

BETTER

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QUARTERLY STATEMENT
1 JANUARY – 31 MARCH 2020



ZEAL



ZEAL is a Hamburg-based Group that creates online lottery experiences. Founded in Germany in 1999, it was initially set up as a lottery broker. In 2005, it was floated on the Frankfurt stock exchange and became one of the most successful initial public offerings (IPOs) in Germany at the time.

In 2009, the Group changed its focus from lottery brokerage to lottery betting. In November 2014, it moved its registered office to London.

In May 2019, ZEAL completed the acquisition of Lotto24 AG. It transitioned its former Tipp24 secondary lottery business to a German online lottery brokerage business in October 2019, and has since become the leading German online broker for state lottery products once again. In the same month, it relocated its registered office back to Germany.

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Q1 2020 AT A GLANCE

€140.0m

BILLINGS

(Q1 2019: €67.4m)

€19.0m

REVENUE

(Q1 2019: €36.5m)

€2.8m

ADJUSTED EBITDA

(Q1 2019: €12.2m)

12.1%

**GROSS MARGIN,
GERMANY SEGMENT¹**

(Q1 2019: NOT APPLICABLE)

€26.00

**COST PER LEAD,
GERMANY SEGMENT¹**

(Q1 2019: NOT APPLICABLE)

206k

**NEW REGISTERED CUSTOMERS,
GERMANY SEGMENT¹**

(Q1 2019: NOT APPLICABLE)

¹In the three months ended 31 March 2019, the Group did not operate a Germany segment as defined on page 17 of this report. As such, prior year comparatives are not available.

PROMISING START INTO 2020

- Billings increased
- Strong gross margin achieved
- Further cost savings realised
- High number of new registered customers gained
- Reporting segments reorganised

Definitions of the financial measurements disclosed above can be found in the Management System section on page 29 of the 2019 Annual Report.

EXECUTIVE REVIEW

LADIES AND GENTLEMEN,

the ZEAL Group¹ has made a promising start into the fiscal year 2020: We have grown our billings, successfully acquired new customers, further reduced our costs and achieved a strong gross margin. In order to be even more transparent, we have reorganised our reporting segments: From now on we will report on the segments 'Germany', which mainly comprises the online lottery brokerage business of the Lotto24 and Tipp24 brands, and 'Other', which mainly comprises the business of ONCE and ZEAL Ventures.

We are well on the way to achieving our goals, even though some further steps of the transition, e.g. the full technical integration of Lotto24 AG ('Lotto24'), still have to be taken.

POSITIVE FINANCIAL DEVELOPMENT

ZEAL Group's billings increased by 108% to €140.0 million in the first quarter of 2020 (2019: €67.4 million), mainly thanks to the inclusion of Lotto24. The Germany segment contributed €139.7 million to this, billings of the Spanish ONCE business are not included for contractual reasons. In a year-on-year comparison, however, it should be noted that in 2019 we offered a broader product range in the secondary lottery business (e.g. including 'Instant Win Games', the European lottery 'EuroMillions' or the US 'Powerball' lottery), which were discontinued in October 2019 due to the Business Model Change². Moreover, Lotto24's online lottery brokerage business has only been part of the ZEAL Group since 14 May 2019. The Lotto24 billings from the first quarter of 2019 were therefore not included in the previous year's figures.

For our core product, the German lottery 6aus49, the average jackpot for the first quarter of 2020 was below that of the previous year and exceeded the €20 million mark only once (2019: once). In the European lottery EuroJackpot, the average jackpot was higher than in the previous year, but also reached the €90 million mark only once in this quarter (2019: once).

Our revenue decreased by 48% to €19.0 million in the first quarter of 2020 (2019: €36.5 million), mainly due to the expected revenue dis-synergies in connection with the Business Model Change. Similar to billings, revenue in the first quarter of 2019 still included the secondary lottery business but not Lotto24's online lottery brokerage business from the first quarter of 2019. Revenue in the Germany segment amounted to €17.0 million in the first quarter of 2020.

Supported by a positive development of lottery clubs the gross margin in the Germany segment was 12.1% in the first quarter 2020 (2019: no Germany segment). Since, among other things, the Spanish ONCE business is not included in billings but only in revenue, our margin development is better reflected in the Germany segment rather than on Group level.

