

BETTER

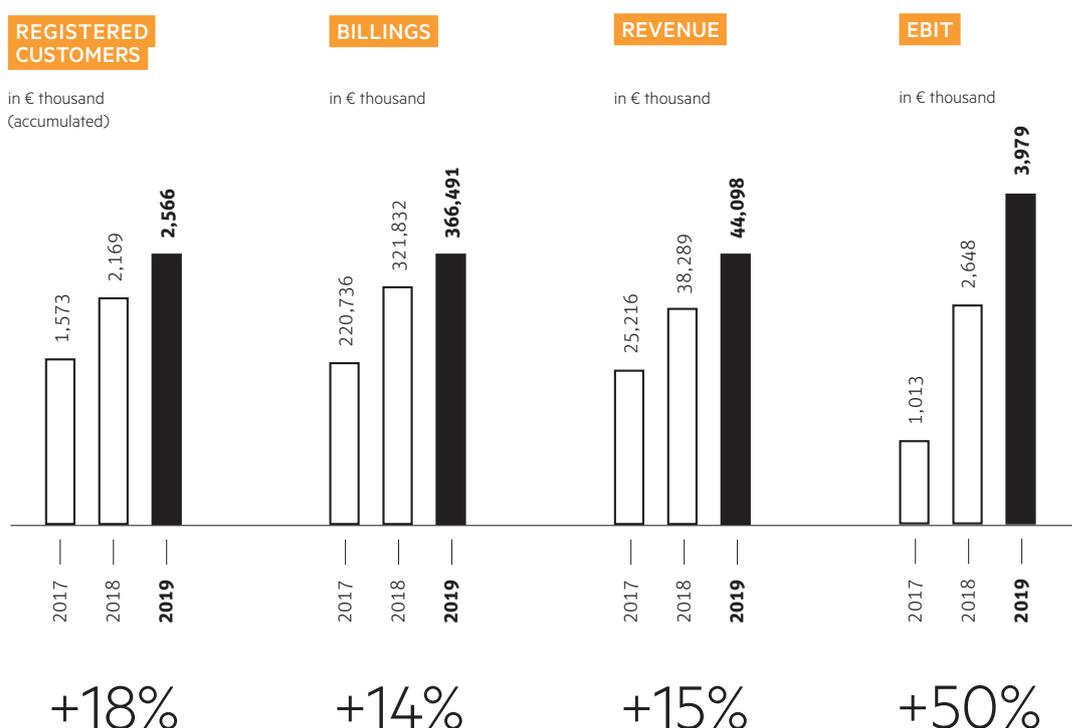
2GETHER

ANNUAL REPORT 2019



LOTTO24 AND TIPP24 UNITED

With its two brands Lotto24 and Tipp24, Lotto24 AG is the leading German online provider of state lottery products. 2019 was a year full of changes for us: Since the completion of the takeover by ZEAL Network SE on 14 May 2019, we have been part of the ZEAL Group. Despite the takeover-related organisational changes and a much weaker EuroJackpot development than in the previous year, we continued to grow – also thanks to the additional billings generated by the ZEAL brand Tipp24 following the Business Model Change on 15 October 2019.

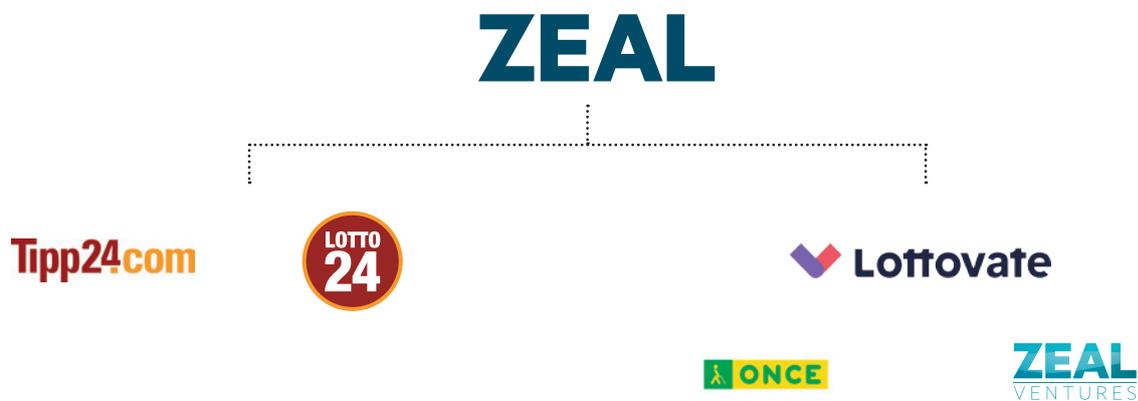


CONTENT

Foreword **2** Share **4** Corporate Governance **8** Report of the Supervisory Board **14**
 Management Report **18** Financial Statements **46** Notes **52** Auditor's Report **84**

TWO ICONIC GERMAN LOTTERY BRANDS UNITED

With the Lotto24 takeover and the return of the former Tipp24 secondary lottery to the German brokerage business (Business Model Change), the two strong brands Lotto24 and Tipp24 are now united under one roof. Around half of internet users who are keen lottery players know them and are the first to associate Lotto24 or Tipp24 when they think of online lotteries. Both brands stand for trust, innovation and consistency¹. No wonder! After all, both are pioneers in the field of online lottery brokerage: founded in 1999, the later Tipp24 went onto the market in 2000, established itself and in 2005 was one of the most successful German IPOs at that time. Separated from the Tipp24 Group in 2012 as part of a spin-off, Lotto24 was one of the first providers to offer online lotteries again after the lifting of the Internet ban and has since then far outperformed all other German online lottery brokers with its growth momentum. At the employee level, there have always been common roots which now makes the integration of the two companies much easier, and even the respective brokerage platforms are based on software that was originally shared. This leaves the impression that what belongs together is coming together again.



In the Lottery Brokerage segment, we broker lottery products via the Internet and receive brokerage commissions from the lottery operators. We can therefore generate income without bearing the bookmaking risk ourselves. Our products are well-known on the market and customers are attracted to the services, simple game processing and free additional features we provide for them. One of the sector-specific success factors of our business model is the enduring loyalty of our customers: once gained, they provide us with long-term and stable gaming revenue.

The Lottovate segment comprises the elements of the ZEAL business which are focused on the reinvention of the digital lottery experience, operating primary lotteries with national permissions and helping charities such as ONCE, foundations and communities to unlock new sources of funding through bespoke lottery platforms. ZEAL Ventures pursues its lottery-related start-up investment portfolio. The objective of ZEAL is to learn from these companies, generate profits and/or integrate exciting business ideas into the ZEAL Group².

¹Source: Own brand surveys

²The ZEAL Group is comprised of ZEAL Network SE and its subsidiaries.

"2019 – A YEAR FULL OF CHANGES ..."

LADIES AND GENTLEMEN,

2019 was a challenging year for Lotto24 AG: Since the completion of the takeover by ZEAL Network SE (ZEAL) on 14 May 2019, we have been part of the ZEAL Group. Despite the takeover-related organisational changes and a much weaker EuroJackpot development than in the previous year, we enjoyed further growth in the fiscal year 2019 – also thanks to the additional billings generated by the ZEAL brand Tipp24 following the Business Model Change – and once again improved our profitability.

POSITIVE BUSINESS TREND

Including the results of Tipp24 as of 15 October 2019 following ZEAL's Business Model Change, we generated billings of €366.5 million in 2019 (2018: €321.8 million, +13.9%) and revenue of €44.1 million (2018: €38.3 million, +15.2%). As expected, our gross margin of 11.6% was slightly down on the previous year (2018: 11.9%) due to the jackpot-related lower share of lotto clubs.

As we adapt our marketing expenses to the prevailing jackpot trend, they decreased to €12.6 million in 2019 (2018: €15.4 million). Despite a much weaker jackpot development than in the previous year, and including the new Tipp24 customers from 15 October 2019 onwards, we succeeded in adding 397 thousand new registered customers (2018: 596 thousand) with a cost per lead (CPL)¹ of €31.76 (2018: €25.88).

2019 was a year of change for Lotto24 – now we are delighted to see Lotto24 and Tipp24 successfully reunited and look forward to our joint future.

Jonas Mattsson, CFO Lotto24



Adjusted EBITDA and EBIT increased to €6.6 million (2018: €3.9 million) and €4.0 million (2018: €2.6 million), respectively in 2019. Adjusted for non-recurring expenses of €1.1 million, EBIT reached €4.0 million (2018: €2.6 million), while net profit of €5.0 million was down on the previous year (2018: €7.7 million) due to a positive technical tax effect in 2018.

MARKET SHARE EXPANDED

According to information published by the German Association of State Lottery Companies (DLTB) and the German Lottery Association (DLV), online revenue of the 16 state lottery companies and private lottery brokers with permits rose to €1,035 million in 2019 (2018: €937 million). This corresponds to a slightly increased online share of 14% (2018: 13%).

Whereas stakes generated online by all state-owned companies together grew by 11.6% to €651 million (2018: €583 million), Lotto24 – taking into account the official online lottery brokerage business, which consists of the full year Lotto24 billings as well as Tipp24 billings only since the Business Model Change on 15 October 2019 – grew by 13.8% to €366 million. Consequently, Lotto24 was able to expand its online market leadership with the Lotto24 and Tipp24 brands and a market share of 35% (2018: 34%). This does not include the billings of the Tipp24 brand from 1 January to 15 October 2019.

€123 MILLION FOR GOOD CAUSES

According to DLTB figures, over €2.9 billion was transferred to the state budgets or the beneficiaries in the form of taxes and duties in 2019 (2018: €2.9 billion). This corresponds to around €8 million per day for good causes throughout Germany – money which is vital for the financing of numerous projects in the field of welfare, sport and culture, as well as landmark and environmental protection.

¹CPL (cost per lead, or marketing expenses per new registered customer) which we use to monitor the efficiency of our marketing efforts.

With our brokerage activities under the Lotto24 and – since ZEAL's Business Model Change – the Tipp24 brand, we provided €123 million for important social and community projects in 2019 (2018: €122 million excluding Tipp24).

IMPACTS OF THE CORONA CRISIS

Due to the ongoing changes in general conditions following the coronavirus developments, we cannot conclusively assess the effects on Lotto24. On the one hand, the significantly reduced consumer behaviour could also have an indirect negative impact on e-commerce services – a closure of shops, such as lottery retailer outlets, could lead to a reduction of lottery sales and thus to decreasing, less attractive jackpot levels. On the other hand, the restrictions on public life and the significant increase in the amount of time spent at home could also lead to a growth in online sales, especially for e-commerce business models such as online lottery brokerage. Since our internal processes can also be handled essentially without problems from home, we consider ourselves well positioned in these times to continue to offer our customers the best possible online lottery service and, within the scope of our possibilities, help to limit the effects of this crisis to protect our employees and the community.

OUTLOOK 2020

Also in 2020, we plan to further expand our market leadership as an online provider of state lottery products with the Lotto24 and Tipp24 brands. Recognising that the prior-year figures are difficult to compare with the figures forecast for 2020 due to the inclusion of Tipp24's results from 15 October 2019 onwards in the course of the Business Model Change from a secondary lottery to an online lottery broker, we expect billings of between €550 million and €570 million in 2020. This includes Tipp24's full-year billings for the first time. With expected revenue of between €66 million and €68 million, we expect a gross margin slightly above the prior year. Depending on the general conditions, especially the jackpot development, the timing of the implementation of the planned synergy effects and marketing investments for the acquisition of new customers, adjusted EBITDA will remain well above the break-even point. With a lower CPL compared to the prior year, Lotto24 expects a significant increase in new customers.

DEAR SHAREHOLDERS,

We are aware that 2019 was also an eventful and challenging year for you as Lotto24 shareholders. We would therefore like to take this opportunity to thank you sincerely once again for your loyalty and support over the past years. We have done everything in our power to ensure that your interests will continue to be fairly and appropriately considered. Thank you for your trust!

Hamburg, 24 March 2020

The Management Board



Jonas Mattsson
Chief Financial Officer



Carsten Muth
Member of the Management Board



Jonas Mattsson, CFO; Carsten Muth, Member of the Management Board

We thank our shareholders, whose interests we will continue to consider fairly and appropriately, for their trust and support.

Carsten Muth, Member of the Management Board



THE LOTTO24 SHARE

for around 93% of Lotto24 shares, just under 7% of shares remained in free float – with a corresponding effect on daily trading volumes. In connection with the Annual General Meeting on 4 June 2019 and inside information on 7 June that Magnus von Zitzewitz was stepping down from the Management Board, the share was quoted at €13.10 and €13.20, respectively. Buoyed by our half-yearly financial report on 14 August, however, it initially climbed to €14.30 and had reached €16.35 by the time of the Extraordinary General Meeting on 27 September. On announcement of Petra von Strombeck's departure from the Management Board on 30 September, the Lotto24 share dipped to €16.20 before reaching a year-high of €16.85 on 9 October. The share price subsequently fell slightly to €15.20 – both on the day of the interim statement for the third quarter on 13 November and on publication of inside information on the change to the General Standard of the Frankfurt Stock Exchange on 21 November. Following a sideways movement towards the end of the year, the Lotto24 share finally closed the 2019 trading year at €14.80.

General Meetings

We held our Annual General Meeting in Hamburg on 4 June 2019. With a total presence of around 96% of the voting capital, the shareholders approved all items on the agenda with large majorities. The agenda included the usual items, such as approving the actions of the Management Board and Supervisory Board, the appointment of auditors, and the cancellation of the former 'Authorised Capital 2015' and creation of the new 'Authorised Capital 2019'. In connection with the takeover of Lotto24 AG by ZEAL Network SE, which was successfully completed on 14 May 2019, the agenda also included supplementary items to dismiss Prof. Willi Berchtold from the Supervisory Board and to elect Peter Steiner as a new member of the Supervisory Board.

With a total presence of around 95% of voting capital, shareholders approved all items on the agenda of our Extraordinary General Meeting on 27 September 2019. The agenda included amendments to the Articles of Association to increase the number of Supervisory Board members from three to six as well as corresponding regulations for Supervisory Board committees. Based on the previous number of three Supervisory Board members, the Articles of Association of Lotto24 AG did not yet provide for any remuneration for committee activities. In addition, the three new Supervisory Board positions were filled by Dr. Andreas Meyer-Landrut, Dr. Stefan Mäger and Dr. Otto Lose, as proposed by the administration. The agenda items adopted in the course of a supplementary motion to confirm the resolution on agenda items 6 (dismissal of Prof. Willi Berchtold) and 7 (election of a new member of the Supervisory Board) of the Annual General Meeting on 4 June 2019 were also approved accordingly.

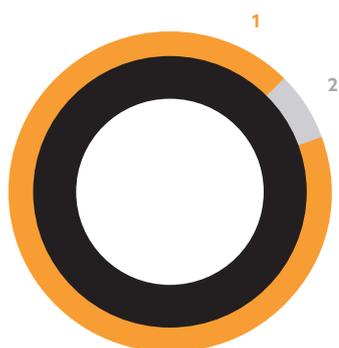
Shareholder structure

As of 31 December 2019, the Subscribed Capital of Lotto24 AG amounted to €24,154,890 and was divided into 24,154,890 no-par value registered shares. The shares are fully paid. Each share entitles the owner to one vote and is decisive in determining the corresponding appropriation of profit. In the past, our shares were admitted to trading on the Regulated Market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange. However, following the takeover by ZEAL Network SE and the resulting comparatively low free float ratio, we decided to apply for the Lotto24 share to be moved from the Prime Standard segment to the Regulated Market (General Standard). On 20 December 2019, we received the corresponding confirmation from the Frankfurt Stock Exchange that the revocation of our admission to the Prime Standard would take effect at the end of 20 March 2020. The admission to the General Standard remained in force and consequently trading of our shares in the General Standard commenced on 23 March 2020.

According to published voting rights notifications and Directors' Dealings, the shareholder structure was as follows on 24 March 2020:

Shareholder Structure

| | | |
|--------|----------|-----------------|
| 93.04% | 1 | ZEAL Network SE |
| 6.96% | 2 | Free float |



Basic data on the Lotto24 share

| | |
|--------------------|---|
| WKN | LTT024 |
| ISIN ¹ | DE000LTT0243 |
| Ticker symbol | LO24 |
| Reuters code | LO24G.DE |
| Bloomberg code | LO24:GR |
| Stock exchange | Frankfurt |
| Market segment | Regulated Market, General Standard |
| Designated sponsor | ODDO SEYDLER BANK AG |

¹International Securities Identification Number

| Key figures for the Lotto24 share | 2019 | 2018 |
|---|-------------------|------------|
| Number of shares on reporting day | 24,154,890 | 24,154,890 |
| Highest price (in €) | 16.85 | 16.22 |
| Lowest price (in €) | 12.00 | 9.66 |
| Share price on reporting day (in €) | 14.80 | 12.60 |
| Market capitalisation on reporting day (in € million) | 357.5 | 304.4 |
| Average daily trading volume (Xetra; in units) | 3,584 | 7,302 |
| Earnings per share (in €) | 0.21 | 0.32 |

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

Good corporate governance is a central aspect of our corporate policy which extends to every area of the Company: a management and control system based on responsible and sustainable value growth. In addition to organisational and business policy principles, we believe that the internal and external mechanisms for controlling and monitoring the Company are integral components, as are the efficient cooperation between Management Board and Supervisory Board, the transparent communication of Company activities and the respect of shareholder interests. With the aid of good corporate governance, we aim to promote the trust of national and international investors, financial markets, our business associates, employees and the general public in the management and monitoring of Lotto24 AG.

In the Declaration of Conformity presented below – the latest version of which is also permanently available to shareholders on the Internet at Lotto24-ag.de – we explain which recommendations we do not observe and why we deviate from them. Declarations of Conformity no longer valid from the past five years are also made available on the website.

DISCLOSURES ON COMPANY MANAGEMENT AND CORPORATE GOVERNANCE

Declaration of Conformity with the German Corporate Governance Code ('Code') pursuant to Section 161 of the German Stock Corporation Act (AktG)

I. The Management Board and Supervisory Board of Lotto24 AG declare that since the last declaration was issued in April 2019 in accordance with Section 161 AktG, and until 20 March 2020 the recommendations of the 'Regierungskommission Deutscher Corporate Governance Kodex' in the version dated 7 February 2017 and published in the official section of the Federal Gazette (amtlicher Teil des Bundesanzeigers) on 24 April 2017 have been complied with, with the exceptions set out and justified below:

1. *Number 3.8 (deductible D&O insurance)* The D&O insurance policy taken out for the Supervisory Board of Lotto24 AG does not provide for a deductible. The Management Board and Supervisory Board are of the opinion that the deductible of a D&O insurance policy is not an adequate means of achieving the objectives of the Code. Such deductibles are usually insured by the affected board members themselves, so that the actual function of the deductible is nullified and it is therefore ultimately only a question of the level of compensation paid to the board members.
2. *Number 4.2.2(2) sentence 3 (vertical remuneration comparison)* The Supervisory Board duly deals with the appropriateness of the remuneration of the Management Board. In doing so, it also takes into account the Company's internal remuneration structure. However, the Supervisory Board is convinced that the determination of comparison groups and the consideration of the development over time will not lead to an improvement in the quality of decision-making, so that the Supervisory Board refrains from implementing these formal recommendations.
3. *Number 4.2.3(2) sentence 3 (essentially forward-looking multiple-year assessment basis for variable components of the Managing Board remuneration)* In the case of Mr. Carsten Muth, who was appointed as a further member of the Managing Board as of 1 December 2019, no multiple-year variable remuneration component was agreed in view of the fact that his appointment only runs until 31 May 2021.
4. *Numbers 5.3.1, 5.3.2, 5.3.3 (formation of a plurality of committees, establishment of an audit committee and a nomination committee and their composition)* In view of the fact that, in accordance with the Articles of Association, the Supervisory Board of Lotto24 AG consisted of only three persons until the registration of the resolutions amending the Articles of Association at the General Meeting on 27 September 2019,

the Supervisory Board had not formed any committees, in particular no audit committee and nomination committee, until 30 October 2019. Since until 30 October 2019, there has been only one committee, which is responsible for reviewing and approving transactions with related parties and, in particular, for granting approval in accordance with Section 111a et seq. of the AktG. The Supervisory Board is convinced that it can perform the tasks incumbent on an audit or nomination committee just as efficiently as a complete body, given its number of only six members.

5. *Number 5.4.1(2) sentence 2 (determination, consideration and publication of concrete objectives for the composition of the Supervisory Board)* With regard to its own composition as well as the composition of the Management Board, the Supervisory Board supports, among other things, the aspects of internationality, participation of women and independence. However, in view of the special requirements that apply to the Supervisory Board of Lotto24 AG as a de facto controlled company, the Supervisory Board will refrain for the time being from formally defining objectives for its composition that go beyond the requirements of stock corporation law in order not to restrict its selection criteria by setting concrete objectives and quotas.

II. The Management Board and Supervisory Board of Lotto24 AG declare that since 20 March 2020 the recommendations of the 'Regierungskommission Deutscher Corporate Governance Kodex' in the version dated 16 December 2019 and published in the official section of the Federal Gazette (amtlicher Teil des Bundesanzeigers) on 20 March 2020 have been complied with, with the exceptions set out and justified below:

1. *C.1 (determination and publication of the status of the implementation of concrete objectives for the composition of the Supervisory Board)* With regard to its own composition as well as the composition of the Management Board, the Supervisory Board supports, among other things, the aspects of internationality, participation of women and independence. However, the Supervisory Board will refrain for the time being from formally defining objectives for its composition that go beyond the requirements of stock corporation law in order not to restrict its selection criteria by setting concrete objectives and quotas.
2. *D.2, D.3, D.4, D.5 (formation of a plurality of committees, establishment of an audit committee and a nomination committee and their composition)* In view of the fact that, in accordance with the Articles of Association, the Supervisory Board of Lotto24 AG consisted of only three persons until the registration of the resolutions amending the Articles of Association at the General Meeting on 27 September 2019, the Supervisory Board had not formed any committees, in particular no audit committee and nomination committee, until 30 October 2019. Since until 30 October 2019, there has been only one committee, which is responsible for reviewing

and approving transactions with related parties and, in particular, for granting approval in accordance with Section 111a et seq. of the AktG. The Supervisory Board is convinced that it can perform the tasks incumbent on an audit or nomination committee just as efficiently as a complete body, given its number of only six members.

3. *G.4 (vertical remuneration comparison)* The Supervisory Board duly deals with the appropriateness of the remuneration of the Management Board. In doing so, it also takes into account the Company's internal remuneration structure. However, the Supervisory Board is convinced that the determination of comparison groups and the consideration of the development over time will not lead to an improvement in the quality of decision-making, so that the Supervisory Board refrains from implementing these formal recommendations.
4. *G.6, G.10 (predominance of long-term oriented variable remuneration components, investment of granted variable remuneration amounts in shares or share-based grant)* In the case of Mr. Carsten Muth, who was appointed as a further member of the Managing Board as of 1 December 2019, no long-term oriented variable remuneration component was agreed in view of the fact that his appointment only runs until 31 May 2021. Also in view of the limited term of appointment and thus the low relevance of long-term incentives, the variable remuneration components are neither invested in shares nor granted on a share basis.

III. The Management Board and Supervisory Board of Lotto24 AG further declare that the recommendations of the 'Regierungskommission Deutscher Corporate Governance Kodex' in the version dated 16 December 2019 and published in the official section of the Federal Gazette (amtlicher Teil des Bundesanzeigers) on 20 March 2020 will be complied with in future with the exceptions set out and justified in section II.

Hamburg, March 2020

The Supervisory Board

The Management Board

CORPORATE GOVERNANCE

STATEMENT IN ACCORDANCE WITH

SECTION 289F GERMAN GAAP

(HGB)

Declaration of Conformity

In accordance with section 161 AktG, the Supervisory Board and Management Board have issued a Declaration of Conformity with the German Corporate Governance Code and made it permanently available to shareholders on the preceding pages of this Annual Report as well as via the Company's website (Lotto24-ag.de).

Composition and working practices of the Management Board and Supervisory Board

As a German stock corporation, Lotto24 AG is subject to German corporate law and has a two-tier management system which currently consists of an Management Board with two members and a Supervisory Board with six members. The Management Board is responsible for the Company's management. It is obliged to act in the best interests of the Company and is committed to sustainably raising the value of the Company.

The Supervisory Board appoints, monitors and advises the Management Board. The two bodies work closely together: the Management Board informs the Supervisory Board regularly, comprehensively and in due time about all issues relevant to strategy, planning, business development, risk position, risk management and compliance. The Supervisory Board is immediately informed about Lotto24's strategic alignment and ongoing development, as well as any deviations in the course of business from the defined plans and targets. The Supervisory Board regularly evaluates its work and adopts improvement measures as part of its regular self-assessment. Most recently, the Supervisory Board conducted a systematic self-assessment based on a specific questionnaire in March 2019.

Until 30 June 2019, Lotto24 AG was headed by Petra von Strombeck (Chief Executive Officer) and Magnus von Zitzewitz (member of the Management Board). Magnus von Zitzewitz left the Company by mutual agreement and on amicable terms as of 30 June 2019 to seek new professional challenges after seven years as a member of the Company's Management Board. He has been succeeded by the Chief Financial Officer of ZEAL, Jonas Mattsson, who took on additional responsibilities as CFO of Lotto24 as of 1 July 2019. Petra von Strombeck stepped down from her position by mutual agreement as of 31 December 2019. After twelve years in the lottery business, of which more than seven were as CEO of Lotto24 AG, Ms von Strombeck decided to pursue a new career challenge. Carsten Muth was appointed to the Management Board on 1 December 2019.

The Management Board manages Lotto24 in accordance with the provisions of German Stock Corporation Law, the Company's Articles of Association, the Management Board's Rules of Procedure and the stipulations of the respective service agreements with the aim of achieving a sustainable added value. Petra von Strombeck was responsible for Corporate Strategy and Development, Marketing, Sales, the B2C (Business-to-Customer) and B2B (Business-to-Business) business fields, Investor Relations, Human Resources, Organisational IT Strategy, IT Systems, IT Processes and IT Operations, as well as Process and Innovation Management and the B2G (Business-to-Government) business field. Magnus von Zitzewitz, prior to 30 June 2019, and Jonas Mattsson following 1 July 2019, were responsible for Legal Affairs and Regulation, Finance, Accounts, Taxes, Controlling, Compliance, Risk Management and Communication.

From 1 January 2020 Jonas Mattsson became responsible for Corporate Strategy and Development, Marketing, Sales, the B2C (Business-to-Customer) and B2B (Business-to-Business) business fields, Investor Relations, Organisational IT Strategy, IT Systems, IT Processes and IT Operations, as well as Process and Innovation Management and the B2G (Business-to-Government) business field, Finance, Accounts, Taxes, Controlling, Risk Management and Communication. Carsten Muth is responsible for Legal Affairs and Regulation, Compliance, and Human Resources. The Supervisory Board has set an age limit of 60 years for the Management Board.

The Supervisory Board of Lotto24 AG consists of six members who are all elected by the General Meeting. The Chairman and Deputy Chairman are elected from among the members of the Supervisory Board.

The current period of office of the Supervisory Board ends on expiry of the Annual General Meeting that resolves on the discharge of responsibilities for the fiscal year 2021. In the case of a tie in voting, the Chairman of the Supervisory Board has the casting vote in a renewed vote on the same matter. The Supervisory Board advises and monitors the Management Board in its management of business in accordance with the provisions of German Stock Corporation Law, the Company's Articles of Association and its own Rules of Procedure. It appoints the members of the Management Board and the Rules of Procedure of the Management Board include provisions regarding the necessary approval of the Supervisory Board for significant business transactions. From the Company's change in legal form to that of a public limited company ('Aktiengesellschaft' – AG) to 4 June 2019, the Supervisory Board consisted of the members Prof. Willi Berchtold (Chairperson), Jens Schumann (Deputy Chairperson) and Thorsten Hehl. From 4 June 2019, the Supervisory Board consisted of the members Peter Steiner (Chairman), Jens Schumann (Deputy Chairman) and Thorsten Hehl.

