

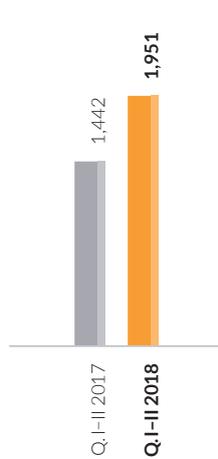


Half-yearly financial report  
01.01.-30.06.2018

# New records

## REGISTERED CUSTOMERS

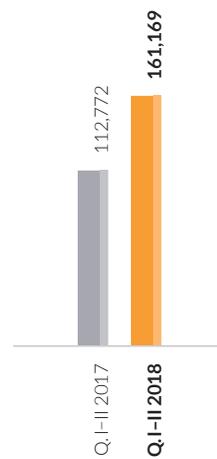
in thousand  
(accumulated, 30.06.)



+35%

## BILLINGS

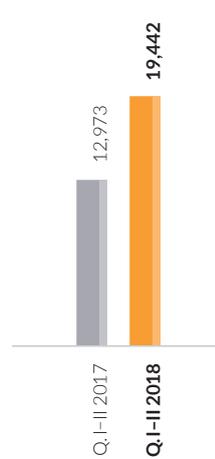
in EUR thousand



+43%

## REVENUES

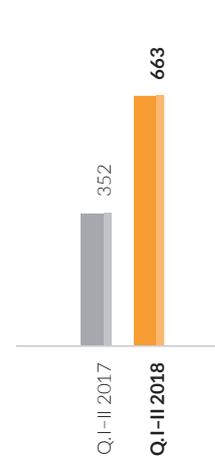
in EUR thousand



+50%

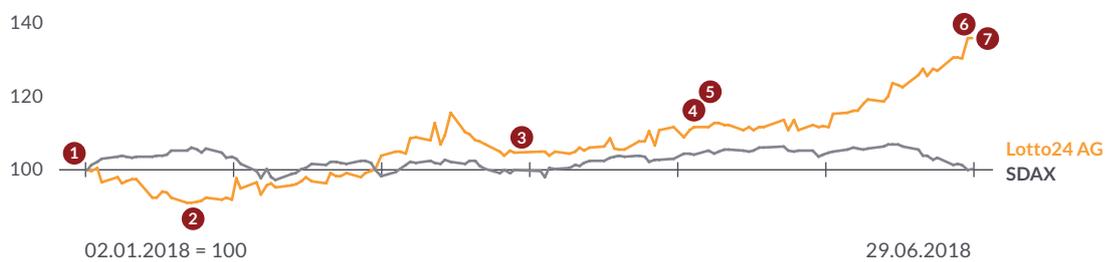
## EBIT

in EUR thousand



+88%

## PERFORMANCE OF THE LOTTO24 SHARE



**Opening price**  
11,927.82 points (SDAX)  
EUR 10.60 (Lotto24 AG)

**Closing price**  
11,949.64 points (SDAX)  
EUR 14.28 (Lotto24 AG)

- 1 02.01. Opening price
- 2 22.01. Lowest price
- 3 27.03. Publication Annual Report 2017
- 4 03.05. Publication Q.I 2018
- 5 04.05. Annual General Meeting
- 6 28.06. Highest price
- 7 29.06. Closing price

**KEY FIGURES OF LOTTO24 AG**

in EUR thousand	<b>Q. I-II 2018</b>	Q. I-II 2017
Revenues	<b>19,442</b>	12,973
EBIT	<b>663</b>	352
Net profit for the period	<b>2,301</b>	609
Cash flow from operating activities	<b>2,545</b>	654
Equity as of 30 June 2018 and 31 December 2017	<b>26,930</b>	24,629
Employees as of 30 June <sup>1)</sup>	<b>92</b>	86

<sup>1)</sup> Full-time equivalents, not including members of the Executive Board and student helpers.

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

**BASIC DATA ON THE LOTTO24 SHARE**

WKN	<b>LTT024</b>
ISIN <sup>1)</sup>	<b>DE000LTT0243</b>
Ticker symbol	<b>LO24</b>
Reuters code	<b>LO24G.DE</b>
Bloomberg code	<b>LO24:GR</b>
Stock exchange	<b>Frankfurt</b>
Market segment	<b>Regulated Market, Prime Standard</b>
Designated sponsor	<b>ODDO SEYDLER BANK AG</b>

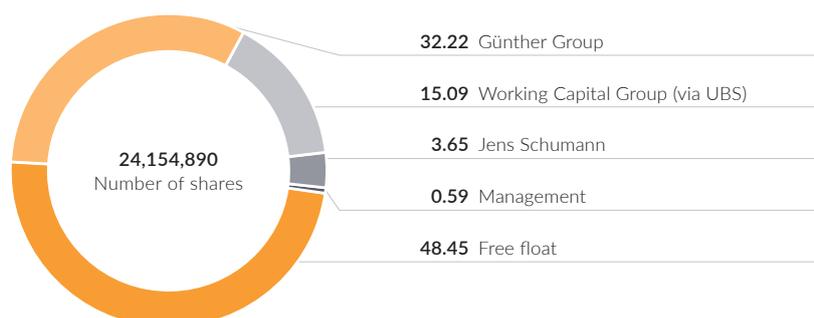
<sup>1)</sup> International Securities Identification Number

**KEY FIGURES FOR THE LOTTO24 SHARE**

	<b>Q. I-II 2018</b>	Q. I-II 2017
Number of shares on reporting day	<b>24,154,890</b>	24,154,890
Highest price (in EUR)	<b>14.30</b>	10.45
Lowest price (in EUR)	<b>9.66</b>	7.56
Share price on reporting day (in EUR)	<b>14.28</b>	9.57
Market capitalisation on reporting day (in EUR million)	<b>344.9</b>	231.2
Average daily trading volume (Xetra)	<b>6,807</b>	28,988
Earnings per share (in EUR)	<b>0.10</b>	0.03

**SHAREHOLDER STRUCTURE <sup>1)</sup>**

in %



<sup>1)</sup> According to voting rights notifications and Directors' Dealings disclosures received up to 7 August 2018

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# FOREWORD

Ladies and gentlemen,

We maintained our profitable growth trajectory in the first half of 2018 – boosted in particular by an exceptionally strong jackpot trend for the European lottery »EuroJackpot« with eight draws of EUR 90 million (prior year: one draw).

Our KPIs were especially strong in the second quarter of 2018 in which we set new records: billings rose 61.1% year on year to EUR 87.9 million (prior year: EUR 54.6 million), while revenues of EUR 10.9 million exceeded the corresponding prior-year figure by as much as 72.5% (prior year: EUR 6.3 million). Due in part to the positive trend in lotto clubs, our gross margin improved to 12.4% (prior year: 11.6%). At the same time, we gained 198 thousand new customers (prior year: 66 thousand) with a cost per lead (CPL) of EUR 25.55 (prior year: EUR 26.64).

In the first six months of 2018, we therefore generated total billings of EUR 161.2 million (prior year: EUR 112.8 million, +42.9%), revenues of EUR 19.4 million (prior year: EUR 13.0 million, +49.9%) and a gross margin of 12.1% (prior year: 11.5%). With 378 thousand new customers (prior year: 161 thousand), the total number of customers registered with Lotto24 rose by 35.3% to 1,951 thousand (prior year: 1,442 thousand) – despite consistently strong competition. Due to the jackpot-related increase in marketing activities and the test run of comparatively more expensive TV commercials in March 2018, marketing expenses in the first half of 2018 rose to EUR 9.7 million (prior year: EUR 4.0 million). CPL of EUR 25.54 for the first six months of 2018 was on a par with the previous year (prior year: EUR 25.13); at the same time, EBIT and net profit improved to EUR 0.7 million (prior year: EUR 0.4 million) and EUR 2.3 million (prior year: EUR 0.6 million), respectively.

For 2018 as a whole, we continue to expect increased marketing investments in order to extend our position as the leading online provider of state-licensed lotteries. Due to the positive development of business in the first half of 2018, we now anticipate an increase in billings of 25% to 30% (previously: 15% to 20%), strong growth in new customers (previously: a growing number of new customers) and a year-on-year increase in CPL (unchanged). We also continue to plan a slight improvement in gross margin compared to the previous year. Depending on the further progress of external conditions – especially the jackpot trend – and marketing investments to attract new customers, both EBIT and net profit are likely to remain above the break-even mark.

Hamburg, 7 August 2018



**Petra von Strombeck**  
Chief Executive Officer



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

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# INTERIM MANAGEMENT REPORT

## 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 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.

### Promising growth strategy

We want to continue growing in Germany by using targeted marketing measures to win new customers while also expanding the Lotto24 product portfolio. In addition to the lotteries already offered – and depending on the prevailing legal conditions – we plan to introduce other state-licensed games of chance in the medium term, whereby we will continue to focus on the German lottery market.

In addition, we are working on innovative product combinations of interest to our clients and adding new functions to our lottery tickets that make the gaming experience even more attractive and convenient.

Nearly all entertainment-based devices now have access to the Internet and offer apps to enable e-commerce activities – depending on how they are being used. Wherever digital distribution makes sense and users expect the possibility to play the lottery, we want to be their first choice and are therefore planning to expand our digital sales channels. We already provide our customers with solutions for their smartphones, tablets and smartwatches which we are continually developing and improving. As of April 2017, we are also represented by an Amazon application (»Alexa Skill«) for requesting the lotto numbers and latest jackpot figures via Amazon's smart speakers.

## Value-oriented corporate governance

### Management and control

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

Petra 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.

Magnus von Zitzewitz heads the divisions Legal Affairs and Regulation, Finance, Accounting, Taxes, Controlling, Compliance, Risk Management and Communication.

Until 31 January 2018, Kai Hannemann was responsible for IT Strategy, IT Systems, IT Processes and IT Operation, as well as Process and Innovation Management, and the B2G (Business-to-Government) business field. Until a successor has been appointed, the IT departments are being headed on an interim basis by Petra von Strombeck.

