

LOTTO 24

Quarterly statement **01.01.–30.09.2017**

MAINTAINING OUR GROWTH TRAJECTORY

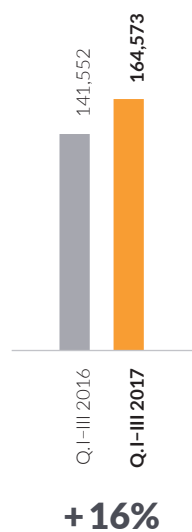
REGISTERED CUSTOMERS

in thousand
(accumulated, 30.09.)



BILLINGS

in EUR thousand



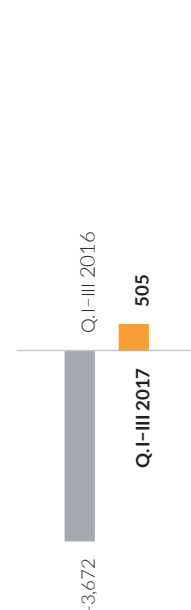
REVENUES

in EUR thousand

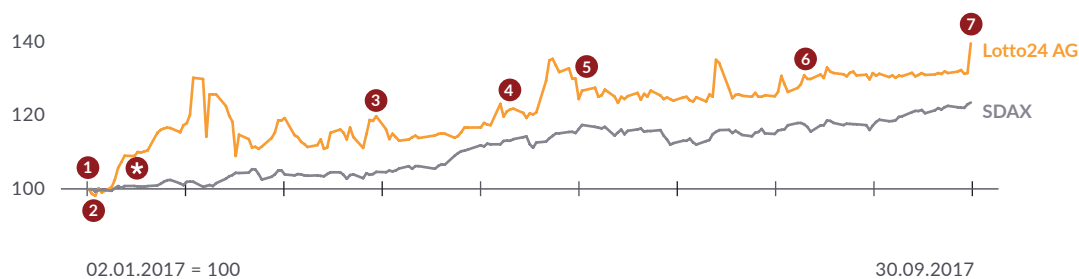


EBIT

in EUR thousand



PERFORMANCE OF THE LOTTO24 SHARE



Opening price
9,638.21 points (SDAX)
EUR 7.70 (Lotto24 AG)

Closing price
11,909.93 points (SDAX)
EUR 10.78 (Lotto24 AG)

- ① 02.01. Opening price ② 04.01. Lowest price ③ 30.03. Publication of Annual Report 2016
- ④ 10.05. Publication Q. I 2017 ⑤ 30.05. Annual General Meeting ⑥ 09.08. Publication Q. II 2017
- ⑦ 29.09. Highest price and closing price * Ad-hoc news

KEY FIGURES OF LOTTO24 AG

in EUR thousand

	Q. I–III 2017	Q. I–III 2016
Revenues	18,764	15,614
EBIT	505	-3,672
Net profit for the period	1,322	-1,345
Cash flow from operating activities	488	-1,141
Equity as of 30 September 2017 and 31 December 2016	23,418	22,091
Employees as of 30 September (FTE) ¹⁾	88	76

¹⁾ Not including members of the Executive Board and student helpers.

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

SHAREHOLDER SERVICE

WKN	LTT024
ISIN ²⁾	DE000LTT0243
Ticker symbol	LO24
Reuters code	LO24G.DE
Bloomberg code	LO24:GR
Stock exchange	Frankfurt
Market segment	Regulated Market, Prime Standard
Designated sponsor	ODDO SEYDLER BANK AG

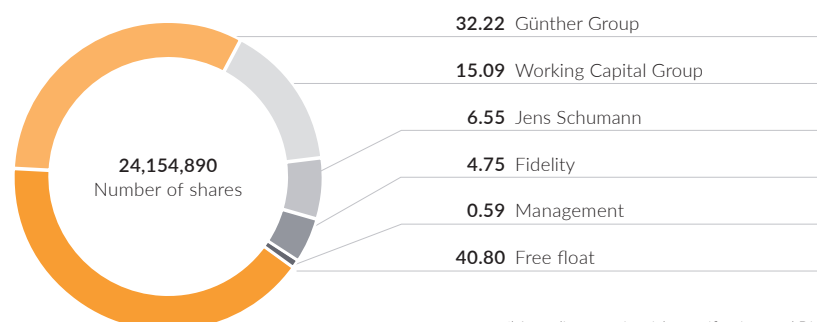
²⁾ International Securities Identification Number

KEY SHARE FIGURES

	Q. I–III 2017	Q. I–III 2016
Number of shares on reporting day	24,154,890	24,154,890
Highest price (EUR)	10.45	5.53
Lowest price (EUR)	7.56	4.05
Share price on reporting day (EUR)	10.78	5.40
Market capitalisation on reporting day (EUR million)	260.4	130.4
Average daily trading volume (Xetra)	23,619	14,314
Earnings per share (EUR)	0.05	-0.06