Dr. Otto Lose, Dr. Stefan Maeger and Dr. Andreas Meyer-Landrut were appointed to the Supervisory Board on 27 September 2019. They took office when the amendment to the Articles of Association to increase the number of Supervisory Board members from three to six was registered on 14 October 2019. They are the members of the Related Parties Transactions Committee, which has not appointed a chairman.

The Supervisory Board holds its meetings at least twice in each calendar half-year, either in the form of face-to-face meetings or telephone meetings (conference calls). The Supervisory Board approves the annual financial statements. The Supervisory Board has determined that it consists of an appropriate number of independent members. All members of the Supervisory Board are to be regarded as independent within the meaning of recommendation C.6 of the Code. An age limit of 75 years applies to the members of the Supervisory Board.

The Supervisory Board has adopted a skills profile for the committee as a whole. In its current composition, the Supervisory Board believes that it has the skills which are important with regard to the activities of Lotto24 AG. In particular, these include the following knowledge and experience:

- Special knowledge and experience in the lottery business (market and competition);
- Extensive knowledge in the field of finance/accounting and controlling;
- Special knowledge in the field of IT in the e-commerce environment;
- Experience in managing and monitoring a company, including corporate governance requirements.

To this end, at least one member of the Supervisory Board (the Chairman of the Supervisory Board, Peter Steiner) has recognised expertise in the field of accounting or auditing.

In addition to the Management Board and Supervisory Board, the General Meeting acts as the third executive body. The Company's shareholders exercise their rights at the General Meeting and are involved in fundamental decisions concerning Lotto24 AG. The Management Board, Supervisory Board and General Meeting are jointly committed to acting in the best interests of shareholders and to the benefit of the Company. Lotto24 AG's Annual General Meeting is held within the first eight months of the fiscal year. In accordance with the Articles, the Annual General Meeting is presided over by the Chairman of the Supervisory Board. The General Meeting resolves on all matters that are reserved for it by law (including the election of Supervisory Board members, amendments to the Articles, the appropriation of net profit and capital measures). Our aim is to make it easy for our shareholders to participate in the General Meeting: we publish all necessary documents on the Internet in advance and nominate a proxy for shareholders who is obliged to following their voting instructions.

Transparency

We attach great importance to providing information uniformly, comprehensively and promptly. The business situation and results of Lotto24 AG are disclosed via regular reporting in the form of our Annual Report and half-yearly financial report. We also provide full and swift information on specific events by means of press releases and publication of inside information in accordance with statutory regulations. All publications, press releases and announcements are available on our website (Lotto24-ag.de) in the Investor Relations section. Moreover, we are available for personal discussions at analyst, investor and telephone conferences. Lotto24 AG also keeps insider lists as required and informs the persons concerned about their statutory duties and penalties.

Audit

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft was elected as auditor for the annual financial statements for the first time in 2012. As of fiscal year 2017, the auditor partner in charge of the audit has been Jan Brorhiller.

Definition of target figures for the proportion of women on the Supervisory Board, Management Board and management levels; diversity

In 2020, the Supervisory Board has set a target percentage of women for its composition of 0% until 28 February 2025.

The Supervisory Board has set the same target percentage for the Management Board, also until 28 February 2025.

Both target percentages correspond to the status quo.

The Management Board has set targets of 30% for the percentage of women at the two management levels below the Management Board in 2020, also by 28 February 2025. Currently, the percentage of women is 0% in each case.

According to recommendation C.1 of the Code, the Supervisory Board shall specify concrete objectives for its composition and, within this framework, take diversity into account. The Supervisory Board has not resolved on the determination of specific objectives for its composition. While the Management Board and Supervisory Board are of the opinion that the current composition of the Supervisory Board fulfils the criteria set out in recommendation C.1 of the Code, all proposals for appointments to a corporate body of Lotto24 AG are always made with a view to selecting candidates with the best qualifications and personal experience, thus complementing the composition of the committee as a whole. The Management Board and Supervisory Board are therefore of the opinion that determining objectives for the composition of the Supervisory Board are not suitable for achieving an efficient and qualified Supervisory Board. Accordingly, the Supervisory Board has also refrained from setting a minimum percentage of women above 0%.

According to recommendation B.1 of the Code, the Supervisory Board shall take diversity into account with regard to the composition of the Management Board. The Management Board and Supervisory Board are of the opinion that the current composition of the Management Board fulfils this recommendation. The above considerations regarding the composition of the Supervisory Board apply accordingly to the Management Board, for which the Supervisory Board has therefore also refrained from setting a minimum percentage of women above 0%.

According to recommendation A.1 of the Code, the Management Board should take diversity into account when filling management positions in the Company. The Management Board strives to increase the diversity already existing in the workforce as a whole, also in the two management levels below the Management Board. To this end, the Management Board has set the above-mentioned target figures.

DIRECTORS' DEALINGS

According to Article 19 of the Market Abuse Regulation (MAR), members of the Management Board and Supervisory Board, as well as closely associated persons, are obliged to declare transactions relating to Lotto24 AG shares, insofar as the value of the transactions during one calendar year reaches or exceeds €5 thousand. Lotto24 AG immediately publishes details of such transactions on its website and submits the corresponding voucher to the Federal Financial Supervisory Authority ('Bundesanstalt für Finanzdienstleistungsaufsicht'). All transactions reported to Lotto24 AG in the past fiscal year have been duly published and are available on our website (Lotto24-ag.de)

DISCLOSURE ON SHAREHOLDINGS OF MEMBERS OF THE MANAGEMENT BOARD

At 31 December 2019, no members of the Management Board held shares in Lotto24.

REPORT OF THE SUPERVISORY BOARD

COOPERATION BETWEEN SUPERVISORY BOARD AND MANAGEMENT BOARD

In the reporting period, the Management Board of Lotto24 AG performed its statutory duties, regularly advising the Management Board and constantly monitoring its actions.

In the past fiscal year, the Management Board regularly and swiftly informed the Supervisory Board about external economic conditions, its considerations regarding the Company's future strategic alignment, the Company's current position and development, significant business transactions, risk management and compliance issues. During and outside meetings, it provided the Supervisory Board with timely, comprehensive and regular reports on current business developments or issues of particular significance. The Supervisory Board was directly involved in all decisions of the Management Board of fundamental importance for the Company.

MEETINGS OF THE SUPERVISORY BOARD IN 2019

A total of five face-to-face meetings and a further six conference calls were held in fiscal year 2019, which were attended by all members who held positions at the time of the meeting.

Apart from the Management Board meetings, the Chairman of the Supervisory Board was also regularly provided with detailed and up-to-date information by the Management Board about significant business transactions and discussed various aspects of business policy with the Management Board. Consequently, the Supervisory Board was promptly informed at all times.

Main topics of discussion

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

- The discussion and consultation of all measures in connection with the voluntary public takeover offer of ZEAL Network SE;
- The discussion and consultation of structural measures and intercompany agreements in connection with the takeover and integration into the ZEAL Group;
- The determination of the achievement of targets and the determination of future targets regarding the variable compensation of the members of the Management Board including the subsequent amendment of the targets of the long-term variable compensation against the background of the takeover offer of ZEAL Network SE;
- The continuous improvement of corporate governance and its adaptation to new statutory requirements;
- The discussion and consultation of all business transactions requiring approval;
- The current risk exposure, as well as the risk management and compliance management systems;
- The development of the regulatory and economic environment in Germany with regard to games of chance and in particular lotteries;
- Corporate planning, including marketing, investment and personnel planning.
- The annual financial statements and individual financial statements under IFRS of Lotto24 AG and their audit.

Committees

On 30 October 2019, the Company established the Related Parties Transactions Committee which comprises members of the Supervisory Board who are not related parties of ZEAL Network SE pursuant to section 111a of the German Stock Corporation Act (AktG) (namely Dr. Andreas Meyer-Landrut, Dr. Stefan Mäger and Dr. Otto Lose). The Supervisory Board delegated to the Related Parties Transactions Committee the power to review and approve transactions between the Company and its related parties pursuant to section 111b(1) AktG (namely ZEAL Network SE and its subsidiaries).

CORPORATE GOVERNANCE AND DECLARATION OF CONFORMITY

The Management Board and Supervisory Board issued a Declaration of Conformity according to section 161 AktG, which is also printed in the Corporate Governance Statement on pages 9 to 10.

AUDIT

The annual financial statements for the fiscal year 2019 of Lotto24 AG, as prepared by the Management Board in accordance with the German GAAP (HGB), and the individual financial statements of Lotto24 AG and the respective management report for the fiscal year 2019 prepared in accordance with International Financial Reporting Standards (IFRS), as applied in the EU, and the additional commercial law regulations pursuant to section 325 (2a) HGB, were audited by the independent auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, who issued an unqualified audit certificate in each case. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, has served as the Company's independent auditors since 2012. As of the fiscal year 2019, the audit partner in charge of the audit has been Jan Brorhilker. The report prepared by the Management Board on transactions with related parties (Dependent Company Report) was also audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hamburg.

The Management Board and the independent auditors provided us with the audit reports in due time. At the meeting of the Supervisory Board on 24 March 2020, the Supervisory Board comprehensively reviewed the audit report in the presence of the independent auditors, who reported on the scope, focal points and main findings of their audit, addressing, in particular, key audit matters and the audit procedures implemented. No major weaknesses in the Company's internal control or risk management systems were reported. At this meeting, the Management Board explained the annual financial statements and individual financial statements under IFRS of the Company as well as the Company's risk management system. The Supervisory Board concurs with independent the auditor's findings. Based on the final result of our own final examination, there are no objections to be raised. The Supervisory Board approved the annual financial statements and individual financial statements under IFRS prepared by the Management Board; the annual financial statements are thus adopted.

In accordance with section 312 AktG, the Management Board prepared the above-mentioned Dependent Company Report for the fiscal year 2019. The following certificate was issued by the auditor of the annual financial statements: 'On the basis of our audit and in our professional opinion we confirm that

1. the factual statements in the report are correct,
2. the payments made by the Company in the legal transactions listed in the report were not unduly high.'

The Dependent Company Report was also discussed at the accounts review meeting of the Supervisory Board and, in particular, reviewed for completeness and accuracy. The independent auditors reported on the main results of their audit of the Dependent Company Report and were available to the Supervisory Board for questions and additional information. The Supervisory Board raised no objections to the final declaration of the Management Board in the Dependent Company Report and concurs with the results of the independent auditors' review.

CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD

Prof. Willi Berchtold was dismissed as a member of the Supervisory Board by shareholder resolution at the Company's Annual General Meeting of 4 June 2019. He was succeeded by Peter Steiner, who was appointed by shareholder resolution at the same Annual General Meeting. Dr. Andreas Meyer-Landrut, Dr. Stefan Mäger and Dr. Otto Lose were appointed as additional members of the Supervisory Board by shareholder resolution at the extraordinary General Meeting of the Company on 27 September 2019.

Magnus von Zitzewitz left the Management Board on 30 June 2019. He was succeeded by Jonas Mattsson, who was appointed as member of the Management Board with effect from 1 July 2019. Carsten Muth was appointed as an additional member of the Management Board with effect from 1 December 2019. Petra von Strombeck left the Management Board on 31 December 2019. We would like to thank Petra von Strombeck and Magnus von Zitzewitz for their dedication and successful efforts and wish them all the best for the future.

We would also like to express our sincere gratitude to the employees of Lotto24 AG for their high level of commitment in these times of change.

Hamburg, 24 March 2020



Peter Steiner
Chairman of the Supervisory Board

MANAGEMENT REPORT

BASIC PRINCIPLES OF THE COMPANY

BUSINESS MODEL

ORGANISATIONAL STRUCTURE

Lotto24 AG – a member of the ZEAL Group since 14 May 2019 – is a German stock corporation ('Aktiengesellschaft') with registered office in Hamburg, Germany, and operates on the basis of a functional organisational structure with a domestic business segment.

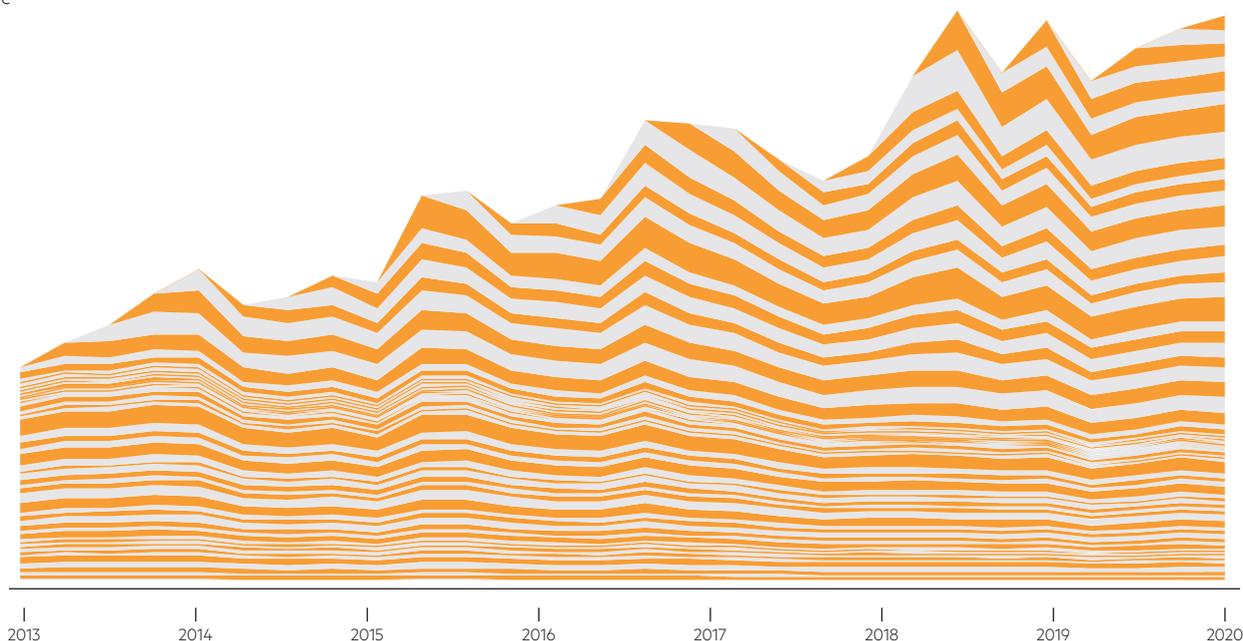
PROMISING BUSINESS MODEL

Lotto24 brokers lottery products via the Internet (Lotto24.de, Tipp24.com) and receives brokerage commissions from the lottery operators. We can therefore generate income without bearing the bookmaking risk ourselves. In addition to the Lotto24 brand, we have also transitioned the former secondary lottery Tipp24 to the German brokerage business and have been brokering tickets to the state lottery companies via the domains Tipp24.de and Tipp24.com since 15 October 2019.

Amongst other things, we offer our customers the possibility to participate in the lottery products 'Lotto 6aus49', 'Spiel 77', 'Super 6', 'EuroJackpot', 'GlücksSpirale', 'Keno', lotto clubs, instant lotteries and 'Deutsche Fernsehlotterie'. On behalf of, and in the name of, our customers, we enter into gaming agreements with the respective lottery operator. Our products are well-known on the market. One of the sector-specific success factors of our business model is the long-term loyalty of our customers: once gained, they provide us with long-term and stable gaming revenue.

BILLINGS PER CUSTOMER GENERATION (LOTTO24 AND TIPP24, QUARTERLY)

in €



ADDITIONAL OPPORTUNITIES IN NEW CUSTOMER MARKETING

Maintaining and expanding our strong position

Thanks to the takeover and the ZEAL Business Model Change completed in October 2019, there is now the opportunity to use the established Tipp24 brand in the German brokerage business in addition to the Lotto24 brand, thus pursuing a multi-brand strategy. In the representative online surveys of key brand data we have been conducting for many years (most recently a survey of 1,437 Internet users with an affinity for lotto in November 2019), Lotto24 came second in unprompted brand awareness of online lottery providers with a share of 21% – only slightly behind the state lottery companies with their pooled platform Lotto.de. For more than half of the respondents (51%), Lotto24 was even the first brand to come to mind (top-of-mind). Tipp24 followed at 11% (and 29% top-of-mind). In prompted responses, the two brands scored 53% (Lotto24) and 45% (Tipp24).

The aim of our marketing activities is to further expand our market position and gain new customers for both the Lotto24 and Tipp24 product ranges by exploiting our strong brand appeal.

Efficient sales

In online marketing, the consolidation of the commercial lottery brokerage market and the intensified efforts of regulatory and competition authorities to combat lottery offerings without permits in Germany are having a positive effect on advertising prices and the competitive situation. In addition to high-reach channels such as search engine advertising (SEA) or social media advertising, we also acquire new customers via affiliates, banners, text ads, content ads and special advertising formats. Moreover, we are reaching new customer groups by cooperating with news sites or portals, for example. We incentivise our partners by offering them a share of the revenue generated by jointly acquired customers and/or supplying them with journalistic content. Good search engine optimisation (SEO) is also essential for our sustained marketing success. As many of these measures are particularly effective when it comes to high jackpots, we align our marketing measures with the respective jackpot development in order to achieve maximum efficiency.

Lotto goes mobile

Since a large proportion of both new and existing customers now reach us via their mobile devices, we are also increasingly optimising our marketing channels, advertising formats and products – especially in terms of load speed and screen size – for mobile use. As the smartphone market is almost completely covered by the operating systems 'iOS' (Apple) and 'Android'

(Google), we offer Lotto24 apps for both systems and plan to expand our portfolio with corresponding Tipp24 apps in 2020. Our iOS app will be sold via the App Store – Lotto24 was one of the first lottery providers to successfully offer a fully native app which complies with the new Apple guideline recently introduced for apps in the gaming segment. The Android app can only be downloaded directly from our website at present, as Google continues to refuse access to its 'Google Play Store' in Germany for so-called gambling apps.

DATA SCIENCE ENSURES IMPROVED CUSTOMER RETENTION

Data-based decisions along the entire customer journey

The use of data plays a key role in ensuring we provide our customers with the best possible offer at the right time, based on their individual needs and preferences. By merging the respective organisational units of ZEAL and Lotto24, we plan to make significant improvements in the medium term and to personalise our offerings along the entire customer journey – from initial contact to the development of long-term customer loyalty – by using big data and machine learning, with the aim of becoming even more effective and efficient.

To this end, we are currently modernising our entire data management architecture, both in terms of storage and structure, as well as with regard to its productive use. While we are already achieving good results with behaviour-based personalisation for new and existing customer marketing, this will be possible via all touch points – website, apps, mails, advertising, notifications, etc. – with standardised logic in future. We are capable of measuring the success of all campaigns in real time and ranking the efficiency or contribution of each individual measure, thus ensuring the optimal use of our budget. All data is administered and used exclusively for the improvement of our own products and services in strict compliance with data protection regulations. An essential priority is to comply with German and international data protection standards (e.g. GDPR, ISO).

Our data analysts are integrated into the product development and marketing teams in order to determine the effects of individual measures, to design A/B tests and to provide advice on the prioritisation of new ideas.

In addition, we have our own user lab where we regularly test innovations and operating concepts with customers. Furthermore, we use customer surveys as well as corresponding analyses and tests to permanently optimise the gaming experience of our customers.

PRODUCT DEVELOPMENT

Customer wishes are changing – but slowly

In view of the prevailing state monopoly, the German lottery market is not known for its high level of innovation. However, customer needs with regard to winning experiences, game motivation and context are definitely changing. We are therefore continuously developing and integrating new offerings which aim to capture this spirit of the times – for example with innovative services or products – in order to achieve a competitive advantage in the market. In addition, our subscription products enable customers to 'stay in the game' without additional effort, to 'hunt down' large jackpots or to discover particularly high chances of winning via lotto clubs.

Working together to ensure smooth product development

Offering customers the best-possible online lottery experience is the goal that drives our product management team to master all disciplines along the initial and repeat purchase process with the aid of modern organisational structures. In particular, these include conversion optimisation, personalisation, trust building and transaction security – all essential core competencies for an e-commerce company.

In order to create new or optimise existing product features, all departments and disciplines involved – such as product management, user experience and graphic design, software development, data analysis, quality assurance and operations – are organised in cross-functional teams at one location.

EXISTING CUSTOMER MARKETING AND CUSTOMER SUPPORT

Marketing for long-term customer loyalty

Our business depends on satisfying customers over many years and thus ensuring their loyalty. Dialogue marketing (customer relationship management, CRM) plays a major role in these efforts. We therefore use extensive customer behaviour analyses in order to contact customers at the most appropriate time with relevant content. In addition to automating standard communication methods, we aim to exploit new communication channels, such as browser push and offline mailing, while also harmonising our delivery technologies and data models for the integration of Lotto24 and Tipp24.

Customer service excellence – a win-win situation

In various surveys of their respective customer service quality, both Lotto24 and Tipp24 achieved high satisfaction scores above the 90% mark: whether by phone, e-mail, social media or chat – our customers can easily ask questions and quickly receive the support they need. Even in times of major challenges for our customer service team – such as the conversion of Tipp24's business model from a secondary lottery to an online lottery broker – we are able to flexibly increase capacity at very short notice by taking on external customer service staff.

It is our belief that the best support is one that is not needed in the first place. We therefore invest heavily in good, product-specific user experiences, in the monitoring of payment processes, and in helping customers find answers to typical questions as quickly and easily as possible in self-service sections of our website.

TECHNOLOGY AS A SUCCESS-CRITICAL FACTOR

Highly scalable e-commerce platforms

Together, Lotto24 and Tipp24 process transactions worth over half a billion euros per year, making us one of Germany's largest e-commerce providers with correspondingly ambitious technology goals. Our business is strongly linked to the prevailing jackpot development: with a €90 million 'EuroJackpot' that has already been rolled over several times, the load on our systems on a Friday afternoon multiplies significantly. We therefore have to scale them very carefully, optimise load times, upgrade caching solutions and at the same time expand our security systems.

The standards we set ourselves are high: after all, every customer looking to win millions of euros must be able to trust that everything is going to run smoothly. Automated tests during software development, for example, ensure that as many errors as possible are detected and remedied before operation.

Platform merger

We plan to migrate Lotto24 to the ZEAL platform in 2020. Together, we aim to make progress – especially in the areas of multi-brand management, software architecture and development speed.

In addition to the use of state-of-the-art hybrid cloud solutions, we will be able to improve system redundancy and keep the costs of servicing peak loads within the planned limits. While migration will restrict our bandwidth for other development initiatives especially in 2020, our dedicated product development teams will subsequently be able to implement new developments for the respective product domains much faster in future, thus supporting our targeted business growth.

MANAGEMENT SYSTEM

KEY OBJECTIVE: RAISE THE VALUE OF LOTTO24'S CUSTOMER BASE

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 billings of active customers to total billings, as well as from the estimated future development of the intensity and duration of customer relationships.

KEY FINANCIAL FIGURES

As we regularly review our key financial figures and their impact on corporate management, we have introduced new financial KPIs as of the statement of financial position date. The main financial KPIs which we use to steer the Company and whose values we aim to improve are therefore:

- **Billings** (stakes placed by customers, influenced both by the variety and attractiveness of Lotto24's product portfolio and the efficiency of customer retention measures);
- **Revenue** (commission for brokered tickets/stakes to be remitted and additional/ticket fees in connection with the brokerage of stakes);
- **Gross margin** (ratio of revenue (excluding intercompany revenue) to billings);
- **Adjusted EBITDA** (adjusted earnings before interest, taxes, depreciation, amortisation and one-off costs, represents the Company's gross earnings over a certain period of time);
- The **number of new registered customers** (customers who have successfully completed the registration process on the Lotto24 website. This number is disclosed after adjustment for multiple registrations and deregistrations.); and
- **CPL** (cost per lead, or marketing expenses per registered new customer) which we use to monitor the efficiency of our marketing efforts;

KEY FIGURES

| | 2019 | 2018 |
|--|---------|---------|
| Billings (in € thousand) | 366,491 | 321,832 |
| Revenue (in € thousand) | 44,098 | 38,289 |
| Gross margin (%) | 11.6 | 11.9 |
| Adjusted EBITDA (in € thousand) | 6,616 | 3,850 |
| Number of new registered customers (in thousand) | 397 | 596 |
| CPL (in €) | 31.76 | 25.88 |

2019 has been an exciting year for the Company. Following the acquisition by ZEAL Network SE, we have integrated the Tipp24 brand and domains into our product offering and this has contributed to the 13.9% growth in billings and the 15.2% growth in revenue. This has allowed us to continue to grow despite the weaker jackpot environment in 2019 compared to 2018. Adjusted EBITDA has nearly doubled to €6,616 thousand from €3,850 thousand in 2018, this is a result of strong cost control which has seen personnel costs decrease by €408 thousand or 4.5% and other operating expense increase at a slower rate than growth in revenue (13.4% vs 15.2%).

The number of new registered customers has decreased from 596 thousand in 2018 to 397 thousand in 2019 and our cost per lead has increased by €5.88 to €31.76 (2018: €25.88). These results are driven by the weaker jackpot environment in 2019 and the focus given to integrating Lotto24 and ZEAL.

Following the acquisition by ZEAL we would like to provide readers with information on monthly active users (MAU)¹ and average billings per user (ABPU)². We are pleased to report an increase in the MAU from 542 thousand in 2018 to 633 thousand in 2019. The weaker jackpot environment has contributed to the decrease in ABPU from €49.45 in 2018 to €48.28 in 2019. It should be noted that these KPIs are overstated for the following reason:

We offer major online portals IT and marketing services for the operation of their own online lottery services (B2B and business services). In 2012, we already won two major partners as multipliers for these integrated services, WEB.de and GMX.net. The billings from these services, 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 new registered customers'.

¹ MAU (monthly average active users is the number of unique users who have either purchased a ticket or participated in a draw in a given month (including free bets)) provides a measure of the Company's ability to retain and attract new customers.

² ABPU (average billings per user per month is the average net billings received from each active customer in a given month; It is calculated by dividing monthly net billings by average monthly active users) provides a measure of the Company's ability to increase loyalty and value from our customers.

KEY NON-FINANCIAL FIGURES

In addition to our key financial figures, we also manage Lotto24 AG on the basis of non-financial KPIs which have a significant impact on our business success:

- We want to grow faster than our competitors. Our **market share of the online lottery segment** indicates to what extent we are achieving this aim.
- **Customer satisfaction:** an important element of our business is the loyalty of our existing customers, whose satisfaction is measured by annual surveys.

- **Corporate Social Responsibility** is already a firm component of our business model: according to German Association of State Lottery Companies (DLTB), approximately 40% of stakes are donated to good causes. As our brokerage helped raise the billings of Germany's 16 state lottery companies by €306 million in 2019 (billings remitted), around €123 million was made available to social, sporting and cultural causes, as well as landmark protection activities, via DLTB.

KEY NON-FINANCIAL FIGURES

| | 2019 | 2018 | Outlook 2020 |
|---|--------------|--------------|-----------------|
| Market share of online lottery segment ¹ | 35% | 34% | still growing |
| Customer satisfaction ² | | | |
| - Lotto24 | 84% | - | still very high |
| - Tipp24 | 83% | - | still very high |
| Corporate Social Responsibility share of taxes and duties of the brokered stakes ³ | €123 million | €122 million | still growing |

¹ Source: German Association of State Lottery Companies (DLTB)/German Lottery Association (DLV). 2019: Lotto24 includes 2.5 months of Tipp24's lottery brokerage activities following the ZEAL Business Model Change, 2018: Lotto24 only.

² Source: Customer satisfaction survey in November and December 2019/new survey methodology in the course of the Lotto24 takeover, therefore no comparative figures for the previous year.

³ 40% of remitted billings. 2019: included 2.5 months of brokerage activities of Tipp24 following ZEAL's Business Model Change.

