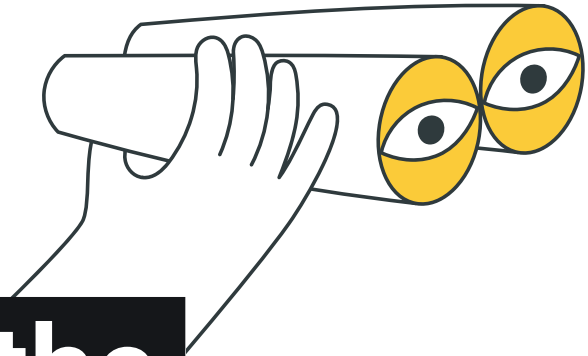


QUARTERLY STATEMENT  
1 JANUARY – 30 SEPTEMBER 2022



# we define the future of lottery



Die Deutsche Traumhauslotterie

**NEU**  
Schon ab  
4 € pro Los

Wohne, wie du willst!  
**JETZT  
TRAUMHAUS  
FÜR 1 MIO. €  
GEWINNEN!**

The advertisement features a blue background on the left with white text. On the right, there is a photograph of a modern, two-story house with a white facade and a dark roof, set in a green landscape with a swimming pool.

# ZEAL

ZEAL Network SE is the leading German online broker for state lottery and other permitted lottery products. Our aim is to innovate and drive change in the lottery sector while further expanding our online market leadership.

## **Our mission**

**To define the future of lottery!** As a technology company, we constantly strive to enrich our offerings with new innovations. To achieve this, we leverage our many years of experience in the e-commerce sector, our lottery expertise and our knowledge of our customers' wishes, aims and gaming behaviour.

## **Our goal**

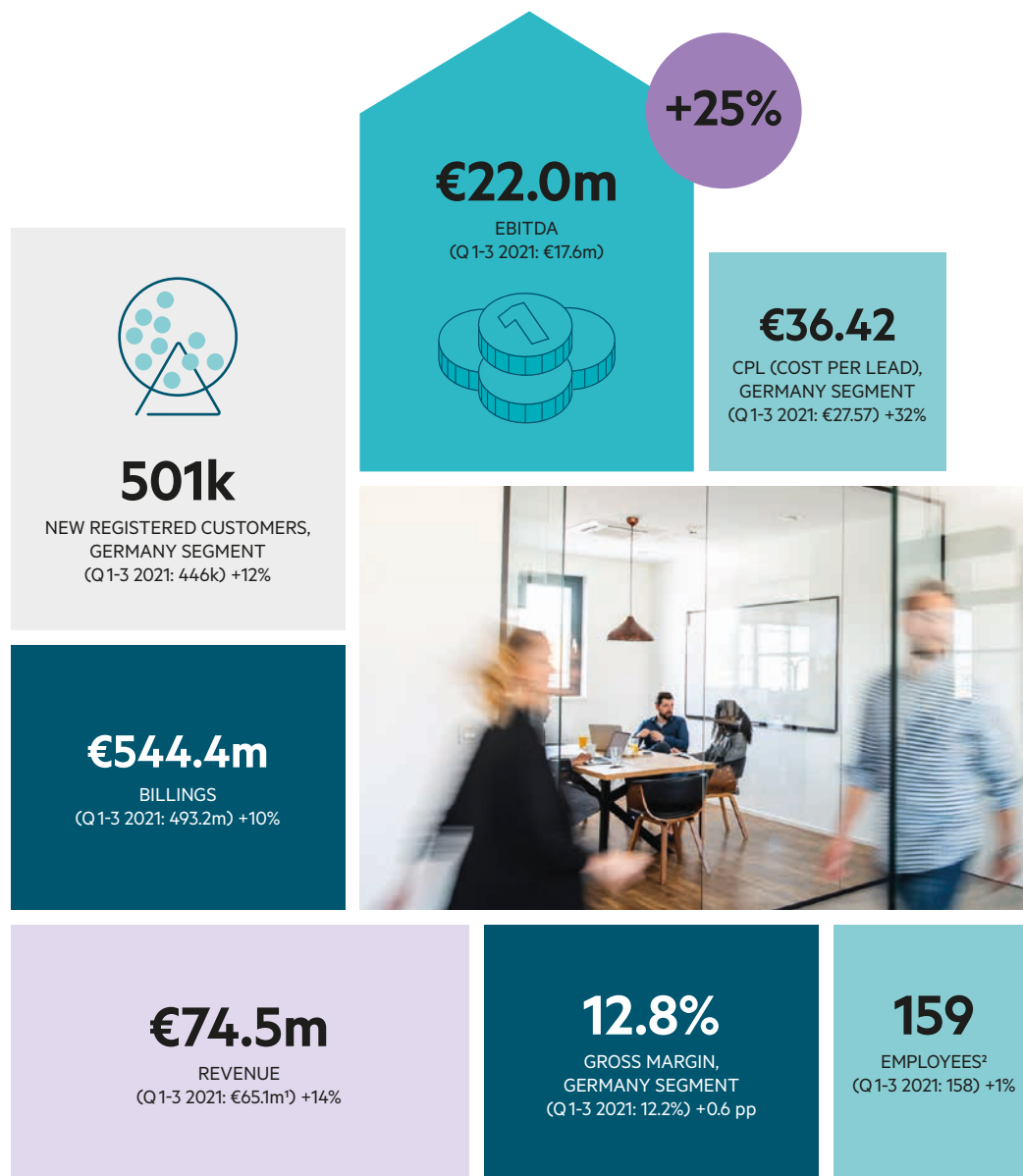
**We let people dream. We make a contribution to society.** Our work enables people to dream big. And with every lottery ticket sold, we are helping society by supporting good causes via our charity lotteries or via our customers playing the state lotteries.