SHAREHOLDER STRUCTURE ¹⁾

in %



¹⁾ According to voting rights notifications and Directors' Dealings disclosures received up to 7 November 2017

01 |

FOREWORD

LADIES AND GENTLEMEN,

We achieved further profitable growth in the first nine months of 2017 – despite the exceptionally weak jackpot trend in the third quarter and consistently strong competition: billings of EUR 164.6 million were up 16.3% on the previous year (EUR 141.6 million), while revenues grew by 20.2% to EUR 18.8 million (prior year: EUR 15.6 million). Compared to the same period last year – in which the jackpot trend for both »Lotto 6aus49« and »EuroJackpot« was particularly strong – billings and revenues in the third quarter of 2017 fell by 9.2% to EUR 51.8 million (prior year: EUR 57.0 million) and by 9.3% to EUR 5.8 million (prior year: EUR 6.4 million), respectively. Our gross margin of 11.4% for the first nine months of 2017 was once again above the prior-year figure (11.0%) – due in part to the fact that the higher-margin lotto clubs were only launched in February 2016. The third quarter contributed towards this growth with a stable gross margin of 11.2% (prior year: 11.2%).

With 216 thousand new customers in the first nine months of 2017 (prior year: 286 thousand) – of which only 55 thousand in the third quarter due to the weak jackpot trend (prior year: 111 thousand) – the total number of customers registered with Lotto24 grew by 28.0% to 1,497 thousand (prior year: 1,169 thousand). Thanks to efficient marketing measures – which we tailor to the prevailing jackpot trend – we were able to reduce cost per lead (CPL) to EUR 26.63 in the first nine months of 2017 (prior year: EUR 27.24). In the third quarter, CPL rose to EUR 30.97 (prior year: EUR 24.90).

The encouraging revenue trend and lower marketing expenses of EUR 5.8 million (prior year: EUR 7.8 million) had a particularly positive impact on EBIT and net profit: in the first nine months of 2017, EBIT amounted to EUR 0.5 million (prior year: EUR -3.7 million) while net profit reached EUR 1.3 million (prior year: EUR -1.3 million).

We also continue to make further progress with regard to products: in addition to continuously optimising our customer service and user-friendliness, we rolled out a new product on Lotto24.de in November 2017 – »Deutsche Weihnachtslotterie« (the German Christmas Lottery). This social lottery operated by the German »Navidad Foundation« and based on the concept of the Spanish Christmas lottery »El Gordo« is a ticket number lottery with a main prize per winner of EUR 300,000 and a relatively high win probability of 1:99,500. The draw for »Deutsche Weihnachtslotterie« will be held on 26 December as part of a live TV show.

For the full year 2017, we still plan to extend our market leadership as an online provider of state-licensed lotteries and to continue our sustainable growth strategy. However, given the exceptionally weak jackpot trend in the third quarter of 2017, the previous billings guidance for 2017 could only be achieved with the aid of high jackpots in the fourth quarter of 2017. We therefore now expect an increase in billings for the full year of 10% to 15% (previously: 15% to 20%) with a consistently stable gross margin. Based on the unchanged assumption of significantly reduced marketing expenses and much lower new customer figures, we currently expect CPL to be on a par with the prior-year level (previously: higher than in the previous year). Depending on external conditions – in particular the jackpot trend – and marketing spend to attract new customers, we continue to assume that EBIT will exceed break-even slightly and that net profit will be clearly above break-even.

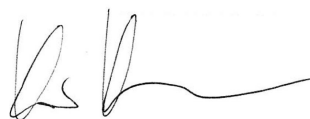
Hamburg, 7 November 2017



Petra von Strombeck
Chief Executive Officer



Magnus von Zitzewitz
Member of the Executive Board



Kai Hannemann
Member of the Executive Board

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DEVELOPMENT OF BUSINESS AND MATERIAL EVENTS IN THE REPORTING PERIOD

BUSINESS AND ECONOMIC CONDITIONS

COMPELLING BUSINESS MODEL

Lotto24 AG is Germany's leading online provider of state-licensed lotteries (Lotto24.de) and is attractively positioned in the value chain of the lottery business: 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.

We offer our customers the possibility to participate in such state-licensed lottery products as »Lotto 6aus49«, »Spiel 77«, »Super 6«, »EuroJackpot«, »DuoLotto«, »GlücksSpirale«, »Keno«, »Plus 5«, lotto clubs and »Deutsche Fernsehlotterie«. On behalf of and in the name of our customers, we enter into gaming agreements with the respective lottery operator.

Following our foundation in 2010 and IPO in 2012 on the Frankfurt Stock Exchange (Prime Standard), we are now the market leader. As a fast-growing company with a strong service and customer orientation, we aim to provide our customers with the most convenient, secure and modern game experience possible – both online and mobile.