FURTHER COST SAVINGS REALIZED

As announced, we also succeeded in further reducing our cost base: Our personnel and other operating expenses together in the first quarter of 2020 fell by €8.3 million to €16.7 million (2019: €25.0 million). It should be noted that Lotto24 AG's costs were not yet included in the first quarter of 2019, so the cost savings would have been correspondingly higher. Other operating expenses fell by €7.8 million to €11.8 million (2019: €19.5 million), although marketing expenses increased by €1.4 million to €6.6 million. This reflects the synergy measures implemented to reduce direct operating expenses (including the costs of covering the bookmaking risk) and non-deductible VAT within the myLotto24 Sub-Group³, which only began to take effect on transition of our Germany business from a secondary lottery to the online lottery brokerage business and will have a full year effect in 2020.

¹ The ZEAL Group is comprised of ZEAL Network SE and its subsidiaries.

² The Business Model Change refers to the Lotto24 takeover and the return of the former Tipp24 secondary lottery to the German online lottery brokerage business.

³ The myLotto24 Sub-Group is comprised of mylotto24 Limited and its subsidiaries.

We can therefore confirm the planned annual cost synergies of at least €57.0 million, of which 80% is to be achieved after the first year and 100% after the second year of completing the Lotto24 takeover. Overall, we continue to expect total expenses for achieving the planned cost synergies within the targeted range of €15.0 million to €20.0 million. Up to the end of the first quarter 2020, we have incurred expenses of €15.0 million and expect further expenses of up to €2.0 million in the fiscal year 2020.

The German online lottery brokerage market offers tremendous growth potential for the ZEAL Group. At acquisition costs per new registered customer (cost per lead, CPL) in the Germany segment of €26.00, we acquired 206 thousand new registered customers in the first quarter of 2020 (2019: no Germany segment).

AS EXPECTED, ADJUSTED EBITDA¹ BELOW PREVIOUS YEAR

As a result of the revenue dis-synergies in the course of the Business Model Change, our adjusted EBITDA in the ZEAL Group of €2.8 million was, as expected, down on the previous year (2019: €12.2 million). The Germany segment contributed €1.9 million to this. After deducting increased depreciation and amortization mainly resulting from the takeover of €2.7 million (2019: €0.6 million) and non-recurring expenses of €0.1 million (2019: €1.8 million), EBIT fell to €0.0 million (2019: €9.8 million).

IMPACT OF THE CORONA CRISIS

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

GUIDANCE 2020 REITERATED

We still plan to further expand our market leadership as an online provider of state lottery products with the Lotto24 and Tipp24 brands in fiscal year 2020. Recognizing that the previous years' figures are difficult to compare with those forecast for 2020 due to the Lotto24 takeover in May 2019 and the Business Model Change from a secondary lottery to an online lottery broker in Germany in October 2019, we expect billings of between €550 million and €570 million. This includes for the first time the full-year billings of Lotto24 and the discontinuation of the international products as part of the termination of the secondary lottery business. Based on the expected dis-synergies as a result of the Business Model Change, we anticipate revenue of between €70 million and €73 million in 2020. As the gross margin in the online lottery brokerage business is naturally lower than in the riskier secondary lottery business, we expect a gross margin in the Germany segment of around 12% – a comparable level to Lotto24 in recent years. Depending on the general conditions, in particular the jackpot development, the timing of the implementation of the planned synergy effects and the marketing investments for the acquisition of new customers, adjusted EBITDA is expected to be between €5 million and €8 million. Due to the access to proven, more cost-effective marketing channels, we expect the 'Germany' segment to nearly double the number of new customers in 2020 with a lower cost per lead (CPL) compared to the previous year.

¹ Adjusted EBITDA is the result from operating activities before amortisation, depreciation and non-recurring expenses.

DEAR SHAREHOLDERS,

We are aware that comparing our figures in the 2020 financial year with the previous year's figures is not easy and sometimes very cumbersome due to the Lotto24 takeover and the Business Model Change. However, as you can see from the new segment reporting, we continue to work continuously on the greatest possible transparency in order to make it as easy as possible for you to understand our development.