### Key financial indicators

The main KPIs we use to steer the Company are:

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

In addition, we monitor the efficiency of our marketing activities with the KPI **cost per lead (CPL)**.

EMPLOYEES	<b>30.06.2018</b>	30.06.2017
Marketing	35	36
IT	37	32
Corporate Services	20	18
<b>Total<sup>1)</sup></b>	<b>92</b>	<b>86</b>
Student helpers, mostly in customer service	10	8

<sup>1)</sup> Full-time equivalents, not including members of the Executive Board and student helpers.

## Research & development

In order to ensure that software is perfectly adapted to our operational processes, we develop and operate the core components of such software ourselves. This applies in particular to the online platform, which covers our entire process chain from the online registration of our customers through the purchase of lottery products to the payment and transmission of the tickets to the lottery companies.

Apart from permanent improvements to our platform and the quality and usability of our website, our development activities focused on preparations for the brokerage of our first online instant lotteries (scratch cards), planned to be launched in the third quarter of 2018.

Our own research and development costs are not capitalised.

## ECONOMIC REPORT

### Legal and political 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. However, the GlüStV still contains many important, restrictive regulations – especially with regard to online brokerage and advertising. Amongst other things, the conditions for receiving permits are highly uncertain. In addition, there is no legal claim to the granting of the respective permit, making any enforcement of rights in court much more difficult.

#### Nationwide brokerage permit

On 24 September 2012, Lotto24 AG first received the permit allowing it 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 the corresponding 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. Our entrepreneurial freedom is restricted above all by strict regulations regarding the age verification of players and the duty to divide gaming revenues among all 16 state lottery companies (regionalisation) – based on the player's place of residence. Compared to the previously valid regulations contained in the permit, the newly granted brokerage permit restricted the possibility to grant discounts. With an amendment decision dated 9 February 2018, the Ministry of the Interior for Lower Saxony granted our application for the issue of a permit pursuant to the discount restrictions which previously applied in the advertising permit. On issue of the decision, the original rebate restrictions now apply again.

With a decision dated 28 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). The permit initially applies solely to the federal states of Lower Saxony, Saxony and Hesse, where the lottery companies have also received a corresponding game 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.

#### Advertising permit

On 26 January 2017, the German authority responsible for advertising standards, the District Government of Dusseldorf, prolonged the advertising permit we received in March 2013. The prolongation was initially tied to the remaining term of the brokerage permit until 23 September 2017 and has been extended by the new brokerage permit until 12 March 2019 in accordance with the usual two-year period of validity. The advertising permit authorises us 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 Lotto24's market share.

### Legal uncertainties

In our opinion, there are still significant legal uncertainties under the current GlüStV: it has not yet been finally settled whether individual prohibitions and restrictions, or the GlüStV as a whole, are appropriate and thus legally valid. In the medium to long term, it is also uncertain which regulatory targets will be maintained and which objectives the regulatory framework in Germany will pursue. Regulation of on-line lottery brokerage in Germany is still based primarily on the hypocritical aim of preventing addiction, without considering the low risk potential of those lotteries allowed in Germany. Much more dangerous games of chance, such as gaming machines, are subject to less restrictive regulations. In the case of sports betting – which is also more dangerous in terms of the potential danger of addiction – the GlüStV plans to break up the monopoly and transfer it to a liberal concession model. There is no rational justification for the severe restrictions placed on lotteries based on the prevention of addiction. At the same time, there is an enforcement deficit with regard to illegal offerings. Providers of lottery betting not allowed in Germany can run high-reach German TV commercials and are thus continuing to grow. For the reasons stated above, we therefore regard the main regulations of the GlüStV as incoherent, unlawful, unsuitable and thus inapplicable with regard to the primacy of the fundamental freedoms under EU law.

This view was also upheld by the Administrative Court of Munich in its decision of 25 July 2017. A state monopoly whose main aims include preventing addiction risks for the population, should not at the same time extensively promote the products offered by this monopoly. Only modest advertising should be allowed, aimed solely at channelling existing interest among the population towards those games which are permitted. Excessive incentives which are likely to awake an interest in gaming are inadmissible. Compliance with this consistency requirement would result in a de facto advertising ban for the lottery products offered by the monopoly.

These ongoing inconsistent basic structures of the GlüStV – especially the licensing procedure for private sports betting providers which has still not been implemented after five years – have led to numerous legal proceedings, the majority of which have criticised the licensing procedure in their verdicts.

Germany's federal states intended to react to the criticism of the courts by issuing a second revision of the State Treaty on Games of Chance («second revision»), thereby paving the way for the granting of licenses for sports betting providers. This second revision was to come into force on 1 January 2018. In the summer of 2017, however, the newly elected government in Schleswig-Holstein decided not to ratify the second revision in order to enable a «viable solution in line with European law», which was to be based on the regulations already in force in Schleswig-Holstein between 2012 and 2013. The governments of North Rhine-Westphalia and Hesse have also called for far-reaching amendments, making a fundamental reform of Germany's gaming regulations now more likely. As a result, the second revision could not be introduced as planned and the drafting of a new compromise between all federal states has thus become even more urgent.

Sports betting reform is urgently required to provide increased legal certainty for gaming regulations and thus allow stricter enforcement with regard to offerings not permitted in Germany or illegal advertising. The latter may have positive effects for commercial gaming brokers. At present, however, we do not expect any move towards a possible reform of gaming regulation until autumn 2018 at the earliest.

### Legal disputes and regulatory proceedings

In its ruling on 22 June 2017, the Higher Administrative Court of Hamburg (OVG Hamburg) largely rejected our appeal against restrictions of the brokerage permit. Although the OVG confirmed the cancellation of a duty to check whether players were on a lotto blacklist and obliges the authorities to re-assess the requirements on age verification, it also confirmed the regionalisation duty and the legality of the Gambling Council. We continue to believe that our counter-arguments are well founded and have filed an appeal against the ruling. Although the chances of success are uncertain, we are optimistic that the Federal Administrative Court (BVerwG) will deal critically with the fundamental principles we are attacking. The BVerwG hearing will be held on 15 November 2018. We currently expect a decision by the beginning of next year.

In addition, we challenged the new advertising permit granted in January 2017 before the Administrative Court of Hamburg (VG Hamburg) due to the continued and identical restrictions it contains. Although we attempted to speed up a ruling on these new proceedings by the first instance of VG Hamburg in order to bring about an initial ruling in the second instance by the OVG Hamburg, no date has yet been set for an oral hearing. The court is possibly waiting first for a ruling by the BVerwG regarding the legal validity of the brokerage permit.

## Economic conditions

### German lottery market stagnating

Due to regulation, the German lottery market declined sharply from 2007 to 2012: according to a study by the market research company »Global Betting and Gaming Consultants, GBGC« of April 2013, the introduction of the first GlüStV 2008 caused German lottery revenues to fall by 16% between 1 August 2007 and 31 December 2012, while international lottery revenues rose by 22% over the same period (source: »Media & Entertainment Consulting Network GmbH, MECN«, »MECN Extra Research, German Lottery Market«, July 2013). After the less restrictive GlüStV came into force in July 2012, there was initially a significant surge in growth: from 2012 to 2013, total revenues of the German Association of State Lottery Companies (»Deutscher Lotto- und Totoblock, DLTB«) – comprising the products »Lotto 6aus49«, »Spiel 77«, »EuroJackpot«, »Super 6«, »Sofortlotterien«, »GlücksSpirale«, »Oddset«, »Keno«, »Bingo«, »Toto« and »Plus 5« – rose by around 10%, due primarily to a price increase for the most important product »Lotto 6aus49«. Since then, sales progress has been uneven with annual fluctuation rates of between -3.6% and 4.0% depending on the respective jackpot trend: in 2013, total revenues were EUR 7.0 billion, then reached EUR 7.3 billion before falling 3.6% to EUR 7.1 billion in 2017 (source: DLTB).

### Product portfolio of the state lottery companies 2017

As in the previous years, »Lotto 6aus49« accounted for the largest share of sales generated by the products of Germany's state lottery companies with stakes of EUR 3.7 billion in the fiscal year 2017 (prior year: EUR 3.8 billion). In second place once again was the supplementary lottery »Spiel 77« with revenues of EUR 940 million (prior year: EUR 979 million), followed by »EuroJackpot« with EUR 906 million (prior year: EUR 965 million). Other products are »Sofortlotterien«, »Super 6«, »GlücksSpirale«, »Oddset«, »Keno«, »Bingo«, »Toto«, »Plus 5« and »Sieger Chance«. The development of our revenues may be positively or negatively influenced by changes to the product portfolio of the German state lottery companies and the respective regulations for the online brokerage of these products.

### Huge potential of online segment

67.5 million adults live in Germany, of whom 22.2 million play lotto (source: »Nielsen PanelViews September 2015«). Since the beginning of 2014, we have been commissioning representative online surveys to collect all key brand performance data. Our most recent survey in January 2018 of 1,002 Internet users with an affinity for lotto once again confirmed the huge market potential of the online lottery segment: 83% of Internet users polled could imagine playing lotto online in future (prior year: 81%) and 76% had specific plans to do so (prior year: 70%). Translated to 22.2 million lotto players, this 76% represents a market potential of 16.9 million potential online lotto players. Based on total lottery revenues of around EUR 7.1 billion, this corresponds to potential online lottery revenues of EUR 5.4 billion.

Despite the comparatively modest trend of the German lottery market so far compared to other European countries, we see significant catch-up potential here. In our opinion, this anticipated growth is based on the following factors in particular:

- As online lottery offerings were completely forbidden until mid 2012, we expect further strong revenue growth. Compared with foreign online lottery markets, which were less strictly regulated in the past few years, we expect above-average growth for Germany in the medium term. In 2014, for example, the online segment of the lottery market was almost 51% in Slovakia, around 40% in Finland, and approximately 18% in Norway and Great Britain (source: GBGC, »Interactive Lottery Sales«, May 2016).
- The growing importance of e-commerce as an established sales channel also supports the growth outlook for the online lottery market – and mobile offerings strengthen this trend even more. In 2016, 60% of all banking was done online (source: Postbank, »Der digitale Deutsche und das Geld 2016«, May 2016), 48% of music was sold online in the first half of 2017 (source: Bundesverband Musikindustrie, »Halbjahresreport 2017«, July 2017) and 39% of trips were booked online in 2016 (source: DRV, »Der deutsche Reisemarkt Zahlen und Fakten 2016«, August 2017).
- Since the introduction of new advertising guidelines on 1 February 2013, the industry has increased its marketing expenses for the Internet and TV – thus raising awareness and improving the public perception of online lottery.