RESEARCH AND DEVELOPMENT

We regard ourselves as a customer-centric technology company. This also involves building up core competencies and developing and operating our platform and central systems ourselves, in order to be able to align software with operational processes and customer needs in the best possible way. This covers the entire process chain from the online registration of our customers through the purchase of lottery products to the payment and transmission of tickets to the lottery companies. At present, the system worlds of Lotto24 and Tipp24 are still largely separate but will be merged to a significant extent in 2020. We already made important preparations for this in 2019.

It is planned to migrate Lotto24 to the Tipp24 platform of the ZEAL Group in 2020. The existing Lotto24 iOS app – which had to be converted from web technology to a native app due to new Apple guidelines – already runs on the single platform for our future brokerage business. This was achieved in just a few weeks, despite the numerous organisational changes resulting from the takeover. A so-called wrapper app has also been published for Android. In addition, we expanded our portfolio of online instant lotteries (scratch cards) in 2019.

For Tipp24, the main focus in 2019 was on changing its business model: although the platform is versatile enough to generally function with any business model, we have made every effort to ensure we can continue to operate as much of our existing business as possible also in the brokerage model, or if previous products are discontinued, that we can seamlessly transition to those lotteries and game formats which will be continued. As well as modernising our software architecture and testing and implementing various optimisations and conversion improvements for our customer communication, we also expanded our product portfolio of online instant lotteries with the addition of 50-cent games.

Last but not least, we also improved the overall performance and speed of both our platform and infrastructure – for example, by optimising storage behaviour (caching), modernising the development environment (front-end frameworks), and improving the combination of local and cloud-based service provision (hybrid cloud hosting).

ECONOMIC REPORT

REGULATORY CONDITIONS

STATE TREATY ON GAMES OF CHANCE

In Germany, the offering of lotteries via the Internet is regulated by the German State Treaty on Games of Chance ('Glücksspielstaatsvertrag' – GlüStV). The current version of the GlüStV came into force on 1 July 2012 and replaced 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, the business model of the commercial online lottery broker has been legally permissible in Germany again since 2012. After years of legal uncertainty overall regulatory framework and legal argumentation has been strengthened lately. Former infringement procedures of the European Commission have been closed, several rulings have confirmed the overall regulation and the enforcement against unlicensed operators.

On 21 March 2019, the federal states decided that the time limitation on the licensing procedure for sports betting providers would be discontinued with effect from 1 January 2020 (removal of the so-called experimental clause in the GlüStV). In addition, the cap on licences was lifted. The regulation, in the form of a Third Amendment of the GlüStV is limited until 30 June 2021 (transitional regulation).

The federal states are currently negotiating a new GlüStV for the period after 1 July 2021.

NATIONWIDE BROKERAGE PERMIT

On 24 September 2012, we first received the permit allowing us to broker state lotteries via the Internet throughout Germany. With a decision dated 26 July 2017, the Ministry of the Interior for Lower Saxony granted us an extension permit. It will expire on 30 June 2021, the day on which the current GlüStV also expires, and still contains many restrictive and in part uncertain ancillary provisions and conditions such as strict regulations regarding the age verification of players and the duty to divide gaming revenue among all 16 state lottery companies (regionalisation) – based on the player's place of residence. With a decision dated 29 March 2018, the Ministry of the Interior for Lower Saxony granted us our first permit for the online brokerage of state-operated instant lotteries (scratch cards). It applies to the federal states of Lower Saxony, Saxony, Hesse and North-Rhine-Westphalia, where the state lottery companies have also received a corresponding game permit. As a result, more than 50% of the German population

over 18 already have access to scratch cards on the Internet. The permit will also expire on 30 June 2021 and still contains many restrictive and in part uncertain ancillary provisions and conditions. In addition, Lotto24 received a supplement to the existing brokerage permit on 8 February 2019 which enables us to broker tickets of the Tipp24.de and Tipp24.com domains to the state lottery companies via Lotto24. The supplement is subject both to the restrictions already contained in the brokerage permit and to the time limit of 30 June 2021.

ADVERTISING PERMIT

On 27 February 2019, the German authority responsible for advertising standards, the District Government of Düsseldorf, prolonged the advertising permit of Lotto24 for the third time in a row. It is now valid until the GlüStV expires on 30 June 2021. The extension must always be requested and is not granted automatically. After receiving the extension, we continue to be authorised to advertise the online marketing of state lotteries throughout Germany via the Internet and TV, thus driving the further expansion of Lotto24's customer base. The renewal of the advertising permit and the resulting legal certainty it continues to provide, form the basis for the planned expansion of our business and market share.

POLITICAL DEVELOPMENTS ON REFORMING THE GLÜSTV

As the current State Treaty on Games of Chance (GlüStV 2012) expires on 30 June 2021, the heads of Germany's federal states agreed on a follow-up state treaty on 12 March 2020. The State Treaty on Games of Chance 2021 (GlüStV 2021) includes a permit model for virtual slot machines (online games), sports betting (online and offline) and online poker, as well as a licence model for online banking games (online casino). The announcement followed several months of political debate on the degree to which the market should be opened up, especially for online games and online casinos.

Germany's federal states are planning to establish a national gambling supervision authority in the state of Saxony-Anhalt. The current Gambling Council of the federal states is to be dissolved in the medium term. Existing game or brokerage permits held by providers already active on the market, such as Lotto24, will remain valid beyond 30 June 2021 for a further calendar year, whereby the provisions of the new GlüStV will then already apply.

The regulations of the new GlüStV affect all game formats and are also relevant to commercial game brokerage. However, we do not expect the new legislation to have any significant impact on our business model. Germany's federal states are upholding their state monopoly for lotteries, with the exception of lotteries with low risk potential (social lotteries). The specific regulations for commercial lottery brokerage remain unchanged. In addition, the previous requirement to separate online gaming formats will be abolished. Subject to certain restrictions, game providers will be permitted to offer different game formats via the same Internet domain in future. Moreover, the new GlüStV makes a distinction in many areas (e.g. advertising, player identification, blacklist) between classic lottery offerings, with two draws per week, and all other offerings, such as sports betting and online games, as well as online instant lotteries and 'Keno'. We expect that this will result in a greater degree of freedom for those offering classic lottery products.

The current draft law has been initialled by the heads of Germany's federal states but still has to be passed by their respective parliaments and notified to the European Commission. The GlüStV 2021 has no expiry date and can be terminated no sooner than 31 December 2028.

LEGAL DISPUTES AND REGULATORY PROCEEDINGS

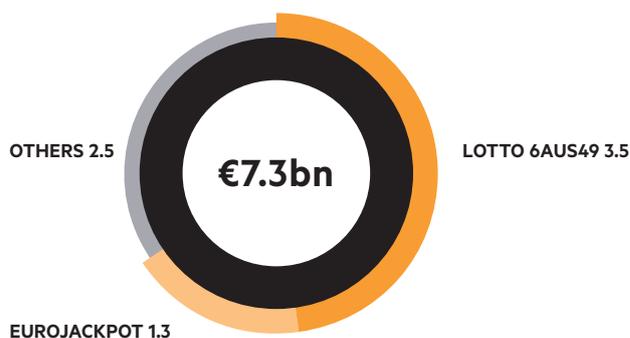
Lotto24 is conducting various court proceedings to review the legality of what we consider to be indeterminate and disproportionate restrictions. However, a final clarification of the fundamental questions is made more difficult by the two-year duration of the advertising permits. This short duration regularly leads to the loss of interest in legal protection as soon as new lawsuits against the subsequent permit become pending. Most recently, the Higher Administrative Court of Hamburg ('OVG Hamburg') rejected key points of our claims in proceedings brought against both the advertising permit and the brokerage permit. Even the first lawsuit, which related to ancillary provisions of the previous brokerage permit and expired in 2017, did not result in a ruling of the court of last instance by the Federal Administrative Court ('Bundesverwaltungsgericht'). After careful analysis of the opportunities and risks involved, we decided to withdraw our appeal before the hearing on 14 November 2018.

ECONOMIC CONDITIONS

SLIGHT REVENUE DECLINE IN GERMAN LOTTERY MARKET

According to its own figures, DLTB revenue fell by around 1.2% to almost €7.3 billion in 2019 (2018: €7.3 billion). With an increase of over 2%, however, the lottery 'Lotto 6aus49' remained Germany's most popular lottery with revenue of €3.54 billion and just under 49% of total stakes (2018: €3.5 billion). Despite a revenue decline of 14.4% to €1.25 billion (2018: €1.5 billion) due to a weaker jackpot development than in the previous year, the European lottery 'EuroJackpot' remained the second most popular lottery product in 2019. Other DLTB products include 'Spiel 77', 'Sofortlotterien', 'Super 6', 'GlücksSpirale', 'Oddset', 'Keno', 'Bingo', 'Toto', 'Plus 5' and 'Sieger Chance'.

REVENUE SHARES DEUTSCHER LOTTO- UND TOTOBLOCK 2019 in € billion



LOTTERY COMPANIES RAISE PRICES

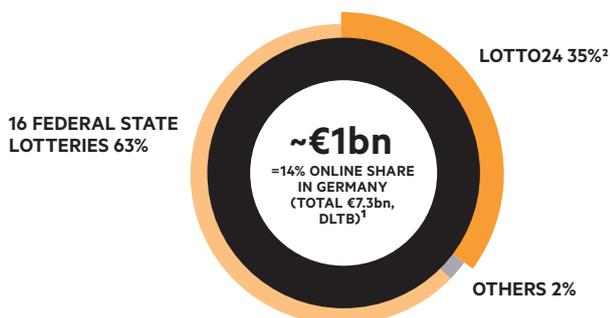
According to its own information, DLTB is planning a price increase for its 'Lotto 6aus49' product in autumn 2020: one field of the lottery ticket 'Lotto 6aus49' will cost €1.20 in the future instead of its current price of €1.00.

We assume that this price change – similar to the last adjustment in May 2013 – will also have a positive overall effect on our business: on the one hand, we expect stakes for the 'Lotto 6aus49' product to rise and, on the other hand, jackpots will grow much faster as a result of the change. This in turn will make the product more attractive and should also trigger a long-term positive revenue effect. However, it remains to be seen whether the price increase will also change the playing behaviour of lotto customers or tempt them to migrate to the increasingly well established 'EuroJackpot' product.

LOTTO24 AND TIPP24 EXTEND MARKET LEADERSHIP

According to information of DLTB and the German Lottery Association ('Deutscher Lottoverband, DLV'), online revenue of state lottery companies and legal private brokers has been steadily rising: starting at €35 million in 2012, revenue already reached €937 million in 2018 and rose by a further 10% to €1,035 million in 2019 (including the full year Lotto24 billings as well as the Tipp24 billings following the Business Model Change on 15 October 2019). Online sales thus accounted for approximately 14% of total German lottery sales in 2019 (2018: 13% excl. Tipp24). Whereas stakes generated online by all state-owned companies together grew by 11.6% to €651 million (2018: €583 million), our official online lottery brokerage business with the Lotto24 and Tipp24 brands grew by 13.8% to €366 million (2018: €322 million) – this does not include the billings of the Tipp24 brand from 1 January to 15 October 2019. Consequently, we were able to expand our online market leadership with a market share of 35% (2018: 34%). Other lottery brokers achieved total online revenue of around €18 million (2018: €32 million).

LOTTO24 SHARE OF ONLINE MARKET 2019



¹ According to information of the German Association of State Lottery Companies ('Deutscher Lotto- und Totoblock, DLTB') and calculations of the German Lottery Association ('Deutscher Lottoverband, DLV')

² Full-year Lotto24 billings, Tipp24 billings 15 Oktober-31 Dezember 2019

HUGE POTENTIAL OF ONLINE SEGMENT

70.2 million adults live in Germany, of whom 29.7 million play lotto occasionally or regularly¹. This corresponds to almost 42% of all adult Germans. In our latest survey of 1,437 Internet users with an affinity for lotto in November 2019, 38% of respondents confirmed that they had played lotto in the last six months. It is interesting to note that (despite the new, slightly more conservative survey methodology) 51% of offline players surveyed – i.e. lotto players who still hand in their tickets at kiosks – can imagine playing lotto online in the future. Translated to 29.7 million lotto players, this represents a market potential of 15.1 million potential online lotto players. Based on the total volume of the German lottery market (DLTB plus class lotteries, 'Aktion Mensch' and 'Deutsche Fernsehlotterie') of around €8.7 billion², this corresponds to potential total online lottery revenue of €4.4 billion.

Even though the German online lottery market has not yet reached the level of other European countries or comparable industries in the e-commerce sector, the development of recent years indicates a consistent upward trend – we are catching up. We believe that this growth is likely to continue in the coming years. This opinion is supported in particular by the following factors:

- As online lottery offerings were completely forbidden until mid 2012, we expect further strong revenue growth. Compared with foreign online lottery markets, which were less strictly regulated in the past, we expect above-average growth for Germany in the medium term.
- In 2017, the online share of the lottery market in Sweden was just under 41%, in Finland around 33%, and in the United Kingdom around 26%³. The growing importance of e-commerce as a sales channel and mobile offerings are also strengthening this trend: in 2018, 50% of all banking was already done online⁴, 57% of music was sold online in 2018⁵ and 43% of trips were booked online in 2018⁶.

Based on a medium to long-term assumption of an online share of 50% of the total German lottery market of €8.7 billion, this would also result in an online lottery market potential of more than €4 billion. As our objective is to further expand our own market share to 50% or more, our long-term billings potential would lie beyond the €2 billion mark.

¹ Source: IfD Allensbach © Statista 2019, 'Anzahl der Personen in Deutschland, die Lotto oder Toto spielen, nach Häufigkeit von 2015 bis 2019 (in Millionen)'

² Source: Goldmedia 'Gambling Market Monitor 2018'

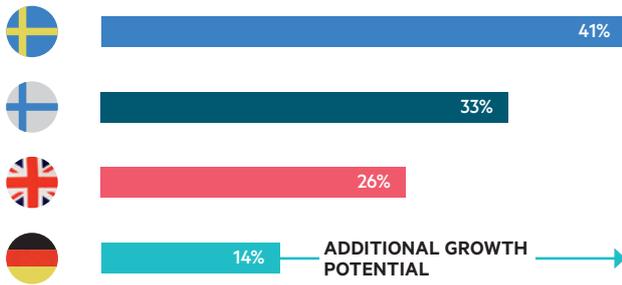
³ Source: H2 Gambling Capital data; excl. ODDSET

⁴ Source: Bankenverband, 'Jeder zweite Bundesbürger nutzt Online-Banking', June 2018

⁵ Source: Bundesverband Musikindustrie, 'Musikindustrie in Zahlen 2018'

⁶ Source: DRV, 'Der deutsche Reisemarkt Zahlen und Fakten 2018', July 2019

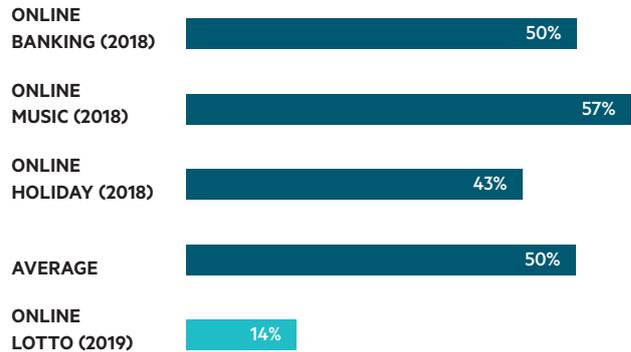
MARKET POTENTIAL^{1,2}



¹ Online share in selected European countries, based on H2 Gambling Capital data (excluding ODDSET), Gambling Gross Turnover or Gross Wins (stakes less prizes paid out but including bonuses) where available (2017A)

² Based on 2017 estimates

ONLINE MARKET SHARES



Source: Bankenverband, Bundesverband Musikindustrie, DRV, German Association of State Lottery Companies ('Deutscher Lotto- und Totoblock, DLTB'), German Lottery Association ('Deutscher Lottoverband, DLV')

ADVERTISING AND COMPETITION

Our success is largely determined by the scope and efficiency 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 lottery companies, with their joint platform Lottode, and foreign secondary lottery companies which are not permitted to operate in Germany.

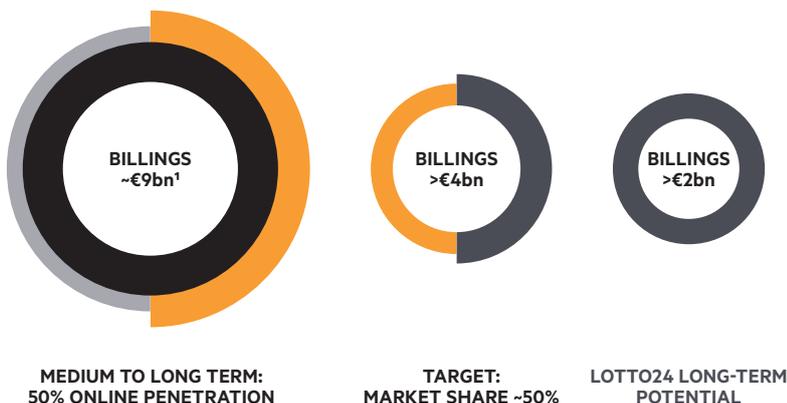
According to information of the relevant Ministry of the Interior for Lower Saxony, 16 private commercial gaming brokers had valid brokerage permits at the end of the reporting period – in addition to the state-owned companies. However, the advertising activities of our private competitors with permits in Germany as a whole were quite modest in 2019.

The advertising pressure from secondary lottery providers with neither a German brokerage nor corresponding advertising permit has declined. This is due to both a stricter approach by

the relevant regulatory authorities and competition law proceedings brought by certain state lottery companies. In addition, ZEAL has returned the former secondary lottery provider Tipp24 to the German online lottery brokerage business and, as an official DLTB partner, is once again transmitting the tickets of Tipp24 customers to the German state lottery companies via us.

We monitor our relevant competitors, for example, by regularly and systematically testing the websites. In addition, we use 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.

OUR VISION



¹ Source: Total German lottery market volume of €8.7bn in 2017A as per Goldmedia, including other lotteries such as Class Lotteries, Aktion Mensch and Deutsche Fernsehlotterie.

WEAKER 'EUROJACKPOT' DEVELOPMENT THAN IN THE PREVIOUS YEAR

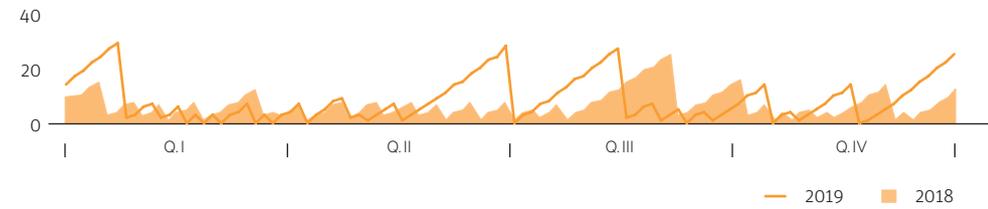
Jackpots are a major driver of our billings volume. We expect particularly strong increases in the activity rate and number of registered customers when potential players have greater expectations of exceptional winnings, in other words whenever there are large jackpots. Such jackpots are comprised of stakes submitted 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 2019, the jackpot development of the various lotteries varied greatly: the German lottery 'Lotto 6aus49', for example, reported four jackpots of over €20 million (2018: one), which led to three guaranteed jackpot pay-outs after the 13th draw (2018: once). The average 'Lotto 6aus49' jackpot was €9.6 million (2018: €6.9 million). However, with an average jackpot amount of €37.2 million in 2019 (2018: €47.8 million), the European lottery 'EuroJackpot' reached the €90 million mark just four times and thus fell well short of its prior-year performance with 13 draws reaching the €90 million mark.

JACKPOT DEVELOPMENT LOTTO 6AUS49 AND EUROJACKPOT

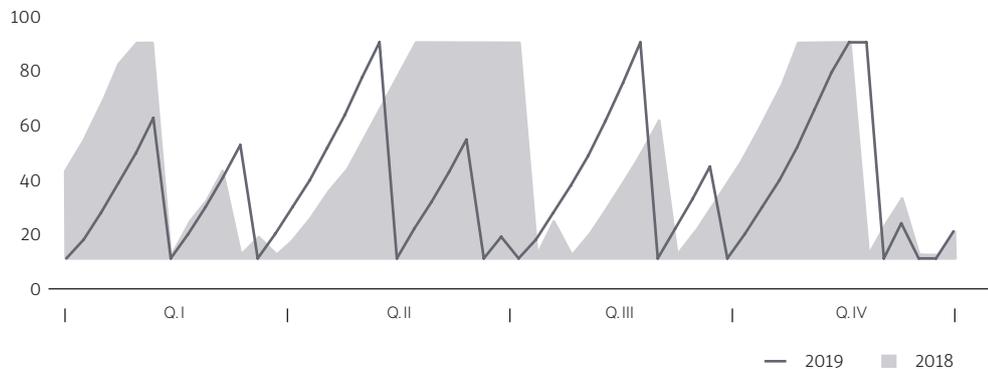
Lotto 6aus49

in € million



EuroJackpot

in € million



BUSINESS DEVELOPMENT

FORECAST

Following the transfer of Tipp24 customers and the corresponding domains in October 2019, we updated our guidance in November 2019.

| FORECAST COMPARISON | Forecast (21.03.2019/12.11.2019) | 2019 Actual | 2018 Actual |
|---------------------|---|-----------------------------|----------------------------|
| Billings | Stable at prior-year level/above prior-year figure | € 366.5 million (+13.9%) | €321.8 million (+45.8%) |
| Revenue | Stable at prior-year level/above prior-year figure | €44.1 million | €38.3 million |
| Gross margin | Stable at prior-year level/slightly below previous year | 11.6% | 11.9% |
| CPL | Higher than previous year/Higher than previous year | €31.76 | €25.88 |
| New customers | Falling number of new customers/ Falling number of new customers | 367 thousand | 596 thousand |

The addition of the Tipp24 customers contributed to the increase in revenue and billings and offset the weaker jackpot environment. The weaker jackpot environment in 2019 contributed to an increase in cost per lead (CPL) to €31.76 in 2019 (2018: €25.88).

We regularly assess whether, and to what extent, we should continue our current media mix. Depending on the jackpot situation, the size of our marketing expenses, the media mix and the behaviour of our competitors, CPL will thus continue to fluctuate on a quarterly basis in future.

POSITION

EARNINGS POSITION

| INCOME STATEMENT | 2019 | 2018 | Change % |
|--|-----------------|-----------------|---------------|
| in € thousand | | | |
| Billings | 366,491 | 321,832 | 13.9 |
| Stakes to be remitted (less revenue) | (322,393) | (283,543) | 13.7 |
| Revenue | 44,098 | 38,289 | 15.2 |
| Personnel expenses | (8,640) | (9,048) | (4.5) |
| Impairment loss for financial assets | (581) | (599) | (3.0) |
| Other operating expenses | (28,401) | (25,038) | 13.4 |
| less other operating income | 140 | 246 | (43.1) |
| Operating expenses | (37,482) | (34,439) | 8.8 |
| Adjusted EBITDA | 6,616 | 3,850 | 71.9 |
| Non-recurring income | 4,162 | - | 100 |
| Non-recurring expenses | (5,277) | - | 100 |
| EBITDA | 5,501 | 3,850 | 42.9 |
| Amortisation and depreciation | (1,522) | (1,202) | 26.6 |
| EBIT | 3,979 | 2,648 | 50.3 |
| Financial result | (137) | (118) | 16.1 |
| Earnings before taxes | 3,842 | 2,529 | 51.9 |
| Income taxes | 1,120 | 5,168 | (78.3) |
| Net profit | 4,962 | 7,697 | (35.5) |
| Breakdown of other operating expenses | | | |
| Marketing expenses | (12,607) | (15,423) | (18.3) |
| Direct operating expenses | (6,417) | (3,015) | 112.8 |
| Indirect operating expenses | (9,377) | (6,599) | 42.1 |
| Other operating expenses | (28,401) | (25,038) | 13.4 |

2019 has been a year of significant change for Lotto24. We were acquired by ZEAL Network SE on 14 May 2019, as part of ZEAL's decision to de-risk and close its secondary lottery betting operations in Germany. In October 2019 we entered into a number of agreements with ZEAL Network SE and its subsidiaries. The agreements allowed us to licence certain assets for a fee and has contribute to the growth in revenue and billings.

GROWTH IN REVENUE

Despite the weaker jackpot environment in 2019, we grew billings from €321,832 thousand in 2018 to €366,491 thousand in 2019. Revenue also increased from €38,289 thousand in 2018 to €44,098 thousand in 2019. The increase was primarily due to the billings and revenue from Tipp24 customers. These customers were transferred to Lotto24 in October 2019, following the closure of the ZEAL Group's secondary lottery business in Germany.

We generated revenue mainly from commissions received for the brokerage of lottery products of the state lottery companies in accordance with the existing contractual regulations, as well as from additional fees/ticket fees incurred in connection with the brokerage of stakes.

The gross margin in 2019 declined slightly to 11.6% (2018: 11.9%).

INCREASE IN ADJUSTED EBITDA AND EBIT

Adjusted EBITDA has nearly doubled to €6,616 thousand from €3,850 thousand in 2018, this is a result of revenue growth and a reduction in personnel costs by 4.5% to €408 thousand, offset by an increase in other operating expense. Non-recurring expenses and income of €1,115 thousand (2018: nil) and amortisation and depreciation of €1,522 thousand (2018: €1,202 thousand) resulted in EBIT of €3,979 thousand in 2019 (2018: €2,648 thousand).

DEVELOPMENT OF KEY INCOME STATEMENT ITEMS

Personnel expenses decreased from €9,048 thousand in 2018 to €8,640 thousand. This was despite the increase in headcount following the transfer, in October 2019, of certain employees from other entities within the ZEAL Group. The total headcount at 31 December 2019 was 119 (2018: 103). The decrease in personnel expenses is a result of the restructure of the ZEAL Group following the acquisition which reduced the headcount (pre-October 2019) to 90. The costs associated with employees on gardening leave have been recognised in non-recurring expenses or recharged to ZEAL, resulting in the decrease in personnel costs.

Other operating expenses rose year on year by €3,363 thousand, from €25,038 thousand to €28,401 thousand.

The following factors influenced this development:

- A decrease in marketing expenses of €2,816 thousand which was mainly driven by the weaker jackpot environment. Moreover, comparatively more expensive TV commercials conducted in 2018 were not repeated in 2019.
- Direct expenses of operations increased by €3,402 thousand to €6,417 thousand. This is primarily due to the €3,428 thousand (2018: nil) charge from ZEAL Network SE and its subsidiaries for usage of the Tipp24 customers, trademarks and domains, the IT platform and Group support services.
- Indirect operating expenses increased from €6,599 thousand to €9,377 thousand. IT consulting costs increased by €575 thousand as we looked to strengthen our internal technology team with freelancers. In addition, legal and consultancy costs rose by €1,934 thousand, maintenance increased by €369 thousand, and other costs by €481 thousand. This was offset by a €502 thousand decrease in rental expense following the adoption of IFRS 16.

In 2019, amortisation and depreciation increased to €1,522 thousand (2018: €1,202 thousand). This was due to the initial adoption of IFRS 16 on 1 January 2019 and the associated reallocation of costs from other operating expenses.

Non-recurring expenses for 2019 amounted to €5,277 thousand (2018: nil). This figure primarily consists of €5,192 thousand incurred for employee severance.

Of the €5,277 thousand originally incurred for personnel and consultancy fees, costs of €4,162 thousand have been recharged to ZEAL and recognised as non-recurring income.

FINANCIAL POSITION

PRINCIPLES AND OBJECTIVES OF CAPITAL MANAGEMENT

Lotto24 AG operates an independent capital management system. All decisions concerning the Company's financial structure are taken by the Management Board. Further information is provided in section 26 of the notes to the individual financial statements.

FINANCIAL ANALYSIS

Our financial situation is mainly shaped by equity and short-term liabilities. The proportion of long-term liabilities increased year on year by €1,877 thousand to €3,615 thousand. The Subscribed Capital of Lotto24 AG is unchanged from the end of the reporting period 2019 (€24,155 thousand; 2018: €24,155 thousand).