In addition, we are constantly reviewing our product and service portfolio. In the Germany segment for example, we launched the new charity lottery freiheit+ for the promotion of educational projects together with BildungsChancen gGmbH and officially launched it under the Tipp24 brand on 9 March 2020. In addition to the Lotto24 app, we have also had a corresponding Tipp24 app in the Apple App Store since April 2020.

We would furthermore like to mention the interim VAT payment of €54 million to the German tax authorities in January 2020 following the agreement of myLotto24 with the tax authority Hannover-Nord. The payment was made – despite the first instance ruling in favour of myLotto24 and without acknowledging any legal obligation – to reduce the amount of potential interest payments and to eliminate the risk of potential fines for late payment of taxes. If the action brought by myLotto24 will be upheld in the last instance, the VAT paid plus interest (currently 6% p.a.) will be refunded to myLotto24.

As you can see, a lot is happening here – every day, in every area. An aspiration that we would like to meet with you in the future as well.

Hamburg, 13 May 2020

The Management Board



Dr. Helmut Becker
Chief Executive Officer



Jonas Mattsson
Chief Financial Officer

FINANCIAL REVIEW

Summary financial results and key performance indicators:

Summary financial results	Q1 2020	Q1 2019
in € thousand		
Revenue	19,024	36,462
Other operating income	414	911
Personnel expenses	(4,954)	(5,508)
Other operating expenses	(11,761)	(19,511)
Marketing expenses	(6,554)	(5,157)
Direct operating expenses	(1,987)	(10,648)
Indirect operating expenses	(3,220)	(3,706)
Exchange rate differences	109	(153)
Adjusted EBITDA	2,832	12,201
Non-recurring expenses and income	(108)	(1,792)
EBITDA	2,724	10,409
Amortisation and depreciation	(2,682)	(633)
EBIT	42	9,776
Key Performance Indicators		
Billings (in € thousand)	140,049	67,369
Revenue (in € thousand)	19,024	36,462
Adjusted EBITDA (in € thousand)	2,832	12,201
Gross margin, Germany segment (%)	12.1	-
Number of new registered customers, Germany segment (in thousand)	206	-
CPL, Germany segment (in €)	26.00	-

The takeover of Lotto24 in May 2019, and the closure of the secondary lottery business and switch to online lottery brokerage in October 2019, makes comparison between the 2019 and 2020 results difficult. The 2019 comparatives include the results from secondary lottery from 1 January 2019 to 31 March 2019, whilst the 2020 results reflect the online lottery brokerage business from 1 January 2020 to 31 March 2020.

REVENUE

Revenue for the three-month period ended 31 March 2020 decreased by €17,438 thousand to €19,024 thousand (2019: €36,462 thousand).

The decrease in revenue is primarily driven by the closure of the secondary lottery business in October 2019.

PERSONNEL EXPENSES

Personnel expenses for the three-month period ended 31 March 2020 decreased by €554 thousand to €4,954 thousand (2019: €5,508 thousand). The movement is due to the fall in the average number of full time equivalent (FTE) employees from 192 to 172. The fall in headcount was mainly driven by the restructuring of the Group as part of the integration with Lotto24.

OTHER OPERATING EXPENSES

Other operating expenses for the three-month period ended 31 March 2020 decreased by €7,750 thousand to €11,761 thousand (2019: €19,511 thousand). The most significant contributory factors were:

- Increase in marketing expenses of €1,397 thousand which is partly due to 2019 comparative figures including the marketing expenses for the Tipp24 brand, whilst the current period includes the marketing expenses for both Tipp24 and Lotto24. Further, the increase in marketing expense is driven by the increase in marketing activity following the Business Model Change and the improved regulatory environment for an online lottery broker. This allows the Group to increase its marketing activity and reduce the CPL in comparison to the secondary lottery business.
- Decrease in direct operating expenses of €8,661 thousand which is mainly due to the Business Model Change. Following the closure of the Group's secondary lottery business the Group no longer incurs the costs of covering bookmaking risk. This has resulted in a €7,629 thousand decrease in direct operating expenses. The Business Model Change has also resulted in the reduction of non-deductible VAT by €901 thousand.
- Decrease in indirect operating expenses of €486 thousand, which is primarily driven by a €328 thousand decrease in legal and advisory costs and a €66 thousand decrease in travel and entertainment. The remaining movement is due to various immaterial decreases in other line items.

