

# GAME CHANGER

WE DRIVE CHANGE IN THE LOTTERY INDUSTRY.

HALF-YEAR REPORT  
1 JANUARY – 30 JUNE 2021



**ZEAL**

ZEAL Network SE is the parent of an e-commerce group of companies that create online lottery experiences for their customers. Founded in Germany in 1999, it was initially set up as a lottery broker and floated in 2005 – in one of Germany's most successful IPOs on the Frankfurt stock exchange at that time.

In 2009, the Group changed its focus from lottery brokerage to lottery betting and later moved its registered office to London.

In May 2019, ZEAL completed the takeover of LOTTO24 AG, transitioned its former Tipp24 secondary lottery business to a German online lottery brokerage business in October 2019, re-located its registered office back to Germany and successfully finalised the integration in 2020.

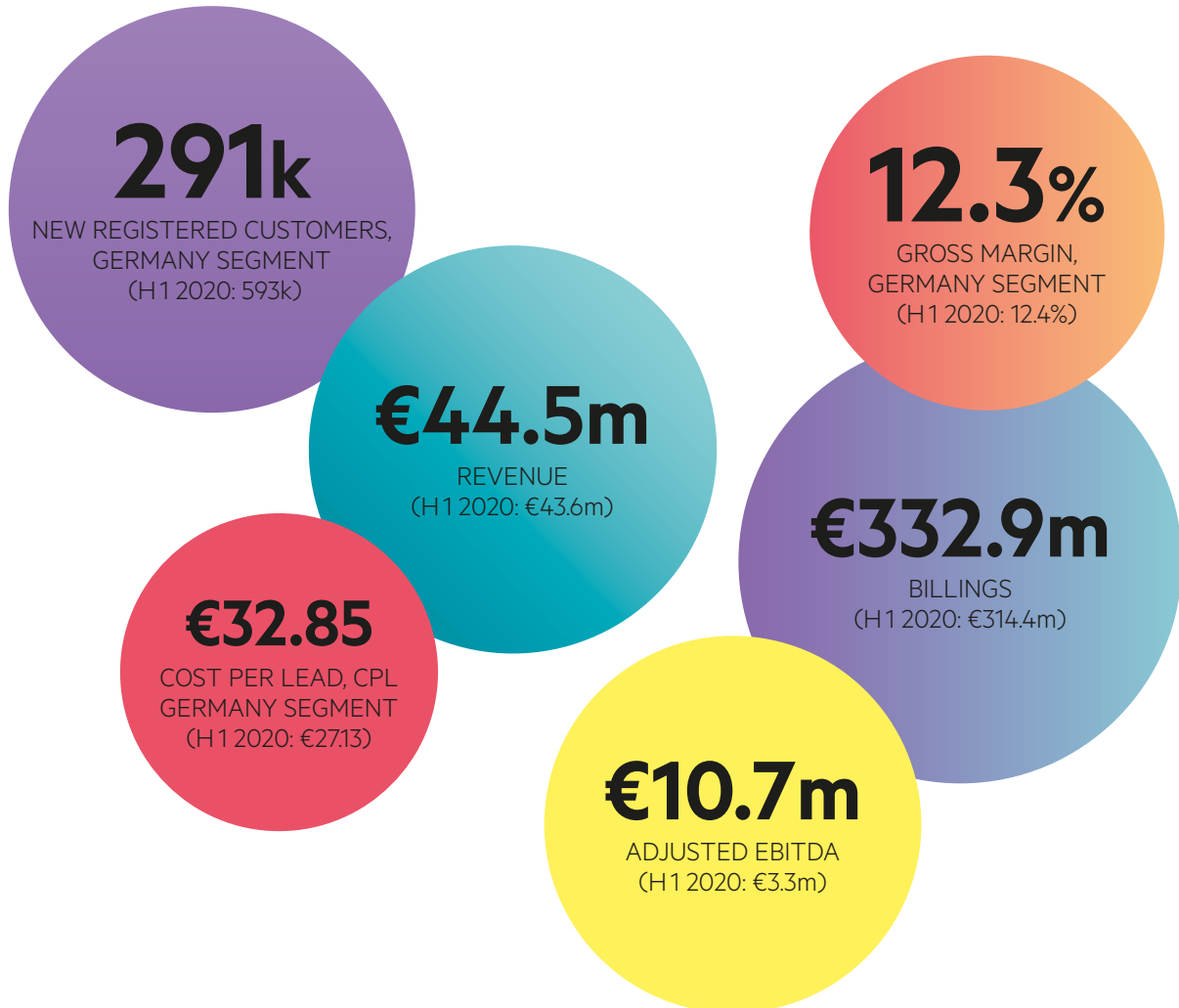
Today, ZEAL is once again the leading German online provider of lottery products. The aim of the ZEAL Group is to innovate and drive change in the lottery sector while further expanding its market leadership!

The logo for ZEAL, consisting of the letters 'ZEAL' in a bold, dark blue, sans-serif font.

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# H1 2021 AT A GLANCE



## CONTINUED GROWTH WITH WEAKER JACKPOT SITUATION

- Increased billings and revenue
- Stable gross margin achieved
- Profitability significantly improved
- All resolutions adopted at the AGM
- ZEAL strengthens Management Board

*Definitions of the measurements disclosed above can be found in the 'Management System' section of the Group Management Report 2020.*

# BUSINESS REVIEW

## DEAR SHAREHOLDERS,

Thanks to the stability of our business model – based on the loyalty of our customers and the unbroken popularity of online lotteries – we achieved further growth in the first half of 2021 with a much weaker jackpot development than in the same period last year.

In the first half of 2021, our billings rose by 6% to €332.9<sup>1</sup> million (2020: €314.4 million), of which the Germany segment accounted for almost the entire amount at €332.8 million (2020: €313.8 million). Revenue increased by 2% to €44.5 million (2020: €43.6 million), of which €41.8 million was attributable to the Germany segment (2020: €39.0 million). At 12.3%<sup>2</sup>, our gross margin in the Germany segment was thus stable compared to the prior-year figure (2020: 12.4%).

The market environment for lotteries in Germany during the first six months of 2021 was comparatively weak: at just €9.0 million, the average jackpot of the German lottery 'LOTTO 6aus49' was even lower than in the previous year (2020: €9.4 million) and only exceeded the €20 million mark once (2020: twice). At €38.3 million, the average jackpot of the European lottery 'Eurojackpot' fell significantly short of the high prior-year figure (2020: €51.2 million) and reached the €90 million mark twice (2020: six times).

Despite this market environment, however, we gained 291 thousand new registered customers in the Germany segment (2020: 593 thousand). The increase in acquisition costs per new registered customer (cost per lead, CPL) of €32.85 (2020: €27.13) was also a consequence of our enhanced marketing strategy, which takes the expected customer quality into account: higher CPLs in low jackpot phases are justified by the fact that it is precisely those lottery players won during these periods who generally exhibit higher long-term activity and thus a better customer lifetime value (CLV). As a result, the payback periods of new customers are only slightly longer. At €13.8 million, marketing expenses in the first half of 2021 were below the prior-year level (2020: €18.3 million) as a result of the significantly weaker jackpot development.

Personnel expenses and other operating expenses of €10.2 million and €23.7 million, respectively, were also well below the corresponding prior-year figures (2020: €11.2 million and €30.1 million). Consequently, adjusted EBITDA rose to €10.7 million (2020: €3.3 million) – there were no non-recurring expenses or income. The Germany segment accounted for €9.8 million of this amount (2020: €1.5 million). EBIT and net profit of €6.3 million and €5.7 million, respectively, were also well above the prior-year figures (2020: €2.0 million and €0.4 million).

As a result of the COVID-19 pandemic, we held our Annual General Meeting (AGM) on 1 June 2021 for the second time as a virtual meeting. With a participation rate of around 75% of the voting capital, the proposed resolutions on all agenda items were adopted with large majorities. In addition to the usual items, such as ratifying the actions of the Management Board and the Supervisory Board, as well as appointing the auditors, the agenda included the resolution on the appropriation of the distributable profit. Due to the positive liquidity situation of the ZEAL Group and the expected further increase in profitability, the Management Board and the Supervisory Board had proposed a total distribution of €201 million (2019: €17.9 million). This corresponds to a dividend of €0.90 per share for the fiscal year 2020 (2019: €0.80). In addition to the compensation system for members of the Management Board, as well as the compensation and the compensation system for members of the Supervisory Board, which were approved by around 93% and almost 100% of the voting capital, respectively, the proposed capital increase from company funds with a subsequent ordinary capital reduction was adopted with a large majority of votes, as well.