As of 31 December 2019, equity amounted to €37,288 thousand (2018: €32,326 thousand) and comprised the following items:

| EQUITY | 31.12.2019 | 31.12.2018 |
|--------------------|-------------------|---------------|
| in € thousand | | |
| Subscribed Capital | 24,155 | 24,155 |
| Capital reserves | 2,415 | 2,415 |
| Retained earnings | 10,718 | 5,756 |
| Total | 37,288 | 32,326 |

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

The Authorised Capital of Lotto24 AG amounts to €2,196 thousand.

As of 31 December 2019, capital reserves amounted to €2,415 thousand (2018: €2,415 thousand) and include the legal reserve required by section 150 (2) AktG, which accounts for a tenth of share capital.

Trade payables of €2,420 thousand (2018: €1,934 thousand) mostly comprise open payment obligations at the end of the reporting period for marketing services already received and for technical and legal consultancy. All trade payables have remaining terms of up to one year.

The current financial liabilities comprised the following items:

| Current financial liabilities | 31.12.2019 | 31.12.2018 |
|--------------------------------------|-------------------|---------------|
| in € thousand | | |
| Liabilities from gaming operations | 18,540 | 11,197 |
| Interest-bearing loan | 148 | 193 |
| Lease liability | 412 | - |
| Other | - | 45 |
| Total | 19,100 | 11,435 |

As of 31 December 2019, current financial liabilities increased to €19,100 thousand (2018: €11,435 thousand). They mainly comprised liabilities from gaming operations of €18,540 thousand (2018: €11,197 thousand), which were influenced by increased billings. This item, which is expected to increase further as billings grow, comprises customer liabilities and amounts due to the state lottery companies. The item also includes small winnings which customers leave on their gaming accounts and use later to pay for tickets.

Lease liabilities are the amount recognised following the adoption of IFRS 16 on 1 January 2019.

Interest-bearing loans include current payments, due within one year, for the IT equipment at our new data centres (hire purchase agreements: €148 thousand; 2018: €193 thousand).

INVESTMENT ANALYSIS

In the reporting period, we invested a total of €659 thousand (2018: €973 thousand), mainly in software and hardware needed for operations, as well as in our apps, our IT data centre, our workplace equipment and our business intelligence system.

LIQUIDITY ANALYSIS

| Key cash flow items | 2019 | 2018 |
|---|---------------|--------------|
| in € thousand | | |
| Cash flow from operating activities | 8,727 | 3,271 |
| Cash flow from investing activities | (659) | (973) |
| thereof financial investments | - | - |
| thereof operative investments | (659) | (973) |
| Cash flow from financing activities | (587) | (2,498) |
| Change in available funds | 7,481 | (199) |
| Available funds at the beginning of the period | 8,072 | 8,271 |
| Available funds at the end of the period | 15,553 | 8,072 |

Due to the improvement in earnings in fiscal year 2019, cash flow from operating activities rose to €8,727 thousand (2018: €3,271 thousand).

Cash flow from investing activities amounted to €659 thousand (2018: €973 thousand), as we invested in the expansion of our operating business – as in fiscal year 2018.

Cash flow from financing activities of €587 thousand (2018: €2,489 thousand) comprised mainly payments on lease liabilities of €394 thousand (2018: nil). Following the adoption of IFRS 16, the Company has separately recognised depreciation on right of use assets within cash flow from operating activities and payments on lease liabilities within cash flow from financing activities.

The cash flow from financing activities in 2018 included both the hire purchase contracts and the fully redeemed loan of the Günther Group.

ASSET POSITION

Compared to 31 December 2018, total assets increased by €25,255 thousand to €75,643 thousand as of 31 December 2019 – due mainly to the recognition of a €7,072 intercompany trade receivable for amounts due from ZEAL Network SE, a €7,481 thousand increase in cash and cash equivalents, a €6,121 thousand increase in receivables from gaming operations due to the increase in billings and the adoption of IFRS 16 which resulted in the recognition of a right of use asset of €3,863 thousand within property, plant and equipment.

Current assets comprised cash and cash equivalents (€15,553 thousand; 2018: €8,072 thousand), current financial assets (€14,154 thousand; 2018: €7,970 thousand), intercompany trade receivables (€7,072 thousand, 2018: nil), trade receivables (€148 thousand; 2018: €384 thousand) and other current assets (€565 thousand; 2018: €667 thousand).

Non-current assets were dominated by our goodwill (€18,850 thousand; 2018: €18,850 thousand) and net deferred tax assets (€13,936 thousand; 2018: €12,464 thousand).

SIGNIFICANCE OF OFF-BALANCE-SHEET FINANCIAL INSTRUMENTS FOR THE FINANCIAL AND ASSET POSITION

In 2018, prior to the adoption of IFRS 16 there were significant off-balance-sheet future obligations from agreements for services, cooperation, insurance and licences, as well as for offices and technical equipment totalling €6,644 thousand for beyond the next five years. Following the adoption of IFRS 16 the commitments for offices and technical equipment were recognised on the statement of financial position and the Company had €327 thousand of off-balance-sheet future obligations.

Further information is provided in section 24 of the notes to the individual financial statements.

ACCOUNTING JUDGEMENTS

We have not made any amended accounting judgements with a significant impact on the asset position of Lotto24 AG.

OVERALL ASSESSMENT OF THE ECONOMIC POSITION OF LOTTO24 AG

2019 has been a year of significant change for Lotto24. We were acquired by ZEAL Network SE on 14 May 2019, as part of ZEAL's decision to de-risk and close its secondary lottery betting operations in Germany. In October 2019 we entered into a number of agreements with ZEAL Network SE and its subsidiaries. The agreements allowed us to licence certain assets for a fee and has contributed to the growth in revenue and billings.

EMPLOYEES

At the end of the reporting period on 31 December 2019, Lotto24 AG had 119 employees (full-time equivalents, excluding the Management Board members and student helpers, 2018: 103).

| NUMBER OF EMPLOYEES ¹ | 31.12.2019 | 31.12.2018 |
|----------------------------------|------------|------------|
| Lotto24 total | 158 | 108 |
| of which women | 55 | 37 |
| of which part-time staff | 58 | 20 |
| Average age of staff in years | 37 | 38 |
| Employees (full-time equivalent) | 119 | 103 |

¹ At end of reporting period; excluding Management Board members, students and temps

POSITIVE WORKING ENVIRONMENT

Flat hierarchies, short decision paths and transparent communication are all lived on a daily basis at our Company and we attach great importance to staff taking responsibility themselves and working in teams.

We offer our employees the opportunity to plan their work time autonomously and flexibly – in consultation with their respective team and manager – with the aim of reconciling professional commitments with their personal lives. We therefore provide flexible working time models and the ability to work from home.

TARGETED SUPPORT AND DEVELOPMENT

With the aid of appraisal interviews, a defined competency model, mutual feedback and the identification of development areas, we strive to steadily enhance the expertise of our team. We reward the individual performance of our employees and let them share in the Company's success. We also support their development to ensure success in their respective areas. Staff satisfaction is measured by regular staff surveys which we use to derive measures for a continuous improvement of the working environment.

CORPORATE SOCIAL RESPONSIBILITY

€123 MILLION FOR GOOD CAUSES

We attach great importance to corporate social responsibility and make a major contribution to society: ever since lotteries have been supervised by the state, money has flowed into numerous socially relevant projects. Around 40% of stakes received by the state lottery companies benefited society as a whole over the past few years in the form of taxes and duties, a further 50% is returned to players in the form of prizes and about 10% is spent on marketing and administration.

According to DLTB figures, over €2.9 billion was transferred to the state budgets or beneficiaries in the form of taxes and duties in 2019 (2018: €2.9 billion). This corresponds to around €8 million per day for good causes throughout Germany – money which is absolutely vital for the funding of numerous projects in the field of welfare, sport and culture, as well as landmark and environmental protection.

With our brokerage activities under the Lotto24 brand and – following the ZEAL Business Model Change – also the Tipp24 brand, we provided €123 million (2018: €122 million without Tipp24) for important social and community projects in 2019.

'DEUTSCHE FERNSEHLOTTERIE'

In 2016, we were also the first German lottery broker to include 'Deutsche Fernsehlotterie' – Germany's oldest social lottery to support people in need – in our product range. As a result, we provide additional indirect support for further social and community projects.

RELATED PARTY DISCLOSURES AND DEPENDENT COMPANY REPORT ACCORDING TO SECTION 312 AKTG

From 14 May 2019, there is a dependent relationship between Lotto24 AG and ZEAL Network SE according to section 17 (1) German Stock Corporation Act (AktG). ZEAL Network SE is the top-level, controlling parent company and controls Lotto24 AG. Pursuant to section 312 AktG, the Management Board of Lotto24 AG has therefore drawn up a Dependent Company Report for the past fiscal year.

Prior to 14 May 2019, there was a dependent relationship between Lotto24 AG and Othello Vier Beteiligungs GmbH & Co. KG according to section 17 (1) German Stock Corporation Act (AktG). According to AktG the top-level, controlling parent company of Othello Vier Beteiligungs GmbH & Co. KG is Mr Oliver Jaster, Germany. There was no control or profit transfer agreement between Lotto24 AG and Othello Vier Beteiligungs GmbH & Co. KG. Pursuant to section 312 AktG, the Management Board of Lotto24 AG has therefore drawn up a Dependent Company Report for the past fiscal year.

In accordance with section 312 (3) AktG, the Management Board made the following statement at the end of the Dependent Company Report for the reporting period: 'According to the circumstances known to us at the date on which legal transactions were undertaken or measures were taken or omitted, Lotto24 AG received adequate consideration and was not disadvantaged by any measures taken or omitted.'

SUBSEQUENT EVENTS

CONTESTING ACTIONS SETTLED

As already announced in the Federal Gazette on 1 August 2019, two shareholders have brought an action for annulment before the Hamburg Regional Court against the resolutions adopted at the Annual General Meeting of Lotto24 AG on 4 June 2019 regarding agenda items no. 6 (resolution on the dismissal of Prof. Willi Berchtold as a member of the Supervisory Board) and no. 7 (resolution on the election of a new member of the Supervisory Board).

Moreover, we announced in the Federal Gazette on 19 November 2019 that a shareholder had also brought an action for annulment before the Hamburg Regional Court against the resolutions adopted at the Extraordinary General Meeting of Lotto24 AG on 27 September 2019 regarding agenda item no. 4 (confirmation resolution on the resolution regarding agenda item 6 – dismissal of Prof. Willi Berchtold as a member of the Supervisory Board – of the Annual General Meeting on 4 June 2019) and No. 5 (confirmation resolution regarding the resolution on agenda item 7 – election of a new member of the Supervisory Board – of the Annual General Meeting on 4 June 2019).

In the meantime, however, the two actions for annulment against the resolutions of the Annual General Meetings of 4 June 2019 and 27 September 2019 have been declared settled by the plaintiffs or terminated by withdrawal of the action. The corresponding publication in the Federal Gazette was made on 27 February 2020. We have agreed to the declaration of settlement without assuming the cost burden. No agreements have been made in connection with the withdrawal of the action and the declaration of settlement, and no performance has been rendered by the Company or by third parties attributable to it.

The conciliation hearing originally scheduled for 20 February 2020, and the main hearing immediately following it, has thus been cancelled.

IMPACTS OF THE CORONA CRISIS

Due to the ongoing changes in general conditions following the coronavirus developments, we cannot conclusively assess the effects on Lotto24. On the one hand, the significantly reduced consumer behaviour could also have an indirect negative impact on e-commerce services – a closure of shops, such as lottery retailer outlets, could lead to a reduction of lottery sales and thus to decreasing, less attractive jackpot levels. On the other hand, the restrictions on public life and the significant increase in the amount of time spent at home could also lead to a growth in online sales, especially for e-commerce business models such as online lottery brokerage. Since our internal processes can also be handled essentially without problems from home, we consider ourselves well positioned in these times to continue to offer our customers the best possible online lottery service and, within the scope of our possibilities, help to limit the effects of this crisis to protect our employees and the community.

REPORT ON EXPECTED DEVELOPMENTS AND ASSOCIATED MATERIAL OPPORTUNITIES AND RISKS

RISK REPORT

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

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

In the worst case, the business model may prove to be unprofitable or unfeasible. 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.

RISK AND COMPLIANCE MANAGEMENT

The Management Board of Lotto24 AG has expanded the existing risk management system by including an integrated compliance management system. To this end, we carefully monitor our market and competitive environment while analysing the identified risks and compliance fields in the course of regular risk workshops. The insights this provides are used to swiftly introduce measures which will ensure the long-term and sustainable success of the Company and prevent infringements of compliance regulations.

Lotto24 AG is exposed to the typical sector and market risks associated with the online lottery sector. We define risks as being those events or developments which may have a negative impact on the Company or the attainment of our corporate objectives. In order to counter such risks, we have established a modern and comprehensive risk management system.

We monitor operating risks by means of regular risk management workshops for the Management Board and management and by constantly reviewing the relevant financial and non-financial performance indicators – whereby the monitoring frequency, designated controlling responsibility, rules of procedure and emergency procedures for defined deviations from target values are stipulated for each key performance indicator. Furthermore, we regularly monitor the adjustments and updates made to the security systems and processes of our service providers.

We regularly evaluate the regulatory conditions, also with the aid of legal advisors, and can thus react swiftly and appropriately.

We are convinced that our early warning and risk management system is well suited to quickly recognise and deal with dangers for Lotto24 AG resulting from possible risks. The risk early recognition system has been formally documented and is regularly monitored and adapted. Should one or more of the following risks occur, it may materially impact our business and have significant adverse effects on the financial position and performance of Lotto24 AG.

Lotto24's compliance management system consists of a large number of in-house measures and processes. It serves our objective of acting in accordance with ethical principles and abiding by all applicable laws, internal regulations and voluntary commitments. In addition to the general compliance fields, we pay particular attention to complying with the special compliance fields of gambling regulation, data privacy, IT security, competition, corruption and general non-discrimination.

These special requirements are binding constituents of our Code of Conduct. All executives are required to live an exemplary risk culture through their own attitudes and actions which sets a 'tone from the top' and encourages all employees to comply with the applicable regulations and strictly avoid any violations. Executives whose areas of responsibility have contact with compliance fields meet regularly in workshops to analyse and assess possible risks and determine appropriate measures. The Compliance Officer is responsible for the compliance management system and the coordination of the compliance workshops and reports directly to the Management Board.

Lotto24 encourages a transparent and open culture where people feel they can 'Think Brave' and raise concerns. It is important to the business that any fraud, misconduct or wrongdoing by workers or officers of the organisation is reported and properly dealt with. The organisation therefore encourages all individuals to raise any concerns that they may have about the conduct of others in the business or the way in which the business is run. Lotto24 has set up a whistleblowing system which employees or external whistleblowers can use to report compliance violations to Lotto24. The report can also be made anonymously.

We constantly review the effectiveness of our compliance management system and adapt it to developments, changed risks and new legal requirements. This ensures that its effectiveness and efficiency is continuously improved. We systematically and regularly minimise compliance risks across all business areas. The results of this analysis serve as the basis for our risk management.

MARKET AND SECTOR RISKS

Stronger competition in the medium term

Following the implementation of the revised GlüStV, international sports betting and casino providers could enter the lottery brokerage business. At the same time, an expanded range of attractive gambling services could lead to a decline in lottery revenues. In principle, however, the increased enforcement of legal restrictions in recent years has put the secondary lottery business model under considerable pressure. We expect that the competition from foreign secondary lottery providers will become weaker short term.

The medium-term success of the secondary lottery business model has therefore been fundamentally challenged and its further growth will be hampered. It will become increasingly difficult for the remaining providers to enter into successful advertising collaborations in order to ensure further growth. But, providers of secondary lotteries that have not been permitted to date therefore could also apply for and obtain a licence for lottery brokerage in Germany.

Default of strategic service provider

Strategically relevant service providers such as Amazon, Apple, Google or Facebook could refuse to cooperate with gambling providers or terminate existing agreements due to a shift in their internal corporate policies. There is therefore a risk that those companies cease to provide their services to us. In consequence Lotto24's and Tipp24's advertising or relevant use of cloud services would be subject to significant limitations, which may result in a significant reduction of revenues and new customer figures.

Absence of unusually high lottery jackpots

Jackpots occur by chance due to certain conditions during lottery draws. It cannot be excluded, therefore, that no such high lottery winnings are offered over a longer period of time. Such longer periods of time without (sizeable) jackpot draws may in particular lead to lower revenues and new customer figures due to a reduced interest to participate in lotteries.

LEGAL RISKS FROM THE REGULATORY DEVELOPMENT IN GERMANY

Future development of legal situation in Germany remains uncertain

We have already reported on the general legal conditions and the resulting possible uncertainties in the section 'Regulatory conditions'. As a result of the legal conditions, which still remain uncertain in significant areas, the following risks may endanger the Company's future survival in general:

In Germany, the online distribution of state lotteries is only possible if the relevant brokerage and advertising permits have been granted. We have received these permits, which are regularly limited in time and subject to revocation. It is unlikely, but cannot be excluded, that the brokerage or advertising permit may be withdrawn or not prolonged. Such a revocation or non-prolongation would significantly impede or even prevent the continued operation and expansion of business activities.

Due to the variety of indeterminate legal bases and the related issue of ancillary permit provisions, there is still considerable legal uncertainty. The enforcement of the existing rules by the relevant regulatory authorities is often difficult to predict. Due to the considerable discretionary powers of the authorities and a lack of clear permit criteria, there is no effective temporary legal protection against enforceable regulatory measures. As a result, enforceable restrictions of our offerings introduced by the authorities must initially be observed – despite requests for temporary legal protection. This may lead to a temporary or permanent decline in revenue and new customer figures.

Stricter age verification regulations

Lotto24 uses an age verification process which it developed itself and which has been certified by 'Freiwillige Selbstkontrolle Multimedia-Diensteanbieter e.V.' (FSM). FSM is an institution for youth protection issues recognised by the German Commission for Protection of Minors in the Media ('Kommission für Jugend- und Medienschutz', KJM). In its inspection report, it concludes that the age verification process used by Lotto24 ensures the protection of minors – especially preventing young people from taking part in Lotto24 offerings – and thus meets the legal requirements. Due to the uncertain legal situation, especially in this field, it cannot be excluded that certain authorities may demand additional procedures for our age verification. Making the age verification process as simple as possible for new customers is a key factor for sales – additional requirements may therefore lead to fewer new registrations or a loss of customers.

Strict enforcement of advertising restrictions

Due to the uncertainty of the auxiliary provisions, it cannot be excluded that the relevant authorities may regard the advertising measures we take as being incompatible with our advertising permit and the requirements of the GlüStV. Corresponding official measures may lead to a restriction of our offerings or our advertising measures.

Moreover, those authorities responsible for advertising standards may enforce the existing advertising restrictions more strictly in future due to a sports betting ruling of the Federal Administrative Court (8 C 17/12) on 20 June 2013, or the recently published verdict of the Administrative Court of Munich of 25 July 2018 (M 16 K 12/1915): both rulings call for the continued validity of a sports betting monopoly – especially of the state-owned companies – and low-key advertising in line with the monopoly's target of preventing addiction. Expansive advertising of state

gaming products is incompatible with this aim. Although the ruling in a sports betting case was passed on the basis of the old State Treaty, the regulatory authorities have in part expressed the opinion that the principles of this jurisdiction should be transferred to the current GlüStV. The authorities may therefore also apply stricter enforcement to advertising for lotteries. We consider both the transfer of the court's reasoning to harmless lottery brokerage and to the current legal situation and the applicable legal basis for advertising restrictions as unlawful. However, it is possible that the District Government of Düsseldorf, which is responsible for advertising supervision, may restrict advertising possibilities further in future.

OPERATING RISKS

Risks from gambling operations

- **Dependency on complex IT systems:** We are dependent on the use of automated processes for handling gaming agreements. Despite our extensive security provisions currently in place, the processing of the lottery tickets agreements may be materially impacted by breakdowns of or disruptions to the IT systems. This may result from the destruction of hardware, system crashes, software problems, virus attacks, and the intrusion of unauthorised persons on the system or similar disruptions, and particularly the automated generation of mass mailing requests on a server via the Internet with the aim of significantly limiting its availability by overloading (denial of service attacks). Any adverse effect could, depending on its extent, result in damage to our reputation and financial losses.
- **Data abuse by unauthorised persons:** In the course of the registration process, our customers provide us with their personal details which are stored electronically and can be viewed by the customer on our website via the respective player account section. We have taken exhaustive steps to secure the data we store, which are regularly checked by independent security experts and continually adapted to state-of-the-art requirements. Despite these high security precautions, it cannot be fully excluded that unauthorised persons illegally gain access to our customer database or the customer database of our partners. This may lead to loss of revenues, damage claim obligations and considerable damage to our assets.
- **Cooperation with external service providers:** For the processing of our business, we depend on the cooperation with external service providers who have the specialist know-how and technologies. This applies to data and voice communication, procurement, installation, ongoing development, updating and maintaining hardware and software, data centre services, payment processing, text messaging and emailing. There is a possibility that one or more of the external service providers we use does not render the services, or not on time or not without errors. It is therefore possible that we may be unable to provide our own services on time or without error due to errors or oversights of the external service providers

we have commissioned. This may lead to loss of income, damage claim obligations and considerable damage to our reputation.

Implementation risks in connection with the acquisition by ZEAL Network SE

The combining and restructuring of companies involves fundamental risks which can have a negative impact on the financial position and performance. Restructuring may proceed more slowly with the result that such effects last longer and synergies may occur later or not to the extent planned. The announcement of redundancies and restructuring in connection with the takeover may lead to an increase in employee turnover, the loss of key personnel and a reduction in the performance of employees.

Risks in connection with the corona crisis

The spread of the coronavirus and existing restrictions on public life have created significant risks for global economic growth. In particular, the significant reduction in consumer behaviour may also indirectly have a significant impact on e-commerce services. A possible future shutdown of shops, which may also affect lottery retailers, could lead to a significant reduction in lottery sales at state lottery companies. As a consequence, lower jackpots could also lead to a lower volume of lottery sales at online lottery brokers. Overall, continuing restrictions due to the coronavirus could have a negative impact on the net assets, financial position and results of operations in the future.

OPPORTUNITY REPORT

INCREASING DIGITISATION OF MEDIA USAGE AND COMMERCE

Media consumption and commerce in Germany is becoming increasingly digital from year to year: customers are switching from print to Internet media and from linear TV to video-on-demand services available on various devices. This change gives us the opportunity to benefit from the digital trend and possibly tap new marketing channels which will accelerate our growth by enabling easier access to our product offerings.

UNUSUALLY HIGH LOTTERY JACKPOTS

Jackpots arise by chance on the basis of certain lottery draw events. Based on our experience, we expect particularly strong customer growth as well as an increase in billings of our registered customers in times of high jackpots. A higher frequency of large jackpots (>€20 million) or record jackpot amounts (>€35 million) may lead to rising game incentives.

OPENING OF 'GOOGLE PLAY STORE'

According to Statista, the Android operating system had a market share of around 70% for mobile Internet use in Germany January 2020. It automatically includes access to the Google Play Store, which currently offers around 2.9 million apps (Statista, February 2020). Android users are used to searching for online services in the Play Store and then installing such apps on their smartphones. Google has banned all e-commerce apps from gaming companies worldwide since 2013. This ban was lifted for the first markets (UK, France) in 2018. An opening of the German Play Store is therefore possible. With reference to our official permit for lottery brokerage, we already applied to Google for the re-release of our fully featured app in 2015. A Google Play Store re-release might provide support for the ongoing trend towards greater mobile use of Lotto24 and thus accelerate our growth.

SYNERGY EFFECTS FROM COMBINATION OF ZEAL NETWORK SE AND LOTTO24 AG

Despite the implementation risks, the strategic combination of the two companies may lead to greater synergy effects in the medium term than currently anticipated. In particular, the combination may be completed more quickly and cost savings may occur earlier than expected. Moreover, the future cooperation – especially in the areas of product development and IT – may also have positive effects on the product portfolio.

Assessment of the risks and opportunities

We believe that the probability of the above mentioned risks occurring varies and regard the overall risk position as moderate. We regard the likelihood of risks that could jeopardise the continued existence of the Company as small. We are not aware of any other risks which might endanger the Company's continued existence. Overall, we believe that the opportunities that the Group has significantly outweigh the risks that we face.

OPPORTUNITIES IN CONNECTION WITH THE CORONA CRISIS

The spread of the coronavirus and the existing restrictions on public life can lead to a rise in online sales, especially for e-commerce business models. Currently, a large part of the population is staying at home due to the recommendations issued by the health authorities and the Robert Koch Institute. It is also possible that entertainment services, especially online gaming and lottery services, will be used more. As a result, lottery revenues could also be higher for online lottery brokers and have a positive impact on the net assets, financial position and results of operations in the future.

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

Our definition of an accounting-related internal control system (ICS) and risk management system corresponds to that of the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer in Deutschland e.V.), Düsseldorf, Germany. The Management Board has the responsibility to define the scope and structure of the ICS at its own discretion.

The primary objective of the accounting-related ICS is to avoid the risk of material misstatements in accounting, to detect substantially incorrect valuations and to ensure compliance with the relevant regulations. Irrespective of its specific structure, however, an ICS cannot provide absolute assurance that these objectives will be achieved.

By means of defined organisational, control and monitoring structures, the accounting-related ICS of Lotto24 AG ensures the complete recording of company-related matters and their proper presentation in the individual financial statements. The principles, procedures and measures introduced for this purpose are regularly reviewed and continuously developed.

Lotto24 AG prepares its annual financial statements in accordance with German accounting standards and its individual financial statements in accordance with the requirements of IFRS, as adopted by the EU. Changes to the relevant legal regulations are constantly monitored and examined for any adjustments that might be required.

Finance division staff are responsible for the preparation of the financial statements. The process of preparing the financial statements is carried out in accordance with a time schedule agreed with the staff of those departments providing information. Individual items are accounted for based on the input of external specialists/appraisers.

We monitor the accounting-related ICS mainly by controls integrated into processes. These internal controls comprise both preventive as well as detective activities. The following controls are embedded in the process: IT-based and manual data matching, the segregation of functions, the dual checking principle and monitoring controls.

The external auditors conduct a process-independent audit. In accordance with section 107 (3) sentence 2 AktG, the Supervisory Board regularly commissions the external auditors to conduct additional audit activities.

FORECAST REPORT

Lotto24 is the leading German online provider of state-licensed lottery products. 2019 was a challenging year for us: Since the completion of the takeover by ZEAL on 14 May 2019, we have been part of the ZEAL Group. Despite the takeover-related organisational changes and a much weaker EuroJackpot development than in the previous year, we enjoyed further growth in 2019 – also together with Tipp24 following ZEAL's business model change – and once again improved our profitability.

EXPECTED EARNINGS POSITION

In 2020, we plan to further expand our market leadership as an online provider of state lottery products with the Lotto24 and Tipp24 brands. Recognising that the prior-year figures are difficult to compare with the figures forecast for 2020 due to the inclusion of Tipp24's results from 15 October 2019 onwards in the course of the Business Model Change from a secondary lottery to an online lottery broker, we expect billings of between €550 million and €570 million in 2020. This includes Tipp24's full-year

billings for the first time. With expected revenue of between €66 million and €68 million, we expect a gross margin slightly above prior year. Depending on the general conditions, especially the jackpot development, the timing of the implementation of the planned synergy effects and marketing investments for the acquisition of new customers, adjusted EBITDA will remain well above the break-even point. With a lower CPL compared to the prior year, Lotto24 expects a significant increase in new customers.

| | 2020 | 2019 ¹ |
|-------------------------------------|--|-------------------|
| | Guidance | Actual |
| Billings (€ million) | 550–570 | 366.5 |
| Revenue (€ million) | 66–68 | 44.1 |
| Gross margin (%) | Slightly above prior year | 11.6 |
| Adjusted EBITDA (€ million) | Well above break-even | 6.6 |
| CPL (€) | Lower than previous year | 31.76 |
| New registered customers (thousand) | Significantly increasing number of new customers | 397 |

¹ Including Tipp24 beginning with 15 October 2019

TAKEOVER RELEVANT INFORMATION AND EXPLANATION

The following disclosures are in compliance with section 289a German GAAP (HGB):

Composition of Subscribed Capital

As of 31 December 2019, the Subscribed Capital of Lotto24 AG amounted to €24,154,890, divided into 24,154,890 €1 no-par value registered shares. The shares are fully paid. Each share entitles the owner to one vote and is decisive for the respective share of profit – with the possible exception of any new shares with no dividend rights. Treasury shares held by the Company on the day of the Annual General Meeting have no voting nor dividend entitlements. As of 31 December 2019, there were no treasury shares.