CORPORATE MANAGEMENT

Management and control

Lotto24 AG is headed by Petra von Strombeck (CEO), Magnus von Zitzewitz (Executive Board member) and Kai Hannemann (Executive Board member).

Ms von Strombeck is responsible for Corporate Strategy and Development, Marketing, Sales, the B2C (Business-to-Customer) and B2B (Business-to-Business) business fields, as well as Investor Relations, Human Resources and Organisation. Mr von Zitzewitz heads the divisions Legal Affairs and Regulation, Finance, Accounts, Taxes, Controlling, Compliance, Risk Management and Communication. Mr Hannemann is in charge of IT Strategy, IT Systems, IT Processes and IT Operation, as well as Process and Innovation Management, and the B2G (Business-to-Government) business field.

Lotto24 takes on first apprentices

In August 2017, four new apprentices began their professional lives at Lotto24: this is the first time that we have offered such a vocational training programme (IT Specialist with a Major in Systems Integration and Application Development). We aim to be able to meet our future needs for skilled staff in part via our systematic youth training programme.

Staff survey

Our annual staff survey in September 2017 once again achieved a high response rate of 81% (prior year: 90%). In addition to many other positive results, we are delighted that 95% of our employees (prior year: 97%) would recommend Lotto24 AG as an employer.

EMPLOYEES

	30.09.2017	30.09.2016
Marketing	35	32
IT	35	28
Corporate Services	18	16
Total ¹⁾	88	76
Number of student helpers, mostly in the call centre	7	9

¹⁾ Full-time equivalents: not including members of the Executive Board and student helpers, rounded according to department

ECONOMIC REPORT

LEGAL AND POLITICAL CONDITIONS

Brokerage permit until 30 June 2021

With a decision dated 26 July 2017, the Ministry of the Interior for Lower Saxony granted us an extension permit to broker lotteries via the Internet until 30 June 2021, the day on which the current State Treaty on Games of Chance (»Glücksspielstaatsvertrag« – GlüStV) expires. The restrictions and ancillary provisions it contains are largely unchanged from the previously valid restrictions – with the exception of discount schemes.

Apart from the legal conditions already described in detail in the Annual Report 2016 as well as in the Half-yearly Financial Report 2017, there were no new developments during the reporting period.

ECONOMIC CONDITIONS

We reported extensively on the economic conditions, the development of the overall lottery market and its online segment in the Annual Report 2016 as well as in the Half-yearly Financial Report 2017. Moreover, as the German Association of State Lottery Companies (»Deutscher Lotto- und Totoblock«) only provides information on market figures for the online segment once at the beginning of each fiscal year, we did not receive any new information on this matter during the reporting period.

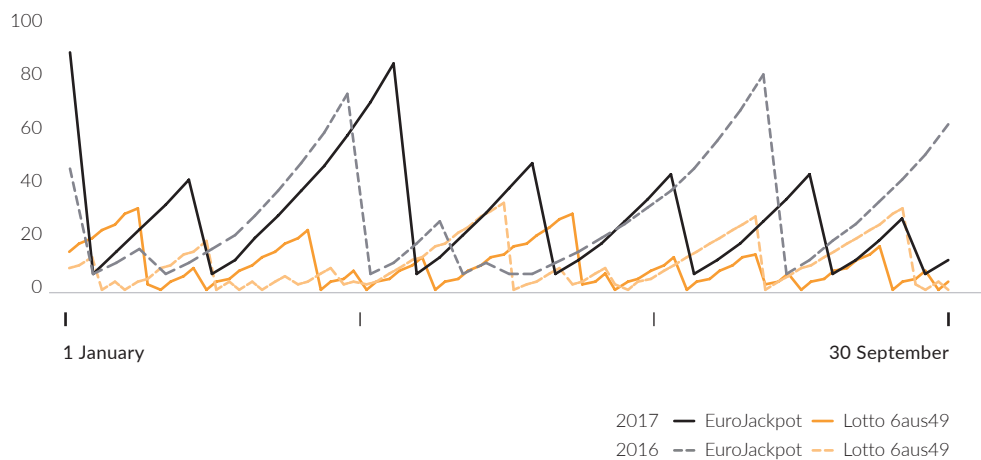
Jackpot situation

We expect particularly strong increases in the number of registered customers and the activity rate 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 the German »6aus49« lottery, this relates in particular to the combination of six correct numbers and the super number.