<sup>1</sup>For contractual reasons, the billings of our ONCE business in Spain are not included in this total.

<sup>2</sup>As the Spanish ONCE business is not included in billings but only in revenue, our margin trend is better reflected by the Germany segment than at Group level.

Other developments related to the ZEAL Management Board: the Supervisory Board recently appointed Paul Dingwitz to the Management Board as Chief Technology Officer (CTO) and Sönke Martens as Chief Operations Officer (COO). In these functions, they complete the existing Management Board with Dr Helmut Becker (CEO) and Jonas Mattsson (CFO). As an e-commerce company, it is important for us to meet high technological standards and to work in a customer-oriented manner. We are proud that two experienced managers from our own ranks will be supporting our plans for profitable growth in the coming years. The creation of these Management Board responsibilities also underlines the appreciation of the success already achieved by Paul Dingwitz and Sönke Martens, as well as the importance of these roles for the future success of the ZEAL Group.

For the fiscal year 2021, we continue to plan for the expansion of our market leadership as an online provider of lottery products. Depending on the general conditions, in particular the jackpot development, our expectation of billings of at least €700 million for the Germany segment remains unchanged. Following exceptionally strong jackpots in the previous year, we have assumed an average jackpot development, resulting in a lower growth rate than in the previous year. Moreover, we continue to expect revenue of at least €95 million in the fiscal year 2021. With similarly high marketing investments as in the previous year of around €32 million, adjusted EBITDA continues to be expected to reach at least €20 million.

Hamburg, 11 August 2021

The Management Board



Dr Helmut Becker  
Chief Executive Officer



Paul Dingwitz  
Chief Technology Officer



Sönke Martens  
Chief Operations Officer



Jonas Mattsson  
Chief Financial Officer

# INTERIM GROUP MANAGEMENT REPORT

## BASIC PRINCIPLES OF THE COMPANY

### BUSINESS AND ECONOMIC CONDITIONS

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#### ORGANISATIONAL STRUCTURE

ZEAL Network SE is a Societas Europaea (SE) with its registered office in Hamburg, Germany. Following the takeover of LOTTO24 on 14 May 2019 and the business model change on 15 October 2019, the Group reviewed its reportable operating segments and determined that the segments Germany and Other should be used as of 1 January 2020:

#### Germany

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

#### Other

The Other segment comprises the remaining elements of our business, including our online lottery operation for the charitable organisation ONCE in Spain and our investments in early-stage start-ups under ZEAL Ventures.

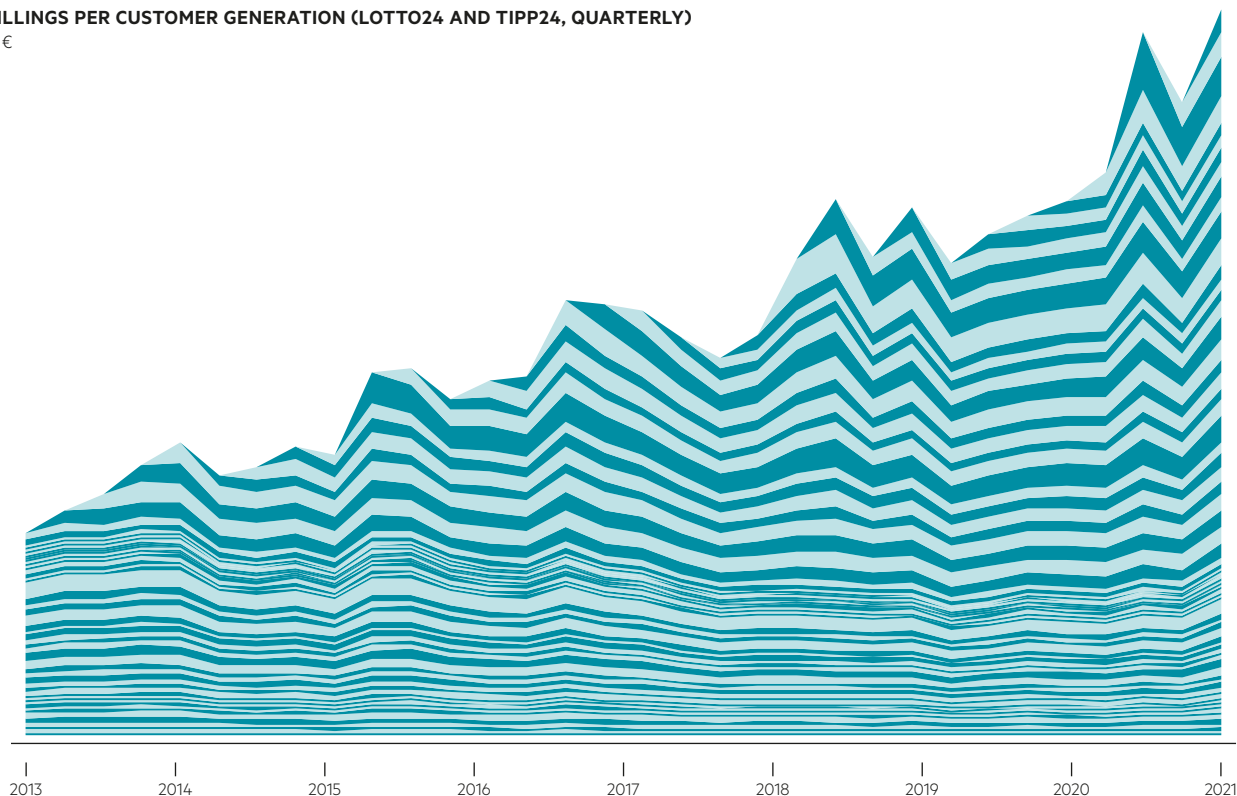
#### COMPELLING BUSINESS MODEL

In our largest segment, Germany, we broker lottery products via the Internet (lotto24.de, tipp24.de) and receive brokerage commissions from the lottery operators. The winnings are also paid out by the lottery operators. We can therefore generate income without assuming the book-making risk of the products of the German Association of State Lottery Companies (DLTB). Amongst other things, we offer our customers to participate in the lottery products 'LOTTO 6aus49', 'Spiel 77', 'Super 6', 'Eurojackpot', 'GlücksSpirale', 'Keno', lotto clubs, instant lotteries and 'Deutsche Fernsehlotterie'. On behalf of, and in the name of, our customers, we enter into gaming agreements with the respective lottery operator. Our products are well known on the market. In addition, we launched the new charity lottery 'freiheit+' for the promotion of educational projects together with BildungsChancen gGmbH under the Tipp24 brand in March 2020. It has also been offered under the LOTTO24 brand since November 2020.

One of the sector-specific success factors of our business model is the loyalty of our customers: once gained, they remain with us as active customers with stable billings over the long term.

## BILLINGS PER CUSTOMER GENERATION (LOTTO24 AND TIPP24, QUARTERLY)

in €



### STRATEGY

On the basis of the business segments presented above, our objectives are to,

- continue to expand our tried and proven business models, especially in Germany and Spain,
- develop new lottery businesses, and
- discover new start-up ideas in order to tap further target groups, gain important market knowledge and test new product ideas quickly and inexpensively.

Our Marketing and IT departments play a key role in these endeavours.

### VALUE-ORIENTED CORPORATE GOVERNANCE

#### Management and control

Dr Helmut Becker is responsible for leading the Management Board, as well as for Corporate Strategy, External Communications, Legal, Regulation, Compliance, Human Resources and Distribution.

Paul Dingwitz was appointed to the Management Board with responsibility for Technology with effect from 5 June 2021.

Sönke Martens was appointed to the Management Board with responsibility for Marketing and Brand Management with effect from 1 July 2021.