Restrictions concerning voting rights or the transfer of shares

The Company's treasury shares do not entitle it to any rights. In the cases of section 136 AktG, the voting rights of the shares concerned are excluded by law. Violations of disclosure obligations pursuant to sections 33, 38 or 39 WpHG can also result in the – at least temporary – loss of rights from shares, including the right to vote, pursuant to section 44 WpHG. The Company is not aware of any contractual restrictions regarding voting rights or the transfer of shares.

Direct or indirect shareholdings which exceed 10% of voting rights

The Company is aware of the following direct or indirect holdings in its share capital in excess of 10% of total voting rights on the basis of voting right notifications pursuant to section 33 WpHG:

| Name, location | Shareholding |
|--------------------------------------|---------------------|
| ZEAL Network SE, Hamburg, Germany | 93.04% (direct) |

Owners of shares with special rights granting powers of control

Shares with special rights granting powers of control have not been issued.

Type of voting rights control when employees hold shares and do not directly exercise their control rights

Employees who hold shares of Lotto24 AG exercise their control rights in the same way as other shareholders in accordance with the statutory provisions and the Articles.

Legal regulations and provisions of the Articles regarding the appointment and dismissal of Management Board members and amendments to the Articles

The members of the Management Board of Lotto24 AG are appointed by the Supervisory Board for a period of no more than five years. Members may be re-appointed for further periods of no more than five years (section 5 (2) of the Articles). Members of the Management Board are appointed with a simple majority of the votes cast by the Supervisory Board. In the event of a tie, the Chairman has two votes in a second vote on the same matter if a tie also results (section 11 (6) of the Articles). If a necessary member of the Supervisory Board is missing, the court may appoint a member in urgent cases and on application of a person involved in accordance with section 85 AktG. The Management Board consists of one or more persons pursuant to section 5 (1) of the Articles. Otherwise, the Supervisory Board determines the number of Management Board members and appoints a Chairman of the Management Board pursuant to section 84 (2) AktG.

The scope of activities which the Company may perform is defined in section 2 of the Articles. According to section 179 AktG, the Articles can only be amended with a resolution of the Annual General Meeting. Unless otherwise prescribed by law, resolutions of the Annual General Meeting are adopted by a simple majority of votes cast (pursuant to section 133 AktG, section 18 (1) of the Articles) and where necessary by a simple majority of the share capital represented. In accordance with section 179 (2) AktG, a majority of 75% of the share capital represented is required to change the purpose of the Company. The Supervisory Board is authorised to resolve amendments to the Articles of Association that only concern the formal wording (section 14 of the Articles). Pursuant to section 181 (3) AktG, amendments to the Articles become effective when entered in the Commercial Register.

Powers of the Management Board to issue or buy back shares

With the approval of the Supervisory Board, the Management Board is authorised to increase share capital in the period up to 11 May 2020 by up to a total of €2,195,899 by issuing on one or more occasions, in whole or in partial amounts, new no-par value shares for cash or contributions in kind (Authorised Capital 2015). Subscription rights are to be granted to shareholders. Further details on Authorised Capital are provided in section 22 of the notes to the individual financial statements or in section 4 of the Company's Articles.

The Management Board can only be authorised to purchase treasury shares by the Annual General Meeting. This has not been the case so far.

Significant agreements that are conditional on a change of control following a takeover bid

No significant agreements that are conditional on a change of control following a takeover bid have been concluded.

Compensation arrangements in the event of a takeover bid

No compensation arrangements with members of the Management Board or employees have been made in the event of a takeover bid.

CORPORATE GOVERNANCE DECLARATION IN ACCORDANCE WITH SECTION 289F HGB

The Corporate Governance Declaration pursuant to section 289f HGB has been made available to the public on the Company's website Lotto24-ag.de. Further information on corporate governance practices and the definition of targets for the proportion of women on the Supervisory Board, the Management Board and in senior management positions, as well as the Declaration of Conformity pursuant to section 161 AktG are included in the Corporate Governance Report.

REMUNERATION REPORT

MANAGEMENT BOARD REMUNERATION

In 2019, Petra von Strombeck and Magnus von Zitzewitz stepped down from their roles as CEO and CFO of the Company. They were replaced by Jonas Mattsson and Carsten Muth. Jonas Mattsson is not remunerated for his role as CFO of Lotto24. His remuneration for his role as CFO of ZEAL Network SE is disclosed within the 2019 Consolidated Financial Statements of ZEAL Network SE. These are available from Straßenbahnring 11, 20251 Hamburg, Germany. Carsten Muth received €15 thousand for his role as a member of the Management Board in 2019.

Fixed salary plus variable components

In 2018, the Management Board remuneration consisted of a fixed and a variable component. Moreover, the Supervisory Board could resolve to grant the Management Board members an additional voluntary bonus for special services to the Company and in the case of corresponding economic success of the Company. The variable component was based on individual and strategic targets, such as Company growth. Both the amount and structure of Management Board remuneration were continually monitored by the Supervisory Board and agreed and updated with each member of the Management Board. In addition, the members of the Management Board were granted a long-term, share-based remuneration programme (phantom shares with cash compensation), which had the following structure in the period up to 31 December 2016: the imputed number of shares is issued in annual tranches in the middle of the calendar year and vested over the twelve following months pro rata temporis. The number of shares is calculated by dividing a nominal remuneration claim in Euro – initial value €410 thousand for the Management Board as a whole – 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 blocking period of four years.

After implementing the recommendations of an external remuneration consultant, half of the long-term share-based remuneration programme (phantom shares with cash compensation) was converted to a variable remuneration component with effect from 1 January 2017 (€205 thousand for the Management Board as a whole), whereby the tranche period for the new component was shortened from four to three years.

The underlying KPIs for the new compensation component (revenue and EBIT) reflected long-term growth and profitability targets. Relative target achievement was measured at the end of the tranche by adding the equally weighted KPIs with the actual total values achieved over a period of three years and comparing them with the respective three-year target values. Remuneration claims arose after a three-year blocking period. The target attainment range was between 0% and 200%, whereby the maximum was thus below the cap of the phantom shares (300%). The Supervisory Board defined the tranche-related floors and caps.

Management Board remuneration in 2019 was as follows:

| | | Petra von Strombeck, CEO from 01.07.2012 to 31.12.2019 | | | |
|---|---------------|--|---------------------|---------------------|------------|
| Benefits Granted | in € thousand | 2019 | 2019 (min) variable | 2019 (max) variable | 2018 |
| Fixed remuneration | | 300 | – | – | 300 |
| Benefits | | – | – | – | – |
| Total (fixed) | | 300 | – | – | 300 |
| One-year variable remuneration | | – | – | – | 340 |
| Multi-year variable remuneration | | – | – | – | 345 |
| Phantom shares 2014–2018 (4 years) ¹ | | – | – | – | – |
| Phantom shares 2015–2019 (4 years) ¹ | | – | – | – | – |
| Phantom shares 2016–2020 (4 years) ¹ | | – | – | – | – |
| Phantom shares 2017–2021 (4 years) ¹ | | – | – | – | 90 |
| Phantom shares 2018–2022 (4 years) ¹ | | – | – | – | 56 |
| KPI-based remuneration (3 years) ² | | – | – | – | – |
| Revenue 2017–2020 (3 years) ² | | – | – | – | 21 |
| EBIT 2017–2020 (3 years) ² | | – | – | – | (21) |
| Revenue 2018–2021 (3 years) ² | | – | – | – | 99 |
| EBIT 2018–2021 (3 years) ² | | – | – | – | 100 |
| Total (variable) | | – | – | – | 685 |
| Termination benefits | | 2,603 | – | – | – |
| Total remuneration | | 2,903 | – | – | 985 |

¹ Fair value of phantom shares granted monthly, depending on the current share price
The nominal values of the granted phantom shares amount to €50 thousand in each case

² Fair value of KPI-based remuneration granted monthly
The nominal values of the granted KPI-based remuneration amount to €50 thousand in each case

In accordance with the adopted agreement dated 30 September 2019, Petra von Strombeck, CEO until 31 December 2019, received basic remuneration for the year 2019 of €300 thousand. She received termination benefits of €2,603 thousand. This can

be broken down as follows; €781 thousand in lieu of phantom share payments, €224 thousand in lieu of long-term incentives and €1,598 thousand for loss of office. Under the compensation agreement signed with ZEAL Network SE, ZEAL agreed to contribute €1,159 thousand of the total due to Petra von Strombeck. The severance will be paid in March 2020.

| | | Magnus von Zitzewitz, Member of the Management Board from 01.07.2012 to 30.06.2019 | | | |
|---|--------------|---|---------------------|------------|--|
| Benefits Granted | | | | | |
| in € thousand | 2019 | 2019 (min) variable | 2019 (max) variable | 2018 | |
| Fixed remuneration | 100 | - | - | 200 | |
| Benefits | - | - | - | - | |
| Total (fixed) | 100 | - | - | 200 | |
| One-year variable remuneration | - | - | - | 215 | |
| Multi-year variable remuneration | - | - | - | 223 | |
| Phantom shares 2014–2018 (4 years) ¹ | - | - | - | - | |
| Phantom shares 2015–2019 (4 years) ¹ | - | - | - | - | |
| Phantom shares 2016–2020 (4 years) ¹ | - | - | - | - | |
| Phantom shares 2017–2021 (4 years) ¹ | - | - | - | 58 | |
| Phantom shares 2018–2022 (4 years) ¹ | - | - | - | 36 | |
| KPI-based remuneration (3 years) ² | - | - | - | - | |
| Revenue 2017–2020 (3 years) ² | - | - | - | 13 | |
| EBIT 2017–2020 (3 years) ² | - | - | - | (13) | |
| Revenue 2018–2021 (3 years) ² | - | - | - | 64 | |
| EBIT 2018–2021 (3 years) ² | - | - | - | 65 | |
| Total (variable) | - | - | - | 438 | |
| Termination benefits | 2,138 | - | - | - | |
| Total remuneration | 2,238 | - | - | 638 | |

¹ Fair value of phantom shares granted monthly, depending on the current share price
The nominal values of the granted phantom shares amount to €32.5 thousand in each case

² Fair value of KPI-based remuneration granted monthly
The nominal values of the granted KPI-based remuneration amount to €32.5 thousand in each case

In accordance with the adopted agreement dated 7 June 2019, Magnus von Zitzewitz, CFO until 30 June 2019, received basic remuneration for the year 2019 of €100 thousand. He received termination benefits of €2,138 thousand. This can be broken down as follows; €453 thousand in lieu of long-term incentives and €1,685 thousand for loss of office. Under the compensation agreement signed with ZEAL Network SE, ZEAL agreed to contribute €602 thousand of the total due to Magnus von Zitzewitz. The severance was paid in January 2020.

| Benefits Received | Carsten Muth, Member of the Management Board as of 01.12.2019 | | Petra von Strombeck, CEO from 01.07.2012 to 31.12.2019 | |
|------------------------------------|---|----------|--|--------------|
| | 2019 | 2018 | 2019 | 2018 |
| in € thousand | | | | |
| Fixed remuneration | 15 | - | 300 | 300 |
| Benefits | - | - | - | - |
| Total (fixed) | 15 | - | 300 | 300 |
| One-year variable remuneration | - | - | - | 132 |
| Multi-year variable remuneration | - | - | - | 600 |
| Phantom shares 2013–2017 (4 years) | - | - | - | 600 |
| Phantom shares 2014–2018 (4 years) | - | - | - | - |
| Phantom shares 2015–2019 (4 years) | - | - | - | - |
| Phantom shares 2016–2020 (4 years) | - | - | - | - |
| Phantom shares 2017–2021 (4 years) | - | - | - | - |
| Phantom shares 2018–2022 (4 years) | - | - | - | - |
| KPI-based remuneration (3 years) | - | - | - | - |
| Revenue 2018–2021 (3 years) | - | - | - | - |
| EBIT 2018–2021 (3 years) | - | - | - | - |
| Revenue 2019–2022 (3 years) | - | - | - | - |
| EBIT 2019–2022 (3 years) | - | - | - | - |
| Total (Variable) | - | - | - | 732 |
| Termination benefits | - | - | 2,603 | - |
| Total remuneration | 15 | - | 2,903 | 1,032 |

| Benefits Received | Magnus von Zitzewitz, Member of the Management Board from 01.07.2012 to 30.06.2019 | | Kai Hannemann Member of the Management Board from 01.07.2016 to 31.01.2018 | |
|------------------------------------|--|------------|--|------------|
| | 2019 | 2018 | 2019 | 2018 |
| in € thousand | | | | |
| Fixed remuneration | 100 | 200 | - | 180 |
| Benefits | - | - | - | - |
| Total (fixed) | 100 | 200 | - | 180 |
| One-year variable remuneration | - | 126 | - | 112 |
| Multi-year variable remuneration | - | 390 | - | 90 |
| Phantom shares 2013–2017 (4 years) | - | 390 | - | - |
| Phantom shares 2014–2018 (4 years) | - | - | - | - |
| Phantom shares 2015–2019 (4 years) | - | - | - | - |
| Phantom shares 2016–2020 (4 years) | - | - | - | - |
| Phantom shares 2017–2021 (4 years) | - | - | - | - |
| Phantom shares 2018–2022 (4 years) | - | - | - | - |
| KPI-based remuneration (3 years) | - | - | - | - |
| Revenue 2018–2021 (3 years) | - | - | - | - |
| EBIT 2018–2021 (3 years) | - | - | - | - |
| Revenue 2019–2022 (3 years) | - | - | - | - |
| EBIT 2019–2022 (3 years) | - | - | - | - |
| Total (Variable) | - | 516 | - | 202 |
| Termination benefits | 2,138 | - | - | - |
| Total remuneration | 2,238 | 716 | - | 202 |

SUPERVISORY BOARD REMUNERATION

In accordance with the Articles, the Supervisory Board members receive a fixed annual remuneration of €25 thousand for every full financial year. The remuneration is increased to two-and-a-half times the amount for the Chairman of the Supervisory Board and to one-and-a-half times the amount for the Deputy Chairman. For their membership in one or more committee, the Super-

visory Board members received an additional remuneration of €10 thousand. In order to avoid creating any incentives linked to the Company's short-term success and to strengthen the Supervisory Board's necessary independent control function, the members of the Supervisory Board do not receive any performance-related remuneration. The Supervisory Board did not form any committees in fiscal year 2019 and was remunerated as follows:

| SUPERVISORY BOARD REMUNERATION | 2019 | 2018 |
|--------------------------------|------------|------------|
| in € thousand | | |
| Peter Steiner | 36 | - |
| Prof. Willi Berchtold | 31 | 63 |
| Jens Schumann | 38 | 38 |
| Thorsten Hehl | 25 | 25 |
| Dr. Andreas Meyer-Landrut | 8 | - |
| Dr. Otto Lose | 8 | - |
| Dr. Stefan Mäger | 8 | - |
| Total | 154 | 125 |

FINANCIAL STATEMENTS

**STATEMENT OF COMPREHENSIVE INCOME
FROM 1 JANUARY TO 31 DECEMBER ACCORDING TO IFRS**

| in € thousand | Notes | 2019 | 2018 |
|--|--------|---------------|---------------|
| Billings | | 366,491 | 321,832 |
| Stakes to be remitted (less revenue) | | (322,393) | (283,543) |
| Revenue | 5 | 44,098 | 38,289 |
| Other operating income | 6 | 140 | 246 |
| Total performance | | 44,238 | 38,535 |
| Personnel expenses | 7 | (8,640) | (9,048) |
| Impairment loss for financial assets | | (581) | (599) |
| Other operating expenses | 8 | (28,401) | (25,038) |
| Non-recurring income | 9 | 4,162 | - |
| Non-recurring expenses | 9 | (5,277) | - |
| Result from operating activities before interest, taxes, depreciation and amortisation (EBITDA) | | 5,501 | 3,850 |
| Amortisation/depreciation on intangible assets and property, plant and equipment | 16, 17 | (1,522) | (1,202) |
| Result from operating activities (EBIT) | | 3,979 | 2,648 |
| Expenses from financial activities | 10 | (137) | (118) |
| Financial result | | (137) | (118) |
| Net profit before taxes | | 3,842 | 2,529 |
| Income taxes | 11 | 1,120 | 5,168 |
| Net Profit/total comprehensive income | | 4,962 | 7,697 |
| Earnings per share (undiluted and diluted, in €/share) | | 0.21 | 0.32 |
| Weighted average of ordinary shares outstanding (undiluted and diluted in shares) | | 24,154,890 | 24,154,890 |

Total comprehensive income is attributable exclusively to the owners of Lotto24 AG, Hamburg.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER ACCORDING TO IFRS**

| | | 31.12.2019 | 31.12.2018 |
|----------------------------------|-------|-------------------|---------------|
| ASSETS in € thousand | Notes | | |
| Current assets | | | |
| Cash and cash equivalents | 12 | 15,553 | 8,072 |
| Current financial assets | 12 | 14,154 | 7,970 |
| Trade receivables | 13 | 148 | 384 |
| Trade receivables (Intercompany) | 13 | 7,072 | - |
| Other current assets | 14 | 565 | 667 |
| Total current assets | | 37,492 | 17,093 |
| Non-current assets | | | |
| Goodwill | 15 | 18,850 | 18,850 |
| Intangible assets | 16 | 428 | 572 |
| Property, plant and equipment | 17 | 4,937 | 1,409 |
| Deferred tax assets | 11 | 13,936 | 12,464 |
| Total non-current assets | | 38,151 | 33,294 |
| TOTAL ASSETS | | 75,643 | 50,388 |

| | | 31.12.2019 | 31.12.2018 |
|---|-------|-------------------|---------------|
| EQUITY AND LIABILITIES in € thousand | | | |
| | Notes | | |
| Current liabilities | | | |
| Trade payables | 18.1 | 2,420 | 1,934 |
| Trade payables (Intercompany) | 18.1 | 4,173 | - |
| Current financial liabilities | 18.2 | 19,100 | 11,435 |
| Other current liabilities | 18.3 | 2,267 | 573 |
| Short-term provisions | 19 | 6,780 | 2,382 |
| Total current liabilities | | 34,740 | 16,324 |
| Non-current liabilities | | | |
| Non-current financial liabilities | 20 | 3,568 | 148 |
| Long-term provisions | 21 | 47 | 1,505 |
| Non-current other liabilities | | - | 85 |
| Total non-current liabilities | | 3,615 | 1,738 |
| Equity | | | |
| Subscribed Capital | 22 | 24,155 | 24,155 |
| Capital reserves | 22 | 2,415 | 2,415 |
| Retained earnings | 22 | 10,718 | 5,756 |
| Total equity | | 37,288 | 32,326 |
| TOTAL EQUITY AND LIABILITIES | | 75,643 | 50,388 |

CASH FLOW STATEMENT
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER ACCORDING TO IFRS

| | 2019 | 2018 |
|--|---------------|----------------|
| in € thousand | | |
| Net profit before tax | 3,842 | 2,529 |
| Adjustments for | | |
| Amortisation/depreciation on non-current assets | 1,522 | 1,202 |
| Financial income/financial expenditure | 137 | 118 |
| Profit from sale or disposal of non-current assets | 42 | 15 |
| Changes in | | |
| Trade receivables | 236 | (206) |
| Trade receivables (Intercompany) | (7,072) | - |
| Current financial assets | (6,184) | (2,503) |
| Other current assets | 102 | (136) |
| Trade payables | 486 | 518 |
| Trade payables (Intercompany) | 4,173 | - |
| Current financial liabilities | 7,298 | 1,482 |
| Other current liabilities | 1,342 | (6) |
| Short-term provisions | 4,398 | 542 |
| Long-term provisions | (1,458) | (228) |
| Interest paid | (137) | (121) |
| Cash flow from operating activities | 8,727 | 3,271 |
| Investments in intangible assets | (217) | (321) |
| Investments in tangible assets | (442) | (651) |
| Cash flow from investing activities | (659) | (973) |
| Payments received (+) from taking out financing loans | - | 1,500 |
| Disbursements (-) for redeeming financing loans | (193) | (3,998) |
| Disbursements for the repayment share of lease liability | (394) | - |
| Cash flow from financing activities | (587) | (2,498) |
| Change in available funds | 7,481 | (199) |
| Available funds at the beginning of the period | 8,072 | 8,271 |
| Available funds at the end of the period | 15,553 | 8,072 |
| Composition of cash, cash equivalents and securities at the end of the period | 15,553 | 8,072 |
| Cash | 15,553 | 8,072 |

Explanations are provided in note 3.

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER ACCORDING TO IFRS**

| | Subscribed Capital | Capital reserves | Retained earnings | Total equity |
|-------------------------------|--------------------|------------------|-------------------|---------------------|
| in € thousand | | | | |
| As at 1 January 2018 | 24,155 | 2,415 | (1,941) | 24,629 |
| Net profit | - | - | 7,697 | 7,697 |
| Total comprehensive income | - | - | 7,697 | 7,697 |
| As at 31 December 2018 | 24,155 | 2,415 | 5,756 | 32,326 |
| As at 1 January 2019 | 24,155 | 2,415 | 5,756 | 32,326 |
| Net profit | - | - | 4,962 | 4,962 |
| Total comprehensive income | - | - | 4,962 | 4,962 |
| As at 31 December 2019 | 24,155 | 2,415 | 10,718 | 37,288 |

Explanations are provided in note 22.

NOTES TO THE FINANCIAL STATEMENTS ACCORDING TO IFRS FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019

1 GENERAL

Lotto24 AG, Hamburg (hereinafter also referred to as 'Lotto24'), is a listed company under German law. It is domiciled in Hamburg at the address Straßenbahnring 11, 20251 Hamburg, Germany, and entered in the Commercial Register of the District Court of Hamburg (Germany) under the registry number HRB 123037. The statement of financial position date is 31 December 2019 and the fiscal year 2019 covered the period from 1 January 2019 to 31 December 2019.

The Company's parent company is ZEAL Network SE. Lotto24 AG is included in the Consolidated Financial Statements of ZEAL Network SE. These are available at Zeal Network SE, Straßenbahnring 11, 20251 Hamburg, Germany.

Lotto24 AG has no subsidiaries and no stakes in joint ventures or associated companies. Its main activity is the online brokerage of state-licensed lotteries in Germany.

These individual financial statements were prepared by resolution of the Management Board on 24 March 2020 and subsequently provided to the Supervisory Board for examination and approval. Publication was authorised by resolution of the Management Board on 24 March 2020.

2 GENERAL ACCOUNTING PRINCIPLES

The significant accounting principles applied by Lotto24 AG in preparing the financial statements are presented below. Unless noted otherwise, amounts are stated in thousands of Euros (€ thousand), which may lead to rounding differences in certain cases.

2.1 SIGNIFICANT ACCOUNTING POLICIES

2.1.1 General

The financial statements of Lotto24 AG as of 31 December 2019 were prepared in accordance with the valid IFRS and IFRIC of the 'International Accounting Standards Board' (IASB) which have to be applied in the EU as of the statement of financial position date, and additionally in accordance with the applicable commercial law regulations as stated in section 325 (2a) German GAAP (HGB).

New and revised standards applied in 2019

The following standards, interpretations and amendments apply for the first time to the financial reporting period commencing on 1 January 2019 and have been adopted by the Company:

IFRS 16 'Leases'

IFRIC 23 'Uncertainty over Income Tax Treatments'

IFRS 16 'Leases'

In January 2016, the IASB published the new standard IFRS 16 according to which lessees must recognise right of use assets and liabilities for most leases in the statement of financial position. For the lessor, there are only minor changes compared to accounting according to IAS 17 'Leases'. In accordance with the provisions of IFRS 16, Lotto24 applied the modified retrospective transition method on initial application of IFRS 16. Lease liabilities for leases previously classified as operating leases under IAS 17 were recognised on initial application of IFRS 16. These lease liabilities are measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate was 3.5% as of 1 January 2019. The respective right of use assets were recognised at the same amount.

Lotto24 AG does not have any leases classified as finance leases.

As part of the transition, assets of €3,288 thousand for rights of use assets and lease liabilities of €3,373 thousand were recognised as of 1 January 2019.

The comparative figures for prior year periods were not restated.

For the initial application of IFRS 16 'Leases' the following practical expedients were used:

- The use of a single discount rate for a portfolio of leases with similar characteristics;
- The recognition of low-value leases as an expense in the profit or loss on a straight-line basis;
- The recognition of leases with remaining terms of less than 12 months as at 1 January as current leases.

Based on the operating lease obligations as of 31 December 2018, the following shows a reconciliation to the opening statement of financial position amounts of lease liabilities as of 1 January 2019:

Reconciliation

| in € thousand | 01.01.2019 |
|---|-------------------|
| Operating lease obligations as of 31 December 2018 | 4,999 |
| Other (service charges for rental agreements) | (1,024) |
| Practical expedients for leases of low-value assets | (29) |
| Gross lease obligations as of 1 January 2019 | 3,946 |
| Discounting | (573) |
| Lease obligations from initial application of IFRS 16 as of 1 January 2019 | 3,373 |

Operating lease obligations as of 31 December 2018 include service charge amounts for rental agreements amounting to €1,024 thousand.

The recognised right-of-use assets refer to the following types of assets:

| in € thousand | 01.01.2019 |
|--------------------|-------------------|
| Land and buildings | 3,246 |
| IT equipment | 42 |

The change in accounting policy affected the following statement of financial position items as of 1 January 2019:

| | 31.12.2018 | Adjusted due to IFRS 16 | 01.01.2019 |
|---|------------|----------------------------|-------------------|
| ASSETS in € thousand | | | |
| Property, plant and equipment | 1,409 | 3,288 | 4,697 |
| Deferred tax assets | 15,100 | 1,089 | 16,189 |
| LIABILITIES in € thousand | | | |
| Non-current financial liabilities | 148 | 3,045 | 3,193 |
| Non-current other financial liabilities | 85 | (85) | 0 |
| Remaining other liabilities | 42 | 356 | 398 |
| Deferred tax liabilities | 2,636 | 1,061 | 3,697 |

IFRIC 23 'Uncertainty over Income Tax Treatments'

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

Lotto24 determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. We apply significant judgement in identifying uncertainties over income tax treatments.

Upon adoption of the Interpretation, we considered whether we have any uncertain tax positions, particularly those relating to transfer pricing. Lotto24's tax filings include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. We determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements of Lotto24.

Published standards which are not yet mandatory

Standards and interpretations which have been published at the time of publishing these financial statements but which were not yet mandatory and are not expected to have a material impact on the financial position and performance of the Company, are presented below. Lotto24 intends to adopt the amendments to these standards no later than as of their effective date:

IFRS 3 'Business Combinations' effective 1 January 2020

IAS 1 'Presentation of Financial Statements' effective 1 January 2020

IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' effective 1 January 2020

2.1.2 Basis of preparation

The financial statements were prepared on the basis of historical cost. Excluded from this were obligations from share-based payment transactions, which were carried at fair value.

2.1.3 Measurement currency

The functional and reporting currency is the Euro (€). Unless otherwise stated, amounts are stated in thousands of Euros (€ thousand), which may lead to rounding differences in certain cases.