NON-RECURRING EXPENSES

Non-recurring expenses for the three-month period ended 31 March 2020 were €108 thousand (2019: €1,792 thousand). Non-recurring expenses incurred in the three-month period ended 31 March 2020 relate to legal advice (€68 thousand) and employee severance (€40 thousand). Non-recurring expenses incurred in the three-month period ended 31 March 2019 mainly related to the takeover of Lotto24 (€1,541 thousand) and restructuring activities (€224 thousand).

AMORTISATION AND DEPRECIATION

Amortisation and depreciation expense for the three-month period ended 31 March 2020 has increased by €2,049 thousand to €2,682 thousand (2019: €633 thousand). The increase is driven by the amortisation of intangible assets recognised following the takeover of Lotto24.

KEY PERFORMANCE INDICATORS

Billings for the three-month period ended 31 March 2020 increased by €72,680 thousand to €140,049 thousand (2019: €67,369 thousand). The increase in billings is primarily due to the inclusion of Lotto24 billings in the numbers for 2020. Due to the success of lottery clubs the Group achieved a gross margin of 12.1% for the three-month period ended 31 March 2020. We were able to acquire 206 thousand new registered customers in the first quarter of 2020, with CPL in the Germany segment of €26.00 (2019: no Germany segment). We are pleased to report that our monthly average active users (MAU)¹ for the Germany segment and average billings per user (ABPU)² reached 942 thousand and €49.46 respectively for the three months period ending 31 March 2020 (2019: no Germany segment).

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

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

CASH FLOW

	Q 1 2020	Q 1 2019
in € thousand		
Cash (used in)/generated from operating activities	(44,807)	2,994
Cash generated from/(used in) investing activities	1,879	(3,349)
Cash used in financing activities	(740)	(494)
Changes in cash, pledged cash and cash equivalents	(43,668)	(849)
Cash, pledged cash and cash equivalents at the beginning of the period ¹	153,280	145,887
Cash, pledged cash and cash equivalents at the end of the period¹	109,612	145,038

¹ In line with IFRS, for the purpose of the statement of cash flows, cash equivalents at the beginning of the period exclude €2,925 thousand (2019: nil) invested in equity funds. Cash equivalents at 31 March 2019 exclude €2,991 thousand invested in equity funds.

Cash used in operating activities for the three-month period ended 31 March 2020 was €44,807 thousand (2019: cash inflow of €2,994 thousand). The cash outflow in the three-month period ended 31 March 2020 was primarily due to the interim VAT payment of €54,316 thousand made in January 2020. The payment was made – despite the first instance ruling in favour of myLotto24 and without acknowledging any legal obligation – to reduce the amount of potential interest payments and to eliminate the risk of potential fines for late payment of taxes. This was offset by increases in other liabilities of €11,688 thousand as a result of customer winnings being received from the lottery operators but not withdrawn by customers.

Cash generated from investing activities for the three-month period ended 31 March 2020 was €1,879 thousand (2019: cash outflow of €3,349 thousand). The inflow is primarily attributable to the sale of €2,925 thousand (2019: cash outflow of €2,975 thousand) of equity funds which were converted into cash on sale. This was offset by €236 thousand invested in associates (2019: €350 thousand), and €781 thousand (2019: nil) paid to acquire non-controlling interests.

Cash used in financing activities for the three-month period ended 31 March 2020 was €740 thousand (2019: €494 thousand). The outflow relates to lease payments made for the Group's offices in London and Hamburg.

As of 31 March 2020, cash, pledged cash and cash equivalents decreased by €35,426 thousand to €109,612 thousand (2019: €145,038 thousand).

CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONSOLIDATED INCOME STATEMENT (UNAUDITED) FOR THE THREE MONTHS ENDED 31 MARCH 2020 AND 31 MARCH 2019