Jonas Mattsson is responsible for Finance, Accounting, Taxes, Controlling, Investor Relations, Risk Management, Asset Management, Banking Relations, External Auditing, Periodic Reporting to the Supervisory Board, and the Management of the Business Activities in Spain.

#### Financial key performance indicators (KPIs)

The financial KPIs which we use to steer the Group and aim to improve are:

- **Billings** (stakes placed by customers, influenced both by the variety and attractiveness of our product portfolio and the efficiency of customer retention measures)
- **Revenue** (commission charged for brokered and remitted tickets/stakes as well as additional/ticket fees)
- **Adjusted EBITDA** (earnings before interest, taxes, depreciation, amortisation and non-recurring expenses – represents the Group's operating earnings over a specific time period).

### Other financial indicators

We also report the following other financial indicators:

- **Gross margin:** ratio of revenue (excluding intercompany cost allocation) to billings;
- The number of **new registered customers:** customers who have successfully completed the registration process on our websites. This number is disclosed after adjustment for duplicate registrations and de-registrations;
- **CPL** (cost per lead): acquisition costs per new registered customer (not including CRM costs, customer service, etc.) which we use to monitor the efficiency of our marketing efforts;
- **MAU** (monthly average active users): key figure for the average number of active users per month, i.e. the number of customers who have either purchased a ticket or participated in a draw in a given month (including free bets). This provides a measure of the Company's ability to retain and attract new customers.
- **ABPU** (average billings per user per month): key figure for average billings per customer, i.e. the average net billings (billings net of discounts and redeemed vouchers) received from each active customer in a given month. It is calculated by dividing monthly net billings by monthly average active users and provides a measure of the Group's ability to increase the loyalty and value of its customers.

### EMPLOYEES

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The number of employees (FTEs, excluding students and temporary staff) decreased from 156 at 30 June 2020 to 151 at 30 June 2021.

### RESEARCH & DEVELOPMENT

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As a customer-centric technology group, we enhance our internal core competencies while developing and operating our platform and central systems ourselves. In this way, we can align software with operational processes and customer needs as efficiently as possible. This covers the entire process chain from the online registration of our customers through the purchase of lottery products to the payment and transmission of tickets to the lottery companies, as well as the alignment of our own licensed lottery and game offerings.

After successfully migrating the gaming operation of LOTTO24 to the ZEAL Group platform in November 2020, our clients web.de and gmx.de followed in the first half of 2021. As a result, we were able to successfully conclude our consolidation project 'Unity' within the planned time frame.

A further main focus of activity during the first half of 2021 were the organisational preparations for the new German State Treaty on Games of Chance, which came into force on 1 July 2021. Like its predecessors, the new legislation places various demands on our business – including, for example, the connection to new central databases for player protection and verification.

There was an encouraging new development at Google. The Android app platform, Google Play Store, was finally opened for gambling products and we were the first nationwide lottery offering to receive approval. The corresponding Android apps for the LOTTO24 and Tipp24 brands run on a unified platform – just like our web and iOS offerings. Moreover, the apps were successively upgraded following their launch in the Google Play Store.

We also made further investments into our infrastructure, enabling our cloud environment to respond even better to the strong fluctuations in website visitor traffic caused by the prevailing jackpot situation.



### REGULATORY CONDITIONS

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#### STATE TREATY ON GAMES OF CHANCE

In Germany, the offering of lotteries via the Internet is regulated in particular by the German State Treaty on Games of Chance ('Glücksspielstaatsvertrag' – GlüStV). The current version of the GlüStV came into force on 1 July 2021. It is valid for an indefinite period and can be terminated by the German federal states for the first time on 31 December 2028. The GlüStV is based on the previous State Treaties and enables commercial gaming brokers such as LOTTO24 to offer state-licensed lottery products via the Internet. The GlüStV also provides for permit models for virtual slot machines (online games), sports betting (online and offline) and online poker, as well as for a licensing model for online casinos. The federal states are working on the establishment of a national gambling supervision authority to be seated in Saxony-Anhalt. The previous Gambling Council of the federal states, which was used to pool state decisions, is to be dissolved in the medium term. Until responsibility is transferred to the new national supervisory authority in Saxony-Anhalt, the supervisory authority for commercial gaming brokers according to section 19 of the GlüStV (Lottery Brokers) is the Ministry of the Interior and Sport of Lower Saxony. We have a permit for lottery brokerage which is valid until 30 June 2022, and we will apply for a new permit in good time before it expires. The term of such new permit is expected to be five years. Under the current GlüStV, there is no longer any need for a separate advertising permit. The GlüStV includes regulations affecting all game formats, and which are also relevant for commercial game brokerage. We will only be able to measure the effects of these requirements on our business after a few months. However, we do not expect them to be significant for us. As in the previous years, Germany's federal states are upholding their state monopoly for lotteries, with the exception of lotteries with low risk potential (charity lotteries). In addition, the previous requirement to strictly separate gaming formats on different websites has been abolished. As of 1 July 2021, game providers are permitted to offer different game formats via the same Internet domain, subject to certain restrictions. At the same time, the current GlüStV makes a distinction in many areas (such as advertising, player identification, blacklists) between classic lottery offerings, with no more than two draws per week, and all other offerings, such as sports betting and online games, as well as online instant lotteries and 'Keno'. The degree of freedom for

classic lottery products is greater due to the lower risks for players. In addition to our current lottery brokerage activities, we also plan to offer online games or so-called virtual slot machines in future. We are therefore currently applying to the relevant supervisory authority, the Ministry of the Interior and Sport of Saxony-Anhalt, for a corresponding gaming permit.

#### 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 an extension permit. It still contains restrictive and in part uncertain ancillary provisions and conditions such as strict regulations regarding the age verification of players and the duty to divide gaming revenue among all 16 state lottery companies (regionalisation) – based on the player's place of residence. With a decision dated 29 March 2018, the Ministry of the Interior for Lower Saxony granted LOTTO24 the first permit for the online brokerage of state-operated instant lotteries (scratch cards). It now applies to the federal states of Lower Saxony, Saxony, Hesse and North Rhine-Westphalia, where the state lottery companies have also received a corresponding game permit. As a result, more than 50% of the adult German population already have access to scratch cards on the Internet. We intend to apply for the corresponding supplements in the states of Schleswig-Holstein and Baden-Württemberg in the near future. In addition, LOTTO24 received a supplement to the existing brokerage permit on 8 February 2019 which enables it to broker tickets on the tipp24.de domain to the state lottery companies via LOTTO24. Moreover, LOTTO24 was granted permission on 5 February 2020 to broker the charity lottery 'freiheit+' conducted by ZEAL. The new GlüStV 2021 which came into force on 1 July 2021 grants a transitional period for issued permits. Together with their ancillary provisions and conditions, the permits will continue to be valid under the new State Treaty until 30 June 2022. Based on past administrative practice, we do not expect any complications with regard to the extension of the permit for the period after 2022.

## **ADVERTISING PERMIT**

On 27 February 2019, the German authority responsible for advertising standards, the District Government of Düsseldorf, prolonged the advertising permit of LOTTO24 for the third and, for the time being, last time. It was valid until the GlüStV expired on 30 June 2021. In the past, the extension always had to be requested and was not granted automatically. After receiving the extension, LOTTO24 continued to be authorised to advertise the online marketing of state lotteries throughout Germany via the Internet and TV, thus driving the further expansion of its customer base. The renewal of the advertising permit and the resulting legal certainty thus formed the basis for the planned expansion of the Group's business and market share. According to the provisions of the GlüStV 2021, however, there is now no need for an additional advertising permit. Nevertheless, some of the previous restrictions continue to apply under the GlüStV 2021. In future, ancillary provisions restricting advertising will be included in the brokerage permit. With effect from 1 July 2021, the previously responsible District Government of Düsseldorf transferred responsibility to the Ministry of the Interior of Lower Saxony, which is provisionally responsible for issuing brokerage permits.