2.1.4 Estimates and assumptions

IFRS accounting requires that estimates and assumptions be made that underlie the amounts recognised in the financial statements and notes to the financial statements. Significant assumptions and estimates were made for the standard useful lives of non-current assets, the realisability of accounts receivable and the accounting treatment and valuation of provisions. Actual figures may differ from these estimates. In addition, the following forward-looking assumptions as of the statement of financial position date mean that there is a risk that the carrying amounts of assets and liabilities may need to be amended in future:

Goodwill

We conduct at least one impairment test for goodwill each year. An impairment charge is recognised when the recoverable amount of the asset falls below its carrying amount. We determine the recoverable amount for goodwill on the basis of forward-looking estimates and assumptions, such as billings and revenue, cost items, headcount, funding needs and growth rates. These are set by the Management Board and continuously monitored and updated. Further details are presented in note 15.

Deferred tax assets

We recognise deferred tax assets for all unused tax loss carryforwards to the extent that it appears probable that taxable income will be available, so that the loss carryforwards can actually be used. When determining the amount of the deferred tax assets, the Management Board must make estimations regarding the expected time and size of the future taxable income, as well as future tax planning. Further details are provided in note 11.

2.1.5 Intangible assets

Intangible assets are measured initially at cost. They are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the entity, and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised using the straight-line method over their estimated useful lives. Intangible assets have useful lives of three years.

The amortisation period and method are reviewed at the end of each fiscal year. The Company holds no intangible assets with an indefinite useful life.

2.1.6 Property, plant and equipment

In accordance with IAS 16, property, plant and equipment are recognised as assets if it is probable that the future economic benefits attributable to those assets will flow to the enterprise and the cost of the assets can be measured reliably. Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. If items of property, plant and equipment are sold or retired, we eliminate their cost of purchase and accumulated depreciation from the statement of financial position and recognise any gains or losses resulting from their disposal in profit or loss. The cost of property, plant and equipment comprises the purchase price, other non-refundable taxes and all directly allocable costs incurred in making the asset operational. Purchase price reductions such as bonuses, cash discounts and other discounts are deducted from the purchase price. We recognise any subsequent costs, such as repair and maintenance expenses, in the period in which they are incurred. If it can be demonstrated that such expenses increase the future economic benefit that arises from the use of the asset above the original level of performance, the expenses are recognised as subsequent costs.

Depreciation is provided on a straight-line basis at rates calculated to write off the cost, less the estimated residual value, of each asset over its expected useful life. The useful life of tangible assets is generally between one and thirteen years.

2.1.7 Impairment and write-backs of non-current non-financial assets

On every statement of financial position date, we assess whether there is any indication of impairment of non-financial assets. If this is the case, or if as with goodwill an asset needs to be tested for impairment at least annually, we estimate the recoverable amount of the respective asset. The recoverable amount of an asset is the higher of the fair value of an asset or cash-generating unit less selling costs and its value in use.

The recoverable amount must be determined for each individual asset, unless the asset does not generate cash inflows that are largely independent from other assets or groups of assets. In the latter case, the impairment test is conducted at the level of a group of assets which generates cash inflows largely independent of those from other assets (cash-generating unit). If the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount.

In order to calculate the value in use of an asset or cash-generating unit, we discount estimated future cash flows to their present value using a pre-tax discount rate that reflects the current market expectations of interest and the specific risks of the asset or cash-generating unit. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation

model is used. In the case of non-financial assets, we carry out a review on each reporting date to ascertain whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited to the extent that the carrying amount of an asset may not exceed its recoverable amount nor the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised for the asset in prior years. We recognise reversals in the income statement. An impairment loss recognised for goodwill shall not be reversed in subsequent periods.

2.1.8 Recognition and measurement of financial assets

Financial assets are recognised when the Company becomes a contractual party to the financial instrument.

Financial assets are assigned to the following measurement categories:

- Those subsequently measured at fair value (either in the income statement or in other comprehensive income); and
- Those measured at amortised cost.

The classification depends on the Company's business model for managing financial assets and on the contractual cash flows. All Lotto24's financial assets are held in a business model geared to the collection of contractual cash flows.

On initial recognition, we measure a financial asset at fair value plus the transaction costs directly attributable to the acquisition of that asset. A purchase or sale of financial assets under standard market conditions is recognised on the trading date, for example the date on which Lotto24 undertakes to buy or sell the asset.

The subsequent measurement of financial assets which are

- Measured at amortised cost: assets which are held to collect the contractual cash flows and for which these cash flows represent exclusively interest and principal payments are measured at amortised cost. Interest income from these financial assets is disclosed under financial income using the effective interest method. Gains or losses on derecognition are recognised directly in the income statement and disclosed under other gains (losses). We include trade receivables and current financial assets in this measurement category.

Lotto24 has two types of financial assets that are subject to the new model of expected credit losses to be applied as of 1 January 2019:

- Trade receivables,
- Debt instruments measured at amortised cost.

In the case of trade receivables, we apply the simplified approach according to which credit losses expected over the complete term of the receivable are recognised as an impairment loss on initial recognition of the receivable.

Lotto24 uses the general approach for other debt instruments measured at amortised cost as receivables from gaming operations, cash and cash equivalents and deposits paid do not fall within the scope of the simplified approach for trade receivables. Lotto24 determines whether it needs to determine a provision for 12-month expected credit loss (ECL). Lotto24 checks at each statement of financial position date whether the credit risk has increased or decreased. The short-term nature of the debt instruments (debt instruments are generally settled within 6 days) means that Lotto24 assumes a low default risk for this item.

Lotto24 first determines or gathers historical default data. As soon as a return debit entry is posted to the customer account, an automated payment instruction is issued. If customers do not pay themselves within a period of 14 days, a three-stage dunning process and subsequent collection procedure starts automatically.

In addition to the analysis of historical default data, Lotto24 AG also forecasts future economic conditions and events. To this end, Lotto24 AG is in constant contact with its service providers regarding changes in the general payment behaviour of customers using online services. If this information provides additional indicators for the forecasts, Lotto24 applies them.

Impairment losses on trade receivables are recognised in operating profit as net impairment losses. Amounts previously written off that are retrieved in subsequent periods are recognised in the same item.

We consider a financial asset to be in default if the contractual payment is 14 days overdue. In certain cases, we regard a financial asset as impaired if we receive internal or external information that indicates that we do not expect to receive the full contractual amount outstanding. A financial asset is written off if there is no reasonable expectation that the contractual cash flows will be restored.

We derecognise a financial asset if our contractual right to receive cash flows from the financial asset expires or if we transfer our right to receive cash flows from the asset or are obliged to pay the cash flows received in full to a third party without undue delay as part of a transfer agreement and have either (a) substantially transferred all risks and rewards of the asset or (b) have not substantially transferred all risks and rewards of the asset but only the control of the asset.

2.1.9 Recognition and measurement of financial liabilities

All financial liabilities are measured at fair value on initial recognition. Our financial liabilities include trade and other payables, bank overdrafts, loans and borrowings. After initial recognition, we measure financial liabilities at amortised cost using the effective interest method. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

2.1.10 Cash and current financial assets

Cash includes bank balances and cash on hand and is stated at amortised cost. We refer to the comments in note 12.

2.1.11 Other provisions

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

2.1.12 Share-based payment

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

Lotto24 AG has granted share-based payment in the form of so-called phantom shares in the Company. The payment amount depends on the value of Lotto24 AG shares and is settled in cash (cash-settled share-based payment transaction).

Measurement is at fair value as at the statement of financial position date, taking into account the vesting conditions. Expenses from the formation of and changes in obligations are carried as personnel expenses.

2.1.13 Income taxes

Current tax refund claims and tax liabilities for the current period are measured at the amount at which the refund from the tax authority or payment to the tax authority is expected. The calculation is based on tax rates and tax legislation which apply on the statement of financial position date in Germany.

We calculate tax expenses on the basis of the profit or loss recorded for the period taking account of current and deferred taxes. Deferred tax is provided using the statement of financial position-oriented liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their

carrying amounts for financial reporting purposes. We recognise deferred tax liabilities for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax losses and unused tax credits, to the extent that it is probable that there will be taxable income against which the deductible temporary differences, the carry forward of unused tax losses within a planning period of the next five years taking account of German minimum taxation rules, and unused tax credits can be utilised. Deferred tax assets and deferred tax liabilities can be offset, if we have a legally enforceable right to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

Deferred tax and current tax relating to items recognised outside profit or loss is also recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

2.1.14 Revenue

We generate revenue in the following areas:

- Commissions provided by the respective lottery operators for brokered tickets and stakes to be forwarded;
- Additional/ticket fees incurred in connection with the brokerage of stakes.

Revenue from contracts with lottery companies and customers (players) are recognised when control over the corresponding services (brokerage and remittance of tickets) is transferred to the customer.

We generate our revenue mainly from commissions received from the respective lottery companies for tickets or stakes brokered and to be transmitted, as well as from additional fees charged to our customers. Some of the agreements with state lottery companies contain proportional commission rates which are triggered when agreed size criteria are exceeded. The increased proportional commission rates apply either to the excess amounts as of the fulfilment date or retroactively for the complete past time period and are recognised accordingly. The commissions and additional fees do not contain financing components and are due either immediately or according to the agreement. Revenue is recognised at a point in time.

In the brokerage business, commissions and additional/ticket fees are recognised as revenue when the bets have been made, the lottery ticket information passed on to the lottery organiser and confirmation of receipt has been obtained. We render the brokerage of the tickets for which we receive commissions and additional/ticket fees at the time when the power of disposal is transferred to the lottery organisers. We transfer the brokered stakes directly to the lottery companies without the involvement of third parties.

In allocating proportional commission rates, Lotto24 applies the exceptions according to which variable consideration is allocated in full to a specific contract component.

We disclose stakes received from customers in the income statement as billings. The difference between stakes to be remitted (less commission) and billings represent our own revenues. In the course of our online brokerage of lottery products, we collect the amounts owed by our customers via direct debit or credit card charges.

Billings consist of the accumulated stakes received from customers for game participation and additional fees. As this figure determines the commission rates, billings also have a direct influence on the size of revenue.

Registered customers are those customers who have successfully completed the registration process on the Lotto24 website. We disclose this number after adjustment for multiple registrations and deregistrations.

2.1.15 Operating expenses

We recognise operating expenses at the time the products or goods are delivered or the services provided.

2.1.16 Non-recurring income and expenses

To improve the understanding of the Company's financial performance, items which are not considered to reflect the underlying performance are presented as non-recurring expenses. Items classified as one-off are disclosed separately due to their size or nature to enable a better understanding of year on year performance. These include significant impairments, significant restructuring of the activities of an entity including employee associated severance costs, disposal related transaction costs, and integration costs, as these are irregular in nature.

2.1.17 Expenses from financial activities

Interest expenses are carried pro rata temporis, taking into account the effective interest rate of a financial liability.

2.1.18 Leases

Lotto24 AG rents premises. The rental agreements are generally concluded for fixed periods of 10 years but may include renewal options.

Up to and including 2018, leases were classified as operating lease. Payments made for operating leases (less any incentive received from the lessee) were recognised in profit or loss over the lease term on a straight-line basis.

Since 1 January 2019, leases are recognised as right of use assets and corresponding lease liabilities from the moment the leased asset is available for use by the Company. Each lease payment is allocated between the repayment and finance cost. Finance costs are charged to the profit and loss over the lease period to produce a constant periodic rate of interest on the residual amount of the liability for each period. The right of use asset is depreciated over the lease term on a straight-line basis.

Assets and liabilities arising from leases are initially measured on a present value basis. Lease liabilities include the present value of the following lease payments:

- Fixed payments, including in-substance fixed payments, less any leasing incentives receivable.
- Expected residual value payments from residual value guarantees of the lessee.

Lease payments are discounted at the incremental borrowing rate i.e. the interest rate that we would have to pay to borrow funds necessary to acquire an asset of comparable value in a similar economic environment and with similar terms and conditions.

Right of use assets are measured at cost, comprising the following:

- The initial measurement amount of the lease liability;
- All initial direct costs incurred by the lessee; and
- Estimated costs incurred by the lessee in dismantling or removing the underlying asset, restoring the site on which it is located, or returning the underlying asset to the condition required by the lease. These do not apply to Lotto24 AG.

Payments for leases with underlying low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Leases of Lotto24 AG do not contain variable payments.

Lease agreements in connection with the lease of intangible assets such as software and license agreements are not considered under IFRS 16 by Lotto24. Lease expenses resulting from software and license agreements are accounted for as expenses of the period.

A number of property lease include extensions and termination options. These contract terms are used to maximise the operational flexibility of Lotto24 AG when managing contracts. The majority of the existing extension and termination options can only be exercised by us and not by the respective lessor.

3 CASH FLOW STATEMENT

The cash flow statement is prepared pursuant to IAS 7 ('Statement of Cash Flow'), whereby a distinction is made between cash flows from operating, investing and financing activities.

The cash flow from operating activities is derived using the indirect method.

For the purpose of the cash flow statement, available funds as at 31 December 2019 comprised cash of €15,553 thousand (2018: €8,072 thousand).

Liabilities from financing activities comprise the following:

| | 31.12.2018 | Cash | | Non-cash | | 31.12.2019 |
|--|------------|--------------|-------------|----------------------|------------------|------------|
| | | Redemption | Acquisition | Change in fair value | Reclassification | |
| in € thousand | | | | | | |
| Reconciliation to the statement of financial position: | | | | | | |
| Short-term interest-bearing financial loans ¹ | 193 | (193) | - | - | 148 | 148 |
| Long-term interest-bearing financial loans ² | 148 | - | - | - | (148) | - |
| Total liabilities from financing activities | 341 | (193) | - | - | - | 148 |

¹ Recognised in the following statement of financial position item: Other current liabilities

² Recognised in the following statement of financial position item: Non-current financial liabilities

| | 31.12.2017 | Cash | | Non-cash | | 31.12.2018 |
|--|--------------|----------------|--------------|----------------------|-------------------|------------|
| | | Redemption | Acquisition | Change in fair value | Re-classification | |
| in € thousand | | | | | | |
| Reconciliation to the statement of financial position: | | | | | | |
| Short-term interest-bearing financial loans ¹ | 2,283 | (3,998) | 1,500 | - | 408 | 193 |
| Long-term interest-bearing financial loans ² | 488 | - | - | 69 | (408) | 148 |
| Total liabilities from financing activities | 2,771 | (3,998) | 1,500 | 69 | - | 341 |

¹ Recognised in the following statement of financial position item: Other current liabilities

² Recognised in the following statement of financial position item: Non-current financial liabilities

4 SEGMENT REPORTING

Lotto24 does not have different operating segments. Lotto24 generated revenue of €44,098 thousand (2018: €38,289 thousand) from contracts with customers in Germany.

The Company also generated revenue of €1,339 thousand from contracts with ZEAL Network SE and its subsidiaries to provide development support services.

5 REVENUE

With increased billings and improved margins from contracts with customers, Lotto24 achieved increased revenue of €44,098 thousand in 2019 (2018: € 38,289 thousand). In the reporting period, the gross margin improved to 11.6% (2018: 11.9%).

Thanks to further successful marketing activities, we also gained many new customers in 2019. As a result, the number of registered customers as of 31 December 2019 rose to 2,566 thousand (2018: 2,169 thousand). It developed over the year as follows:

| | 2019 | 2018 |
|--|--------------|--------------|
| in thousand | | |
| Number of registered customers on 31 December of the previous year | 2,169 | 1,573 |
| First quarter (new customers) | 86 | 180 |
| Second quarter (new customers) | 104 | 198 |
| Third quarter (new customers) | 97 | 90 |
| Fourth quarter (new customers) | 110 | 128 |
| Number of registered customers on 31 December | 2,566 | 2,169 |

Registered customers are those customers who have successfully completed the registration process on our website. This number is disclosed after adjustment for multiple registrations and de-registrations.

6 OTHER OPERATING INCOME

In fiscal year 2019, other operating income of €140 thousand (2018: €246 thousand) mainly comprised income from offset benefits in kind (€56 thousand, 2018: €39 thousand), income from health insurance (€42 thousand, 2018: €5 thousand) and refund of ancillary rental costs (€25 thousand, 2018: nil).

In 2018, other operating income included a non-refundable renovation grant of €153 thousand (2019: nil), and income from written-off receivables (€1 thousand; 2018: €32 thousand).

7 PERSONNEL EXPENSES

In fiscal year 2019, Lotto24 had lower personnel expenses than in the same period last year.

| | 2019 | 2018 |
|-------------------------------|--------------|--------------|
| in € thousand | | |
| Salaries | 7,364 | 7,942 |
| Social security contributions | 1,276 | 1,106 |
| Total | 8,640 | 9,048 |

8 OTHER OPERATING EXPENSES

| | 2019 | 2018 |
|-----------------------------|---------------|---------------|
| in € thousand | | |
| Marketing expenses | 12,607 | 15,423 |
| Direct operating expenses | 6,417 | 3,015 |
| Indirect operating expenses | 9,377 | 6,599 |
| Total | 28,401 | 25,038 |

Other operating expenses increased year on year by €3,363 thousand, from €25,038 thousand to €28,401 thousand.

The following factors influenced this development:

- A decrease in marketing expenses of €2,816 thousand was mainly driven by the weaker jackpot environment. Moreover, comparatively more expensive TV commercials conducted in 2018 were not repeated in 2019.
- Direct expenses of operations increased by €3,402 thousand, this is primarily due to the €3,428 thousand (2018: nil) charge by ZEAL Network SE and its subsidiaries for usage of the Tipp24 customers, brand and software. Lotto24 entered into these contracts in September 2019 and further details can be found in note 25.

- Indirect operating expenses increased from €6,599 thousand to €9,377 thousand. This was due to IT consulting costs increasing by €575 thousand as we looked to strengthen our internal technology team with freelancers. In addition, legal and consultancy costs rose by €1,934 thousand and other costs by €481 thousand.

9 NON-RECURRING INCOME AND EXPENSE

| | 2019 | 2018 |
|--|----------------|----------|
| in € thousand | | |
| Income from ZEAL Network SE | 4,162 | - |
| Total non-recurring income | 4,162 | - |
| Restructuring costs | (5,277) | - |
| Total non-recurring expenses | (5,277) | - |
| Total non-recurring income/(expenses) | (1,115) | - |

Non-recurring expenses for 2019 amounted to €5,277 thousand (2018: nil). This figure consists mainly of €5,192 thousand incurred for employee severance.

Of the €5,277 thousand originally incurred, costs of €4,162 thousand have been recharged to ZEAL and recognised as non-recurring income.

10 FINANCIAL RESULT

Expenses from financial activities of €137 thousand (2018: €118 thousand) largely relate to interest expenses for existing loans, which were already redeemed in the reporting period.

11 INCOME TAXES

Income taxes paid or payable as well as deferred taxes are recognised as income taxes. Lotto24 generated a positive tax result and paid income taxes for the first time in fiscal year 2018 (with due regard to minimum taxation). We recognised deferred tax assets on loss carryforwards in accordance with their expected future use. Moreover, we formed deferred tax liabilities for goodwill carried in the statement of financial position according to IFRS.

The corporate income tax rate remained unchanged from 2018 at 15.0%, the solidarity surcharge was unchanged at 5.5% of corporate income tax.

Trade tax on income is levied on the trading profit of an entity, which is calculated by taking the taxable income according to income and corporation tax law together with any additions or subtractions according to German trade tax law. The effective trade tax on income rate depends on the municipality in which the entity maintains a permanent establishment for carrying on its operations.

The effective trade tax on income rate for Hamburg also remained unchanged in fiscal year 2019 at 16.45%. The same percentage is also used to calculate deferred taxes.

Deferred taxes under IAS 12 are calculated at the anticipated average tax rate at the time the differences are reversed. For the calculation of deferred taxes, the total tax rate amounted to 32.28% (2018: 32.28%).

| | 2019 | 2018 |
|---|--------------|--------------|
| in € thousand | | |
| Actual tax expense | (352) | (58) |
| Tax income from the recognition of deferred tax assets on loss carryforwards due to temporary differences | 3,125 | 5,631 |
| Tax expense from the recognition of deferred tax liabilities due to temporary differences | (1,653) | (406) |
| Deferred taxes | 1,472 | 5,225 |
| Actual and deferred income taxes | 1,120 | 5,168 |

| | 2019 | 2018 |
|--|--------------|--------------|
| in € thousand | | |
| Tax reconciliation | | |
| Net profit before taxes | 3,842 | 2,529 |
| Tax rate | 32.28% | 32.28% |
| Expected tax expense | (1,240) | (816) |
| Additions according to section 8 GewSt | (46) | (11) |
| Tax effects from operating expenses not fully deductible | (27) | (27) |
| Capitalisation of previously unrecognised loss carryforwards | 2,433 | 6,021 |
| Actual and deferred income taxes | 1,120 | 5,168 |

Deferred tax assets and liabilities developed as follows:

| | 01.01.2019 | Income(+)/ expense(-) | Neutral (through equity) | 31.12.2019 |
|---|---------------|--------------------------|-----------------------------|---------------|
| in € thousand | | | | |
| Deferred tax assets | | | | |
| Deferred tax assets due to temporary differences | 68 | 1,540 | - | 1,608 |
| Deferred tax assets due to tax loss carryforwards | 15,032 | 1,585 | - | 16,617 |
| | 15,100 | 3,125 | - | 18,225 |
| Netting with deferred tax liabilities | | | | (4,289) |
| Total | | | | 13,936 |

| | 01.01.2019 | Income(+)/ expense(-) | Neutral (through equity) | 31.12.2019 |
|---|--------------|--------------------------|-----------------------------|--------------|
| in € thousand | | | | |
| Deferred tax liabilities | | | | |
| Deferred tax liabilities due to temporary differences (income statement) | 2,636 | 1,653 | - | 4,289 |
| Deferred tax liabilities due to temporary differences (equity) | - | - | - | - |
| | 2,636 | 1,653 | - | 4,289 |
| Netting with deferred tax assets | | | | (4,289) |
| Total | | | | - |

| | 01.01.2018 | Income(+)/ expense(-) | Neutral (through equity) | 31.12.2018 |
|---|--------------|--------------------------|-----------------------------|---------------|
| in € thousand | | | | |
| Deferred tax assets | | | | |
| Deferred tax assets due to temporary differences | 50 | 19 | - | 68 |
| Deferred tax assets due to tax loss carryforwards | 9,420 | 5,612 | - | 15,032 |
| | 9,470 | 5,613 | - | 15,100 |
| Netting with deferred tax liabilities | | | | (2,636) |
| Total | | | | 12,464 |

| | 01.01.2018 | Income(+)/ expense(-) | Neutral (through equity) | 31.12.2018 |
|---|--------------|--------------------------|-----------------------------|-------------------|
| in € thousand | | | | |
| Deferred tax liabilities | | | | |
| Deferred tax liabilities due to temporary differences (income statement) | 2,231 | (406) | - | 2,636 |
| Deferred tax liabilities due to temporary differences (equity) | - | - | - | - |
| | 2,231 | (406) | - | 2,636 |
| Netting with deferred tax assets | | | | (2,636) |
| Total | | | | 0 |

The income taxes of €1,120 thousand (2018: €5,168 thousand) disclosed in the income statement result from the total of changes in deferred tax assets and deferred tax liabilities of €1,472 thousand (2018: €5,225 thousand) and the amounts calculated for 2019 for corporation tax, solidarity surcharge and trade tax amounting to €352 thousand (2018: €58 thousand).

Lotto24 AG recognises deferred tax assets for tax loss carry-forwards, as the underlying planning provides substantial indications that there will be sufficient corresponding taxable results within the next five years, under consideration of the German minimum tax regulations. Deferred tax liabilities (temporary differences) mainly result from the differing carrying amounts for goodwill according to IFRS and tax law.

12 CASH AND CURRENT FINANCIAL ASSETS

As at 31 December 2019, cash amounted to €15,553 thousand (2018: €8,072 thousand) and was deposited almost entirely with three banks.

As at 31 December 2019, current financial assets comprised the following items:

| | 31.12.2019 | 31.12.2018 |
|------------------------------------|-------------------|--------------|
| in € thousand | | |
| Receivables from gaming operations | 12,835 | 6,714 |
| Deposits | 1,266 | 1,016 |
| Others | 53 | 242 |
| Total | 14,154 | 7,970 |

Receivables from gaming operations rose as a result of increased billings caused by high jackpots and closing date-related settlement effects. They include receivables on customer winnings to be forwarded, as well as receivables from current payment processing and the Company's own brokerage commission claims. Deposits mainly comprise collateral to be provided to the state lottery companies. Other current financial assets consist primarily of creditors with debit balances.

As in the previous year, all current financial assets are due in less than one year. As at the statement of financial position date, no impairment losses were recognised as no significant losses were expected. There were also no impairment losses in the previous year as no loss events had occurred as of the statement of financial position date.

13 TRADE RECEIVABLES AND TRADE RECEIVABLES (INTERCOMPANY)

| | 31.12.2019 | 31.12.2018 |
|---|--------------|------------|
| in € thousand | | |
| Receivables from customers | 134 | 365 |
| Receivables from amounts passed on | 14 | 13 |
| Receivables from affiliated companies | - | 5 |
| Total trade receivables | 148 | 384 |
| Receivables from other ZEAL Group companies | 7,072 | - |
| Total trade receivables (intercompany) | 7,072 | - |

Trade receivables are non-interest-bearing and mainly comprise receivables from amounts passed on, reimbursement claims and open billing amounts from customers, which are all due in less than one year. Trade receivables (intercompany) relate to amounts due from companies within the ZEAL Group (ZEAL Network SE and its subsidiaries). All trade receivables (intercompany) are not yet due.

Lotto24 applies the simplified approach according to IFRS 9 to measure expected credit losses.

For the measurement of expected credit losses, trade receivables were analysed on the basis of historical experience. The expected loss rates are based on payment profiles over a period of 36 months prior to 31 December 2019 or 1 January 2019 and the corresponding historical defaults in this period. Lotto24 adjusts these loss rates if there is current information with a significant influence on customer payment profiles. In addition, Lotto24 analyses future economic circumstances and events.

Impairments for trade receivables developed as follows in fiscal year 2019:

| | 31.12.2019 | 31.12.2018 |
|---|------------|------------|
| in € thousand | | |
| Impairments at the beginning of the fiscal year | 426 | 323 |
| Increase/decrease in impairments affecting the income statement during the reporting period | 58 | 102 |
| Impairments at the end of the fiscal year | 484 | 426 |

A total increase in impairments for receivables from customers of €58 thousand was expensed (2018: €102 thousand) and disclosed under impairment loss for financial assets.

In addition, an amount of €523 thousand (2018: €497 thousand) was expensed for bad debts and disclosed under impairment loss for financial assets.

In total, €581 thousand (2018: €599 thousand) was recognised for impairments and bad debts in the income statement under impairment loss for financial assets.

After impairments, trade receivables outstanding as of the reporting date can be broken down as follows:

| | Book value | Thereof not yet overdue | Overdue by more than 30 days |
|---|-------------------|----------------------------|---------------------------------|
| in € thousand | | | |
| Trade receivables less value adjustments as of 31 December 2019 | 148 | 107 | 41 |
| Trade receivables less value adjustments as of 31 December 2018 | 384 | 295 | 89 |

14 OTHER CURRENT ASSETS

Other current assets mainly include prepaid expenses for maintenance and support services for software and hardware, as well as marketing services of €565 thousand (2018: €667 thousand).

Other current assets are non-financial assets.

15 GOODWILL

Lotto24 AG examines its unchanged goodwill of €18,850 thousand at least once per year at the end of the reporting period with regard to impairment. Goodwill is allocated to the legal entity Lotto24 as the cash-generating unit (CGU). The test compares the carrying amount with the recoverable amount, in other words the higher of net realisable value and value in use. We calculate value in use on the basis of discounted future cash flow projections from internal budgets for several years as approved by management.

Budget calculations are based on a detailed planning period of five years, as the standard planning period of Lotto24 AG. For the discounting of cash flows in the detailed planning period, the Company used CAPM-based costs of capital before taxes of 7.94% (2018: 7.95%).