Our assessment is confirmed by the growth rates of the online segment. According to information of DLTB and the German Lottery Association (»Deutscher Lottverband«), online revenues of state lottery companies and private brokers have been steadily rising: from EUR 35 million in 2012 to EUR 650 million already in 2016 and around EUR 700 million in 2017 following further growth of 7.6%. Online sales thus accounted for approximately 10% of total German lottery sales in 2017 (prior year: 9%) – a share which is still far below the comparative figures of other countries and that of other German online markets, thus offering room for further growth.

As DLTB only provides online market figures once at the beginning of each fiscal year, we did not receive any new information on this matter during the reporting period.

### Market leader in the permitted online lottery market

The permitted online lottery market grew by 7.6% to around EUR 700 million in 2017 (prior year: EUR 650 million). In the same period, online sales of the 16 state-owned lottery companies increased by 9.8% to EUR 461 million (prior year: EUR 420 million). With a 10.1% increase in billings to EUR 221 million (prior year: EUR 201 million), we extended our lead as an online provider of state-licensed lotteries to 32% (prior year: 31%). As a result, we remain the largest provider of online lotto in Germany by far – ahead of all state lottery companies. Taken together, other lottery brokers had an online market share of just 2% or so in 2017 (prior year: 4%).

### 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 still the state lottery companies, with their joint platform Lotto.de, and foreign secondary lotto companies which are not allowed in Germany.

According to information of the relevant Ministry of the Interior for Lower Saxony, 18 private commercial gaming brokers have received brokerage permits in addition to the state-owned companies. After 2017, the advertising activities of our private competitors with permits in Germany remained relatively modest in the first half of 2018.

By contrast, secondary lottery providers (who have neither the necessary brokerage nor advertising permits for Germany) once again aggressively advertised their products on TV and the Internet both in 2017 and in the first half of 2018 without any significant measures being taken by the regulatory bodies. According to DLTB figures, gross advertising spend for »illegal lottery betting« more than doubled year on year to EUR 79 million in 2017. Whether and to what extent the regulatory bodies will take action or whether »Brexit«, i.e. the exit of Great Britain (including Gibraltar) from the EU, will affect the business model of secondary lottery providers remains to be seen.

We monitor our relevant competitors, for example, by regularly and systematically testing the respective 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.

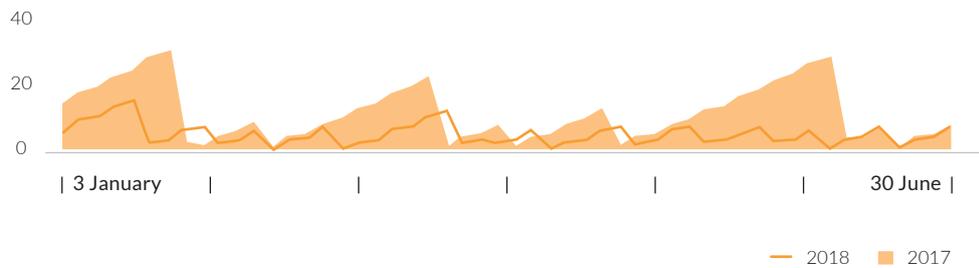
### Strong jackpot situation

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 the German »6aus49« lottery, this relates in particular to the combination of six correct numbers and the super number.

In the first half of 2018, the German lottery »6aus49« reported not one single jackpot of over EUR 20 million (prior year: three) and thus also no guaranteed jackpot payout after the 13th draw (prior year: two). However, the significance of large »Lotto 6aus49« jackpots continues to steadily decline in view of the much larger jackpots of the European lottery »EuroJackpot«: the latter reached EUR 90 million eight times in the first six months of 2018 and thus performed much better than in the prior-year period when the 90 million-euro mark was reached in just one draw.

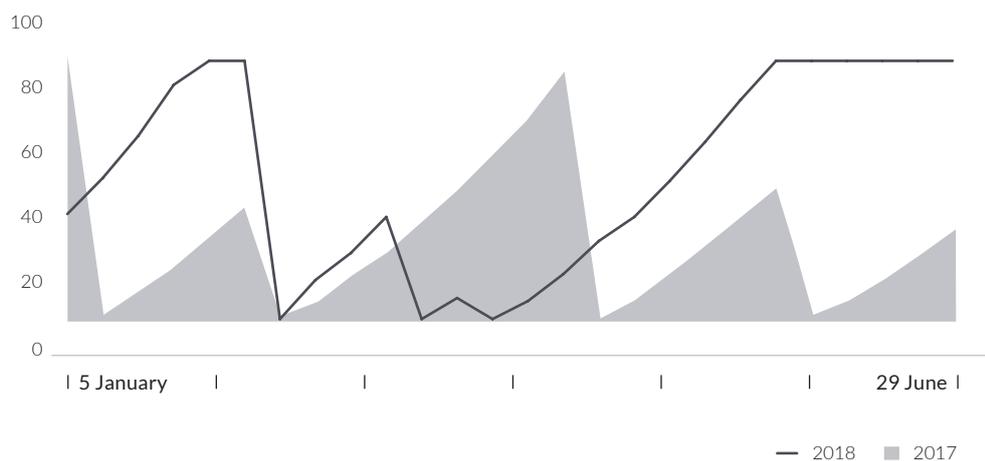
#### Lotto 6aus49

in EUR million



#### EuroJackpot

in EUR million



## Business development

### Sixth Annual General Meeting in Hamburg

Our sixth Annual General Meeting as a listed company was held in Hamburg on 4 May 2018. With a total presence of around 57% of voting capital, the shareholders who attended once again adopted all items on the agenda with large majorities. The agenda included the usual items, such as approving the actions of the Executive Board and Supervisory Board and appointing auditors.

## POSITION

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

INCOME STATEMENT						
in EUR thousand	Q. I-II 2018	Q. I-II 2017	Change %	Q. II 2018	Q. II 2017	Change %
Billings	161,169	112,772	42.9	87,894	54,572	61.1
Remitted stakes (less revenues)	-141,728	-99,799	42.0	-77,013	-48,262	59.6
<b>Revenues</b>	<b>19,442</b>	<b>12,973</b>	<b>49.9</b>	<b>10,881</b>	<b>6,310</b>	<b>72.5</b>
Personnel expenses	-4,154	-4,876	-14.8	-2,230	-2,270	-1.8
Impairment loss for financial assets	-313	-227	38.1	-223	-115	94.7
Other operating expenses <sup>1)</sup>	-13,877	-6,992	98.5	-7,279	-3,199	127.6
less other operating income	159	16	876.2	82	3	3,130.8
<b>Operating expenses</b>	<b>-18,185</b>	<b>-12,079</b>	<b>50.5</b>	<b>-9,651</b>	<b>-5,581</b>	<b>72.9</b>
<b>EBITDA</b>	<b>1,257</b>	<b>894</b>	<b>40.6</b>	<b>1,231</b>	<b>728</b>	<b>69.0</b>
Amortisation and depreciation	-593	-542	9.5	-291	-250	16.3
<b>EBIT</b>	<b>663</b>	<b>352</b>	<b>88.5</b>	<b>940</b>	<b>478</b>	<b>96.5</b>
Financial result	-66	-176	-62.6	-37	-73	-49.1
<b>Net profit before taxes</b>	<b>597</b>	<b>176</b>	<b>240.5</b>	<b>903</b>	<b>406</b>	<b>122.6</b>
Income taxes	1,704	434	293.0	2,727	1,300	109.7
<b>Net profit</b>	<b>2,301</b>	<b>609</b>	<b>277.9</b>	<b>3,630</b>	<b>1,706</b>	<b>112.8</b>
<b>Breakdown of other operating expenses</b>						
Marketing expenses	-9,651	-4,046	138.5	-5,069	-1,759	188.2
Direct operating expenses <sup>1)</sup>	-1,521	-1,080	40.8	-817	-535	52.7
Indirect operating expenses	-2,706	-1,866	45.0	-1,393	-905	53.9
<b>Other operating expenses<sup>1)</sup></b>	<b>-13,877</b>	<b>-6,992</b>	<b>98.5</b>	<b>-7,279</b>	<b>-3,199</b>	<b>127.6</b>

<sup>1)</sup> Prior-year figures adjusted due to IAS1(82)(ba)

## KEY FIGURES

	Q. I-II 2018	Q. I-II 2017
Number of registered customers as of 30 June (in thousand)	1,951	1,442
Number of new customer registrations in Q. I-II (in thousand)	378	161
Average number of registered customers (in thousand) <sup>1)</sup>	-	-
Average number of active customers (in thousand) <sup>1)</sup>	-	-
Average activity rate (%) <sup>1)</sup>	-	-
Average billings per active customer (in EUR) <sup>1)</sup>	-	-
Cost per lead (CPL, in EUR)	25.54	25.13
<b>Gross margin (%)</b>	<b>12.1</b>	<b>11.5</b>
<b>Direct operating expenses plus impairment loss for financial assets as a proportion of billings (%)</b>	<b>1.1</b>	<b>1.3</b>
Employees as of 30 June <sup>2)</sup>	92	86

<sup>1)</sup> Figures only disclosed on annual basis.

<sup>2)</sup> 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:** 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:** 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:** arithmetic mean of the number of active customers in each month of a year.