## **LEGAL DISPUTES AND REGULATORY PROCEEDINGS**

ZEAL Group entities are parties in various legal proceedings in connection with different aspects of gambling and tax law. LOTTO24 has initiated various court proceedings to review the legality of what it considers to be indeterminate and disproportionate restrictions of the permits already issued under the old State Treaty on Games of Chance. However, a final clarification of the fundamental questions was made more difficult by the fact that advertising permits were only valid for two years in the past. This short duration regularly led to the loss of interest in legal protection as soon as new lawsuits against the subsequent permit became pending. Moreover, the changes which came into effect with the new GlüStV on 1 July 2021 may represent a further hurdle for the successful continuation of the proceedings. We currently do not expect any material effects on future business from the ongoing proceedings. The proceedings of Tipp24 Services Ltd and myLotto24 Ltd previously pending in the administrative courts have meanwhile been settled amicably.

## **MYLOTTO24 SUCCESSFULLY CONTESTS VAT ASSESSMENT AT FIRST INSTANCE**

myLotto24 successfully contested a VAT assessment in the fiscal court of Hanover relating to its former secondary lottery business in 2017. On 19 November 2019, the fiscal court of Hanover upheld myLotto24's claim against the VAT assessment. The relevant tax authority appealed the ruling. A decision by the Federal Fiscal Court is not expected before 2022. In a previous decision on temporary relief, the fiscal court had dismissed myLotto24's application to order a stay of execution of VAT determined for the months May and June 2018 without the provision of security. The effect of the two decisions on the other affected periods from January 2015 to mid-October 2019 was therefore the subject of discussions between myLotto24 and the relevant tax authority in Hanover, with which myLotto24 reached an agreement in December 2019 in order to eliminate the risk of default charges being levied and significantly reduce the scope of any interest payments due. In January 2020, myLotto24 paid a partial amount of around €54 million in VAT relating to its former secondary lottery business without acknowledging any legal obligation. ZEAL Network SE remains confident that the lawsuit brought by myLotto24 will be upheld in the final instance. In this case, the VAT paid plus interest (currently 6% p.a.) would be refunded to myLotto24.

## ECONOMIC CONDITIONS

### HUGE POTENTIAL OF ONLINE SEGMENT

70.2 million adults live in Germany, of whom 29.7 million play lotto occasionally or regularly<sup>1</sup>. This corresponds to almost 42% of all adult Germans. In our latest survey of 1,495 Internet users with an affinity for lotto in November 2020, 41% of respondents confirmed that they had played lotto in the last six months. It is interesting to note that almost 50% of offline players surveyed – in other words, lotto players who still hand in their tickets at kiosks – can imagine playing lotto online in future. Translated to 29.7 million lotto players, this represents a market potential of 14.3 million potential online lotto players. Based on the total volume of the German lottery market (DLTB plus class lotteries, charity lotteries and other regulated lotteries) of around €9.0 billion<sup>2</sup>, this corresponds to potential total online lottery revenue of €4.3 billion.

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

<sup>2</sup> Source: Goldmedia 'Glücksspielmarkt Deutschland 2020', June 2020

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

- As online lottery offerings were entirely prohibited until mid 2012, we expect further strong revenue growth. Compared with foreign online lottery markets, which were less strictly regulated in the past, we expect above-average growth for Germany in the medium term.
- In 2019, the online share of the lottery market was 54% in Norway, 46% in Sweden and 30% in the United Kingdom<sup>1</sup>. The growing importance of e-commerce as a sales channel and mobile offerings are also strengthening this trend: in 2020, 72% of music was sold online<sup>2</sup>, 65% of all banking was done online<sup>3</sup> and 67% of trips were booked online<sup>4</sup>.

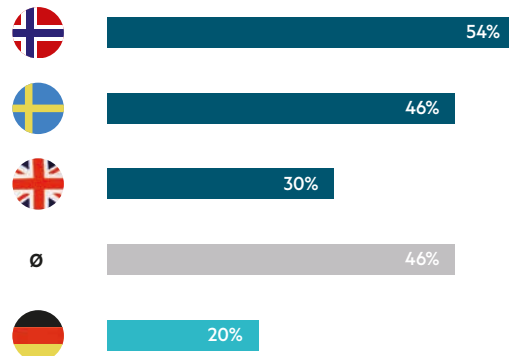
<sup>1</sup> Source: La Fleur's '2020 European Lottery Abstract' (based on figures for 2019)

<sup>2</sup> Source: BVMI 'Musikindustrie in Zahlen 2020'

<sup>3</sup> Source: statista, January 2021

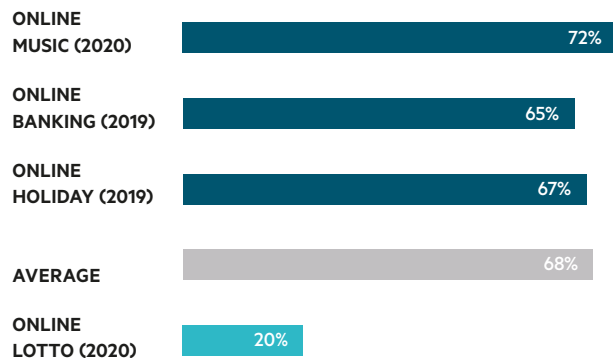
<sup>4</sup> Source: vir 'Daten & Fakten zum Online-Reisemarkt 2021'

### MARKET POTENTIAL<sup>1</sup>



<sup>1</sup> Sources: La Fleur's '2020 European Lottery Abstract' (based on figures for 2019) and German Association of State Lottery Companies (DLTB)/German Lottery Association (DLV) (based on figures for 2020)

### ONLINE MARKET SHARES<sup>1</sup>

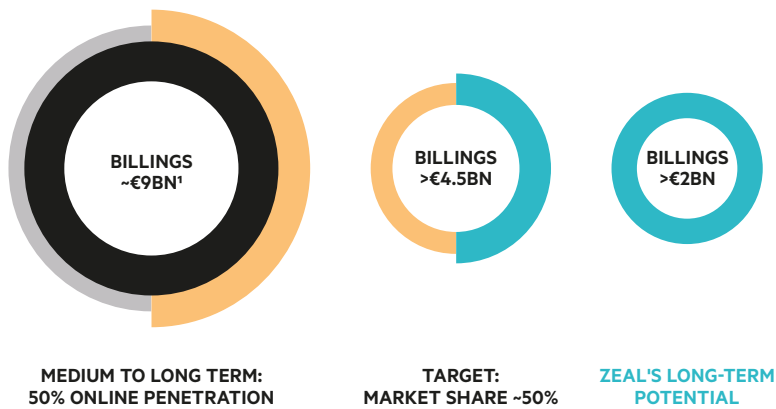


<sup>1</sup> Sources: BVMI 'Half-Year Report 2020, Eurostat, Statista, vir 'Daten & Fakten zum Online-Reisemarkt 2020'

Based on a medium to long-term assumption of an online share of 50% of the total German lottery market (DLTB plus charity lotteries, GKL and other regulated lotteries) of €9.0 billion<sup>1</sup>, also against this background the result would be an online lottery market potential of €4.5 billion. As our objective is to further expand our own market share to 50% or more, our long-term billings potential would therefore lie beyond the €2 billion mark.

<sup>1</sup> Source: Goldmedia 'Glücksspielmarkt Deutschland 2020', June 2020

## OUR VISION



<sup>1</sup> Source: Goldmedia 'Glücksspielmarkt Deutschland 2020', June 2020

## ADVERTISING AND COMPETITION

Our success is largely determined by the scope and efficiency of our marketing measures – especially new customer acquisition. In addition to the regulatory conditions, our key performance indicators (KPIs) are also influenced by the number of competitors aggressively advertising their online lottery services. Our main competitors are the state lottery companies, with their joint platform lotto.de, and foreign secondary lottery companies which are not permitted to operate in Germany.

According to information of the Ministry of the Interior for Lower Saxony as the competent authority, 16 private commercial gaming brokers held valid brokerage permits at the end of the reporting period – in addition to the state-owned companies. However, the advertising activities of our private competitors with permits in Germany were very modest in the first half of 2021.

The advertising pressure from secondary lottery providers with neither a German brokerage permit nor a corresponding advertising permit has declined. This is due to both a stricter approach by the competent regulatory authorities as well as to competition law proceedings brought by certain state lottery companies.