As in the previous year, the German lottery »Lotto 6aus49« reported three jackpots of over EUR 20 million in the first nine months of 2017 – although none in the third quarter (prior year: two in the third quarter) – with two guaranteed jackpot payouts after the 13th draw (prior year: two). However, the significance of large »Lotto 6aus49« jackpots is steadily declining in view of the much higher jackpots of the European lottery »EuroJackpot«. The latter reached EUR 90 and EUR 86 million once in the first nine months of 2017 (none of which fell in the third quarter of 2017) and thus performed worse than in the prior-year period, during which it exceeded the EUR 75 million mark three times with jackpots of EUR 75, 82 and 76 million (the last two in the third quarter of 2016).

JACKPOT DEVELOPMENT

in EUR million



POSITION

Unless stated otherwise, all key performance indicators (KPIs) are disclosed in thousands of Euros, which may lead to rounding differences in certain cases.

INCOME STATEMENT

in EUR thousand	Q. I-III 2017	Q. I-III 2016	Change %	Q. III 2017	Q. III 2016	Change %
Billings	164,573	141,552	16.3	51,801	57,043	-9.2
Stakes to be remitted (less revenues)	-145,809	-125,938	15.8	-46,010	-50,657	-9.2
Revenues	18,764	15,614	20.2	5,791	6,386	-9.3
Personnel expenses	-6,959	-5,896	18.0	-2,082	-1,892	10.1
Other operating expenses	-10,538	-12,576	-16.2	-3,319	-4,388	-24.4
less other operating income	21	41	-49.0	5	1	375.0
Operating expenses	-17,476	-18,431	-5.2	-5,397	-6,279	-14.0
EBITDA	1,288	-2,817	-145.7	394	108	266.0
Amortisation and depreciation	-783	-855	-8.4	-241	-333	-27.5
EBIT	505	-3,672	-113.7	153	-225	-167.8
Financial result	-242	-189	27.6	-65	-89	-26.6
Earnings before taxes	263	-3,862	-106.8	88	-314	-127.9
Income taxes	1,059	2,517	-57.9	626	379	65.2
Net profit	1,322	-1,345	198.3	713	64	1,006.6

Breakdown of other operating expenses

Marketing expenses	-5,758	-7,798	-26.2	-1,712	-2,773	-38.3
Direct operating expenses	-1,924	-1,785	7.8	-617	-691	-10.8
Indirect operating expenses	-2,857	-2,993	-4.5	-991	-924	7.2
Other operating expenses	-10,538	-12,576	-16.2	-3,319	-4,388	-24.4

KEY FIGURES

	Q. I-III 2017	Q. I-III 2016
Number of registered customers as of 30 September (in thousand)	1,497	1,169
Number of new customer registrations in Q. I-III (in thousand)	216	286
Average number of registered customers (in thousand) ¹⁾	–	–
Average number of active customers (in thousand) ¹⁾	–	–
Average activity rate (%) ¹⁾	–	–
Average billings per active customer (in EUR) ¹⁾	–	–
Cost per lead (CPL, in EUR)	26.63	27.24
Gross margin (%)	11.4	11.0
Direct operating expenses as a proportion of billings (%)	1.2	1.3
Number of employees as of 30 September ²⁾	88	76

¹⁾ Figures only disclosed on annual basis

²⁾ Full-time equivalents, not including members of the Executive Board and student helpers

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

Average number of registered customers: the arithmetic mean of the month-end figures for registered customers in the period under review.

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

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

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

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

Further growth

We achieved further profitable growth in the first nine months of 2017 – despite the exceptionally weak jackpot trend in the third quarter and consistently strong competition: billings of EUR 164,573 thousand were up 16.3% on the previous year (EUR 141,552 thousand), while revenues grew by 20.2% to EUR 18,764 thousand (prior year: EUR 15,614 thousand). Compared to the same period last year – in which the jackpot trend for both »Lotto 6aus49« and »EuroJackpot« was particularly strong – billings and revenues in the third quarter of 2017 fell by 9.2% to EUR 51,801 thousand (prior year: EUR 57,043 thousand) and by 9.3% to EUR 5,791 thousand (prior year: EUR 6,386 thousand), respectively.

Revenues resulted mainly from

- commissions received from lottery companies for the brokerage of lottery products,
- additional fees and ticket fees incurred in connection with the brokerage of stakes.

We offer IT and marketing services to major online portals for the operation of their own online lottery services (B2B and business services). In 2012, we already recruited two major partners as multipliers for these integrated services with WEB.de and GMX.net. The billings from these cooperations and the corresponding revenues are included in our figures, but not disclosed separately for contractual reasons.

Customers generated via these partners are also not included in the »Number of registered customers«. This must be considered when assessing the respective figures.

Our gross margin of 11.4% for the first nine months of 2017 was once again above the prior-year figure (11.0%) – due in part to the fact that the higher-margin lotto clubs were only launched in February 2016. The third quarter contributed towards this growth with a stable gross margin of 11.2% (prior year: 11.2%).