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

## Earnings position

### Strong growth in billings and revenues

Boosted in part by an exceptionally strong jackpot trend for the European lottery »EuroJackpot«, we maintained our profitable growth trajectory in the first six months of 2018:

Billings in the second quarter of 2018 rose by 61.1% year on year to EUR 87,894 thousand (prior year: EUR 54,572 thousand), while revenues of EUR 10,881 thousand exceeded the corresponding prior-year figure by as much as 72.5% (EUR 6,310 thousand). In the first six months of 2018, we therefore achieved billings of EUR 161,169 thousand (prior year: EUR 112,772 thousand, +42.9%) and revenues of EUR 19,442 thousand (prior year: EUR 12,973 thousand, +49.9%).

Revenues resulted mainly from

- commissions received from the state 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 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«.

Due in part to the positive trend in lotto clubs, our gross margin improved to 12.4% in the second quarter of 2018 (prior year: 11.6%) and thus reached 12.1% for the first half of 2018 (prior year: 11.5%).

Moreover, we gained 198 thousand new customers in the second quarter of 2018 alone (prior year: 66 thousand) with a cost per lead (CPL) of EUR 25.55 (prior year: EUR 26.64). With 378 thousand new customers in the first six months of 2018 (prior year: 161 thousand), the total number of customers registered with Lotto24 rose by 35.3% to 1,951 thousand (prior year: 1,442 thousand) – despite consistently strong competition. Due to the jackpot-related increase in marketing activities and the test run of comparatively more expensive TV commercials in March 2018, marketing expenses in the first half of 2018 rose to EUR 9,651 thousand (prior year: EUR 4,046 thousand). CPL of EUR 25.54 for the first six months of 2018 was on a par with the previous year (prior year: EUR 25.13). 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.

### **Strong improvement in net profit**

Despite the strong increase in marketing expenses, EBIT and net profit improved to EUR 663 thousand (prior year: EUR 352 thousand) and EUR 2,301 thousand (prior year: EUR 609 thousand), respectively, in the first six months of 2018 as a result of the strong revenue trend.

In the first half of 2018, the effects influencing income from changes to deferred tax assets on loss carryforwards were taken into account. Due to the positive forecast for the years 2019 to 2023 and the resulting additional use of existing tax loss carryforwards, we expect a net increase in deferred tax assets of approximately EUR 4.2 million in 2018 with the corresponding tax income – even though our projections indicate a profit for the fiscal year 2018.

According to IAS 34, the income tax expense of each interim reporting period is to be recognised based on the best estimate of the weighted average annual income tax rate expected for the year as a whole.

In contrast to the tax expense for the first quarter of 2018 of EUR 1,023 thousand due to a negative result following a technical tax effect, there was tax income of EUR 2,727 thousand in the second quarter due to the positive result. In the remaining two quarters, there will also be a corresponding tax income in the case of positive results.

The financial result amounted to EUR -66 thousand (prior year: EUR -176 thousand) and includes interest paid on loans taken out.

Earnings per share reached EUR 0.10 (prior year: EUR 0.03).

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

As of 30 June 2018, Lotto24 AG employed 92 people (full-time equivalents, excluding the two Executive Board members and student helpers, prior year: 86). 38% (prior year: 42%) of our employees and 10 student helpers (prior year: 8) were employed in the Marketing department (including customer service) and 40% (prior year: 37%) in the IT department.

The decrease in personnel expenses to EUR 4,154 thousand (prior year: EUR 4,876 thousand) was mainly due to the year-on-year decrease in expenses for long-term multi-year variable remuneration components for Executive Board members.

Compared to the same period last year, other operating expenses rose from EUR 6,992 thousand to EUR 13,877 thousand:

- Due to the positive market conditions with high jackpots for the »EuroJackpot« lottery, resulting in an increase in our marketing activities, as well as the test run of comparatively more expensive TV commercials in March 2018, marketing expenses of EUR 9,651 thousand for the first six months of 2018 were above the prior-year figure of EUR 4,046 thousand.
- Partially due to increased billings, direct costs of operations (mainly costs for billings-related payment transactions as well as B2B and business services) rose to EUR 1,521 thousand (prior year: EUR 1,080 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 increased from EUR 1,866 thousand to EUR 2,706 thousand. As we strengthened our internal IT teams with freelancers due to the lack of skilled staff, there was a particularly strong rise in the use of external IT management and consultancy services to EUR 682 thousand (prior year: EUR 331 thousand). At the same time, there was an increase especially in rent/incidental rental costs and office remodelling expenses to EUR 456 thousand (prior year: EUR 223 thousand), as well as in maintenance/service costs to EUR 450 thousand (prior year: EUR 378 thousand).

Scheduled depreciation/amortisation of tangible and intangible assets for investments in our IT infrastructure, our smartphone and tablet apps, and our acquired office and communication technology rose to EUR 593 thousand (prior year: EUR 542 thousand).

## Financial position

### Financial analysis

Our financial situation is mainly shaped by equity and short-term liabilities. In the first six months of 2018, the proportion of long-term liabilities rose slightly due to the increase in long-term provisions.

As of 30 June 2018, equity of EUR 26,930 thousand comprised the following items:

<b>EQUITY</b>		
in EUR thousand	<b>30.06.2018</b>	31.12.2017
Subscribed capital	24,155	24,155
Statutory reserves	2,415	2,415
Retained earnings	360	-1,941
<b>Total</b>	<b>26,930</b>	<b>24,629</b>

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

As of 30 June 2018, trade payables comprised the following items:

<b>TRADE PAYABLES</b>		
in EUR thousand	<b>30.06.2018</b>	31.12.2017
Trade payables	2,998	1,416
<b>Total</b>	<b>2,998</b>	<b>1,416</b>

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

As of 30 June 2018, other liabilities comprised the following items:

<b>OTHER LIABILITIES</b>		
in EUR thousand	<b>30.06.2018</b>	31.12.2017
Liabilities from gaming operations	23,244	9,532
Interest-bearing loans	3,689	2,283
Amounts due in connection with taxes (VAT/payroll and church taxes)	826	431
Holiday obligations	138	90
Other	110	228
Interest liabilities	32	3
<b>Total</b>	<b>28,040</b>	<b>12,567</b>

As of 30 June 2018, other liabilities rose to EUR 28,040 thousand (prior year: EUR 12,567 thousand). The year-on-year increase in liabilities from gaming operations to EUR 23,244 thousand was particularly pronounced (prior year: EUR 9,532 thousand). This item, which is expected to increase further as billings grow, comprises obligations from settlements with our customers and the state lottery companies. It also includes small winnings which customers leave on their gaming accounts and use later. A longer period of high jackpots of the European lottery »EuroJackpot« generated strong billings as at the end of the first half-year, 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.

Interest-bearing loans include current payments, due within one year, for the loan granted by the Günther Group in September 2016. The latter increased to EUR 3,500 thousand after drawing the contractually agreed second tranche in May 2018 (prior year: EUR 2,000 thousand). Interest-bearing loans also include instalments due within twelve months for IT equipment at our data centres (hire purchase agreements: EUR 189 thousand; prior year: EUR 283 thousand).

As a result of reporting date effects, there was an increase in amounts due in connection with taxes – mostly from sales activities (EUR 602 thousand; prior year: EUR 320 thousand) – and in payroll obligations (EUR 222 thousand; prior year: EUR 109 thousand). Holiday obligations rose to EUR 138 thousand (prior year: 90 thousand). Our remaining other liabilities mainly comprise provisions for other personnel expenses.

Interest obligations at the end of the reporting period (EUR 32 thousand; prior year: EUR 3 thousand) result from loans taken out. With the exception of amounts due in connection with payroll and holiday obligations, the items above were financial liabilities.

### **Investment analysis**

In the reporting period, we invested a total of EUR 413 thousand (prior year: EUR 644 thousand) – mainly in software and hardware needed for operations, as well as in workplace equipment, our business intelligence system and the remodelling of our office space.

## Liquidity analysis

### KEY CASH FLOW ITEMS

in EUR thousand	Q. I-II 2018	Q. I-II 2017
Cash flow from operating activities	2,545	654
Cash flow from investing activities	-413	-639
thereof financial investments	-	5
thereof operative investments	-413	-644
Cash flow from financing activities	1,164	-1,460
<b>Change in available funds</b>	<b>3,296</b>	<b>-1,445</b>
Available funds at the beginning of the period	8,271	10,178
<b>Available funds at the end of the period</b>	<b>11,567</b>	<b>8,733</b>
<b>Available funds</b>	<b>11,567</b>	<b>8,733</b>

Due to the very positive jackpot trend for the European lottery »EuroJackpot«, cash flow from operating activities rose to EUR 2,545 thousand (prior year: EUR 654 thousand).

Cash flow from investing activities amounted to EUR -413 thousand (prior year: EUR -639 thousand), as we invested in tangible and intangible assets in the first six months of fiscal year 2018.

Cash flow from financing activities of EUR 1,164 thousand (prior year: EUR -1,460 thousand) includes the drawing of an additional tranche of the Günther Group loan and the netting of incoming and outgoing payments for hire purchase agreements.

As of 30 June 2018, other assets and prepaid expenses comprised the following items:

### OTHER ASSETS AND PREPAID EXPENSES

in EUR thousand	30.06.2018	31.12.2017
Receivables from gaming operations	18,538	4,450
Deposits	1,005	1,011
Prepaid expenses	540	531
Other	111	6
<b>Total</b>	<b>20,194</b>	<b>5,998</b>

Receivables from gaming operations rose as a result of increased billings caused by high jackpots and closing date-related settlement effects. They comprise receivables on customer winnings to be forwarded, as well as receivables from current payment processing and the Company's own brokerage commission claims.

Prepaid expenses mainly refer to maintenance and services for software and hardware, as well as marketing services. Deposits include collateral to be provided to the state lottery companies.

As in the previous year, all other assets and prepaid expenses are due in less than one year. As at the balance sheet date, there were no indications of impairment which would have entailed the recognition of an impairment loss.

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

## Asset position

Compared to 31 December 2017, total assets increased by EUR 19,261 thousand to EUR 61,955 thousand as of 30 June 2018 – mainly due to the rise in other assets and cash and cash equivalents.

Current assets mostly comprised other assets and prepaid expenses (EUR 20,194 thousand; prior year: EUR 5,998 thousand) as well as cash and cash equivalents (EUR 11,567 thousand; prior year: EUR 8,271 thousand).