## EUROJACKPOT DEVELOPMENT MUCH WEAKER THAN IN PREVIOUS YEAR

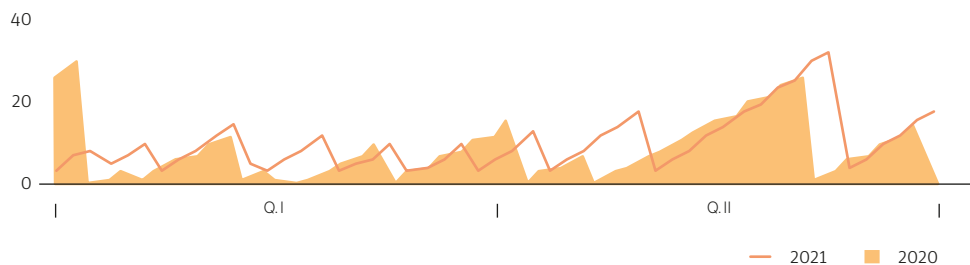
Jackpots are a major driver of our billings. We expect particularly strong increases in the activity rate and number of registered customers whenever there are large jackpots.

In the first half of 2021, the market environment for lotteries in Germany was comparatively weak: at €9.0 million, the average jackpot of the German lottery 'LOTTO 6aus49' was even lower than the previous year's low level (2020: €9.4 million) and only exceeded the €20 million mark once (2020: twice). At €38.3 million, the average jackpot of the European lottery 'Eurojackpot' was significantly below the high prior-year level (2020: €51.2 million) and reached the €90 million mark twice (2020: six times).

### JACKPOT DEVELOPMENT LOTTO 6AUS49 AND EUROJACKPOT

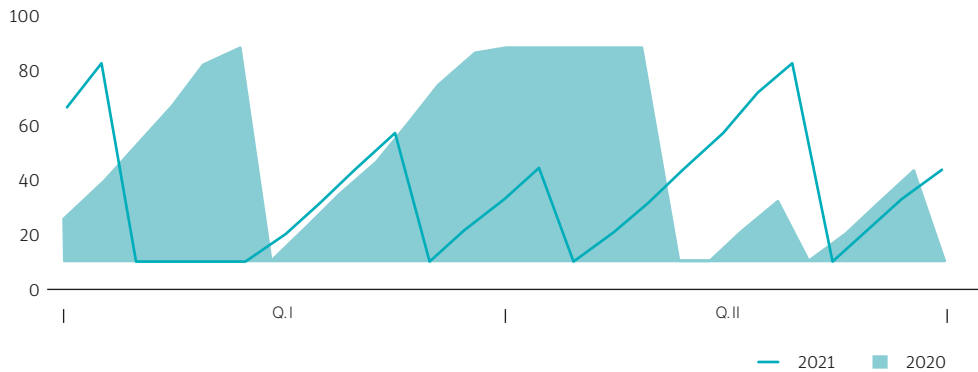
#### LOTTO 6aus49

in € million



#### Eurojackpot

in € million



## RESULTS OF OPERATIONS AND FINANCIAL POSITION

Summary of financial results	H 1 2021	H 1 2020
in € thousand		
Revenue	44,517	43,570 <sup>1</sup>
Other operating income	372	774 <sup>1</sup>
Personnel expenses	-10,249	-11,195
Other operating expenses	-23,682	-30,073
Marketing expenses	-13,761	-18,328
Direct operating expenses	-5,135	-4,903
Indirect operating expenses	-4,786	-6,842
Exchange rate differences	-290	174
<b>Adjusted EBITDA</b>	<b>10,668</b>	<b>3,250</b>
Non-recurring income and expenses	-	-108
<b>EBITDA</b>	<b>10,668</b>	<b>3,142</b>
Amortisation and depreciation	-4,387	-5,164
<b>EBIT</b>	<b>6,281</b>	<b>-2,022</b>
<b>KPIs and other financial indicators</b>		
Billings (in € thousand)	332,852	314,433
Revenue (in € thousand)	44,517	43,570 <sup>1</sup>
Adjusted EBITDA	10,668	3,250
Gross margin (%), Germany segment	12.3	12.4
Number of new registered customers (thousand), Germany segment	291	593
CPL (€), Germany segment	32.85	27.13
MAU (thousand), Germany segment	967	1,003
ABPU (€), Germany segment	57.36	52.13

<sup>1</sup> Other operating income disclosed in the Half-Year Report 2020 includes income of €274 thousand from costs passed on in the course of the charity lottery 'freiheit+' which have been disclosed as revenue since the fiscal year 2021. Further details are provided in note 2 to the Interim Consolidated Financial Statements.

### REVENUE

In the first half of 2021, revenue rose by 2% (€947 thousand). The increase was due to the 6% growth in billings, which were generated almost entirely by the Germany segment. Revenue in the Other segment declined due to contractual changes.

## PERSONNEL EXPENSES

In the first half of 2021, personnel expenses fell by 8% (€946 thousand). This fall was mainly due to an increase in the ZEAL share price in the same period last year, which led to an increase in the provision for long-term incentives and thus to additional personnel costs. In addition, the average number of employees (FTEs, excluding students and temporary staff) decreased from 161 to 158 (2%).

## OTHER OPERATING EXPENSES

Other operating expenses declined by 21% in the first half of 2021 (€6,391 thousand):

- Decrease in marketing expenses of 25% (€4,567 thousand) due to a much weaker jackpot phase than in the first six months of 2020;
- Increase in direct operating expenses of 5% (€232 thousand) in line with 6% billings growth;
- Decline in indirect operating expenses of 30% (€2,056 thousand), mainly due to savings in services and external staff (€748 thousand). In the previous year, costs for external services relating to the merger of the LOTTO24 and ZEAL platforms were incurred. In addition, a provision of €400 thousand was reversed in the first half of 2021 for an anticipated, but since settled legal dispute.

## ADJUSTED EBITDA

In the first half of 2021, adjusted EBITDA rose by 228% (€7,418 thousand), driven by lower marketing expenses and indirect operating expenses, as well as by the increase in revenue.

## AMORTISATION AND DEPRECIATION

In the first half of 2021, amortisation and depreciation fell by 15% (€777 thousand). This is due to the termination of leases or sub-letting relating to office space in Hamburg and London.

## KEY PERFORMANCE INDICATORS

Despite a significantly weaker jackpot development compared to the previous year, billings of our online brokerage business grew by 6% in the first half of 2021 (€18,419 thousand). At 12.3%, our gross margin in the Germany segment remained stable at the prior-year level (2020: 12.4%).

At the same time, we succeeded in gaining 291 thousand new registered customers (2020: 593 thousand) with a CPL of €32.85 (2020: €27.13) in the Germany segment. The increase in CPL was also a consequence of our enhanced marketing strategy: higher CPLs are also justified by the fact that newly gained lottery players exhibit higher long-term activity and thus a better CLV with only slightly longer payback periods, in particular during low jackpot phases such as the first six months of 2021.

Despite a much weaker market environment, the average number of our active users per month (MAU) in the Germany segment of 967 thousand in the first half of 2021 was close to the prior-year level (2020: 1,003 thousand). The price increase in September 2020 contributed to the growth in average billings to €57.36 (2020: €52.13).

## CASH FLOW

	H 1 2021	H 1 2020
in € thousand		
Cash inflow/outflow from operating activities	8,194	-14,109 <sup>1</sup>
Cash inflow/outflow from investing activities	38	-52,401 <sup>1</sup>
Cash outflow from financing activities	-20,997	-19,296 <sup>1</sup>
<b>Change in available funds</b>	<b>-12,657</b>	<b>-85,860</b>
Available funds at the beginning of the period	86,061	153,280
<b>Available funds at the end of the period</b>	<b>73,404</b>	<b>67,420</b>

<sup>1</sup> The cash outflow from operating activities disclosed in the Half-Year Report 2020 has been adjusted to show the payment on account to the tax authority of €54,316 thousand and the proceeds from subleases of €244 thousand as cash flow from investing activities and the proceeds from the sale of treasury shares of €159 thousand as cash flow from financing activities.

In the first half of 2021, cash, cash equivalents and pledged cash fell by €12,657 thousand to €73,404 thousand (2020: decrease of €85,860 thousand).