With 216 thousand new customers in the first nine months of 2017 (prior year: 286 thousand) – of which only 55 thousand in the third quarter due to the weak jackpot trend (prior year: 111 thousand) – the total number of our registered customers grew by 28.0% to 1,497 thousand (prior year: 1,169 thousand). Thanks to efficient marketing measures – which we tailor to the prevailing jackpot trend – we were able to reduce cost per lead (CPL) to EUR 26.63 in the first nine months of 2017 (prior year: EUR 27.24). In the third quarter, CPL rose to EUR 30.97 (prior year: EUR 24.90). Depending on the jackpot situation, the size of our marketing expenses and the behaviour of our competitors, CPL will continue to fluctuate on a quarterly basis in future.

Positive key earnings figures

The encouraging revenue trend and reduction in marketing expenses from EUR 7,798 thousand to EUR 5,758 thousand had a particularly positive impact on EBIT and net profit: in the first nine months of 2017, EBIT amounted to EUR 505 thousand (prior year: EUR -3,672 thousand), while net profit reached EUR 1,322 thousand (prior year: EUR -1,345 thousand).

Whereas there was a tax expense of EUR 867 thousand in the first quarter of 2017 due to a negative result following a technical tax effect, we posted tax income of EUR 626 thousand in the third quarter of 2017 due to the positive result. According to IAS 34, income taxes in each interim reporting period are to be recognised based on the best estimate of the weighted average annual income tax rate expected for the year as a whole. In the fourth quarter, there will therefore also be a corresponding tax income in the case of a positive result.

The financial result of EUR -242 thousand (prior year: EUR -189 thousand) includes financial income from interest received on investing liquid funds not immediately required as well as interest paid on loans taken out.

Earnings per share amounted to EUR 0.05 (prior year: EUR -0.06).

Development of key income statement items

Excluding the three Executive Board members, at the end of the reporting period on 30 September 2017, Lotto24 AG had 88 employees (full-time equivalents, prior year: 76). 40% (prior year: 42%) of employees and 7 student helpers (prior year: 9) were employed in marketing (including customer service). In customer service in particular, we are now focusing more on recruiting salaried employees in order to ensure more stability and continuity for our excellent service. 40% of our employees were also employed in the IT department (prior year: 37%). Personnel expenses rose to EUR -6,959 thousand (prior year: EUR -5,896 thousand). This was mainly due to higher expenses for the long-term remuneration programmes of Executive Board members amounting to EUR -1,459 thousand (compared to EUR -830 thousand in the previous year). These consist of phantom shares pegged to share performance and KPI-based compensation (revenues and EBIT), as well as to a year-on-year increase in headcount.

Compared to the same period last year, other operating expenses fell by EUR 2,038 thousand, from EUR -12,576 thousand to EUR -10,538 thousand:

- In view of a jackpot situation for the lotteries »Lotto 6aus49« and »EuroJackpot« which was favourable in the first six months but exceptionally weak in the third quarter, marketing expenses of EUR -5,758 thousand in the first nine months of 2017 were below the prior-year figure of EUR -7,798 thousand – due in part to reduced CPL.
- As a result of the higher billings and a change in the payment method mix, direct costs of operations (mainly costs for billings-related payment transactions, as well as B2B and business services) rose to EUR -1,924 thousand (prior year: EUR -1,785 thousand). We expect that direct costs will continue to increase in future, as they develop more or less in proportion with billings.
- Indirect operating expenses fell from EUR -2,993 thousand to EUR -2,857 thousand, due in particular to the decreased use of consultancy services amounting to EUR -1,212 thousand (prior year: EUR -1,512 thousand).

Scheduled depreciation of investments in our IT infrastructure, our smartphone and tablet apps, and our acquired office and communication technology fell to EUR -783 thousand (prior year: EUR -855 thousand).

FINANCIAL POSITION

Financial analysis

Our financial situation is mainly dominated by equity and short-term liabilities with an increased proportion of long-term liabilities.

As of 30 September 2017, equity of EUR 23,418 thousand comprised the following items:

EQUITY		
in EUR thousand	30.09.2017	31.12.2016
Subscribed capital	24,155	24,155
Capital reserves	41,012	41,012
Other reserves	–	–6
Retained earnings	-41,748	-43,070
Total	23,418	22,091

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

As of 30 September 2017, trade payables comprised the following items:

TRADE PAYABLES

in EUR thousand	30.09.2017	31.12.2016
Trade payables	1,016	1,957
Total	1,016	1,957

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

As of 30 September 2017, other liabilities comprised the following items:

OTHER LIABILITIES

in EUR thousand	30.09.2017	31.12.2016
Liabilities from gaming operations	7,546	14,950
Interest-bearing loans	1,886	3,206
Amounts due in connection with taxes (VAT/payroll and church taxes)	353	347
Holiday obligations	97	140
Interest liabilities	67	102
Other	5	75
Total	9,954	18,821

As of 30 September 2017, other liabilities fell to EUR 9,954 thousand (prior year: EUR 18,821 thousand). The year-on-year decline in liabilities from gaming operations to EUR 7,546 thousand was particularly pronounced (prior year: EUR 14,950 thousand). A very large »EuroJackpot« at the end of 2016 had generated strong billings, which in turn resulted in a high level of liabilities due to the state lottery companies for tickets as well as to customers for their comparatively high winnings. This item, which is expected to increase further as billings grow, comprises obligations from invoicing our customers and the state lottery companies. It also includes small winnings which customers leave on their gaming accounts and use later.