Non-current assets were dominated by our goodwill (EUR 18,850 thousand; prior year: EUR 18,850 thousand) and net deferred tax assets (EUR 8,943 thousand; prior year: EUR 7,239 thousand).

## Overall assessment of the economic position of Lotto24 AG

Lotto24 is well positioned to participate further in the growth of Germany's online lottery market: after already establishing ourselves as market leader in 2014, we have continued to grow steadily, have extended our leading position and passed the break-even point in 2017. Boosted by an exceptionally strong jackpot trend for the European lottery »EuroJackpot«, we maintained our profitable growth trajectory in the first six months of 2018.

## SUBSEQUENT EVENTS

Between the end of the reporting period and the publication date, there were no significant events with a relevant influence on the financial position and performance of Lotto24 AG.

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

### Opportunities and risks

In our Annual Report 2017, we presented the main risks which may have an adverse effect on our financial position and performance as well as our reputation. In addition, we described our most important opportunities and our risk management system. There were no changes, nor new opportunities and risks in the reporting period.

### Forecast report

Lotto24 is Germany's leading online provider of state-licensed lotteries. Due to the exceptionally strong jackpot trend, the first half of 2018 was very successful: we achieved further growth and remained above the break-even point despite considerably higher marketing investments. We intend to continue our successful course in the second half of 2018, depending on the further development of external conditions.

### Expected earnings position

For 2018 as a whole, we continue to expect increased marketing investments in order to extend our position as the leading online provider of state-licensed lotteries. Due to the positive development of business in the first half of 2018, we now anticipate an increase in billings of 25% to 30% (previously: 15% to 20%), strong growth in new customers (previously: a growing number of new customers) and a year-on-year increase in CPL (unchanged). We also continue to plan a slight improvement in gross margin compared to the previous year. Depending on the further progress of external conditions – especially the jackpot trend – and marketing investments to attract new customers, both EBIT and net profit are likely to remain above the break-even mark.

### Expected financial position

Despite growing revenue streams from the year-on-year rise in billings and an improvement in gross margin, we expect an overall increase in use of funds for fiscal year 2018 due to higher marketing expenses and other outflows.

On 30 June 2018, we held cash and other financial assets totalling EUR 11,567 thousand. We intend to use these funds in part for marketing activities to attract new customers. Moreover, we will continue to broaden our product portfolio with the brokerage of additional lotteries.

At our Annual General Meeting on 12 May 2015, the Executive Board was also authorised to raise share capital by up to EUR 4,391,798 – or almost 20% of share capital – in the period up to 11 May 2020 (Authorised Capital 2015). After our capital increase for cash contributions in 2015, under exclusion of subscription rights, 2,195,899 new shares with dividend entitlement were issued. Due to the remaining Authorised Capital, the Executive Board is authorised to raise share capital by a further EUR 2,195,899.

### 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 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 number one online provider of lottery products but also benefit from the huge potential of the online lottery segment.

### Related parties

Details on related parties are provided in Note 23.

Hamburg, 7 August 2018

The Executive Board



**Petra von Strombeck**  
Chief Executive Officer



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

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# CONDENSED INTERIM FINANCIAL STATEMENTS

## INCOME STATEMENT

FROM 1 JANUARY TO 30 JUNE ACCORDING TO IFRS

in EUR thousand	Notes	Q. I-II 2018	Q. I-II 2017	Q. II 2018	Q. II 2017
Billings		161,169	112,772	87,894	54,572
Remitted stakes (less revenues)		-141,728	-99,799	-77,013	-48,262
<b>Revenues</b>	5	<b>19,442</b>	<b>12,973</b>	<b>10,881</b>	<b>6,310</b>
Other operating income	6	159	16	82	3
<b>Total performance</b>		<b>19,601</b>	<b>12,989</b>	<b>10,963</b>	<b>6,313</b>
Personnel expenses	7	-4,154	-4,876	-2,230	-2,270
Amortisation/depreciation on intangible assets and property, plant and equipment	15, 16	-593	-542	-291	-250
Impairment loss for financial assets	12	-313	-227	-223	-115
Other operating expenses <sup>1)</sup>	8	-13,877	-6,992	-7,279	-3,199
<b>Result from operating activities (EBIT)</b>		<b>663</b>	<b>352</b>	<b>940</b>	<b>478</b>
Revenues from financial activities	9	0	10	-	10
Expenses from financial activities	9	-66	-187	-37	-83
<b>Financial result</b>	9	<b>-66</b>	<b>-176</b>	<b>-37</b>	<b>-73</b>
<b>Net profit before taxes</b>		<b>597</b>	<b>175</b>	<b>903</b>	<b>406</b>
Income taxes	10	1,704	434	2,727	1,300
<b>Net profit (after taxes)</b>		<b>2,301</b>	<b>609</b>	<b>3,630</b>	<b>1,706</b>
Earnings per share (undiluted and diluted, in EUR/share)		0.10	0.03	0.15	0.07
Weighted average of ordinary shares outstanding (undiluted and diluted, in shares)		24,154,890	24,154,890	24,154,890	24,154,890

<sup>1)</sup> Prior-year figures adjusted due to IAS1(82)(ba)

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

## STATEMENT OF COMPREHENSIVE INCOME

FROM 1 JANUARY TO 30 JUNE ACCORDING TO IFRS

in EUR thousand	Notes	Q. I-II 2018	Q. I-II 2017	Q. II 2018	Q. II 2017
<b>Net profit for the period</b>		<b>2,301</b>	<b>609</b>	<b>3,630</b>	<b>1,706</b>
Other comprehensive income to be reclassified to the income statement in subsequent periods					
Revaluation gains (+)/losses (-) from available-for-sale financial assets	11	-	9	-	9
Income tax effects	10	-	-3	-	-3
Other comprehensive income after taxes		-	6	-	6
<b>Total comprehensive income after taxes</b>		<b>2,301</b>	<b>615</b>	<b>3,630</b>	<b>1,712</b>

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

**BALANCE SHEET**

AS AT 30 JUNE ACCORDING TO IFRS

	Notes	<b>30.06.2018</b>	31.12.2017
<b>ASSETS</b> in EUR thousand			
<b>Current assets</b>			
Cash and cash equivalents	11	11,567	8,271
Trade receivables	12	425	179
Other assets and prepaid expenses	13	20,194	5,998
<b>Current assets, total</b>		<b>32,186</b>	<b>14,448</b>
<b>Non-current assets</b>			
Goodwill	14	18,850	18,850
Intangible assets	15	506	554
Property, plant and equipment	16	1,471	1,602
Deferred tax assets	10	8,943	7,239
<b>Non-current assets, total</b>		<b>29,769</b>	<b>28,245</b>
<b>ASSETS</b>		<b>61,955</b>	<b>42,693</b>
<b>EQUITY AND LIABILITIES</b> in EUR thousand			
<b>Current liabilities</b>			
Trade payables	17.1	2,998	1,416
Other liabilities	17.2	28,040	12,567
Short-term provisions	18	1,546	1,840
<b>Current liabilities, total</b>		<b>32,584</b>	<b>15,823</b>
<b>Non-current liabilities</b>			
Interest-bearing financial loans	19	245	488
Long-term provisions	20	2,100	1,732
Other non-current liabilities	21	96	22
<b>Non-current liabilities, total</b>		<b>2,441</b>	<b>2,242</b>
<b>Equity</b>			
Subscribed capital	22	24,155	24,155
Statutory reserves	22	2,415	2,415
Retained earnings	22	360	-1,941
<b>Equity, total</b>		<b>26,930</b>	<b>24,629</b>
<b>EQUITY AND LIABILITIES</b>		<b>61,955</b>	<b>42,693</b>

## CASH FLOW STATEMENT

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

	Q. I-II 2018	Q. I-II 2017
in EUR thousand		
<b>Net profit before tax</b>	<b>597</b>	<b>175</b>
Adjustments for:		
Amortisation/depreciation on non-current assets	593	542
Financial income/financial expenditure	66	176
Other non-cash expenses/income	-	4
Changes in:		
Trade receivables	-245	-35
Other assets and prepaid expenses	-14,197	7,337
Trade payables	1,581	-688
Other liabilities	14,037	-7,340
Short-term provisions	-293	-333
Other non-current liabilities	74	-
Long-term provisions	368	1,012
Interest received	0	10
Interest paid	-36	-206
<b>Cash flow from operating activities</b>	<b>2,545</b>	<b>654</b>
Payments received (+)/disbursements (-) for financial instruments	-	5
Investments in intangible assets	-93	-343
Investments in tangible assets	-320	-301
<b>Cash flow from investing activities</b>	<b>-413</b>	<b>-639</b>
Payments received (+) from taking out financing loans	1,164	-1,460
Disbursements (-) for redeeming financing loans		
<b>Cash flow from financing activities</b>	<b>1,164</b>	<b>-1,460</b>
Change in available funds	3,296	-1,445
Available funds at the beginning of the period	8,271	10,178
<b>Available funds at the end of the period</b>	<b>11,567</b>	<b>8,733</b>
<b>Composition of available funds at the end of the period</b>	<b>11,567</b>	<b>8,733</b>
Cash	11,567	8,733

Explanations are provided in Note 3.

## STATEMENT OF CHANGES IN EQUITY

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

	Subscribed capital	Capital reserves	Other reserves	Retained earnings	Total equity
in EUR thousand					
<b>As at 1 January 2017</b>	<b>24,155</b>	<b>41,012</b>	<b>-6</b>	<b>-43,070</b>	<b>22,091</b>
Net profit	-	-	-	609	609
Other comprehensive income	-	-	6	-	6
Total comprehensive income	-	-	6	609	615
<b>As at 30 June 2017</b>	<b>24,155</b>	<b>41,012</b>	<b>-</b>	<b>-42,461</b>	<b>22,705</b>
Net profit	-	-	-	1,924	1,924
Reclassification	-	-38,596	-	38,596	-
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	1,924	1,924
<b>As at 31 December 2017</b>	<b>24,155</b>	<b>2,415</b>	<b>-</b>	<b>-1,941</b>	<b>24,629</b>
<b>As at 1 January 2018</b>	<b>24,155</b>	<b>2,415</b>	<b>-</b>	<b>-1,941</b>	<b>24,629</b>
Net profit	-	-	-	2,301	2,301
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	2,301	2,301
<b>As at 30 June 2018</b>	<b>24,155</b>	<b>2,415</b>	<b>-</b>	<b>360</b>	<b>26,930</b>

Explanations are provided in Note 22.