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Q1-3 2022

# At a Glance



## Continued growth with targeted acquisition measures

- New customer growth accelerated
- Biggest jackpot in German history in July
- VAT proceedings concluded in ZEAL's favour
- LOTTO24 product portfolio now also accessible via n-tv website

*Definitions of the measurements disclosed above can be found in the 'Management System' section of the Group Management Report 2021.*

<sup>1</sup> Revenue plus income from insurance to compensate for jackpot winnings from the 'freiheit+' charity lottery. This income is disclosed as other operating income, while jackpot winnings reduce revenue. Further details are provided in notes 4 and 5 to the Consolidated Financial Statements 2021.

<sup>2</sup> Average number of employees (FTEs, excluding students and temporary staff)

# Business Review

We continued to increase our business volume in the third quarter of 2022. One significant growth driver was the record 'Eurojackpot' in July, which prompted a record number of customers to buy lottery tickets from us and generated significant growth in new registrations.

Over the course of the first nine months of 2022, the jackpot environment for our two main products was mixed. Since the maximum jackpot was raised from €90 million to €120 million with a rule change for the 'Eurojackpot' in March 2022, two new records have been set: €106 million in May and €120 million in July. Moreover, the former limit was almost reached once (€89 million) prior to the rule change in the first quarter of 2022. However, the 'Eurojackpot' reached its maximum level less frequently than in the previous year (2021: three times €90 million). The jackpot environment for the 'LOTTO 6aus49' lottery was generally more positive, compared to the extremely weak situation of the previous year, even though the jackpot level in the third quarter of 2022 failed to exceed €25 million. Since the beginning of the year, the mandatory payout mark of €45 million has been reached twice (in January and April) – in each case for two consecutive draws (2021: not once).

Developments in the geopolitical and economic environment (including the war in Ukraine, rising inflation, the expected further increase in interest rates and fears of an impending economic recession) have had only a limited impact on the spending behaviour of our customers so far.

In the first nine months of 2022, we raised our billings by 10% year on year to €544.4 million<sup>1</sup> (2021: €493.2 million<sup>1</sup>). Our customers become increasingly active during high jackpot phases: in July, billings and the number of our active customers reached record levels of €83 million and 1,307 thousand, respectively. There was even stronger growth in revenue (plus reimbursements from insurance to compensate for jackpot winnings from the 'freiheit+' charity lottery disclosed in other operating income), which increased in total by 14% to €74.5 million (2021: €65.1 million). This was due to a higher-margin product mix compared to the previous year. At 12.8%<sup>2</sup>, gross margin was up 0.6 percentage points on the previous year (2021: 12.2%).