The cash inflow from operating activities in the first half of 2021 amounted to €8,194 thousand (2020: cash outflow of €14,109 thousand). This cash inflow resulted mainly from EBITDA (€10,668 thousand). In the first half of 2020, cash flow from operating activities was impacted by tax payments of €6,528 thousand and severance payments for employees of €4,311 thousand.

Cash inflow from investing activities in the first half of 2021 amounted to €38 thousand (2020: cash outflow of €52,401 thousand). This inflow was mainly due to payments of €475 thousand received from sub-letting (2020: €244 thousand). These were offset by further investments of €235 thousand in the associated company TH Travel Limited as well as capital expenditure of €202 thousand. Cash outflow in the first half of 2020 resulted in particular from the interim VAT payment of €54,316 thousand made in January 2020.

Cash flow from financing activities in the first half of 2021 amounted to €-20,997 thousand (2020: €-19,296 thousand). This outflow relates to dividend payments of €20,131 thousand (2020: €17,887) and lease payments of €1,004 thousand (2020: €1,568 thousand) made by the Group for its offices in London and Hamburg.



## ASSET POSITION

	As at 30 June 2021	As at 31 December 2020
in € thousand		
Total non-current assets	385,278	389,902
Total current assets	92,154	104,432
<b>Total assets</b>	<b>477,432</b>	<b>494,334</b>

Total non-current assets decreased by €4,624 thousand from €389,902 thousand at 31 December 2020 to €385,278 thousand at 30 June 2021. This decline is primarily driven by scheduled amortisation of the customer list amounting to €3,683 thousand.

Total current assets decreased by €12,278 thousand from €104,432 thousand at 31 December 2020 to €92,154 thousand at 30 June 2021. The change was driven by the decrease in cash, cash equivalents and pledged cash of €12,657 thousand, which was mainly due to the payment of dividends amounting to €20,131 thousand. This was opposed by cash inflow from operating activities of €8,194 thousand.

## EQUITY AND LIABILITIES

	As at 30 June 2021	As at 31 December 2020
in € thousand		
Total non-current liabilities	62,078	62,721
Total current liabilities	33,917	36,051
Total equity	381,437	395,562
<b>Total liabilities</b>	<b>477,432</b>	<b>494,334</b>

Total non-current liabilities decreased by €643 thousand from €62,721 thousand at 31 December 2020 to €62,078 thousand at 30 June 2021. The decrease is driven by the reclassification of deferred tax liabilities, provisions for share-based remuneration and lease liabilities from non-current to current liabilities. By contrast, other non-current liabilities to customers rose by €2,253 thousand, as there were three jackpots of the charity lottery 'freiheit+' in the first six months of 2021.

Equity at 30 June 2021 fell by €14,125 thousand from €395,562 thousand at 31 December 2020 to €381,437 thousand. This change is primarily driven by the dividend payment of €20,127 thousand. This was opposed by the net profit of €5,676 thousand.

Total current liabilities decreased by €2,134 thousand from €36,051 thousand at 31 December 2020 to €33,917 thousand at 30 June 2021. This decline resulted mainly from a decrease in liabilities for employee benefits of €1,464 thousand, as annual bonuses were paid in the first half of the year.

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

### OPPORTUNITIES AND RISKS

We reported extensively on the expected development with its main opportunities and risks in the Group Management Report 2020. There were no significant changes in the opportunities and risks in the period up to 30 June 2021.

### FORECAST REPORT

#### EXPECTED EARNINGS POSITION

In fiscal year 2021, we plan to further expand our market leadership as an online provider of state lottery and other permitted lottery products. Depending on the general conditions, in particular the jackpot development, we expect billings of at least €700 million for the Germany segment. Following exceptionally strong jackpots in the previous year, we have assumed an average jackpot development, resulting in a lower growth rate than in the previous year. Moreover, we expect revenue to be at least €95 million in fiscal year 2021. With similarly high marketing investments as in the previous year to acquire new registered customers of around €32 million, adjusted EBITDA is expected to reach at least €20 million.

#### OVERALL STATEMENT ON THE EXPECTED DEVELOPMENT OF ZEAL NETWORK SE

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 well prepared for the future and are confident that we can not only consolidate and extend our lead as Germany's leading online provider of lottery products but also benefit from the huge potential of the online lottery segment.

Hamburg, 11 August 2021

The Management Board

	2021	2020
in € million	<b>Guidance</b>	Actual
Billings (Germany segment)	At least 700	651.8
Revenue	At least 95	87.0
Adjusted EBITDA <sup>1</sup>	At least 20	12.7

<sup>1</sup> Result from operating activities before amortisation, depreciation and non-recurring expenses.

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## INTERIM CONSOLIDATED INCOME STATEMENT

	H 1 2021	H 1 2020	Q 2 2021	Q 2 2020
in € thousand				
Revenue	44,517	43,570 <sup>1</sup>	21,897	24,546 <sup>1</sup>
Other operating income	372	774 <sup>1</sup>	195	360 <sup>1</sup>
Personnel expenses	-10,249	-11,195	-5,088	-6,241
Other operating expenses	-23,682	-30,073	-10,800	-18,312
Marketing expenses	-13,761	-18,328	-6,708	-11,774
Direct operating expenses	-5,135	-4,903	-2,361	-2,916
Indirect operating expenses	-4,786	-6,842	-1,732	-3,622
Exchange rate differences	-290	174	-103	65
Non-recurring expenses and income	-	-108	-	-
<b>Results from operating activities before share of loss from associates, interest, taxes, depreciation/amortisation of intangible assets, property, plant and equipment and right-of-use assets (EBITDA)</b>	<b>10,668</b>	<b>3,142</b>	<b>6,101</b>	<b>418</b>
Amortisation/depreciation on intangible assets and property, plant and equipment	-4,016	-4,554	-1,997	-2,214
Depreciation of right-of-use assets	-371	-610	-185	-268
<b>Result from operating activities (EBIT)</b>	<b>6,281</b>	<b>-2,022</b>	<b>3,919</b>	<b>-2,064</b>
Income from financial activities	1,319	2,536	681	1,429
Expenses from financial activities	-235	-307	-97	-124
Gain/loss on financial assets	112	-327	45	766
<b>Financial result</b>	<b>1,196</b>	<b>1,902</b>	<b>629</b>	<b>2,071</b>
Share of loss from associates	-92	-95	-42	-34
<b>Net profit/loss before taxes</b>	<b>7,385</b>	<b>-215</b>	<b>4,506</b>	<b>-27</b>
Income taxes	-1,709	592	-1,314	252
<b>Net profit</b>	<b>5,676</b>	<b>377</b>	<b>3,192</b>	<b>225</b>
Attributable to				
Shareholders of the parent company	5,451	397	3,023	285
Non-controlling interest	225	-20	169	-60
<b>Earnings per share for profit attributable to ordinary shareholders of the parent company</b>	€	€	€	€
Basic and diluted earnings per share (in €/share)	0.24	0.02	0.14	0.02

<sup>1</sup> Other operating income disclosed in the Half-Year Report 2020 includes income of €274 thousand from costs passed on in the course of the charity lottery 'freiheit+' which have been disclosed as revenue since the fiscal year 2021. Further details are provided in note 2 to the Interim Consolidated Financial Statements.