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# NOTES TO THE INTERIM FINANCIAL STATEMENTS ACCORDING TO IFRS FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2018

## 1 GENERAL

These condensed interim financial statements and the interim management report for the first six months of 2018 (reporting period: 1 January 2018 to 30 June 2018) of Lotto24 AG

- were prepared in accordance with IAS 34 »Interim Financial Reporting«, taking into account the valid IFRS standards and IFRIC interpretations of the International Accounting Standards Board (IASB) as applicable in the EU,
- do not include all information and disclosures required for IFRS separate financial statements and are therefore to be read in conjunction with the IFRS separate financial statements as of 31 December 2017,
- were not subjected to an auditor's review,
- were approved for publication by a resolution of the Executive Board on 7 August 2018.

The accounting principles applied correspond to those used in the previous fiscal year and the respective interim report period, with the exception of the initial application of new and amended standards as described below.

Lotto24 AG has no subsidiaries and is still in the growth phase. Its main activity is the online brokerage of state-licensed lotteries in Germany. It is domiciled in Hamburg. The Company's registered office is located at Strassenbahnring 11, 20251 Hamburg, Germany.

The Company's parent company has been Othello Vier Beteiligungs GmbH & Co. KG, Hamburg, Germany, since 16 July 2015. Lotto24 AG is included in the consolidated financial statements of Günther SE, Bamberg, Germany.

## 2 GENERAL ACCOUNTING PRINCIPLES

The same accounting policies were used for this interim report as for the IFRS separate financial statements as of 31 December 2017 in which the corresponding details are also provided, with the exception of the initial application of new and amended standards as described below. The initial application of the new standards IFRS 9 »Financial Instruments« and IFRS 15 »Revenue from Contracts with Customers« had an insignificant impact on the IFRS interim financial statements. The content and effects of the amendments are described below.

Unless stated otherwise, amounts are stated in thousands of euros (EUR thousand), which may lead to accounting differences from rounding in certain cases.

## 2.1 Amendments to accounting principles

The effects on the financial statements of Lotto24 AG from initial application of IFRS 9 and IFRS 15 and the accounting principles to be adopted as of 1 January 2018 – insofar as they differ from the previous principles – are described below.

### 2.1.1 IFRS 9 »Financial Instruments« – effects from initial application

IFRS 9 replaces the requirements of IAS 39 relating to the recognition, classification and measurement of financial assets and financial liabilities, the derecognition of financial instruments, the impairment of financial assets, and hedge accounting. The initial application of IFRS 9 results in changes to the measurement of financial assets. All financial assets of Lotto24 AG are held in the measurement category »at amortised cost«.

#### Classification and measurement

All financial assets of Lotto24 AG are held within a business model whose objective is to collect the contractual cash flows. These cash flows are solely payments of interest and principal on the nominal amount outstanding. Consequently, all financial assets are held in the measurement category »at amortised cost«.

Financial liabilities will continue to be measured as is currently the case under IAS 39. There are therefore no effects on the financial statements from initial application of IFRS 9 relating to classification and measurement.

Lotto24 does not use »hedge accounting«. There are therefore no effects on the financial statements from the new regulations.

#### Impairment

Financial assets measured at amortised cost are subject to the new impairment provisions of IFRS 9. Lotto24 applies the simplified impairment model for trade receivables, according to which a risk provision is to be recognised for all instruments in the amount of the losses expected over the remaining term regardless of their credit quality. There was no need for any significant adjustments due to the initial application of impairment regulations under IFRS 9.

### 2.1.2 IFRS 15 »Revenue from Contracts with Customers« – effects from initial application

In accordance with the transitional provisions of IFRS 15, Lotto24 has adopted the new regulations retroactively. Initial application did not have any impact on items of the income statement (including earnings per share); there was also no impact on items of the balance sheet, nor on the total amounts for cash flow from operating activities, from investing activities or from financing activities in the fiscal year 2017.

Lotto24 recognises revenues in the following ways:

- 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.

The commissions and additional fees each constitute a performance obligation. Revenues must be recognised when control over the corresponding services is transferred to the customer. Revenue is recognised at a point in time. The allocation of transaction prices to the individual performance obligations based on the individual sale prices is not different from our previous practice.

## 2.2 Effects of published standards not yet adopted by the company

### IFRS 16 Leases

In January 2016, the IASB published the new standard IFRS 16 according to which lessees must recognise assets and liabilities for most leases in the balance sheet. For the lessor, there are only minor changes compared to accounting according to IAS 17 »Leases«.

Lotto24 AG has launched a project for the introduction of IFRS 16 and continues to analyse the impact of application on financial reporting. The result of this analysis is that Lotto24 AG has obligations from non-cancellable operating leases and rental obligations of EUR 5,008 thousand as of the reporting date. In the final phase of the project, we will determine the extent to which these obligations will result in the recognition of an asset and a liability for future payments, and how this will affect earnings and the classification of cash flows.

The project team also analysed and measured the obligations that may fall under the exemption rules for short-term and low-value leases.

Initial application of the standard is mandatory for reporting periods beginning on or after 1 January 2019. Lotto24 AG does not intend to adopt this standard prior to the date on which it comes into force.

## 3 CASH FLOW STATEMENT

The cash flow statement is prepared pursuant to IAS 7 »Cash Flow Statements«, whereby a distinction is made between cash flows from operating, investing and financing activities.

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

For the purpose of the cash flow statement, available funds comprised the following:

in EUR thousand	<b>30.06.2018</b>	31.12.2017
Cash	11,567	8,271
<b>Total</b>	<b>11,567</b>	<b>8,271</b>

Liabilities from financing activities comprise the following:

	<b>30.06.2018</b>	Cash		Non-cash			31.12.2017
		Repayment	Acquisition	Acquisition	Change in fair value	Other changes	
in EUR thousand							
Reconciliation to the balance sheet:							
Short-term interest-bearing financial loans <sup>1)</sup>	3,689	-404	1,500	-	-	311	2,283
Long-term interest-bearing financial loans <sup>2)</sup>	245	-	69	-	-	-311	488
<b>Total liabilities from financing activities</b>	<b>3,935</b>	<b>-404</b>	<b>1,569</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,771</b>

<sup>1)</sup> Recognised in the following balance sheet item: Other current liabilities

<sup>2)</sup> Recognised in the following balance sheet item: Non-current interest-bearing financial loans

## 4 SEGMENT REPORTING

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

## 5 REVENUES

in EUR thousand	Q. I-II 2018	Q. I-II 2017
Revenues	19,442	12,973
<b>Total</b>	<b>19,442</b>	<b>12,973</b>

Against the backdrop of favourable external conditions with high jackpots in the European lottery »EuroJackpot«, increased billings generated comparatively higher revenues of EUR 19,442 thousand (prior year: EUR 12,973 thousand). In addition to agreed margins/quantity scales negotiated with certain state lottery companies, the increase in revenues also resulted from the higher margins for lotto clubs. In the reporting period, the gross margin improved to 12.1% (prior year: 11.5%).

Thanks to our successful marketing activities prompted by the above mentioned favourable external conditions, we also increased new customer registrations in the first half of 2018. As a result, the number of registered customers as of 30 June 2018 rose to 1,951 thousand (prior year: 1,442 thousand). It developed over the year as follows:

in EUR thousand	2018	2017
<b>Number of registered customers on 31 December of the previous year</b>	<b>1,573</b>	<b>1,282</b>
First quarter (new customers)	180	95
Second quarter (new customers)	198	66
<b>Number of registered customers on 30 June</b>	<b>1,951</b>	<b>1,442</b>

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

## 6 OTHER OPERATING INCOME

in EUR thousand	Q. I-II 2018	Q. I-II 2017
Other operating income	159	16
<b>Total</b>	<b>159</b>	<b>16</b>

In the first six months of 2018, other operating income mainly comprised income from renovation grants (EUR 117 thousand; prior year: EUR 0 thousand).

## 7 PERSONNEL EXPENSES

in EUR thousand	Q. I-II 2018	Q. I-II 2017
Salaries	3,664	4,413
Social security contributions	491	463
<b>Total</b>	<b>4,154</b>	<b>4,876</b>

The decrease in personnel expenses to EUR 4,154 thousand (prior year: EUR 4,876 thousand) was mainly due to a year-on-year decrease in expenditure for long-term remuneration programmes of Executive Board members – consisting of phantom shares pegged to share performance and KPI-based compensation (revenues and EBIT). Details on the Executive Board remuneration programme are provided in Note 20.

## 8 OTHER OPERATING EXPENSES

in EUR thousand	Q. I-II 2018	Q. I-II 2017
Marketing expenses	9,651	4,046
Direct operating expenses <sup>1)</sup>	1,521	1,080
Indirect operating expenses	2,706	1,866
<b>Total</b>	<b>13,877</b>	<b>6,992</b>

<sup>1)</sup> Prior-year figures adjusted due to IAS1(82)(ba)

As of 30 June 2018, other operating expenses increased year on year by EUR 6,884 thousand, from EUR 6,992 thousand to EUR 13,877 thousand.

The following factors influenced this development:

- Due to the positive market conditions with high jackpots for the »EuroJackpot« lottery, resulting in an increase in our marketing activities, as well as the test run of comparatively more expensive TV commercials in March 2018, marketing expenses of EUR 9,651 thousand for the first six months of 2018 were above the prior-year figure of EUR 4,046 thousand.
- Partially due to increased billings, direct costs of operations (mainly costs for billings-related payment transactions as well as B2B and business services) rose to EUR 1,521 thousand (prior year: EUR 1,080 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 increased from EUR 1,866 thousand to EUR 2,706 thousand. As we strengthened our internal IT teams with freelancers due to the lack of skilled staff, there was a particularly strong rise in the use of external IT management and consultancy services to EUR 682 thousand (prior year: EUR 331 thousand). At the same time, there was an increase especially in rent/incidental rental costs and office remodelling expenses to EUR 456 thousand (prior year: EUR 223 thousand), as well as in maintenance/service costs to EUR 450 thousand (prior year: EUR 378 thousand).