We used the record €120 million 'Eurojackpot' prize in July to step up the expansion of our customer base: in the third quarter of 2022 alone, we achieved 208 thousand new registered customers. In total, we have acquired 501 thousand new customers since the beginning of the year (2021: 446 thousand new registered customers). The cost per lead (CPL) of €36.42 was higher than in the previous year (2021: €27.57). However, the prior-year figure was particularly low due to registrations in the third quarter of 2021 during our '#geimpftgewinnt' ('vaccinated wins') campaign. In addition, our acquisition measures in July led to a rise in CPL. Registrations from a special offer for the charity lottery 'freiheit+' in January 2022 also resulted in an increase in CPL. Without this effect, CPL would have risen less strongly to €34.58.

Personnel expenses fell slightly to €13.9 million (2021: €14.5 million). Due to the above-mentioned intensive marketing activities in July 2022, marketing expenses rose by €5.5 million and were thus largely responsible for the increase in other operating expenses to €40.6 million (2021: €33.2 million). Thanks to the growth of our business volume, we continued to achieve economies of scale and improved EBITDA to €22.0 million (2021: €17.6 million). At €15.5 million and €12.1 million respectively, both EBIT and net profit were also well up on the corresponding prior-year figures (2021: €11.1 million and €7.3 million).

<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.

In its ruling on 12 August 2022, the German Federal Fiscal Court dismissed the appeal of the Hannover-Nord tax authority against the decision of the Hanover Fiscal Court of November 2019 with final effect in favour of myLotto24 Ltd.. Delivery of the judgement as a formal precondition for the tax authority to reimburse the advance payment of around €54 million plus interest of around €1.8 million made by myLotto24 Limited is still pending. The payment will have no impact on ZEAL's income statement, as the corresponding receivable was already recognised in other assets.

In August, ZEAL strategically expanded its B2B partner portfolio by entering into a cooperation with the high-reach German news portal n-tv. Players thus have the opportunity to participate in state lotteries via LOTTO24 products offered by n-tv's own webshop. As a result, our strategic partner portfolio not only comprises the 1&1 portals WEB.DE and GMX, but also n-tv.de. As well as extending our reach, this partnership gives us an opportunity to directly address a target group with a strong online and news affinity.

ZEAL's nomination for the Global Regulatory Awards 2022 as 'Compliance Team of the Year' demonstrates that its compliance efforts are playing a key role in establishing it as a trustworthy, reliable and, above all, compliant market player. The award is presented by VIXIO GamblingCompliance, the leading provider of regulatory information for the gaming and payments sector.

A further strategic milestone for the ZEAL Group is to offer premium instant lottery, scratch card and instant games to customer groups with an affinity for lotteries. We want to offer the premium titles of ZEAL Instant Games which are already in our portfolio, as well as new games, on an international basis – also in cooperation with local partners. In October, ZEAL therefore entered into a partnership with the American full-service lottery provider Park Avenue Gaming. Within this framework, Park Avenue Gaming will integrate the successful online games of ZEAL Instant Games into its online platforms in Peru and its video lottery terminal business Argentina starting in the first quarter of 2023.

On 2 November 2022 we announced a public share repurchase offer for up to 714,285 shares of ZEAL Network SE, corresponding to up to approximately 3.2% of the current share capital. The offer price per share of €28.00 is approximately 9.9% above the relevant stock market price of the ZEAL shares. The acceptance period started on 9 November 2022 and will end on 29 November 2022, subject to extension. The shares acquired under the repurchase offer may be used for any purpose permitted under the authorization granted by the Annual General Meeting on 30 June 2022.

Our guidance for billings, revenue and EBITDA remains unchanged. For the fiscal year 2022, we still plan to maintain our position as the leading online provider of lottery products and to launch new products. Depending on the general conditions – in particular the jackpot development – we continue to anticipate billings of at least €750 million. Moreover, we still expect revenue to be at least €105 million in fiscal year 2022. EBITDA is expected to reach at least €30 million. Compared to the previous year, we plan to invest significantly more in the acquisition of new customers and expect marketing expenses of around €30 million.