	Q1 2020	Q1 2019
in € thousand		
Revenue	19,024	36,462
Other operating income	414	911
Personnel expenses	(4,954)	(5,508)
Other operating expenses	(11,761)	(19,511)
Marketing expenses	(6,554)	(5,157)
Direct operating expenses	(1,987)	(10,648)
Indirect operating expenses	(3,220)	(3,706)
Exchange rate differences	109	(153)
Non-recurring expenses	(108)	(1,792)
Results from operating activities before interest, taxes, depreciation and amortisation (EBITDA)	2,724	10,409
Amortisation/depreciation on intangible assets and property, plant and equipment	(2,340)	(269)
Depreciation of right of use assets	(342)	(364)
Result from operating activities (EBIT)	42	9,776
Income from financial activities	1,107	30
Expenses from financial activities	(183)	(142)
(Loss)/gain on financial assets	(1,093)	173
Financial result	(169)	61
Share of loss from associates	(61)	-
Net (loss)/profit before taxes	(188)	9,837
Income taxes	340	(2,951)
Net profit after taxes	152	6,886
Attributable to		
Equity shareholders of the Company	112	6,886
Non-controlling interest	40	-
Earnings per share for profit attributable to ordinary equity holders of the Company	€	€
Basic and diluted earnings per share (in €/share)	0.00	0.83

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE MONTHS ENDED 31 MARCH 2020 AND 31 MARCH 2019**

	Q 1 2020	Q 1 2019
in € thousand		
Net profit after taxes	152	6,886
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	557	134
Items that may be reclassified to profit or loss in subsequent periods		
Exchange differences on translation of foreign operations, net of tax	(4)	-
Other comprehensive income after taxes	553	134
Total comprehensive income after taxes	705	7,020
Attributable to		
Equity shareholders of the Company	665	7,020
Non-controlling interest	40	-

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 31 MARCH 2020 AND 31 DECEMBER 2019**

	As at 31 March 2020	As at 31 December 2019
ASSETS in € thousand		
Non-current assets		
Property plant and equipment	1,490	1,786
Right of use assets	5,725	8,478
Goodwill	160,886	160,886
Intangible assets	150,059	152,091
Deferred tax assets	18,364	18,474
Other investments	4,636	4,137
Shares in associated companies	862	629
Other assets and prepaid expenses	57,742	654
Total non-current assets	399,764	347,135
Current assets		
Income tax receivable	12	52
Trade receivables and other current assets	16,832	17,741
Cash equivalents and other short-term equity funds	34,686	72,511
Cash and pledged cash	74,926	83,694
Total current assets	126,456	173,998
TOTAL ASSETS	526,220	521,133

	As at 31 March 2020	As at 31 December 2019
EQUITY & LIABILITIES in € thousand		
Non-current liabilities		
Deferred tax liabilities	52,697	53,256
Other non-current liabilities	567	1,026
Long-term provisions	2,279	2,360
Lease liabilities	8,226	8,857
Total non-current liabilities	63,769	65,499
Current liabilities		
Trade payables	3,145	3,838
Other current liabilities	42,297	30,150
Deferred income	-	24
Income tax liabilities	6,188	6,886
Short-term provisions	2,855	6,562
Lease liabilities	2,317	2,449
Total current liabilities	56,802	49,909
Equity		
Subscribed capital	22,396	22,396
Share premium	280,132	280,132
Treasury shares	(1,903)	(1,903)
Other reserves	1,431	874
Foreign currency translation reserve	160	164
Retained earnings	95,391	95,674
Equity attributable to equity holders of the parent	397,607	397,337
Non-controlling interest	8,042	8,388
Total equity	405,649	405,725
TOTAL EQUITY & LIABILITIES	526,220	521,133

**INTERIM CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR THE THREE MONTHS ENDED 31 MARCH 2020 AND 31 MARCH 2019**

	Q1 2020	Q1 2019
in € thousand		
Net (loss)/profit before tax	(188)	9,837
Adjustments for		
Amortisation/depreciation	2,340	269
Depreciation of right of use assets	342	364
Income from financial activities	(1,107)	(30)
Expenses from financial activities	77	60
Expenses from financial activities – lease liabilities	106	82
Other non-cash expenses/income	290	24
Changes in		
Trade receivables and other assets	(52,752)	5,947
Trade payables	(693)	(267)
Other liabilities	11,688	(6,547)
Financial liabilities	-	10
Deferred income	(24)	(1,190)
Provisions	(3,788)	(1,756)
Interest received	19	30
Interest paid	(77)	(60)
Interest paid on lease liabilities	(106)	(82)
Income taxes paid	(934)	(3,697)
Cash (outflow)/inflow from operating activities	(44,807)	2,994