## 9 FINANCIAL RESULT

in EUR thousand	Q. I-II 2018	Q. I-II 2017
Revenues from financial activities	0	10
Expenses from financial activities	-66	-186
<b>Total</b>	<b>-66</b>	<b>-176</b>

Expenses from financial activities largely relate to interest expenses for existing loans.

## 10 INCOME TAXES

The corporate income tax rate remained unchanged from 2017 at 15.0% and the solidarity surcharge was unchanged at 5.5% of corporate income tax.

The effective trade tax on income rate for Hamburg also remained unchanged in the first six months of 2018 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% (prior year: 32.28%).

Taking into account budget planning and minimum taxation, there was a changed effective tax rate of -285.5% as of 30 June 2018.

Deferred tax assets and liabilities developed as follows:

in EUR thousand	<b>30.06.2018</b>	Income(+)/ expense(-)	Neutral (through equity)	01.01.2018
<b>Deferred tax assets</b>				
Deferred tax assets due to temporary differences	77	27	-	50
Deferred tax assets due to tax loss carryforwards	11,299	1,879	-	9,420
	<b>11,376</b>	<b>1,907</b>	<b>-</b>	<b>9,469</b>
Netting with deferred tax liabilities	-2,434			
<b>Total</b>	<b>8,943</b>			

in EUR thousand	<b>30.06.2018</b>	Income(+)/ expense(-)	Neutral (through equity)	01.01.2018
<b>Deferred tax liabilities</b>				
Deferred tax liabilities due to temporary differences (income statement)	2,434	-203	-	2,231
	<b>2,434</b>	<b>-203</b>	<b>-</b>	<b>2,231</b>
Netting with deferred tax assets	-2,434			
<b>Total</b>	<b>-</b>			

in EUR thousand	<b>30.06.2017</b>	Income(+)/ expense(-)	Neutral (through equity)	01.01.2017
<b>Deferred tax assets</b>				
Deferred tax assets due to temporary differences	58	41	-3	20
Deferred tax assets due to tax loss carryforwards	7,829	595	-	7,234
	<b>7,887</b>	<b>636</b>	<b>-3</b>	<b>7,254</b>
Netting with deferred tax liabilities	-2,028			
<b>Total</b>	<b>5,859</b>			

in EUR thousand	30.06.2017	Income(+)/ expense(-)	Neutral (through equity)	01.01.2017
<b>Deferred tax liabilities</b>				
Deferred tax liabilities due to temporary differences (income statement)	2,028	-203	-	1,825
	<b>2,028</b>	<b>-203</b>	<b>-</b>	<b>1,825</b>
Netting with deferred tax assets	-2,028			
<b>Total</b>	<b>-</b>			

The income taxes of EUR 1,704 thousand (prior year: EUR 434 thousand) disclosed in the income statement result from the total changes in deferred tax assets and deferred tax liabilities affecting the income statement.

Lotto24 AG recognises deferred tax assets for tax loss carryforwards, 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.

The underlying planning also provides the basis for impairment tests of goodwill (see also Note 14). Planning considers the successful development of business so far and the continued validity of the permits granted.

## 11 CASH AND OTHER FINANCIAL ASSETS

in EUR thousand	30.06.2018	31.12.2017
<b>Cash</b>		
Bank balances	11,567	8,271
Cash on hand	1	0
<b>Total</b>	<b>11,567</b>	<b>8,271</b>

Cash and cash equivalents are held as bank balances with several commercial banks.

## 12 TRADE RECEIVABLES

in EUR thousand	30.06.2018	31.12.2017
Receivables from customers	402	167
Receivables from amounts passed on	19	8
Receivables from affiliated companies	4	4
<b>Total</b>	<b>425</b>	<b>179</b>

Trade receivables mainly comprise receivables from amounts passed on, reimbursement claims and open billing amounts from customers, which are all due in less than one year. A risk provision in the amount of expected losses over the remaining term of EUR 313 thousand (prior year: EUR 227 thousand) was expensed for impairment risks in nominal receivables from customers.

### 13 OTHER ASSETS AND PREPAID EXPENSES

in EUR thousand	<b>30.06.2018</b>	31.12.2017
Receivables from gaming operations	18,538	4,450
Deposits	1,005	1,011
Prepaid expenses	540	531
Other	112	6
<b>Total</b>	<b>20,194</b>	<b>5,998</b>

Receivables from gaming operations rose as a result of increased billings caused by high jackpots and closing date-related settlement effects. They comprise receivables on customer winnings to be forwarded, as well as receivables from current payment processing and the Company's own brokerage commission claims.

Prepaid expenses mainly refer to maintenance and services for software and hardware, as well as marketing services. Deposits include collateral to be provided to the state lottery companies.

As in the previous year, all other assets and prepaid expenses are due in less than one year. As at the balance sheet date, there were no indications of impairment which would have entailed the recognition of an impairment loss.

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

### 14 GOODWILL

The development of goodwill is presented in the table below.

in EUR thousand	<b>2018</b>	2017
<b>Acquisition costs as of 1 January</b>	<b>18,850</b>	<b>18,850</b>
Additions (purchased from third parties)	-	-
Additions (self-provided)	-	-
Disposals	-	-
<b>Acquisition costs as of 30 June 2018/31 December 2017</b>	<b>18,850</b>	<b>18,850</b>
<b>Accumulated amortisation as of 1 January</b>	<b>-</b>	<b>-</b>
Amortisation of the period	-	-
Disposals	-	-
<b>Accumulated amortisation as of 30 June 2018/31 December 2017</b>	<b>-</b>	<b>-</b>
<b>Net book value as of 30 June 2018/31 December 2017</b>	<b>18,850</b>	<b>18,850</b>

Lotto24 AG examines goodwill at least once per year at the end of the reporting period with regard to its future economic benefit. As Lotto24 AG has no segments requiring reporting, goodwill is allocated to the legal entity Lotto24 as the cash-generating unit. The test compares the carrying value 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.

We continually monitor and update the relevant technical, market-based, economic and legal parameters and conditions for the impairment test. There was no indication of impairment in the reporting period. No impairment test for goodwill was therefore conducted and no non-scheduled writedowns were recognised (prior year: EUR - thousand).

## 15 INTANGIBLE ASSETS

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

in EUR thousand	2018	2017
<b>Acquisition costs as of 1 January</b>	<b>2,098</b>	<b>1,673</b>
Additions (purchased from third parties)	119	490
Disposals	-	-64
<b>Acquisition costs as of 30 June 2018/31 December 2017</b>	<b>2,217</b>	<b>2,098</b>
<b>Accumulated amortisation as of 1 January</b>	<b>-1,544</b>	<b>-1,227</b>
Amortisation of the period	-167	-381
Disposals	-	64
<b>Accumulated amortisation as of 30 June 2018/31 December 2017</b>	<b>-1,711</b>	<b>-1,544</b>
<b>Net book value as of 30 June 2018/31 December 2017</b>	<b>506</b>	<b>554</b>

The useful life of intangible assets is between one and five years. On commencement of use, the intangible assets listed above mostly have useful lives of three years. There are no restrictions on rights of disposal and no assets were pledged as collateral for liabilities. The additions consist mainly of acquisition costs in connection with the ongoing development of the Lotto24 apps and the set-up of a business intelligence system.

## 16 PROPERTY, PLANT AND EQUIPMENT

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

in EUR thousand	2018	2017
<b>Acquisition costs as of 1 January</b>	<b>3,160</b>	<b>2,329</b>
Additions (purchased from third parties)	295	854
Disposals	-	-23
<b>Acquisition costs as of 30 June 2018/31 December 2017</b>	<b>3,455</b>	<b>3,160</b>
<b>Accumulated depreciation as of 1 January</b>	<b>-1,558</b>	<b>-925</b>
Depreciation of the period	-427	-654
Disposals	-	21
<b>Accumulated depreciation as of 30 June 2018/31 December 2017</b>	<b>-1,984</b>	<b>-1,558</b>
<b>Net book value as of 30 June 2018/31 December 2017</b>	<b>1,471</b>	<b>1,602</b>

The useful life of property, plant and equipment is generally between one and five years. There are no restrictions on rights of disposal and no assets were pledged as collateral for liabilities. Additions mainly resulted from office remodelling work (EUR 98 thousand), as well as acquisitions of software and hardware for workstations (EUR 68 thousand).

There are currently no assets from financial leases.

## 17 CURRENT LIABILITIES

### 17.1 Trade payables

in EUR thousand	30.06.2018	31.12.2017
Trade payables	2,998	1,416
<b>Total</b>	<b>2,998</b>	<b>1,416</b>

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

### 17.2 Other liabilities

Other liabilities consist of the following items:

in EUR thousand	30.06.2018	31.12.2017
Liabilities from gaming operations	23,244	9,532
Interest-bearing loan	3,689	2,283
Amounts due in connection with taxes (VAT, payroll and church taxes) and social security	826	431
Holiday obligations	138	90
Other	110	228
Interest liabilities	32	3
<b>Total</b>	<b>28,040</b>	<b>12,567</b>

As of 30 June 2018, other liabilities rose to EUR 28,040 thousand (prior year: EUR 12,567 thousand). The year-on-year increase in liabilities from gaming operations to EUR 23,244 thousand was particularly pronounced (prior year: EUR 9,532 thousand). This item, which is expected to increase further as billings grow, comprises obligations from settlements with our customers and the state lottery companies. It also includes small winnings which customers leave on their gaming accounts and use later. A longer period of high jackpots of the European lottery »EuroJackpot« generated strong billings as at the end of the first half-year, 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.