Interest-bearing loans include current payments, due within one year, for the loan in connection with IT insourcing (EUR 1,500 thousand; prior year: EUR 3,000 thousand) and the payments due within twelve months for IT equipment at our new data centres (hire purchase agreements: EUR 386 thousand; prior year: EUR 206 thousand).

As a result of reporting date effects, there was a rise in amounts due in connection with taxes – mostly from sales activities (EUR 244 thousand; prior year: EUR 246 thousand) and payroll obligations (EUR 109 thousand; prior year: EUR 100 thousand). Holiday obligations fell to EUR 97 thousand (prior year: EUR 140 thousand). Interest obligations disclosed at the end of the reporting period (EUR 67 thousand; prior year: EUR 102 thousand) resulted from loans taken out.

Investment analysis

In the reporting period, we invested a total of EUR -715 thousand (prior year: EUR -483 thousand), mainly in software and hardware needed for operations as well as in the development of our own apps as part of our enlarged product range.

Liquidity analysis

KEY CASH FLOW ITEMS

in EUR thousand	Q. I-III 2017	Q. I-III 2016
Cash flow from operating activities	488	-1,141
Cash flow from investing activities	-711	4,170
thereof financial investments	5	4,653
thereof operative investments	-715	-483
Cash flow from financing activities	-1,476	1,688
Change in available funds	-1,698	4,717
Available funds at the beginning of the period	10,178	5,073
Available funds at the end of the period	8,480	9,791
Available funds	8,480	9,791

Due to the positive development of earnings in the first nine months of 2017, cash flow from operating activities also improved to EUR 488 thousand (prior year: EUR -1,141 thousand).

Cash flow from investing activities amounted to EUR -711 thousand (prior year: EUR 4,170 thousand), as we invested in tangible and intangible assets in the first nine months of 2017.

Cash flow from financing activities of EUR -1,476 thousand (prior year: 1,688 thousand) resulted from the partial redemption of loans.

As of 30 September 2017, other assets and prepaid expenses comprised the following items:

OTHER ASSETS AND PREPAID EXPENSES

in EUR thousand	30.09.2017	31.12.2016
Receivables from gaming operations	2,895	10,149
Deposits	930	976
Prepaid expenses	356	537
Tax receivables	3	7
Total	4,184	11,669

ASSET POSITION

Compared to 31 December 2016, total assets decreased by EUR -8,192 thousand to EUR 40,058 thousand as of 30 September 2017. This was due to a decline in receivables from gaming operations to EUR 2,895 thousand, which – similar to liabilities from gaming operations – had been particularly high on the same date last year (prior year: EUR 10,149 thousand). A very large »EuroJackpot« at the end of last year had generated strong billings, which in turn had resulted in a comparatively high level of receivables due from the state lottery companies and customers.

Current assets mainly comprised cash and cash equivalents (EUR 8,480 thousand; prior year: EUR 9,481 thousand), as well as other assets and prepaid expenses (EUR 4,184 thousand; prior year: EUR 11,669 thousand).

Non-current assets were dominated by our goodwill (EUR 18,850 thousand; unchanged from last year) and net deferred tax assets (EUR 6,485 thousand; prior year: EUR 5,429 thousand).

SUBSEQUENT EVENTS

Roll-out of »Deutsche Weihnachtslotterie«

In November 2017, we rolled out a new product on Lotto24.de – »Deutsche Weihnachtslotterie« (the German Christmas Lottery). This social lottery operated by the German »Navidad Foundation« and based on the concept of the Spanish Christmas lottery »El Gordo« is a ticket number lottery with a main prize per winner of EUR 300,000 and a relatively high win probability of 1:99,500. The beneficiaries are »Stiftung Lesen«, »Deutsche Kinder- und Jugendstiftung« and »Lukas Podolski Stiftung«. The draw for »Deutsche Weihnachtslotterie« will be held on 26 December as part of a live TV show.