	Q 1 2020	Q 1 2019
in € thousand		
Cash flow from investing activities		
Acquisition of intangible assets	(9)	-
Acquisition of property, plant and equipment	(20)	(24)
Payments for acquisition of associates	(236)	(350)
Income/(payment) for investment in equity funds	2,925	(2,975)
Payments made to acquire non-controlling interest	(781)	-
Net cash inflow/(outflow) from investing activities	1,879	(3,349)
Net cash outflow from financing activities		
Payments for lease liability	(740)	(494)
Net cash outflow from financing activities	(740)	(494)
Change in available funds	(43,668)	(849)
Available funds at the beginning of the period	153,280	145,887
Available funds at the end of the period	109,612	145,038
Composition of cash, pledged cash and cash equivalents		
Cash and pledged cash	74,926	131,981
Cash equivalents	34,686	13,057
Cash, pledged cash and cash equivalents at the end of the financial period	109,612	145,038

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE YEAR ENDED 31 DECEMBER 2019 AND FOR THE THREE MONTHS ENDED 31 MARCH 2020
AND 31 MARCH 2019**

	Subscribed capital	Share premium	Treasury shares	Other reserves	Currency translation adjust- ments	Retained earnings	Equity attribut- able to equity holders of the parent	Non-con- trolling interest	Total equity
in € thousand									
As at 1 January 2019	8,385	21,578	(1,903)	227	201	94,418	122,906	-	122,906
Net profit	-	-	-	-	-	6,886	6,886	-	6,886
Other comprehensive income	-	-	-	134	-	-	134	-	134
Total comprehensive income for the period	-	-	-	134	-	6,886	7,020	-	7,020
As at 31 March 2019	8,385	21,578	(1,903)	361	201	101,304	129,926	-	129,926
Net (loss)/profit	-	-	-	-	-	(5,426)	(5,426)	258	(5,168)
Other comprehensive income	-	-	-	513	(37)	37	513	-	513
Total comprehensive income for the period	-	-	-	513	(37)	(5,389)	(4,913)	258	(4,655)
Transactions with owners in their capacity as owners									
Capital increase to acquire Lotto24	14,011	258,554	-	-	-	-	272,565	8,403	280,968
Purchase of non-controlling interest	-	-	-	-	-	(241)	(241)	(273)	(514)
As at 31 December 2019	22,396	280,132	(1,903)	874	164	95,674	397,337	8,388	405,725
Transactions with owners in their capacity as owners									
Purchase of non-controlling interest	-	-	-	-	-	(395)	(395)	(386)	(781)
Net profit	-	-	-	-	-	112	112	40	152
Other comprehensive income	-	-	-	557	(4)	-	553	-	553
Total comprehensive income for the period	-	-	-	557	(4)	112	665	40	705
As at 31 March 2020	22,396	280,132	(1,903)	1,431	160	95,391	397,607	8,042	405,649

SELECTED NOTES

GENERAL INFORMATION

The unaudited Quarterly Statement for ZEAL Network SE (the 'Company') and its subsidiaries (collectively, 'ZEAL Group' or 'the Group') covers the period from 1 January 2020 to 31 March 2020. The date of the interim consolidated statement of financial position is 31 March 2020.

GOING CONCERN

The Management Board is satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period no less than twelve months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the Quarterly Statement.

PRINCIPAL ACCOUNTING POLICIES

The Group has consistently applied the accounting policies to all periods presented in this Quarterly Statement.

RELATED PARTIES

There has been no change in the related parties or their activities since the issue of the 2019 Annual Report on 26 March 2020.

TAX MATTERS AND CONTINGENT LIABILITY

The Management Board continue to closely monitor any changes in areas where a contingent liability has been previously disclosed. As disclosed on page 108 of the 2019 Annual Report, there is significant uncertainty as to whether VAT is due in respect of certain services provided by the myLotto24 Sub-Group. If myLotto24 is unsuccessful, the potential financial impact at 31 March 2020 is €76.7 million (31 December 2019: €76.9 million). Following the payment of €54m, the remaining potential cash exposure is €22.8 million.

SUBSEQUENT EVENTS

ZEAL back in the SDAX

Since 8 May 2020 we are part of the German stock index SDAX again. Deutsche Börse announced this unscheduled decision due to the acquisition of another index-listed company on 5 May 2020. We were already included in the SDAX as Tipp24 AG in June 2009 but had to leave the index in June 2017 due to insufficient market capitalisation.