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	H 1 2021	H 1 2020	Q 2 2021	Q 2 2020
in € thousand				
<b>Net profit</b>	<b>5,676</b>	<b>377</b>	<b>3,192</b>	<b>225</b>
<b>Other comprehensive income</b>				
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	311	559	20	2
Items that may be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign operations, net of tax				
<b>Other comprehensive income (after taxes)</b>	<b>311</b>	<b>559</b>	<b>20</b>	<b>2</b>
<b>Total comprehensive income (after taxes)</b>	<b>5,987</b>	<b>936</b>	<b>3,212</b>	<b>227</b>
Attributable to				
Shareholders of the parent company	5,762	956	3,043	287
Non-controlling interest	225	-20	169	-60

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>As at 30 June 2021</b>	As at 31 December 2020
<b>ASSETS</b> in € thousand		
<b>Non-current assets</b>		
Property, plant and equipment	772	922
Right-of-use assets	4,135	4,513
Goodwill	160,886	160,886
Intangible assets	139,122	142,788
Deferred tax assets	15,130	16,852
Other investments	4,899	4,588
Shares in associated companies	578	433
Other assets	57,681	56,470
Net investment in finance lease	2,075	2,450
<b>Total non-current assets</b>	<b>385,278</b>	<b>389,902</b>
<b>Current assets</b>		
Income tax receivable	225	222
Trade receivables	1,421	1,299
Net investment in finance lease	1,121	1,225
Prepaid expenses	1,095	863
Other financial assets	14,764	14,462
Other assets	124	300
Cash, cash equivalents and pledged cash	73,404	86,061
<b>Total current assets</b>	<b>92,154</b>	<b>104,432</b>
<b>TOTAL ASSETS</b>	<b>477,432</b>	<b>494,334</b>

	<b>As at 30 June 2021</b>	As at 31 December 2020
<b>EQUITY &amp; LIABILITIES</b> in € thousand		
<b>Non-current liabilities</b>		
Deferred tax liabilities	49,529	50,701
Other financial liabilities	3,523	1,270
Provisions	3,508	4,345
Lease liabilities	5,518	6,405
<b>Total non-current liabilities</b>	<b>62,078</b>	<b>62,721</b>
<b>Current liabilities</b>		
Trade payables	2,624	3,608
Other financial liabilities	20,179	20,175
Other liabilities	5,259	6,753
Income tax liabilities	2,220	1,511
Provisions	1,674	2,264
Lease liabilities	1,961	1,741
<b>Total current liabilities</b>	<b>33,917</b>	<b>36,051</b>
<b>Equity</b>		
Subscribed capital	22,396	22,396
Capital reserves	279,972	280,132
Treasury shares	-1,411	-1,591
Other reserves	1,696	1,385
Retained earnings	70,666	85,343
<b>Equity attributable to equity holders of the parent</b>	<b>373,319</b>	<b>387,665</b>
Non-controlling interest	8,118	7,897
<b>Total equity</b>	<b>381,437</b>	<b>395,562</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>477,432</b>	<b>494,334</b>

## INTERIM CONSOLIDATED CASH FLOW STATEMENT

	H 1 2021	H 1 2020
in € thousand		
Net profit before taxes	7,385	-215
Adjustments for		
Amortisation/depreciation	4,016	4,554
Depreciation of right-of-use assets	371	610
Share in loss of an associated company	92	95 <sup>1</sup>
Interest income from net investment in finance lease	-70	-1,133 <sup>1</sup>
Other income from financial activities	-1,361	-1,403 <sup>1</sup>
Expenses from financial activities – lease liabilities	152	200
Other expenses from financial activities	83	107
Other non-cash expenses/income	-129	63 <sup>1,2</sup>
Translation differences	-71	115
Changes in		
Trade receivables	-122	-906 <sup>3</sup>
Prepaid expenses	-232	-93 <sup>3</sup>
Other financial assets	-304	9,712 <sup>3</sup>
Other assets	177	1,797 <sup>2,3</sup>
Trade payables	-983	-1,509 <sup>3</sup>
Other financial liabilities	2,257	-11,633 <sup>3</sup>
Other liabilities	-1,494	-124 <sup>3</sup>
Provisions	-1,427	-4,124 <sup>3</sup>
Interest received	150	6 <sup>1</sup>
Interest paid	-83	-107
Income taxes paid	-214	-6,528
<b>Cash inflow/outflow from operating activities</b>	<b>8,194</b>	<b>-14,109<sup>2</sup></b>

	<b>H 1 2021</b>	H 1 2020
in € thousand		
<b>Cash flow from investing activities</b>		
Payment on account to the tax authority	-	-54,316 <sup>2</sup>
Receipts from sublease (finance lease)	475	244 <sup>2</sup>
Payments for acquisition of intangible assets	-104	-9
Payments for acquisition of property, plant and equipment	-98	-20
Payments for acquisition of associated companies	-235	-376
Receipts from the sale of investments in funds	-	2,925
Payments made to acquire non-controlling interest	-	-849
<b>Cash inflow/outflow from investing activities</b>	<b>38</b>	<b>52,401<sup>2</sup></b>
<b>Cash flow from financing activities</b>		
Payments for lease liabilities	-1,004	-1,568
Payments for dividends	-20,131	-17,887
Receipts from the sale of treasury shares	138	-159 <sup>2</sup>
<b>Net cash outflow from financing activities</b>	<b>-20,997</b>	<b>-19,296<sup>2</sup></b>
Net increase in cash and cash equivalents	-12,657	-85,860
Exchange rate-related changes in cash and cash equivalents	108	-53
Available funds at the beginning of the period	86,061	153,280
<b>Available funds at the end of the period</b>	<b>73,404</b>	<b>67,420</b>
<b>Composition of cash, pledged cash and cash equivalents</b>		
<b>Cash, cash equivalents and pledged cash at the end of the period</b>	<b>73,404</b>	<b>67,420</b>

<sup>1</sup> The cash flow statement for the first half of 2020 was adjusted for the following items in order to disclose figures comparable with the cash flow statement for the first half of 2021: Share in loss of an associated company, Interest income from net investment in finance lease, Other income from financial activities, Other non-cash expenses/income, and Interest received.

<sup>2</sup> The cash outflow from operating activities reported in the Half-Year Report 2020 was adjusted in order to disclose the payment on account to the tax authority of €54,316 thousand as well as receipts from subleases of €244 thousand as cash flow from investing activities and receipts from the sale of treasury shares of €159 thousand as cash flow from financing activities.

<sup>3</sup> The cash flow statement for the first half of 2020 was adjusted in line with adjustments made to the statement of financial position for 2019 in the Annual Report 2020.



## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Subscribed capital	Capital reserve	Treasury shares	Other reserves	Currency translation adjustments	Retained earnings	Equity attributable to shareholders of the parent company	Non-controlling interest	Total equity
in € thousand									
<b>As at 1 January 2020</b>	<b>22,396</b>	<b>280,132</b>	<b>-1,903</b>	<b>874</b>	<b>164</b>	<b>95,674</b>	<b>397,337</b>	<b>8,388</b>	<b>405,725</b>
Net profit	-	-	-	-	-	397	397	-20	377
Other comprehensive income	-	-	-	559	164	164	559	-	559
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>559</b>	<b>164</b>	<b>561</b>	<b>956</b>	<b>-20</b>	<b>936</b>
Purchase of non-controlling interest	-	-	-	-	-	-463	-463	-386	-849
Treasury shares sold	-	-	312	-	-	-	312	-	312
Dividend payment	-	-	-	-	-	-17,887	-17,887	-	-17,887
<b>As at 30 June 2020</b>	<b>22,396</b>	<b>280,132</b>	<b>-1,591</b>	<b>1,433</b>	<b>-</b>	<b>77,885</b>	<b>380,255</b>	<b>7,982</b>	<b>388,237</b>
Net profit	-	-	-	-	-	7,765	7,765	-249	7,516
Other comprehensive income	-	-	-	-48	-	-164	-212	-	-212
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-48</b>	<b>-</b>	<b>7,601</b>	<b>7,553</b>	<b>-249</b>	<b>7,304</b>
Purchase of non-controlling interest	-	-	-	-	-	-142	-142	163	21
<b>As at 31 December 2020</b>	<b>22,396</b>	<b>280,132</b>	<b>-1,591</b>	<b>1,385</b>	<b>-</b>	<b>85,343</b>	<b>387,665</b>	<b>7,897</b>	<b>395,562</b>
Net profit	-	-	-	-	-	5,451	5,451	225	5,676
Other comprehensive income	-	-	-	311	-	-	311	-	311
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>311</b>	<b>-</b>	<b>5,451</b>	<b>5,762</b>	<b>225</b>	<b>5,987</b>
Treasury shares sold	-	-160	180	-	-	-	20	-	20
Dividend payment	-	-	-	-	-	-20,127	-20,127	-4	-20,131
<b>As at 30 June 2021</b>	<b>22,396</b>	<b>279,972</b>	<b>-1,411</b>	<b>1,696</b>	<b>-</b>	<b>70,666</b>	<b>373,319</b>	<b>8,118</b>	<b>381,437</b>

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

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The unaudited interim financial statements for ZEAL Network SE (the 'Company') and its subsidiaries (collectively, 'ZEAL Group' or 'the Group') cover the period from 1 January 2021 to 30 June 2021. The date of the interim consolidated statement of financial position is 30 June 2021.

