluding the two Executive Board members, prior year: 33). Most employees were employed in the Marketing and IT departments (79%; prior year: 67%). In addition, there were 23 student helpers – mainly in the call centre (prior year: 23).

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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, 12. August 2015

The Executive Board



Petra von Strombeck
Chief Executive Officer



Magnus von Zitzewitz
Member of the Executive Board

| | |
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KEY FIGURES

| in EUR thousand | Q.II 2015 | Q. I 2015 | Q.IV 2014 | Q.III 2014 | Q.II 2014 |
|--|---------------|---------------|---------------|---------------|---------------|
| Billings | 37,613 | 25,002 | 24,279 | 20,713 | 17,512 |
| Stakes to be remitted (less revenues) | -33,900 | -22,615 | -21,832 | -18,785 | -15,864 |
| Revenues | 3,713 | 2,387 | 2,447 | 1,928 | 1,647 |
| Other operating income | 1 | 16 | 12 | 87 | 15 |
| Total performance | 3,713 | 2,403 | 2,459 | 2,016 | 1,662 |
| Personnel expenses | -1,537 | -1,188 | -745 | -900 | -960 |
| Amortisation/depreciation on intangible assets and property, plant and equipment | -109 | -88 | -77 | -70 | -83 |
| Other operating expenses | -7,013 | -4,111 | -4,407 | -5,173 | -3,890 |
| Result from operating activities (EBIT) | -4,946 | -2,984 | -2,770 | -4,127 | -3,271 |
| Revenues from financial activities | 38 | 72 | 1 | 2 | 7 |
| Expenses from financial activities | -6 | - | - | - | - |
| Financial result | 31 | 72 | 1 | 2 | 7 |
| Net profit before taxes | -4,915 | -2,912 | -2,768 | -4,126 | -3,264 |
| Income taxes | 592 | 283 | -1,525 | -99 | -95 |
| Net profit | -4,323 | -2,629 | -4,293 | -4,225 | -3,360 |
| Breakdown of other operating expenses | | | | | |
| Marketing expenses | -4,825 | -2,013 | -2,961 | -3,650 | -2,574 |
| of which B2B and business services | -24 | -16 | -104 | -88 | -79 |
| Direct operating expenses | -859 | -589 | -382 | -506 | -496 |
| Indirect operating expenses | -1,329 | -1,509 | -1,064 | -1,018 | -820 |
| Other operating expenses | -7,013 | -4,111 | -4,407 | -5,173 | -3,890 |

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FINANCIAL CALENDAR

12 November 2015

Quarterly financial report as of 30 September 2015

PUBLISHED BY

Lotto24 AG
Strassenbahnring 11
20251 Hamburg
Germany

Telephone +49 (0) 40.82 22 39-0
Telefax +49 (0) 40.82 22 39-70
www.lotto24-ag.de

CONCEPT, TEXT & DESIGN

Impacct Communication GmbH
www.impacct.de