# Results of Operations and Financial Position

Summary of financial results	Q 1-3 2022	Q1-3 2021	Change
in € thousand			
Revenue	74,451	61,603 <sup>1</sup>	21%
Other operating income	2,115	4,127 <sup>1</sup>	-49%
Personnel expenses	-13,935	-14,485	-4%
Other operating expenses	-40,632	-33,216	22%
Marketing expenses	-24,096	-18,615	29%
Direct operating expenses	-7,697	-7,470	3%
Indirect operating expenses	-8,839	-7,131	24%
Exchange rate differences	-7	-381	-98%
<b>EBITDA</b>	<b>21,993</b>	<b>17,649</b>	<b>25%</b>
Amortisation and depreciation	-6,518	-6,573	-1%
<b>EBIT</b>	<b>15,475</b>	<b>11,076</b>	<b>40%</b>
Financial result	133	-124	
Share of loss from associate	-122	-191	-36%
<b>Net profit before taxes</b>	<b>15,485</b>	<b>10,760</b>	<b>44%</b>
Income taxes	-3,343	-3,416	-2%
<b>Net profit</b>	<b>12,142</b>	<b>7,344</b>	<b>65%</b>
<b>Earnings per share for profit attributable to shareholders of the parent company</b>			
Basic and diluted earnings per share (in €/share)	0.52	0.31	68%
<b>Financial KPIs and other indicators</b>			
Billings	544,372	493,192	10%
Revenue	74,451	61,603 <sup>1</sup>	21%
EBITDA	21,993	17,649	25%
Gross margin (%), Germany segment	12.8	12.2	0.6 pp
Number of new registered customers (thousand), Germany segment	501	446	12%
CPL (€), Germany segment	36.42	27.57	32%
MAU (thousand), Germany segment	1,034	972	6%
ABPU (€), Germany segment	58,47	56,38	4%

<sup>1</sup> Revenue and other operating income for the first nine months of 2021 were adjusted from the figures stated in the Quarterly Statement Q3 2021. Income of €3,450 thousand from insurance reimbursements to compensate for jackpot winnings from the 'freiheit+' charity lottery is now disclosed as other operating income and no longer as revenue.

## REVENUE

In the first nine months of 2022, revenue rose by 21% (€12,849 thousand). Adjusted for reimbursements of €3,450 thousand from insurance to compensate for jackpot winnings from the 'freiheit+' charity lottery (which reduce revenue), included under other operating income in the first nine months of 2021, our revenue increased by 14% (€9,399 thousand). In the Germany segment, the increase amounted to 15% (€9,516 thousand) – thus exceeding the 10% growth in billings.

## PERSONNEL EXPENSES

In the first nine months of 2022, personnel expenses decreased by 4% (€551 thousand). This decline was primarily the result of the slower development in provisions for share-based remuneration due to the falling ZEAL share price in the first nine months of 2022. The average number of employees (FTEs, excluding students and temporary staff) was largely unchanged at 159 (2021: 158).

## OTHER OPERATING EXPENSES

In the first nine months of 2022, other operating expenses rose by 22% (€7,416 thousand):

- **Marketing expenses** rose by 29% (€5,481 thousand). During the high jackpot phases, especially when the 'Eurojackpot' reached a record level of €120 million in July, we implemented strong marketing measures to acquire new customers.
- **Direct operating expenses** increased by 3% (€227 thousand). Due to improved receivables management and further efficiency measures, this rise was much lower than that of billings (+10%).
- **Indirect operating expenses** rose by 24% (€1,709 thousand). This development is mainly attributable to an increase of €564 thousand in travel, training and entertaining costs, an increase of €264 thousand in insurance costs and a special item in the previous year (reversal of a provision for litigation amounting to €400 thousand).

## EBITDA

Thanks to the expansion of our business volume, we were able to achieve further economies of scale. Despite the increase in marketing activities during the first nine months of 2022, we raised our EBITDA by 25% (€4,344 thousand).

## KEY PERFORMANCE INDICATORS

Buoyed by an improved jackpot environment and the continued growth of our customer base, billings of our online brokerage business grew by 10% (€51,180 thousand) in the first nine months of 2022 – despite numerous changes in the geopolitical and economic environment that negatively impacted consumer confidence. Due to a higher-margin product mix in the first nine months of 2022, our gross margin rose to 12.8% (2021: 12.2%).

During high jackpot phases, we made stronger investments in the development of our customer base and thus raised the number of new registered customers by 12% (55 thousand) compared to the previous year. The cost per lead (CPL) of €36.42 was higher than in the previous year (2021: €27.57). However, the prior-year figure was particularly low due to registrations in the third quarter of 2021 during our '#geimpftgewinnt' ('vaccinated wins') campaign. In addition, registrations from a special offer for the charity lottery 'freiheit+' in January 2022 also resulted in an increase in CPL. Without this effect, CPL would have risen less strongly to €34.58. The average number of our active users per month (MAU) and average billings per customer (ABPU) in the Germany segment rose to 1,034 thousand and €58.47, respectively, in the first nine months of 2022 (2021: 972 thousand and €56.38).