### BASIS OF PREPARATION

These condensed interim financial statements for the first half of 2021 (reporting period: 1 January 2021 to 30 June 2021) of the Group

- have been prepared in accordance with IAS 34 'Interim Financial Reporting', taking into account the valid IFRS standards of the International Accounting Standards Board (IASB) as applicable in the EU, and the interpretations of the IFRS Interpretations Committee
- do not include all information and disclosures required for consolidated financial statements under IFRS and are therefore to be read in conjunction with the consolidated financial statements as of 31 December 2020,
- have not been audited nor been subjected to an auditor's review

The interim financial statements and the interim management report have been approved for publication by resolution of the Management Board on 11 August 2021.

## 2. SEGMENT REPORTING

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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. The ZEAL Group uses the following segments:

### Germany

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

### GENERAL ACCOUNTING PRINCIPLES

The same accounting policies were used for these interim financial statements as for the consolidated financial statements as of 31 December 2020 in which the corresponding details are also provided.

Other amendments to standards had no impact on the Group's accounting methods.

Unless noted otherwise, amounts are stated in thousands of euros (€ thousand), which may result in accounting rounding differences in individual cases.

### Other

The Other segment comprises the remaining elements of our business including our online lottery operation for the charitable organisation ONCE in Spain and our investments in early-stage start-ups.

## SEGMENT REPORTING

H1 2021	Germany	Other	Total
in € thousand			
Revenue	41,831	2,686	44,517
Other operating income	370	2	372
Personnel expenses	-9,661	-588	-10,249
Other operating expenses and exchange rate differences	-22,765	-1,207	-23,972
Non-recurring expenses and income	0	0	0
<b>EBITDA</b>	<b>9,775</b>	<b>893</b>	<b>10,668</b>
Amortisation/depreciation	-	-	-4,387
<b>EBIT</b>	<b>-</b>	<b>-</b>	<b>6,281</b>
Financial result	-	-	1,196
Share of loss from associates	-	-	-92
<b>Net profit before taxes</b>	<b>-</b>	<b>-</b>	<b>7,385</b>
Income taxes	-	-	-1,709
<b>Net profit</b>	<b>-</b>	<b>-</b>	<b>5,676</b>

H1 2020	Germany	Other	Total
in € thousand			
Revenue	39,252 <sup>1</sup>	4,318	43,570 <sup>1</sup>
Other operating income	789 <sup>1</sup>	-15	774 <sup>1</sup>
Personnel expenses	-10,503	-692	-11,195
Other operating expenses and exchange rate differences	-28,035	-1,864	-29,899
Non-recurring expenses and income	-108	-	-108
<b>EBITDA</b>	<b>1,395</b>	<b>1,747</b>	<b>3,142</b>
Amortisation/depreciation	-	-	-5,164
<b>EBIT</b>	<b>-</b>	<b>-</b>	<b>-2,022</b>
Financial result	-	-	1,902
Share of loss from associates	-	-	-95
<b>Net profit before taxes</b>	<b>-</b>	<b>-</b>	<b>-215</b>
Income taxes	-	-	592
<b>Net profit</b>	<b>-</b>	<b>-</b>	<b>377</b>

<sup>1</sup> Other operating income disclosed in the Half-Year Report 2020 includes income of €274 thousand from costs passed on in the course of the charity lottery 'freiheit+' which have been disclosed as revenue since the fiscal year 2021.

In the first half of 2021, billings for the Germany segment amounted to €332,814 thousand (H1 2020: €313,825 thousand) and for the Other segment to €37 thousand (H1 2020: €608 thousand). ZEAL charged BildungsChancen gGmbH, Essen, costs of €756 thousand (H1 2020: €274 thousand) for conducting the charity lottery 'freiheit+'. These costs are included in the billings of the Germany segment.

### 3. TAX

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The tax calculation of the Group is based on an effective tax rate which adequately reflects the forecasted tax expense for the full year.

	H 1 2021	H 1 2020
in € thousand		
Current income tax expense	-1,159	-396
Deferred tax income (+)/expense (-)	-550	988
<b>Total income (+)/expense (-)</b>	<b>-1,709</b>	<b>592</b>

Deferred tax income is a result of the release of the deferred tax liability associated with intangible assets recognised on acquisition of Lotto24 AG. The release offsets the tax impact of the amortisation of the acquired intangible assets.

### 4. CONTINGENT LIABILITY

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The Management Board continues to closely monitor any changes in areas where a contingent liability has been previously disclosed. As disclosed in note 27 to the 2020 Consolidated Financial Statements, there is significant uncertainty as to whether VAT is due in respect of certain services provided by myLotto24. If myLotto24's action currently pending before the German

Federal Fiscal Court against a corresponding tax assessment notice is unsuccessful, the potential financial impact at 30 June 2021 would amount to €77.7 million (31 December 2020: €76.6 million). Following the prepayment of €54.3 million, the remaining potential cash exposure is €23.4 million.

### 5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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All financial instruments held by the Group at 30 June 2021 are classified as level 1. A description of the fair value hierarchy can be found in note 31.1 to the 2020 Consolidated Financial Statements. Financial assets held at 30 June 2021 amounting to €23,006 thousand (31 December 2020: €30,243 thousand) were classified as fair value in the financial result.

Assets and liabilities are reviewed at the end of each reporting period to determine whether any transfers between the levels of fair value hierarchy are deemed to have occurred. Given the nature of the assets and liabilities currently held, transfers between levels of fair value hierarchy are not expected. There were no other transfers between level 1 and level 2 fair value measurements and no transfers into or out of level 3 fair value measurements during the period.

For a detailed overview of the nature and extent of the risks resulting from financial instruments, please refer to notes 31.2 to 31.5 to the 2020 Consolidated Financial Statements.

## 6. CAPITAL MANAGEMENT

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ZEAL operates a centralised capital management system. Information about our capital management system is detailed in note 30 to the 2020 Consolidated Financial Statements.

## 7. RELATED PARTIES

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The Members of the Management Board and Supervisory Board of ZEAL, as well as their immediate relatives, are regarded as related parties in accordance with IAS 24 'Related Party Disclosures'. There were no significant transactions with related parties

in the period under review. Further information on our related parties are detailed in note 29 to the 2020 Consolidated Financial Statements.

## 8. SUBSEQUENT EVENTS

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On 21 July 2021, ZEAL concluded an agreement with Commerzbank concerning an instalment loan totalling €50 million with a reference interest rate. The amount can be fully drawn, in tranches, within one year. Repayment is due over four years, starting one year after the date on which the amount is drawn in full.

On 21 July 2021, ZEAL Network SE announced its decision to submit a public delisting acquisition offer pursuant to section 10 (1) and (3) of the German Securities Acquisition and Takeover Act (WpÜG) in conjunction with section 39 (2) sentence 3 no. 1 of the German Stock Exchange Act (BörsG) to the shareholders of its subsidiary LOTTO24 AG. LOTTO24 AG has undertaken, among other things, to the extent legally permissible, to submit an application to revoke the admission of all LOTTO24 shares for trading on the Regulated Market of the Frankfurt Stock Exchange within the acceptance period of the delisting acquisition offer.

## 9. RESPONSIBILITY STATEMENT

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To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remaining fiscal year.

Hamburg, 11 August 2021

The Management Board



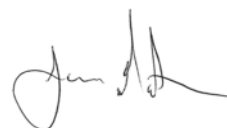
Dr Helmut Becker  
Chief Executive Officer



Paul Dingwitz  
Chief Technology Officer



Sönke Martens  
Chief Operations Officer



Jonas Mattsson  
Chief Financial Officer

## FINANCIAL CALENDAR

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11 November 2021      Publication of Quarterly Statement Q1–3 2021

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