Schleswig-Holstein rejects ratification of second revision of German State Treaty on Games of Chance

In its coalition agreement and in a parliamentary debate on 22 October 2017, the new black-yellow-green state government in Schleswig-Holstein refused to ratify the second revision of the German State Treaty on Games of Chance in its current form. The government now aims to reach a »viable solution compliant with EU law« for the entire gaming sector together with other state governments based on the regulations of the gaming legislation in force in Schleswig-Holstein until 2013. The government in North Rhine-Westphalia has initially suspended its ratification process due to this situation. We believe that a renegotiation of the State Treaty may be an opportunity to improve the legal conditions for lottery brokerage.

REPORT ON EXPECTED DEVELOPMENTS AND ASSOCIATED MATERIAL OPPORTUNITIES AND RISKS

OPPORTUNITIES AND RISKS

In our Annual Report 2016 and Half-yearly Financial Report 2017, we presented the main risks which might have an adverse effect on our financial position and performance as well as our reputation. In addition, we described our most important opportunities and our risk management system; there were no changes, nor new opportunities and risks during the reporting period.

FORECAST REPORT

For the full year 2017, we still plan to extend our market leadership as an online provider of state-licensed lotteries and to continue our sustainable growth strategy. However, given the exceptionally weak jackpot trend in the third quarter of 2017, the previous billings guidance for 2017 could only be achieved with the aid of high jackpots in the fourth quarter of 2017. We therefore now expect an increase in billings for the full year of 10% to 15% (previously: 15% to 20%) with a consistently stable gross margin. Based on the unchanged assumption of significantly reduced marketing expenses and much lower new customer figures, we currently expect CPL to be on a par with the prior-year level (previously: higher than in the previous year). Depending on external conditions – in particular the jackpot trend – and marketing investments to attract new customers, we continue to assume that EBIT will exceed break-even slightly and that net profit will be clearly above break-even.

Overall statement on the expected development of Lotto24 AG

We have many years of sector and management experience, an attractive range of products and services, and are well positioned as market leader in the rapidly growing online lottery market. We believe we are therefore well prepared for the future and are confident that we can not only consolidate and extend our lead as Germany's No. 1 online provider of lottery products but also benefit from the great potential of the online lottery segment.

Hamburg, 7 November 2017



Petra von Strombeck
Chief Executive Officer



Magnus von Zitzewitz
Member of the Executive Board



Kai Hannemann
Member of the Executive Board

KEY PERFORMANCE FIGURES

INCOME STATEMENT

FROM 1 JANUARY TO 30 SEPTEMBER ACCORDING TO IFRS

in EUR thousand	Q. I-III 2017	Q. I-III 2016	Q. III 2017	Q. III 2016
Billings	164,573	141,552	51,801	57,043
Remitted stakes (less revenues)	-145,809	-125,938	-46,010	-50,657
Revenues	18,764	15,614	5,791	6,386
Other operating income	21	41	5	1
Total performance	18,785	15,655	5,795	6,387
Personnel expenses	-6,959	-5,896	-2,082	-1,892
Amortisation/depreciation on intangible assets and property, plant and equipment	-783	-855	-241	-333
Other operating expenses	-10,538	-12,576	-3,319	-4,388
Result from operating activities (EBIT)	505	-3,672	153	-225
Revenues from financial activities	10	68	-	-
Expenses from financial activities	-252	-257	-65	-89
Financial result	-242	-189	-65	-89
Net profit before taxes	263	-3,862	88	-314
Income taxes	1,059	2,517	626	379
Net profit (after taxes)	1,322	-1,345	713	64
Earnings per share (undiluted and diluted, in EUR/share)	0,05	-0,06	0,03	0,00
Weighted average of ordinary shares outstanding (undiluted and diluted, in shares)	24,154,890	24,154,890	24,154,890	24,154,890

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

STATEMENT OF COMPREHENSIVE INCOME

FROM 1 JANUARY TO 30 SEPTEMBER ACCORDING TO IFRS

in EUR thousand	Q. I-III 2017	Q. I-III 2016	Q. III 2017	Q. III 2016
Net profit for the period	1,322	-1,345	713	64
Other comprehensive income to be reclassified to the income statement in subsequent periods				
Revaluation gains (+)/losses (-) from available-for-sale financial assets	9	80	-	14
Income tax effects	-3	-26	-	-5
Other comprehensive income after taxes	6	54	-	9
Total comprehensive income after taxes	1,328	-1,290	713	74

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

BALANCE SHEET

AS OF 30 SEPTEMBER ACCORDING TO IFRS

in EUR thousand	30.09.2017	31.12.2016
ASSETS		
Current assets		
Cash and cash equivalents	8,480	9,481
Other financial assets	-	697
Trade receivables	277	274
Other receivables and prepaid expenses	4,184	11,669
Current assets, total	12,941	22,121
Non-current assets		
Goodwill	18,850	18,850
Intangible assets	524	445
Property, plant and equipment	1,257	1,404
Deferred tax assets	6,485	5,429
Non-current assets, total	27,117	26,128
ASSETS	40,058	48,250
EQUITY AND LIABILITIES		
Current liabilities		
Trade payables	1,016	1,957
Other liabilities	9,954	18,821
Short-term provisions	1,716	1,599
Current liabilities, total	12,686	22,377
Non-current liabilities		
Interest-bearing financial loans	2,101	2,257
Long-term provisions	1,853	1,525
Non-current liabilities, total	3,954	3,782
Equity		
Subscribed capital	24,155	24,155
Capital reserves	41,012	41,012
Other reserves	-	-6
Retained earnings	-41,748	-43,070
Equity, total	23,418	22,091
EQUITY AND LIABILITIES	40,058	48,250