## ANALYSIS OF THE GROUP'S OPERATING SEGMENTS

Segment reporting 'Germany'	Q 1-3 2022	Q 1-3 2021
in € thousand		
Revenue	70,976	58,010 <sup>1</sup>
Other operating income	811	4,126 <sup>1</sup>
Personnel expenses	-12,550	-13,686
Other operating expenses and exchange rate differences	-39,102	-31,897
<b>EBITDA</b>	<b>20,134</b>	<b>16,553</b>

<sup>1</sup> Revenue and other operating income for the first nine months of 2021 were adjusted from the figures stated in the Quarterly Statement Q3 2021. Income of €3,450 thousand from insurance reimbursements to compensate for jackpot winnings from the 'freiheit+' charity lottery is now disclosed as other operating income and no longer as revenue.

Segment reporting 'Other'	Q 1-3 2022	Q 1-3 2021
in € thousand		
Revenue	3,476	3,593
Other operating income	1,304	2
Personnel expenses	-1,385	-799
Other operating expenses and exchange rate differences	-1,536	-1,699
<b>EBITDA</b>	<b>1,859</b>	<b>1,096</b>

Adjusted for reimbursements of €3,450 thousand from insurance to compensate for jackpot winnings from the 'freiheit+' charity lottery (which reduce revenue), included under other operating income in the first nine months of 2021, our revenue in the Germany segment rose by 15% (€9,516 thousand).

Due to our scalable business model, we were able to increase EBITDA by 22% (€3,581 thousand) in the first nine months of 2022, despite stepping up our acquisition measures.

In the Other segment, revenue fell slightly by 3% (€118 thousand). The increase in EBITDA of 70% (€763 thousand) resulted mainly from derecognised customer account balances in Spain.



## CASH FLOW

	Q 1-3 2022	Q 1-3 2021
in € thousand		
Cash inflow from operating activities	16,272	68,005
Cash outflow from investing activities	-873	-8,564
Cash outflow from financing activities	-49,885	-12,577
Other changes in available funds	-29	107
<b>Change in available funds</b>	<b>-34,514</b>	<b>46,970</b>
Available funds at the beginning of the period	90,100	86,061
<b>Available funds at the end of the period</b>	<b>55,586</b>	<b>133,032</b>

In the first nine months of 2022, available funds decreased by €34,515 thousand. This development results mainly from the following cash inflows and outflows:

- positive EBITDA of €21,993 thousand;
- increase in current assets from operating activities of €3,713 thousand;
- current tax payments of €1,337 thousand;
- dividend payments of €48,213 thousand.

The following non-recurring cash inflows and outflows were recorded in the previous year:

- cash inflow from operating activities of €49,327 thousand resulting from the lottery winnings of a customer which was already reimbursed by the state lottery in September 2021 but not yet paid out to the customer as of the reporting date;
- cash outflow from investing activities of €8,699 thousand for the acquisition of LOTTO24 shares;
- cash inflow of €8,700 thousand from the partial drawing of an instalment loan.

# Selected Financial Information

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 September 2022	31 December 2021
<b>ASSETS</b> in € thousand		
<b>Non-current assets</b>		
Property, plant and equipment	1,172	617
Right-of-use assets	2,796	3,838
Goodwill	158,585	158,585
Intangible assets	130,331	135,551
Deferred tax assets	9,232	11,908
Other investments	16,950	14,666
Shares in associated companies	514	272
Net investment in finance lease	1,693	1,630
<b>Total non-current assets</b>	<b>321,273</b>	<b>327,067</b>
<b>Current assets</b>		
Income tax receivables	118	125
Trade receivables	2,021	1,791
Net investment in finance lease	1,061	1,196
Prepaid expenses	1,318	1,498
Other financial assets	10,325	25,972
Other assets	56,383	55,649
Cash, cash equivalents and pledged cash	55,586	90,100
<b>Total current assets</b>	<b>126,813</b>	<b>176,331</b>
<b>TOTAL ASSETS</b>	<b>448,086</b>	<b>503,398</b>