At the end of the detailed planning period, the years after 2025 (2018: after 2024) apply a reconciled perpetual annuity based on the CAPM discounted with an average pre-tax cost of capital of 9.92% (5.94% post-tax) (2018: 9.93%, 5.95%). The calculation of the perpetual annuity is based on a sustainable, average growth rate of 2.0% (2018: 2.0%).

The estimated growth in the online lottery market as a result of the liberalisation (Internet brokerage, advertising) of the gaming market since 2012 in connection with European trends, is a significant input factor. The calculation is sensitive to changes in the estimate. This is linked with the development of billings, revenue, personnel expenses, and direct and indirect operating expenses.

We continually monitor and update the relevant technical, market-based, economic and legal parameters and conditions for the impairment test. As there were no indications of impairment in the reporting period, an impairment test for goodwill was conducted at the end of the reporting period and no non-scheduled write-downs were recognised (2018: nil).

A sensitivity test of the planning assumptions revealed that ceteris paribus no realistic change in the applied parameters EBIT margin and growth rate would lead to impairment.

16 INTANGIBLE ASSETS

Intangible assets developed as follows:

| | 2019 | 2018 |
|---|----------------|----------------|
| in € thousand | | |
| Acquisition costs as of 1 January | 2,445 | 2,098 |
| Additions (purchased from third parties) | 217 | 347 |
| Disposals | - | - |
| Acquisition costs as of 31 December | 2,662 | 2,445 |
| Accumulated depreciation as of 1 January | (1,874) | (1,544) |
| Depreciation of the period | (360) | (329) |
| Disposals | - | - |
| Accumulated depreciation as of 31 December | (2,234) | (1,874) |
| Net book value as of 31 December | 428 | 572 |

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.

17 PROPERTY, PLANT AND EQUIPMENT

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

| | 2019 | 2018 |
|--|----------------|----------------|
| in € thousand | | |
| Acquisition costs as of 1 January, as previously reported | 3,700 | 3,160 |
| First-time application of IFRS 16 | 3,288 | - |
| Acquisition costs as of 1 January | 6,988 | 3,160 |
| Additions (purchased from third parties) | 1,465 | 694 |
| Thereof right of use assets | 1,002 | - |
| Disposals | (316) | (155) |
| Acquisition costs as of 31 December | 8,137 | 3,700 |
| Accumulated depreciation as of 1 January | (2,291) | (1,558) |
| Depreciation of the period | (1,162) | (873) |
| Thereof right of use assets | (427) | - |
| Disposals | 253 | 139 |
| Accumulated depreciation as of 31 December | (3,200) | (2,291) |
| Net book value as of 31 December | 4,937 | 1,409 |

The useful life of tangible assets is generally between one and thirteen years. There are no restrictions on rights of disposal and no assets were pledged as collateral for liabilities. Additions mainly consisted of right of use assets (€1,002 thousand), software and hardware for workstations and equipment for new office spaces (€174 thousand).

18 CURRENT LIABILITIES

18.1 TRADE PAYABLES AND TRADE PAYABLES (INTERCOMPANY)

Trade payables amount to €2,420 thousand (2018: €1,934 thousand) and mainly consist of payment obligations still due on the statement of financial position date for marketing services as well as technical and legal consultancy already received. All trade payables are due within one year.

Trade payables (intercompany) amount to €4,173 thousand (2018: nil) and mainly consist of payment obligations due to companies within the ZEAL Group for corporate services and assets purchased. All trade payables (intercompany) are due within one year.

18.2 CURRENT FINANCIAL LIABILITIES

Current financial liabilities comprised the following items:

| | 31.12.2019 | 31.12.2018 |
|------------------------------------|---------------|---------------|
| in € thousand | | |
| Liabilities from gaming operations | 18,540 | 11,197 |
| Interest-bearing loan | 148 | 193 |
| Lease liability | 412 | - |
| Other | - | 45 |
| Total | 19,100 | 11,435 |

As of 31 December 2019, current financial liabilities increased to €19,100 thousand (2018: €11,435 thousand). They mainly comprised liabilities from gaming operations of €18,540 thousand (2018: €11,197 thousand), which were influenced by increased billings. This item comprises customer liabilities and amounts owed to state lottery companies. The item also includes small winnings which customers leave on their gaming accounts and use later to pay for tickets.

Lease liabilities are the amount recognised following the adoption of IFRS 16 on 1 January 2019.

Interest-bearing loans include current payments, due within one year, for the IT equipment at our new data centres (hire purchase agreements: €148 thousand; 2018: €193 thousand).

18.3 OTHER CURRENT LIABILITIES

Other current liabilities consist of 'Amounts due in connection with taxes (VAT, payroll and church taxes) and social security' (2019: €2,133 thousand; 2018: €449 thousand) and 'Holiday obligations' (2019: €134 thousand; 2018: €123 thousand).

19 SHORT-TERM PROVISIONS

| | 31.12.2018 | Addition | Reclassification from long-term provisions | Reversal | Utilisation | 31.12.2019 |
|--|--------------|--------------|--|-------------|----------------|--------------|
| in € thousand | | | | | | |
| Share-based remuneration (short-term) | 990 | - | - | - | (990) | - |
| Bonus | 1,340 | 988 | - | (79) | (1,261) | 988 |
| Litigation costs | 30 | 600 | - | - | - | 630 |
| Termination benefits | - | 3,417 | 1,718 | - | - | 5,135 |
| Other | 22 | 27 | - | - | (22) | 27 |
| Total | 2,382 | 5,032 | 1,718 | (79) | (2,273) | 6,780 |

In 2019 Petra von Strombeck and Magnus von Zitzewitz departed the Company. They are due to receive termination benefits of €2,603 thousand and €2,138 thousand, respectively (see note 27). Of this €1,718 thousand had previously been recorded by the Company as a long-term provision for phantom shares and variable remuneration, as such this amount was reclassified to short-term provisions in 2019. The termination benefits will be paid in January and March 2020.

All provisions are expected to be used within one year.

20 NON-CURRENT FINANCIAL LIABILITIES

Long-term financial liabilities comprise non-current lease liabilities of €3,568 thousand recognised following the adoption of IFRS 16 on 1 January 2019. In 2018 the balance related to the non-current portion of hire purchase agreements for IT equipment of €148 thousand.

21 LONG-TERM PROVISIONS

| | 31.12.2018 | Addition | Reclassification to short-term provisions | Reversal | Utilisation | 31.12.2019 |
|---|--------------|------------|---|----------|-------------|------------|
| in € thousand | | | | | | |
| Share-based remuneration phantom shares | 1,047 | 142 | (1,189) | - | - | - |
| Variable remuneration component revenue/EBIT | 458 | 118 | (529) | - | - | 47 |
| Total | 1,505 | 260 | (1,718) | - | - | 47 |

In prior years members of the Management Board have been granted phantom shares with cash compensation as part of a share-based remuneration programme. In 2019 both members of the Management Board left the Company and received cash compensation in lieu of their phantom shares and variable remuneration. Amounts not paid at 31 December 2019 have been reclassified to short-term provisions and will be paid within 2020.

22 EQUITY

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

| | 31.12.2019 | 31.12.2018 |
|--------------------|---------------|---------------|
| in € thousand | | |
| Subscribed Capital | 24,155 | 24,155 |
| Capital reserves | 2,415 | 2,415 |
| Retained earnings | 10,718 | 5,756 |
| Total | 37,288 | 32,326 |

At the Annual General Meeting on 12 May 2015, Authorised Capital was renewed. The Management Board was hereby authorised to raise share capital for cash or non-cash contributions by up to €4,391,798 (Authorised Capital 2015) – corresponding to almost 20% of share capital – in the period up to 11 May 2020 subject to approval by the Supervisory Board. Authorised Capital 2015 was partially used in the course of a capital increase for cash contribution in July 2015. As a result, the total number of no-par value shares issued by Lotto24 AG increased from 21,958,991 to 24,154,890 and Authorised Capital fell to €2,195,899.

Due to a legal requirement, retained earnings cannot be distributed as a dividend. As of 31 December 2019, the amount blocked by the provisions of section 268 (8) HGB due to the capitalisation of deferred taxes totalled €19,853 thousand (2018: €18,520 thousand).

22.1 AUTHORISED CAPITAL

According to section 4 (2) of the Articles, the Management Board is authorised, subject to the approval of the Supervisory Board, to increase share capital in the period up to 11 May 2020 by up to a total of €2,195,899 by issuing on one or more occasions in whole or in partial amounts new no-par value shares in return for cash or contributions in kind (Authorised Capital 2015), whereby shareholders are to be granted subscription rights. The new shares can also be accepted by one or several credit institutes chosen by the Management Board or companies operating pursuant to section 53 (1) sentence 1 or section 53b (1) sentence 1 or (7) of the German Banking Act with the obligation to offer them to shareholders (indirect subscription right). However, the Management Board is authorised, subject to the approval of the Supervisory Board, to exclude the rights of shareholders to subscribe in the following cases:

- To eliminate fractional amounts from subscription rights;
- For shares with a prorated amount of share capital up to €2,195,899 for capital increases in exchange for contributions in kind for the purpose (also indirect) of acquiring companies, parts of companies, or equity investments in companies, for the acquisition of other assets (including receivables of third parties due from the Company or its affiliated companies), as well as in exchange for cash contributions or contributions in kind for the purpose of issuing shares to employees of the Company and its affiliated companies within the framework of legal regulations;
- To grant subscription rights to holders of options, convertible bonds or convertible profit participation rights that are to be issued;

- For capital increases in exchange for cash contributions, if the issue price of the new shares is not significantly lower than the market price of shares carrying the same rights at the time the issue price is fixed. The shares issued under exclusion of shareholders' subscription rights, pursuant to sections 203 (1), 186 (3) sentence 4 AktG, due to this authorisation shall not exceed 10% in total of the Company's share capital at the time the authorisation becomes effective or – if this value is lower – at the time this authorisation is exercised. The limit is reduced by such proportion of the Company's share capital that is represented by any treasury shares held by the Company which are sold during the term of 'Authorised Capital 2015' under exclusion of shareholders' subscription rights pursuant to sections 71 (1) number 8, sentence 5, 186 (3) sentence 4 AktG. The limit is also reduced by such proportion of the Company's share capital that is represented by those shares to be issued in order to service convertible bonds or bonds with warrants, with option or conversion rights or obligations, providing the bonds are issued during the term of 'Authorised Capital 2015' under exclusion of subscription rights in corresponding application of section 186 (3) sentence 4 AktG.

The Management Board is authorised, with the consent of the Supervisory Board, to determine the details of the implementation of the capital increase and in particular the details of the rights conveyed by the shares and the terms and conditions of the share issue. The Supervisory Board is authorised to amend the text of the Company's Articles in accordance with the scope of the capital increase from Authorised Capital.

22.2 CAPITAL RESERVES

As of 31 December 2019, capital reserves amounted to €2,415 thousand (2018: €2,415 thousand) and include the legal reserve required by section 150 (2) AktG, which accounts for a tenth of share capital.

23 OTHER FINANCIAL OBLIGATIONS

There are other significant financial obligations arising from other contracts, including consultancy agreements, cooperation agreements, insurance contracts, license agreements and rental agreements in the following amounts:

| | 2020 | 2021 | 2022 | 2023 | 2024 and later | Total |
|-----------------|------|------|------|------|-------------------|-------|
| in € thousand | | | | | | |
| Other contracts | 305 | 22 | - | - | - | 327 |

24 LEASES

LEASES IN THE STATEMENT OF FINANCIAL POSITION

| | 31.12.2019 |
|--|-------------------|
| ASSETS in € thousand | |
| Non-current assets | - |
| Right-of-use assets – land and buildings | 3,851 |
| Right-of-use assets – IT equipment | 12 |
| Total | 3,863 |
| LIABILITIES in € thousand | |
| Current liabilities | - |
| Remaining other liabilities | - |
| Lease liabilities from right of use, current | 412 |
| Non-current liabilities | - |
| Other liabilities | - |
| Lease liabilities from right of use, non-current | 3,568 |
| Total | 3,980 |

The development of statement of financial position items as of 31 December 2109 was as follows:

| Right-of-use assets | Land and Buildings | IT equipment | Total | Lease liabilities |
|---|--------------------|--------------|--------------|-------------------|
| in € thousand | | | | |
| 1 January 2019 | 3,246 | 42 | 3,288 | 3,373 |
| Addition | 1,002 | - | 1,002 | 1,002 |
| Depreciation | (397) | (30) | (427) | - |
| Interest expense from lease liabilities | - | - | - | 127 |
| Payment | - | - | - | (522) |
| 31 December 2019 | 3,851 | 12 | 3,863 | 3,980 |

The table below shows the maturity analysis of the contractual undiscounted cash flows for the lease liability.

| | 31.12.2019 |
|----------------------|-------------------|
| in € thousand | |
| Less than one year | 584 |
| One to five years | 2,338 |
| More than five years | 1,705 |
| Total | 4,627 |

LEASES IN THE INCOME STATEMENT

| | 31.12.2019 |
|---|-------------------|
| in € thousand | |
| Depreciation of right-of-use assets | (427) |
| Interest expense from lease liabilities | (127) |
| Lease expenses – low value | (67) |
| Total | (621) |

The effect on cash flow (increase/decrease (-)) for 2019 was as follows:

| | 31.12.2019 |
|-------------------------------------|-------------------|
| in € thousand | |
| Cash flow from operating activities | - |
| Cash flow from financing activities | (394) |

There was no material impact on earnings per share for the year ended 31 December 2019 from the initial application of IFRS 16.

25 RELATED PARTIES

Related parties of Lotto24 AG comprise on the one hand the members of the Management Board and Supervisory Board, including close relatives, and on the other hand those companies on which the Company's Management Board and Supervisory Board members, and their close relatives, can exert a significant influence or in which they hold significant voting rights. Moreover, related parties include those companies with which the Company forms a group or in which it holds investments which enable it to exert a significant influence on the latter's business policy, as well as the Company's main shareholders including their affiliated companies (IAS 24).

Apart from the remuneration of the Management Board and Supervisory Board (see note 27), there were no reportable business relationships with executive bodies of the Company in the reporting period.

TRANSACTIONS WITH SHAREHOLDERS

In June 2014, Lotto24 AG entered into two cooperation agreements with NKL lottery broker Oliver Jaster and SKL lottery broker Walter Günther. The aforementioned cooperation partners represent 'related parties' pursuant to IAS 24. In addition, the NKL lottery broker Oliver Jaster is a 'related company' as defined in the Related Parties Report. The cooperation agreements regulate the marketing of the class lotteries NKL and SKL via the Lotto24 AG website (Lotto24.de) with effect from 1 July 2014. Customers selecting class lottery products on Lotto24.de are redirected to the website Guenther.de, where they can purchase these class lottery products. For such successful redirecting, Lotto24 AG receives a permanent fixed percentage of the class lottery revenue generated by these customers. Prior to signing the agreement, Lotto24 AG had solicited several offers from various class lottery brokers in order to gauge standard market conditions and ultimately decided in favour of the offer made by the Günther companies.

TRANSACTIONS WITH OTHER COMPANIES IN THE ZEAL GROUP

Following the acquisition by ZEAL Network SE on 14 May 2019, the companies within the ZEAL Group became related parties.

At 31 December 2019, the Company had the following balances outstanding with other companies in the ZEAL Group:

| | 31.12.2019 |
|----------------------------------|-------------------|
| in € thousand | |
| Current trade receivables | |
| Tipp24 Services Limited | 70 |
| eSailors Limited | 1,537 |
| ZEAL Network SE | 5,465 |
| Total | 7,072 |
| Current trade payables | |
| Tipp24 Services Limited | 16 |
| ZEAL Network SE | 4,023 |
| Tipp24 Deutschland GmbH | 134 |
| Total | 4,173 |

Intercompany receivables are repayable on demand and do not carry an interest charge. The Management Board considered the need to book an expected credit loss (ECL) against these receivables and determined that any charge would be immaterial. As such no ECL has been booked. The counterparties have sufficient funds to meet their debts.

The following revenue and operating expenses were incurred with other companies within the ZEAL Group as part of the day to day operations of the Company:

| | 31.12.2019 |
|---------------------------|-------------------|
| in € thousand | |
| Revenue | |
| Tipp24 Services Limited | 3 |
| ZEAL Network SE | 1,336 |
| Total | 1,339 |
| Operating expenses | |
| ZEAL Network SE | (3,982) |
| Tipp24 Deutschland GmbH | (243) |
| Total | (4,225) |

On 27 September 2019, the Company signed a customer base licence agreement, platform software licence agreement and a corporate service agreement with ZEAL Network SE. Under these agreements ZEAL charged the Company €1,792 thousand for the usage of the customer base, and €1,393 thousand for corporate services performed by ZEAL Network SE on its behalf. Under the corporate service agreement Lotto24 recognised income of €55 thousand for costs it recharged to ZEAL Network SE.

Lotto24 provides development support services for ZEAL Network SE. In 2019 it recognised income of €1,281 thousand from ZEAL Network SE.

Lotto24 and Tipp24 Services Limited entered into an agreement in October 2019 whereby the Company would provide certain services to the customers of Tipp24 Services Limited. Under this agreement the Company recognised income of €3 thousand.

On 27 September 2019, the Company signed a licence agreement with Tipp24 Deutschland GmbH. Under this agreement Tipp24 Deutschland GmbH charged the Company €243 thousand for the usage of the Tipp24 trademarks and domains.

Transactions entered into with companies within the ZEAL Group as part of the acquisition

A compensation agreement was signed on 27 September 2019 between the Company and ZEAL Network SE. ZEAL Network SE agreed to compensate Lotto24 for certain costs which it incurred as part of the acquisition. During the year Lotto24 recharged ZEAL €4,162 thousand of cost for staff remuneration. Under the same agreement ZEAL recharged €461 thousand of costs it incurred supporting the operations of the Company.

As part of the transfer of customers from Tipp24 Services Limited to Lotto24, customer liabilities of €6,067 thousand were transferred to the Company. In return the Company paid Tipp24 Services Limited €1,383 thousand for amounts received from the external payment process after the 15 October 2019, but which were legally owed to Tipp24 Services Limited.

On 30 September 2019, the Company entered into an asset and employee transfer agreement with eSailors Limited. Under this agreement certain assets and employees were transferred to Lotto24 as of 15 October 2019. eSailors Limited transferred certain tangible assets to Lotto24. The Company paid €70 thousand and these assets were recognised as additions within tangible assets. Ongoing contracts were transferred from eSailors Limited to Lotto24 in order for the Company to benefit from the services provided. Prepaid expenses of €109 thousand were transferred to the Company.

On 15 October 2019, employees from the German branch of eSailors Limited were transferred to Lotto24. The associated liabilities for unpaid vacation, salaries and bonuses were transferred and the Company received €1,851 thousand from eSailors Limited.

On 30 September 2019, the Company entered into a hardware and software purchase agreement with SmartgamesTechnologies Limited. Under this agreement, the Company paid €174 thousand for tangible assets and €203 thousand intangible assets. Certain ongoing contracts were transferred from SmartgamesTechnologies Limited to Lotto24 in order for the Company to benefit from the services provided. Prepaid expenses of €223 thousand were transferred to the Company.

For details on related parties (Management Board, Supervisory Board), please refer to note 27.

In accordance with section 312(3) AktG, the Management Board made the following statement at the end of the Dependent Company Report for the reporting period: 'According to the circumstances known to us at the date on which legal transactions were undertaken or measures were taken or omitted, Lotto24 received adequate consideration and was not disadvantaged by any measures taken or omitted.'

26 DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

The following table shows the carrying amounts of all categories of financial assets and liabilities:

| | Carrying amount 31.12.2019 | Amortised cost | Fair value 31.12.2019 |
|--|--------------------------------------|-------------------|--------------------------|
| in € thousand | | | |
| Financial assets | | | |
| Cash and cash equivalents | 15,553 | 15,553 | 15,553 |
| Trade receivables | 148 | 148 | 148 |
| Trade receivables (intercompany) | 7,072 | 7,072 | 7,072 |
| Current financial assets | 14,154 | 14,154 | 14,154 |
| Financial liabilities | | | |
| Trade payables | 2,420 | 2,420 | 2,420 |
| Trade payables (intercompany) | 4,173 | 4,173 | 4,173 |
| Current financial liabilities | 19,100 | 19,100 | 19,100 |
| Non-current financial liabilities | 3,568 | 3,568 | 3,568 |
| Summary per category | | | |
| Financial assets measured at amortised cost | 36,927 | 36,927 | 36,927 |
| Financial liabilities measured at amortised cost | 29,261 | 29,261 | 29,261 |

| | Carrying amount 31.12.2018 | Amortised cost | Fair value 31.12.2018 |
|--|--------------------------------------|-------------------|--------------------------|
| in € thousand | | | |
| Financial assets | | | |
| Cash and cash equivalents | 8,072 | 8,072 | 8,072 |
| Trade receivables | 384 | 384 | 384 |
| Current financial assets | 7,970 | 7,970 | 7,970 |
| Financial liabilities | | | |
| Trade payables | 1,934 | 1,934 | 1,934 |
| Current financial liabilities | 11,435 | 11,435 | 11,435 |
| Non-current financial liabilities | 148 | 148 | 148 |
| Summary per category | | | |
| Receivables and loans | 16,426 | 16,426 | 16,426 |
| Financial liabilities measured at amortised cost | 13,517 | 13,517 | 13,517 |

FINANCIAL ASSETS MEASURED AT AMORTISED COST

In the case of financial assets measured at amortised cost, it is assumed that the fair values correspond to the carrying amounts.

FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

In the case of financial liabilities measured at amortised cost, it is assumed due to the mainly short remaining terms that the fair values correspond to the carrying amounts.

The following table shows the results from financial instruments:

| | 2019 | 2018 | 2019 | 2018 |
|---|----------------------------------|----------------------------------|---------------------------------|---------------------------------|
| | Recognised directly in equity | Recognised directly in equity | Recognised in profit or loss | Recognised in profit or loss |
| in € thousand | | | | |
| Financial assets | | | | |
| Impairment loss for financial assets | - | - | (581) | (599) |
| Impairment loss for financial assets | - | - | (581) | (599) |
| Financial liabilities | | | | |
| Interest expenses from financial loans | - | - | (137) | (118) |
| Financial result | - | - | (137) | (118) |

26.1 CREDIT RISK

The scope of the credit risk of Lotto24 AG equals the sum of cash and other current financial assets.

Lotto24 AG has established an extensive management process to steer and regularly monitor the Company's investment strategy. Cash and any short-term financial assets the Company may hold are generally invested in short-term securities offering as much liquidity and as little volatility as possible, while ensuring risk diversification. Following regular monitoring, no default risks were detected as of the statement of financial position date.

26.2 LIQUIDITY RISK

Due to the sufficiency of its liquid assets and further funding possibilities, Lotto24 is not exposed to any material liquidity risk – even in the case of significant restrictions of business against the backdrop of regulatory developments, we have sufficient liquidity to service our liabilities. Financial liabilities are mainly due immediately and mostly do not accrue interest.

26.3 INTEREST RATE RISK

Lotto24 holds its financial funds as sight deposits with three banks. As a consequence, there is no interest rate risk. Irrespective of this, there is a default risk for the bank deposits themselves.

27 OTHER DISCLOSURES

27.1 MANAGEMENT BOARD

In 2019, Petra von Strombeck and Magnus von Zitzewitz stepped down from their roles as CEO and CFO of the Company. They were replaced by Jonas Mattsson and Carsten Muth. Jonas Mattsson is not remunerated for his role as CFO of Lotto24. His remuneration for his role as CFO of ZEAL Network SE is disclosed within the 2019 Consolidated Financial Statements of ZEAL Network SE. These are available from Straßenbahnring 11, 20251 Hamburg, Germany. Carsten Muth received €15 thousand for his role as a member of the Management Board in 2019.

Their remuneration in fiscal year 2019 comprised the following elements:

| Benefits Granted | Petra von Strombeck, CEO from 01.07.2012 to 31.12.2019 | | | |
|---|---|---------------------|---------------------|------------|
| | 2019 | 2019 (min) variable | 2019 (max) variable | 2018 |
| in € thousand | | | | |
| Fixed remuneration | 300 | - | - | 300 |
| Benefits | - | - | - | - |
| Total (fixed) | 300 | - | - | 300 |
| One-year variable remuneration | - | - | - | 340 |
| Multi-year variable remuneration | - | - | - | 345 |
| Phantom shares 2014–2018 (4 years) ¹ | - | - | - | - |
| Phantom shares 2015–2019 (4 years) ¹ | - | - | - | - |
| Phantom shares 2016–2020 (4 years) ¹ | - | - | - | - |
| Phantom shares 2017–2021 (4 years) ¹ | - | - | - | 90 |
| Phantom shares 2018–2022 (4 years) ¹ | - | - | - | 56 |
| KPI-based remuneration (3 years) ² | - | - | - | - |
| Revenue 2017–2020 (3 years) ² | - | - | - | 21 |
| EBIT 2017–2020 (3 years) ² | - | - | - | (21) |
| Revenue 2018–2021 (3 years) ² | - | - | - | 99 |
| EBIT 2018–2021 (3 years) ² | - | - | - | 100 |
| Total (variable) | - | - | - | 685 |
| Termination benefits | 2,603 | - | - | - |
| Total remuneration | 2,903 | - | - | 985 |

¹ Fair value of phantom shares granted monthly, depending on the current share price.
The nominal values of the granted phantom shares amount to €50 thousand in each case.

² Fair value of KPI-based remuneration granted monthly.
The nominal values of the granted KPI-based remuneration amount to €50 thousand in each case.

**Magnus von Zitzewitz, Member of the Management Board
from 01.07.2012 to 30.06.2019**

Benefits Granted

| in € thousand | 2019 | 2019 (min) variable | 2019 (max) variable | 2018 |
|---|--------------|---------------------|---------------------|------------|
| Fixed remuneration | 100 | - | - | 200 |
| Benefits | - | - | - | - |
| Total (fixed) | 100 | - | - | 200 |
| One-year variable remuneration | - | - | - | 215 |
| Multi-year variable remuneration | - | - | - | 223 |
| Phantom shares 2014–2018 (4 years) ¹ | - | - | - | - |
| Phantom shares 2015–2019 (4 years) ¹ | - | - | - | - |
| Phantom shares 2016–2020 (4 years) ¹ | - | - | - | - |
| Phantom shares 2017–2021 (4 years) ¹ | - | - | - | 58 |
| Phantom shares 2018–2022 (4 years) ¹ | - | - | - | 36 |
| KPI-based remuneration (3 years) ² | - | - | - | - |
| Revenue 2017–2020 (3 years) ² | - | - | - | 13 |
| EBIT 2017–2020 (3 years) ² | - | - | - | (13) |
| Revenue 2018–2021 (3 years) ² | - | - | - | 64 |
| EBIT 2018–2021 (3 years) ² | - | - | - | 65 |
| Total (variable) | - | - | - | 438 |
| Termination benefits | 2,138 | - | - | - |
| Total remuneration | 2,238 | - | - | 638 |

¹ Fair value of phantom shares granted monthly, depending on the current share price.
The nominal values of the granted phantom shares amount to €32.5 thousand in each case.