APPROVAL

The Quarterly Statement was approved by the Management Board on 13 May 2020.

SEGMENT REPORTING

The Group's reportable operating segments reflect the management structure of the Group, the way performance is evaluated, and the way resources are allocated by the Chief Operating Decision Maker (CODM), being the Management Board. Following the takeover of Lotto24 on 14 May 2019 and the Business Model Change on 15 October 2019, the Group has reviewed its reportable operating segments and determined that the following segments should be used from 1 January 2020.

Germany

This operating segment comprises the results of the Group's online lottery brokerage business in Germany. Its cost base includes direct operational costs as well as the Group's shared costs.

Other

This operating segment comprises the elements of our businesses which are focused on operating primary lotteries with national permissions, our international services business for lottery operators, and investments in early stage start-ups.

2019 Comparatives

The 2019 comparatives have been restated so that they are prepared on the same basis as the 2020 note. This has resulted in shared costs being reallocated from the Other segment (previously called Lottovate) to the Germany and Lottery Betting segments. This has decreased the negative EBITDA from €1,321 thousand in the Lottovate segment to €417 thousand in the Other segment.

The 2019 segmental disclosure includes a third operating segment; the Lottery Betting segment. This comprises the results of our secondary lottery betting business (secondary lottery) and sales of Instant Win Games products. Its cost base includes direct costs and an allocation of the shared cost base. The Group transitioned its secondary lottery betting business in Germany to a licenced online lottery brokerage model on 15 October 2019. Following this, its international secondary lottery business was transferred to the Other segment and the lottery betting segment no longer reported to the CODM on a standalone basis.

The 2019 Lottery Betting segment has been restated to show actual rather than normalised results and to reflect the apportionment of shared costs in 2020. This has resulted in EBITDA decreasing from €11,692 thousand to €10,826 thousand.

The discontinuance of the secondary lottery business in Germany is not considered to meet the IFRS definition of a discontinued operation, as the Group continues to provide the same customers in Germany on the basis of the brokerage licence granted by the German gambling authorities with the products of the German Association of State Lottery Companies (DLTB) for a brokerage

fee without carrying any bookmaking risk. Prior to the Business Model Change the Group was a bookmaker and also offered customers the chance to bet on the outcome of German and some international lotteries. Following the Business Model Change, the Group is primarily a broker which offers DLTB tickets to its customers.

Business unit segment reporting

Q1 2020	Germany	Lottery Betting	Other	Total
in € thousand				
Revenue	16,969	-	2,055	19,024
Other operating income	414	-	-	414
Personnel expenses	(4,630)	-	(324)	(4,954)
Other operating expenses and exchange rate differences	(10,852)	-	(800)	(11,652)
Non-recurring expenses	(108)	-	-	(108)
EBITDA	1,793	-	931	2,724
Amortisation/depreciation	-	-	-	(2,682)
EBIT	-	-	-	42
Financial result	-	-	-	(169)
Share of loss from associates	-	-	-	(61)
Net loss before taxes	-	-	-	(188)
Income taxes	-	-	-	340
Net profit after taxes	-	-	-	152

Billings for the Germany segment were €139,714 thousand and €335 thousand for the Other segment.

Q1 2019 Restated	Germany	Lottery Betting	Other	Total
in € thousand				
Revenue	-	35,149	1,313	36,462
Other operating income	-	905	6	911
Personnel expenses	-	(4,670)	(838)	(5,508)
Other operating expenses and exchange rate differences	-	(18,832)	(832)	(19,664)
Non-recurring expenses	-	(1,726)	(66)	(1,792)
EBITDA	-	10,826	(417)	10,409
Amortisation/depreciation	-	-	-	(633)
EBIT	-	-	-	9,776
Financial result	-	-	-	61
Share of loss from associates	-	-	-	-
Net loss before taxes	-	-	-	9,837
Income taxes	-	-	-	(2,951)
Net profit after taxes	-	-	-	6,886

FINANCIAL CALENDAR

19 June 2020	Annual General Meeting
13 August 2020	Publication of Half-Yearly Financial Report
12 November 2020	Publication of Quarterly Statement Q3

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