	<b>30 September 2022</b>	31 December 2021
<b>EQUITY &amp; LIABILITIES</b> in € thousand		
<b>Non-current liabilities</b>		
Deferred tax liabilities	46,826	48,437
Interest-bearing loans	5,981	7,613
Other financial liabilities	4,680	4,821
Provisions	3,604	4,001
Lease liabilities	4,012	4,924
<b>Total non-current liabilities</b>	<b>65,103</b>	<b>69,797</b>
<b>Current liabilities</b>		
Trade payables	2,662	3,699
Interest-bearing loans	2,719	1,088
Other financial liabilities	15,817	31,102
Other liabilities	4,499	6,461
Income tax liabilities	4,876	3,942
Provisions	40	358
Lease liabilities	1,484	2,009
<b>Total current liabilities</b>	<b>32,096</b>	<b>48,660</b>
<b>Equity</b>		
Subscribed capital	22,396	22,396
Capital reserves	279,952	279,971
Treasury shares	-1,250	-1,411
Other reserves	12,346	10,473
Retained earnings	31,504	66,794
<b>Equity attributable to shareholders of the parent company</b>	<b>344,948</b>	<b>378,223</b>
Non-controlling interest	5,938	6,719
<b>Total equity</b>	<b>350,886</b>	<b>384,942</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>448,086</b>	<b>503,398</b>

## INTERIM CONSOLIDATED CASH FLOW STATEMENT

	Q 1-3 2022	Q 1-3 2021
in € thousand		
Net profit before taxes	15,485	10,760
Adjustments for		
Amortisation/depreciation	5,984	6,014
Depreciation of right-of-use assets	534	559
Share of loss from associates	122	191
Net gains/losses from the de-recognition of investments in associates	-411	-
Interest income from net investment in finance lease	-111	-101
Other income from financial activities	-568	-269
Expenses from financial activities – lease liabilities	174	222
Other expenses from financial activities	221	272
Other non-cash income/expenses	97	-140
Translation differences	17	-68
Changes in		
Trade receivables	-230	-226
Prepaid expenses	180	-311
Other financial assets	15,647	5,605
Other assets	-168	211
Trade payables	-1,038	-997
Other financial liabilities	-15,421	49,720
Other liabilities	-1,968	-842
Provisions	-715	-2,389
Interest received	-	269
Interest paid	-221	-124
Income taxes paid	-1,337	-351
<b>Net cash inflow from operating activities</b>	<b>16,272</b>	<b>68,005</b>

	Q 1–3 2022	Q 1–3 2021
in € thousand		
<b>Cash flow from investing activities</b>		
Receipts from sublease (finance lease)	841	821
Payments for the acquisition of intangible assets	-548	-184
Payments for the acquisition of property, plant and equipment	-801	-98
Payments for the acquisition of associated companies	-365	-404
Payments made to acquire non-controlling interest	–	-8,699
<b>Net cash outflow from investing activities</b>	<b>-873</b>	<b>-8,564</b>
<b>Cash flow from financing activities</b>		
Payments for lease liabilities	-1,786	-1,284
Receipts from the sale of treasury shares	114	138
Receipts from the taking out of loans	–	8,700
Payments for dividends	-48,213	-20,131
<b>Net cash outflow from financing activities</b>	<b>-49,885</b>	<b>-12,577</b>
Net increase/decrease in cash and cash equivalents	-34,486	46,863
Exchange rate-related changes in cash and cash equivalents	-29	107
Available funds at the beginning of the period	90,100	86,061
<b>Available funds at the end of the period</b>	<b>55,586</b>	<b>133,032</b>
<b>Composition of available funds</b>		
<b>Cash, cash equivalents and pledged cash at the end of the period</b>	<b>55,586</b>	<b>133,032</b>

## BASIS OF REPORTING

This Quarterly Statement pursuant to Section 53 of the Exchange Rules of the Frankfurt Stock Exchange covers the period from 1 January 2022 to 30 September 2022. The date of the Interim Consolidated Statement of Financial Position is 30 September 2022. This Quarterly Statement is not an interim report pursuant to IAS 34 nor does it constitute financial statements pursuant to IAS 1. It has not been reviewed by an auditor. This Quarterly Statement should be read in conjunction with the Annual Report 2021 and the additional information about the Company contained therein. You can find the Annual Report 2021 on our website at [zealnetwork.de](http://zealnetwork.de). The accounting policies and valuation principles applied in this Quarterly Statement are based on those used in the Consolidated Financial Statements for the fiscal year 2021.

## FINANCIAL CALENDAR

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23 March 2023

Publication of Annual Report 2022

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### Picture credits

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