² Fair value of KPI-based remuneration granted monthly.
The nominal values of the granted KPI-based remuneration amount to €32.5 thousand in each case.

| Benefits Received | Carsten Muth, Member of the Management Board as of 01.12.2019 | | Petra von Strombeck, CEO from 01.07.2012 to 31.12.2019 | |
|------------------------------------|---|----------|--|--------------|
| | 2019 | 2018 | 2019 | 2018 |
| in € thousand | | | | |
| Fixed remuneration | 15 | - | 300 | 300 |
| Benefits | - | - | - | - |
| Total (fixed) | 15 | - | 300 | 300 |
| One-year variable remuneration | - | - | - | 132 |
| Multi-year variable remuneration | - | - | - | 600 |
| Phantom shares 2013–2017 (4 years) | - | - | - | 600 |
| Phantom shares 2014–2018 (4 years) | - | - | - | - |
| Phantom shares 2015–2019 (4 years) | - | - | - | - |
| Phantom shares 2016–2020 (4 years) | - | - | - | - |
| Phantom shares 2017–2021 (4 years) | - | - | - | - |
| Phantom shares 2018–2022 (4 years) | - | - | - | - |
| KPI-based remuneration (3 years) | - | - | - | - |
| Revenue 2018–2021 (3 years) | - | - | - | - |
| EBIT 2018–2021 (3 years) | - | - | - | - |
| Revenue 2019–2022 (3 years) | - | - | - | - |
| EBIT 2019–2022 (3 years) | - | - | - | - |
| Total (Variable) | - | - | - | 732 |
| Termination benefits | - | - | 2,603 | - |
| Total remuneration | 15 | - | 2,903 | 1,032 |

| Benefits Received | Magnus von Zitzewitz, Member of the Management Board from 01.07.2012 to 30.06.2019 | | Kai Hannemann Member of the Management Board from 01.07.2016 to 31.01.2018 | |
|------------------------------------|--|------------|--|------------|
| | 2019 | 2018 | 2019 | 2018 |
| in € thousand | | | | |
| Fixed remuneration | 100 | 200 | - | 180 |
| Benefits | - | - | - | - |
| Total (fixed) | 100 | 200 | - | 180 |
| One-year variable remuneration | - | 126 | - | 112 |
| Multi-year variable remuneration | - | 390 | - | 90 |
| Phantom shares 2013–2017 (4 years) | - | 390 | - | - |
| Phantom shares 2014–2018 (4 years) | - | - | - | - |
| Phantom shares 2015–2019 (4 years) | - | - | - | - |
| Phantom shares 2016–2020 (4 years) | - | - | - | - |
| Phantom shares 2017–2021 (4 years) | - | - | - | - |
| Phantom shares 2018–2022 (4 years) | - | - | - | - |
| KPI-based remuneration (3 years) | - | - | - | - |
| Revenue 2018–2021 (3 years) | - | - | - | - |
| EBIT 2018–2021 (3 years) | - | - | - | - |
| Revenue 2019–2022 (3 years) | - | - | - | - |
| EBIT 2019–2022 (3 years) | - | - | - | - |
| Total (Variable) | - | 516 | - | 202 |
| Termination benefits | 2,138 | - | - | - |
| Total remuneration | 2,238 | 716 | - | 202 |

Benefits on termination of the Management Board mandate

If a member of the Management Board agrees to be reappointed on the basis of the contractual conditions offered, the member shall receive compensation in the amount of half the annual gross salary of the previous year if the Company is then culpable in failing to reappoint said member (for example in the case that the Supervisory Board offers the Management Board member a reappointment but this fails to materialise). If an appointment to the Management Board is effectively revoked, the Management Board member has the right to claim compensation amounting to the remaining gross salaries, assuming 100% target attainment, but limited to two annual gross salaries.

In accordance with the adopted agreement dated 30 September 2019, Petra von Strombeck, CEO until 31 December 2019, received basic remuneration for the year 2019 of €300 thousand. She received termination benefits of €2,603 thousand. This can be broken down as follows; €781 thousand in lieu of phantom share payments, €224 thousand in lieu of long-term incentives and €1,598 thousand for loss of office. Under the compensation agreement signed with ZEAL Network SE, ZEAL agreed to pay €1,159 thousand of the total due to Petra von Strombeck. The severance will be paid in March 2020.

In accordance with the adopted agreement dated 7 June 2019, Magnus von Zitzewitz, CFO until 30 June 2019, received basic remuneration for the year 2019 of €100 thousand. He received termination benefits of €2,138 thousand. This can be broken down as follows; €453 thousand in lieu of long-term incentives and €1,685 thousand for loss of office. Under the compensation agreement signed with ZEAL Network SE, ZEAL agreed to pay €602 thousand of the total due to Magnus von Zitzewitz. The severance was paid in January 2020.

27.2 SUPERVISORY BOARD

The following persons held seats on the Supervisory Board of Lotto24 AG in fiscal year 2019:

- Peter Steiner, (Chairman of the Supervisory Board from 27 June 2019)
- Prof. Willi Berchtold, Managing Partner of CUATROB GmbH (Chairman of the Supervisory Board until 27 June 2019)
- Jens Schumann, merchant (Deputy Chairman)
- Thorsten Hehl, Managing Director, Günther Holding SE, Hamburg (regular member)
- Dr. Andreas Meyer-Landrut, Lawyer (regular member from 14 October 2019)
- Dr. Otto Lose, Lawyer (regular member from 14 October 2019)
- Dr. Stefan Mäger, Lawyer (regular member from 14 October 2019)

Peter Steiner is a member of the following other domestic Supervisory Boards which must be formed pursuant to statutory law, or other comparable domestic and foreign controlling committees:

- ZEAL Network SE, Hamburg, Germany (Deputy Chairman, Chair of the Audit Committee)
- Clariant Ltd, Muttenz, Switzerland (Member of the Administrative Board, Member of the Nomination Committee, Chairman of the Audit Committee)
- RKW SE, Frankenthal (Member of the Advisory Committee)
- Wienerberger AG, Vienna, (Deputy Chairman of the Supervisory Board, Member of the Nomination Committee, Chairman of the Compensation Committee)

Prof. Willi Berchtold is a member of the following other domestic Supervisory Boards which must be formed pursuant to statutory law, or other comparable domestic and foreign controlling committees:

- Bundesdruckerei GmbH, Berlin (Chairman of the Supervisory Board)
- Actano AG, Zurich (Member of the Administrative Board)

Jens Schumann is a member of the following other domestic Supervisory Boards which must be formed pursuant to statutory law, or other comparable domestic and foreign controlling committees:

- ZEAL Network SE, Hamburg (Member of the Supervisory Board)
- next media accelerator GmbH, Hamburg (Member of the Advisory Committee)
- Contentflow GmbH, Berlin (Member of the Advisory Committee)
- LemonSwan GmbH, Hamburg (Member of the Advisory Committee since December 2019)

Thorsten Hehl is a member of the following other domestic Supervisory Boards which must be formed pursuant to statutory law, or other comparable domestic and foreign controlling committees:

- ZEAL Network SE, Hamburg (Member of the Supervisory Board)
- Günther Direct Services GmbH, Bamberg (Member of the Advisory Committee)
- Langenscheidt Digital GmbH & Co. KG, Munich (Member of the Advisory Committee), resigned on 20 December 2019
- Langenscheidt GmbH & Co. KG, Munich (Member of the Advisory Committee), resigned on 20 December 2019
- Langenscheidt Management GmbH, Munich (Member of the Advisory Committee), resigned on 20 December 2019

Supervisory Board remuneration

| | 2019 | 2018 |
|---------------------------|------------|------------|
| in € thousand | | |
| Peter Steiner | 36 | - |
| Prof. Willi Berchtold | 31 | 63 |
| Jens Schumann | 38 | 38 |
| Thorsten Hehl | 25 | 25 |
| Dr. Andreas Meyer-Landrut | 8 | - |
| Dr. Otto Lose | 8 | - |
| Dr. Stefan Mäger | 8 | - |
| Total | 154 | 125 |

27.3 EMPLOYEES

At the end of the reporting period on 31 December 2019, Lotto24 AG had 119 employees (full-time equivalents, excluding the two Management Board members and student helpers, 2018: 103). The average headcount of the quarterly reporting dates was 118 employees in 2019 (2018: 96).

27.4 DISCLOSURES ACCORDING TO SECTION 160 (1) NO. 8 AKTG

Pursuant to section 160 (1) no. 8 AktG, the disclosures on shareholdings in the Company sent to us pursuant to section 33 (1) WpHG and published by us pursuant to section 40 (1) WpHG are listed below. Please note that as a result of capital increases, the subscribed capital of Lotto24 AG has increased since the IPO on 2 July 2012 from €13,973,904 to €19,962,720 as of 27 September 2013, to €21,958,991 as of 22 October 2014 and most recently to €24,154,890 as of 16 July 2015. It has since been divided into 24,154,890 registered no-par value shares.

In accordance with section 160 (1) no. 8 of the German Stock Corporation Act (AktG), shareholdings in the Company notified to us in accordance with section 33 (1) of the German Securities Trading Act (WpHG) and published by us in accordance with section 40 (1) of the German Securities Trading Act (WpHG) are reproduced below.

Oliver Jaster, Germany, notified us following the loss of factual (indirect) control over ZEAL Network SE (published on 3 July 2019) that his total voting rights in Lotto24 AG on 27 June 2019 amounted to 0% (previous notification: 93.04%).

The following statement was included under other explanatory remarks: Group announcement according to § 37 (1) WpHG – deregistration of all subsidiaries. Loss of factual (indirect) control over ZEAL Network SE. ZEAL Network SE continues to hold direct voting rights of 93.04% in the issuer.

Oliver Jaster, Germany, had previously notified us following an acquisition/disposal of shares with voting rights (published on 16 May 2019) that his total voting rights in Lotto24 AG on 14 May 2019 amounted to 93.04% (previous notification: 33.29%), whereas all 22,473,615 of the total 24,154,890 voting rights in Lotto24 AG, corresponding to 93.04%, are held indirectly according to section 34 of the German Securities Trading Act (WpHG). On this date 3% or more of the voting rights are held directly as follows (in each case full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity):

Oliver Jaster, Günther SE, Günther Holding SE, Othello Vier Beteiligungs GmbH & Co. KG, ZEAL Network SE (voting rights 93.04%, total 93.04%)

Oliver Jaster, Günther SE, Günther Holding SE, Günther Holding Immobilien GmbH & Co. KG, Günther Consulting GmbH, Othello Vier Beteiligungs GmbH & Co. KG, ZEAL Network SE (voting rights 93.04%, total 93.04%)

Oliver Jaster, Günther SE, Günther Holding SE, Günther Holding Immobilien Management GmbH, Günther Holding Immobilien GmbH & Co. KG, Günther Consulting GmbH, Othello Vier Beteiligungs GmbH & Co. KG, ZEAL Network SE (voting rights 93.04%, total 93.04%)

Oliver Jaster, Günther SE, Günther Holding SE, Othello Drei Beteiligungs GmbH & Co. KG, ZEAL Network SE (voting rights 93.04%, total 93.04%)

Oliver Jaster, Günther SE, Günther Holding SE, Othello Drei Beteiligungs-Management GmbH, Othello Drei Beteiligungs GmbH & Co. KG, ZEAL Network SE (voting rights 93.04%, total 93.04%).

27.5 DECLARATION OF CONFORMITY WITH THE RECOMMENDATIONS OF THE 'GERMAN CORPORATE GOVERNANCE CODE' ACCORDING TO SECTION 161 AKTG

In accordance with section 161 AktG, the Supervisory Board and Management Board have issued a Declaration of Conformity with the German Corporate Governance Code and made it permanently available to shareholders on page 9 et seq of this Annual Report and via the Company's website (Lotto24-ag.de).

27.6 AUDITING COSTS

| | 2019 | 2018 |
|----------------------------|------------|------------|
| in € thousand | | |
| Auditing fees | 124 | 129 |
| thereof for previous years | - | 6 |
| Other audit-related fees | 3 | - |
| Tax consulting services | 5 | 16 |
| Other services | 3 | 6 |
| Total | 135 | 148 |

Auditing fees include services in connection with the individual financial statements according to IFRS and the annual financial statements according to HGB. Other consulting services were mainly charged for the audit review of interim reports.

28 EVENTS AFTER 31 DECEMBER 2019

Contesting actions settled

As already announced in the Federal Gazette on 1 August 2019, two shareholders have brought a contesting action before the Hamburg Regional Court against the resolutions adopted at the Annual General Meeting of Lotto24 AG on 4 June 2019 regarding agenda items no. 6 (resolution on the dismissal of Prof. Willi Berchtold as a member of the Supervisory Board) and no. 7 (resolution on the election of a new member of the Supervisory Board).

Moreover, we announced in the Federal Gazette on 19 November 2019 that a shareholder had also brought a contesting action before the Hamburg Regional Court against the resolutions adopted at the Extraordinary General Meeting of Lotto24 AG on 27 September 2019 regarding agenda item no. 4 (confirmation resolution on the resolution regarding agenda item 6 – dismissal of Prof. Willi Berchtold as a member of the Supervisory Board – of the Annual General Meeting on 4 June 2019) and No. 5 (ratification resolution regarding the resolution on agenda item 7 – election of a new member of the Supervisory Board – of the Annual General Meeting on 4 June 2019).

In the meantime, however, the two contesting actions against the resolutions of the Annual General Meetings of 4 June 2019 and 27 September 2019 have been declared settled by the plaintiffs or terminated by withdrawal of the action. The corresponding publication in the Federal Gazette was made on 27 February 2020. We have agreed to the declaration of settlement without assuming the cost burden. No agreements have been made in connection with the withdrawal of the action and the declaration of settlement, and no performance has been rendered by the Company or by third parties attributable to it.

The conciliation hearing originally scheduled for 20 February 2020, and the main hearing immediately following it, has thus been cancelled.

Impacts of the Corona Crisis

Due to the ongoing changes in general conditions following the coronavirus developments, we cannot conclusively assess the effects on Lotto24. On the one hand, the significantly reduced consumer behaviour could also have an indirect negative impact on e-commerce services – a closure of shops, such as lottery retailer outlets, could lead to a reduction of lottery sales and thus to decreasing, less attractive jackpot levels. On the other hand, the restrictions on public life and the significant increase in the amount of time spent at home could also lead to a growth in online sales, especially for e-commerce business models such as online lottery brokerage. Since our internal processes can also be handled essentially without problems from home, we consider ourselves well positioned in these times to continue to offer our customers the best possible online lottery service and, within the scope of our possibilities, help to limit the effects of this crisis to protect our employees and the community.

Hamburg, 24 March 2020

The Management Board

INDEPENDENT AUDITOR'S REPORT

To Lotto24 AG

REPORT ON THE AUDIT OF THE INDIVIDUAL FINANCIAL STATEMENTS PURSUANT TO SEC. 325 (2A) HGB AND OF THE MANAGEMENT REPORT

Opinions

We have audited the individual financial statements of Lotto24 AG, Hamburg, pursuant to Sec. 325 (2a) HGB ('Handelsgesetzbuch': German Commercial Code), which comprise the statement of comprehensive income for the fiscal year from 1 January to 31 December 2019, the statement of financial position as at 31 December 2019, the statement of cash flows for the fiscal year from 1 January to 31 December 2019 and the statement of changes in equity, and notes to the financial statements, including a summary of significant accounting policies. In addition, we have audited the management report of Lotto24 AG for the fiscal year from 1 January to 31 December 2019. In accordance with the German legal requirements, we have not audited the content of the Corporate Governance Statement which is published on the website stated in the management report and is part of the management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying individual financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 325 (2a) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2019 and of its financial performance for the fiscal year from 1 January to 31 December 2019, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the individual financial statements pursuant to Sec. 325 (2a) HGB, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the statement on corporate governance referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the individual financial statements pursuant to Sec. 325 (2a) HGB and of the management report.

Basis for the opinions

We conducted our audit of the individual financial statements pursuant to Sec. 325 (2a) HGB and of the management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as 'EU Audit Regulation') and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Our responsibilities under those requirements and principles are further described in the 'Auditor's responsibilities for the audit of the individual financial statements pursuant to Sec. 325 (2a) HGB and of the management report' section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the individual financial statements pursuant to Sec. 325 (2a) HGB and on the management report.

Key audit matters in the audit of the individual financial statements pursuant to Sec. 325 (2a) HGB

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the individual financial statements pursuant to Sec. 325 (2a) HGB for the fiscal year from 1 January to 31 December 2019. These matters were addressed in the context of our audit of the individual financial statements pursuant to Sec. 325 (2a) HGB as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1) TESTING OF GOODWILL

Reasons why the matter was determined to be a key audit matter

Goodwill is presented in the individual financial statements of Lotto24 AG pursuant to Sec. 325 (2a) HGB.

The Company tests goodwill for impairment annually as of 31 October of a given year to determine any potential impairment loss. Goodwill is measured using a valuation model based on the discounted cash flow method. The outcome of these valuations is highly dependent on the Management Board's estimate of future cash inflows and the discount rate used and, therefore, subject to uncertainty.

In light of the judgment exercised during valuation and the complexity of the valuation, the goodwill impairment test was a key audit matter.

Auditor's response

We assessed the measurement guidelines set forth in the internal valuation policy for conformity with the relevant IFRSs.

We analyzed the corporate planning by comparing it with the results actually achieved in the past and the current development of business figures. We tested the plausibility of the significant assumptions underlying the business growth and business performance forecasts through detailed discussions with the Management Board of Lotto24 AG and assessed their adequacy on this basis.

The adequacy of other significant valuation assumptions, such as the discount and growth rates, was analyzed with the support of internal valuation specialists on the basis of an analysis of market indicators. As even minor changes in the discount rate can have a significant effect on the fair value, we obtained an understanding of the inputs used to determine the discount rate by comparing them with our own market information. With the aid of sensitivity analyses, we assessed impairment risks arising when significant valuation assumptions change. We also checked the clerical accuracy of the valuation models.

Our procedures did not lead to any reservations relating to the determination of the fair value.

Reference to related disclosures

With regard to the recognition and measurement policies applied, we refer to the Company's disclosures in the notes to the financial statements in section '2.1 Significant accounting policies' under '2.1.4 Estimates and assumptions,' in section '2.1 Significant accounting policies' under '2.1.7 Impairment and write-backs of non-current non-financial assets' and in section '15 Goodwill.'

2) REVENUE RECOGNITION FOR COMMISSIONS FOR BROKERING AND TRANSMITTING LOTTERY TICKETS AND STAKES TO THE STATE LOTTERY COMPANIES

Reasons why the matter was determined to be a key audit matter

In the individual financial statements of Lotto24 AG pursuant to Sec. 325 (2a) HGB, revenue is recognized from commissions received by Lotto24 AG for brokering and transmitting lottery tickets and stakes to the state lottery companies and from the additional charges paid by customers less cash discounts, customer bonuses and rebates. In view of the different contractual arrangements relating to staggering of commission amounts, cash discounts, customer bonuses and rebates, we consider the recognition of revenue from commissions to be complex.

Revenue recognition is material to the individual financial statements pursuant to Sec. 325 (2a) HGB as of 31 December 2019. In light of the materiality and complexity, we consider revenue recognition to be a key audit matter.

Auditor's response

During our audit we obtained an understanding of the process implemented by the Management Board of Lotto24AG for revenue recognition and the deferral of expected cash discounts, customer bonuses and rebates by reference to individual transactions from the receipt of the order to recognition in the individual financial statements pursuant to Sec. 325 (2a) HGB and tested the controls in place in this process. In addition, we tested on a sample basis whether the amount of the contractually agreed staggered commissions was recognized in revenue on an accrual basis. We examined whether the revenue items for fiscal year 2019 correlate with the corresponding trade receivables to identify any irregularities in the development of revenue. We also analyzed the correlation of revenue in fiscal year 2019 with the related transaction volume, with reference to the development of the jackpot, to identify any irregularities.

Our procedures did not lead to any reservations relating to the recognition of revenue from commissions for brokering and transmitting lottery tickets and stakes to the state lottery companies.

Reference to related disclosures

With regard to the recognition and measurement policies applied, we refer to the Company's disclosures in the notes to the financial statements in section '2.1 Significant accounting policies' under '2.1.14 Revenue' and in section '5 Revenue.'

3) ACCOUNTING FOR DEFERRED TAX ASSETS

Reasons why the matter was determined to be a key audit matter

As of 31 December 2019, there are differences between the IFRS accounts and the tax base of Lotto24 AG arising due to different measurements of goodwill based on different useful lives. Deferred tax liabilities are recognized for these differences. In addition, deferred tax assets are recognized for tax loss carryforwards as the Company is expecting to generate taxable income in a planning horizon of five years from fiscal year 2020 against which unused tax losses could be offset, allowing for minimum taxation. In determining deferred taxes, the Management Board of Lotto24 AG have to exercise considerable judgment in assessing tax matters, estimating tax risks and in planning tax profits or losses.

In light of its materiality, complexity and the Management Board's use of judgment in making assumptions, we consider the determination of recognized deferred tax assets to be a key audit matter.

Auditor's response

As part of our audit, we analyzed the process implemented by Lotto24 AG's Management Board and the recognition and measurement policies applied to determine deferred income taxes and obtained an understanding of the process steps and the internal controls in place.

We assessed whether the measurement guidelines set forth in the internal valuation policy were consistent with the relevant IFRSs and assessed their implementation by the Management Board of Lotto24 AG.

To examine the tax assessment of the underlying matters by the Management Board of Lotto24 AG we consulted our internal tax experts. In so doing, we also considered the correspondence with the competent tax authorities and the current status of pending appeal proceedings and court cases. We examined the adequacy of the significant valuation assumptions applied to determine deferred taxes on the basis of our knowledge and experience of how the authorities and courts currently apply the relevant legal provisions. We analyzed the underlying corporate planning by comparing it with the results actually achieved in the past and the current development of business figures. We tested the plausibility of the significant assumptions underlying the business growth and business performance forecasts through detailed discussions with the Management Board of Lotto24 AG and assessed their adequacy on this basis.

We also checked the disclosures about deferred income taxes in Lotto24 AG's notes to the financial statements.

Our procedures did not lead to any reservations relating to the accounting for deferred income taxes.

Reference to related disclosures

With regard to the recognition and measurement policies applied, we refer to the Company's disclosures in the notes to the financial statements in section '2.1 Significant accounting policies' under '2.1.4 Estimates and assumptions,' in section '2.1 Significant accounting policies' under '2.1.13 Income taxes' and in section '11 Income taxes.'

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board. In all other respects, the Management Board are responsible for the other information. The other information comprises the Corporate Governance Statement pursuant to Sec. 289f HGB which is published on the website stated in the management report and is part of the management report and the following information obtained on or before the date of this auditor's report

- in the 'Responsibility Statement' section in the Annual Report 2019
- in the 'Corporate Governance Report' section of the Annual Report 2019

and in the other sections of the Annual Report 2019, except for the individual financial statements pursuant to Sec. 325 (2a) HGB, the management report and our related auditor's report.

Our opinions on the individual financial statements pursuant to Sec. 325 (2a) HGB and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the individual financial statements pursuant to Sec. 325 (2a) HGB, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Management Board and the Supervisory Board for the individual financial statements pursuant to Sec. 325 (2a) HGB and the management report

The Management Board are responsible for the preparation of the individual financial statements pursuant to Sec. 325 (2a) HGB that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 325 (2a) HGB, and that the individual financial statements pursuant to Sec. 325 (2a) HGB, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Company. In addition, the Management Board are responsible for such internal control as they have determined necessary to enable the preparation of individual financial statements pursuant to Sec. 325 (2a) HGB that are free from material misstatement, whether due to fraud or error.

In preparing the individual financial statements pursuant to Sec. 325 (2a) HGB, the Management Board are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Company or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Management Board are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the individual financial statements pursuant to Sec. 325 (2a) HGB, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the Management Board are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the individual financial statements pursuant to Sec. 325 (2a) HGB and of the management report.

Auditor's responsibilities for the audit of the individual financial statements pursuant to Sec. 325 (2a) HGB and of the management report

Our objectives are to obtain reasonable assurance about whether the individual financial statements pursuant to Sec. 325 (2a) HGB as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the individual financial statements pursuant to Sec. 325 (2a) HGB and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the individual financial statements pursuant to Sec. 325 (2a) HGB and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these individual financial statements pursuant to Sec. 325 (2a) HGB and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the individual financial statements pursuant to Sec. 325 (2a) HGB and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the individual financial statements pursuant to Sec. 325 (2a) HGB and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the Management Board and the reasonableness of estimates made by the Management Board and related disclosures.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the individual financial statements pursuant to Sec. 325 (2a) HGB and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the individual financial statements pursuant to Sec. 325 (2a) HGB, including the disclosures, and whether the individual financial statements pursuant to Sec. 325 (2a) HGB present the underlying transactions and events in a manner that the individual financial statements pursuant to Sec. 325 (2a) HGB give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 325 (2a) HGB.
- Evaluate the consistency of the management report with the individual financial statements pursuant to Sec. 325 (2a) HGB, its conformity with (German) law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the Management Board in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Management Board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the individual financial statements pursuant to Sec. 325 (2a) HGB of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as auditor by the Annual General Meeting on 4 June 2019. We were engaged by the Supervisory Board on 4 December 2019. We have been the auditor of Lotto24 AG without interruption since fiscal year 2012.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Supervisory Board pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Jan Brorhilker.

Hamburg, 24 March 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Brorhilker
Auditor

Hauschildt
Auditor

RESPONSIBILITY STATEMENT

'To the best of our knowledge, and in accordance with the applicable reporting principles, the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the 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, 24 March 2020

The Management Board



Jonas Mattsson
Chief Financial Officer



Carsten Muth
Member of the Management Board

KEY FIGURES

| in € thousand | 2019 | Q. IV 2019 | Q. III 2019 | Q. II 2019 | Q. I 2019 | 2018 | Q. IV 2018 |
|--|-----------------|-----------------|----------------|----------------|----------------|-----------------|----------------|
| Billings | 366,491 | 125,975 | 83,390 | 81,249 | 75,877 | 321,832 | 85,937 |
| Stakes to be remitted (less revenue) | (322,393) | (109,414) | (73,855) | (71,863) | (67,261) | (283,543) | (75,752) |
| Revenue | 44,098 | 16,561 | 9,535 | 9,386 | 8,616 | 38,289 | 10,185 |
| Other operating income | 140 | 87 | 12 | 15 | 26 | 246 | 21 |
| Total performance | 44,238 | 16,648 | 9,547 | 9,401 | 8,642 | 38,535 | 10,206 |
| Personnel expenses | (8,640) | (2,710) | (1,565) | (2,202) | (2,163) | (9,048) | (2,705) |
| Impairment loss for financial assets ¹ | (581) | (118) | (175) | (108) | (180) | (599) | (164) |
| Other operating expenses | (28,401) | (11,877) | (5,982) | (5,534) | (5,008) | (25,038) | (6,532) |
| Result from operating activities (adjusted EBITDA) | 6,616 | 1,943 | 1,825 | 1,557 | 1,291 | 3,850 | 805 |
| Amortisation/depreciation on intangible assets and property, plant and equipment | (1,522) | (371) | (354) | (402) | (395) | (1,202) | (322) |
| Non-recurring income | 4,162 | 4,162 | - | - | - | - | - |
| Non-recurring expenses | (5,277) | (4,532) | (175) | (570) | - | - | - |
| Result from operating activities (EBIT) | 3,979 | 1,202 | 1,296 | 585 | 896 | 2,648 | 483 |
| Revenue from financial activities | - | - | - | - | - | - | - |
| Expenses from financial activities | (137) | (38) | (34) | (32) | (33) | (118) | (13) |
| Financial result | (137) | (38) | (34) | (32) | (33) | (118) | (13) |
| Net profit before taxes | 3,842 | 1,164 | 1,262 | 553 | 863 | 2,529 | 470 |
| Income taxes | 1,120 | 397 | 581 | 28 | 114 | 5,168 | (601) |
| Net profit | 4,962 | 1,561 | 1,843 | 581 | 977 | 7,697 | (130) |
| Breakdown of other operating expenses | | | | | | | |
| Marketing expenses | (12,607) | (4,561) | (2,603) | (3,113) | (2,330) | (15,423) | (3,455) |
| Direct operating expenses | (6,417) | (4,421) | (681) | (683) | (632) | (3,015) | (756) |
| Indirect operating expenses | (9,377) | (2,895) | (2,698) | (1,738) | (2,045) | (6,599) | (2,320) |
| Other operating expenses | (28,401) | (11,877) | (5,982) | (5,534) | (5,008) | (25,038) | (6,532) |

FINANCIAL CALENDAR

| | |
|-----------------------|---|
| 16 June 2020 | Annual General Meeting 2020 |
| 13 August 2020 | Half-yearly financial report as of 30 June 2020 |

PHOTOGRAPHY

p. 2: Marc Hohner, marchohner.de

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