CASH FLOW STATEMENT

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

in EUR thousand	Q. I-III 2017	Q. I-III 2016
Net profit before tax	263	-3,862
Adjustments for:		
Amortisation/depreciation on non-current assets	783	855
Financial income/financial expenditure	242	189
Other non-cash expenses/income	4	14
Reclassified to cash flow from investing activities (asset disposals)	0	2
Changes in:		
Trade receivables	-3	-109
Other assets and prepaid expenses	7,485	-1,569
Trade payables	-941	16
Other liabilities	-7,513	3,418
Short-term provisions	117	-134
Long-term provisions	328	217
Interest received	10	68
Interest paid	-287	-247
Cash flow from operating activities	488	-1,141
Payments received (+)/disbursements (-) for financial instruments	5	4,653
Investments in intangible assets	-386	-423
Investments in tangible assets	-329	-62
Net losses (-)/gains (+) from asset disposals	0	2
Cash flow from investing activities	-711	4,170
Payments received (+) from taking out/disbursements for redeeming (-) financing loans	-1,476	1,688
Cash flow from financing activities	-1,476	1,688
Change in available funds	-1,698	4,717
Available funds at the beginning of the period	10,178	5,073
Available funds at the end of the period	8,480	9,791
Composition of cash, cash equivalents and securities at the end of the period	8,480	9,791
Cash	8,480	9,088
Available-for-sale financial investments (available <3 months)	-	703

STATEMENT OF CHANGES IN EQUITY

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

in EUR thousand	Subscribed capital	Capital reserves	Other reserves	Retained earnings	Total equity
As of 1 January 2016	24,155	41,012	-56	-40,748	24,362
Net profit	-	-	-	-1,345	-1,345
Other comprehensive income	-	-	54	-	54
Total comprehensive income	-	-	54	-1,345	-1,290
As of 30 September 2016	24,155	41,012	-2	-42,093	23,072
Net profit	-	-	-	-977	-977
Other comprehensive income	-	-	-4	-	-4
Total comprehensive income	-	-	-4	-977	-981
As of 31 December 2016	24,155	41,012	-6	-43,070	22,091
As of 1 January 2017	24,155	41,012	-6	-43,070	22,091
Net profit	-	-	-	1,322	1,322
Other comprehensive income	-	-	6	-	6
Total comprehensive income	-	-	6	1,322	1,328
As of 30 September 2017	24,155	41,012	-	-41,748	23,418

KEY FIGURES

in EUR thousand	Q. III 2017	Q. II 2017	Q. I 2017	Q. IV 2016	Q. III 2016
Billings	51,801	54,572	58,200	58,968	57,043
Stakes to be remitted (less revenues)	-46,010	-48,262	-51,537	-51,824	-50,657
Revenues	5,791	6,310	6,663	7,145	6,386
Other operating income	5	3	14	17	1
Total performance	5,795	6,313	6,677	7,161	6,387
Personnel expenses	-2,082	-2,270	-2,606	-2,343	-1,892
Amortisation/depreciation on intangible assets and property, plant and equipment	-241	-250	-292	-392	-333
Other operating expenses	-3,319	-3,314	-3,905	-4,675	-4,388
Result from operating activities (EBIT)	153	478	-127	-249	-225
Revenues from financial activities	-	10	-	-	-
Expenses from financial activities	-65	-83	-104	-102	-89
Financial result	-65	-73	-104	-102	-89
Net profit before taxes	88	406	-230	-351	-314
Income taxes	626	1,300	-867	-626	379
Net profit	713	1,706	-1,097	-977	64
Breakdown of other operating expenses					
Marketing expenses	-1,712	-1,759	-2,288	-3,026	-2,773
Direct operating expenses	-617	-650	-656	-678	-691
Indirect operating expenses	-991	-905	-961	-971	-924
Other operating expenses	-3,319	-3,314	-3,905	-4,675	-4,388

FINANCIAL CALENDAR

27 March 2018	Annual Report 2017
3 May 2018	Quarterly statement as of 31 March 2018
4 May 2018	Annual General Meeting
8 August 2018	Half-yearly financial report as of 30 June 2018
7 November 2018	Quarterly statement as of 30 September 2018

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