Interest-bearing loans include current payments, due within one year, for the loan granted by the Günther Group in September 2016. The latter increased to EUR 3,500 thousand after drawing the contractually agreed second tranche in May 2018 (prior year: EUR 2,000 thousand). This item also includes instalments due within twelve months for IT equipment at our data centres (hire purchase agreements: EUR 189 thousand; prior year: EUR 283 thousand).

As a result of reporting date effects, there was an increase in amounts due in connection with taxes – mostly from sales activities (EUR 602 thousand; prior year: EUR 320 thousand) – and in payroll obligations (EUR 222 thousand; prior year: EUR 109 thousand). Holiday obligations rose to EUR 138 thousand (prior year: EUR 90 thousand). Our remaining other liabilities mainly comprise provisions for other personnel expenses.

Interest obligations at the end of the reporting period (EUR 32 thousand; prior year: EUR 3 thousand) result from loans taken out. With the exception of amounts due in connection with payroll and holiday obligations, the items above were financial liabilities.

## 18 SHORT-TERM PROVISIONS

in EUR thousand	<b>30.06.2018</b>	Addition	Reclassification from long-term provisions	Reversal	Utilisation	31.12.2017
Share-based remuneration (short-term)	1,080	23	-	-	-	1,057
Bonus	425	425	-	-15	-717	732
Litigation costs	30	-	-	-	-	30
Other	11	11	-	-	-21	21
<b>Total</b>	<b>1,546</b>	459	-	-15	-738	<b>1,840</b>

Bonus provisions were formed pro rata temporis in 2018. Share-based remuneration contains the payment amounts for phantom shares. Details are provided in Note 20. All provisions are expected to be used within one year.

## 19 LONG-TERM FINANCIAL LOANS

in EUR thousand	30.06.2018	31.12.2017
Obligations from hire purchase agreements	245	488
<b>Total</b>	<b>245</b>	<b>488</b>

Interest-bearing financial loans comprise longer-term financial obligations which are also used for the funding of operations. Long-term financial loans include the non-current portion of hire purchase agreements for IT equipment (EUR 245 thousand; prior year: EUR 488 thousand). In addition to this table, we refer to the explanations in Note 17.2.

## 20 LONG-TERM PROVISIONS

in EUR thousand	30.06.2018	Addition	Reclassification to short-term provisions	Reversal	Utilisation	31.12.2017
Share-based remuneration	2,100	368	-	-	-	1,732
<b>Total</b>	<b>2,100</b>	368	-	-	-	<b>1,732</b>

The members of the Executive Board have been granted phantom shares with cash compensation as part of a share-based remuneration programme. The imputed number of shares is issued in annual tranches in the middle of the calendar year and vested in prorated amounts over the twelve following months (pro rata temporis). Due to the general increase in size of the Executive Board to three members in 2016, the initial value of the nominal remuneration claim in euro increased to EUR 410 thousand. As half of the long-term remuneration component was converted on 1 January 2017, the initial value for this share-based remuneration programme decreased from EUR 410 thousand to EUR 205 thousand. The number of shares is calculated by dividing a nominal remuneration claim in euro (initial value) by the average Lotto24 share price (Xetra or a functionally comparable successor system) for the past 90 trading days. Claims to receive payment accrue after a vesting period of four years. The Company's share-based remuneration obligations are measured at fair value discounted for their remaining term using the rolling average Lotto24 share price (Xetra) for the past 90 trading days and are limited in their value growth to three times the initial value.

With effect from 1 January 2017, 50% (amounting to EUR 205 thousand for the Executive Board as a whole) of the long-term remuneration component (phantom shares with cash compensation) was changed to a variable remuneration component, whereby the tranche term for the new component was reduced from four to three years. The KPIs on which the new remuneration component is based (revenues and EBIT) reflect long-term growth and profitability targets. The respective initial budget and setting of KPI target threshold figures is decided in annual amounts at the beginning of the year and remunerated pro rata temporis. Remuneration claims arise after a three-year vesting period. The remuneration claim is discounted to fair value depending on the remaining term and is limited in value to the double of the initial value.

## 21 LONG-TERM OTHER LIABILITIES

in EUR thousand	30.06.2018	31.12.2017
Long-term obligations from leases	96	22
<b>Total</b>	<b>96</b>	<b>22</b>

Long-term obligations from leases include the proportion of rent-free periods in relation to the term of the lease.

## 22 EQUITY

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

in EUR thousand	30.06.2018	31.12.2017
Subscribed capital	24,155	24,155
Capital reserves	2,415	2,415
Retained earnings	360	-1,941
<b>Total</b>	<b>26,930</b>	<b>24,629</b>

At the Annual General Meeting on 12 May 2015, Authorised Capital was renewed. The Executive Board was hereby authorised to raise share capital for cash or non-cash contributions by up to EUR 4,391,798 («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. Following its partial utilisation, Authorised Capital still amounts to EUR 2,195,899.

Due to a legal requirement (Section 268 (8) HGB), retained earnings cannot be distributed.

## 23 RELATED PARTIES

In the reporting period, there were no reportable business relationships between Lotto24 AG, members of the Executive Board and members of the Supervisory Board in addition to those already existing on 31 December 2017. Detailed explanations are provided in Note 24 of the IFRS separate financial statements as of 31 December 2017.

## 24 DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

On 30 June 2018, Lotto24 AG held no available-for-sale financial instruments measured at fair value (Level 1) and no held-to-maturity financial investments.

At the end of the reporting period, Lotto24 AG had no financial liabilities measured at fair value.

In the case of disclosed short-term financial instruments not measured at fair value, the carrying values represent a suitable approximate value for the respective fair value.

The scope of the credit risk of Lotto24 AG equals the sum of cash, short-term financial investments and other receivables. Detailed explanations are provided in Note 25 of the IFRS separate financial statements as of 31 December 2017.

In view of the ongoing adverse climate on the European and global financial markets, there may be a default risk both in respect of the cash and short-term financial assets themselves, as well as the accruing interest.

Lotto24 AG uses an extensive management process to steer and regularly monitor its investment strategy. Cash and cash equivalents are held as bank balances with several commercial banks. Any short-term financial assets the Company may hold are generally invested in securities offering as much liquidity and as little volatility as possible, while ensuring risk diversification.

## 25 EVENTS AFTER 30 JUNE 2018

Between the end of the reporting period and the publication date, there were no significant events with a relevant influence on the financial position and performance of Lotto24 AG.

## 26 OTHER DISCLOSURES

### 26.1 Executive Board

Petra von Strombeck is responsible for Corporate Strategy and Development, Marketing, Sales, the B2C (Business-to-Customer) and B2B (Business-to-Business) business fields, Investor Relations, Human Resources, and Organisation.

Magnus von Zitzewitz is responsible for Legal Affairs and Regulation, Finance, Accounting, Taxes, Controlling, Compliance, Risk Management and Communication.

Until 31 January 2018, Kai Hannemann was responsible for IT Strategy, IT Systems, IT Processes and IT Operation, as well as Process and Innovation Management, and the B2G (Business-to-Government) business field. Until a successor has been appointed, Petra von Strombeck is responsible for the IT departments on an interim basis.

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

### 26.2 Employees

At the end of the reporting period on 30 June 2018, Lotto24 AG employed 92 people (full-time equivalents, excluding the two Executive Board members, prior year: 86). 38% (prior year: 42%) of our employees and 10 student helpers (prior year: 8) were employed in Marketing (including customer service). 40% (prior year: 37%) of staff worked in the IT department.

Hamburg, 7 August 2018

The Executive Board



**Petra von Strombeck**  
Chief Executive Officer



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

## RESPONSIBILITY STATEMENT

»To the best of our knowledge, and in accordance with the applicable reporting principles, the half-year financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the half-year 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, 7 August 2018

The Executive Board



**Petra von Strombeck**  
Chief Executive Officer



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

## KEY FIGURES

in EUR thousand	Q. II 2018	Q. I 2018	Q. IV 2017	Q. III 2017	Q. II 2017
Billings	87,894	73,275	56,163	51,801	54,572
Stakes to be remitted (less revenues)	-77,013	-64,715	-49,711	-46,010	-48,262
<b>Revenues</b>	<b>10,881</b>	<b>8,560</b>	<b>6,452</b>	<b>5,791</b>	<b>6,310</b>
Other operating income	82	77	17	5	3
<b>Total performance</b>	<b>10,963</b>	<b>8,637</b>	<b>6,470</b>	<b>5,795</b>	<b>6,313</b>
Personnel expenses	-2,230	-1,924	-1,914	-2,082	-2,270
Amortisation/depreciation on intangible assets and property, plant and equipment	-291	-303	-252	-241	-250
Impairment loss for financial assets	-223	-90	-172	-112	-115
Other operating expenses <sup>1)</sup>	-7,279	-6,598	-3,623	-3,207	-3,199
<b>Result from operating activities (EBIT)</b>	<b>940</b>	<b>-277</b>	<b>508</b>	<b>153</b>	<b>478</b>
Revenues from financial activities	-	0	-	-	10
Expenses from financial activities	-37	-29	-51	-65	-83
<b>Financial result</b>	<b>-37</b>	<b>-29</b>	<b>-51</b>	<b>-65</b>	<b>-73</b>
<b>Net profit before taxes</b>	<b>903</b>	<b>-306</b>	<b>457</b>	<b>88</b>	<b>406</b>
Income taxes	2,727	-1,023	754	626	1,300
<b>Net profit</b>	<b>3,630</b>	<b>-1,329</b>	<b>1,210</b>	<b>713</b>	<b>1,706</b>
<b>Breakdown of other operating expenses</b>					
Marketing expenses	-5,069	-4,582	-2,132	-1,712	-1,759
Direct operating expenses	-817	-703	-424	-505	-535
Indirect operating expenses	-1,393	-1,313	-1,067	-991	-905
<b>Other operating expenses</b>	<b>-7,279</b>	<b>-6,598</b>	<b>-3,623</b>	<b>-3,207</b>	<b>-3,199</b>

<sup>1)</sup> Prior-year figures adjusted due to IAS1(82)(ba)

## FINANCIAL CALENDAR

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