BETTER 2GETHER

ANNUAL REPORT 2019

ZEAL

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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.

2019 AT A GLANCE

€466.7m
BILLINGS
(2018: €296.3m) UP 58%

€113.5m
REVENUE
(2018: €154.8m) DOWN 27%

€29.4m
ADJUSTED EBITDA
(2018: €47.7m) DOWN 39%

€32.50
COST PER LEAD
(2018: €34.90) DOWN 7%

274k
NEW REGISTERED CUSTOMERS , GERMAN BUSINESS
(2018: NO ONLINE LOTTERY BROKERAGE)

OTHER HIGHLIGHTS

- Successful integration of Lotto24
- Business model changed to online lottery brokerage
- Relocation of registered office back to Hamburg
- Significant cost savings realised
- Market share expanded
- €93 million for good causes

The definitions of the financial measurements disclosed above can be found in the Key Performance Indicators section on page 29 of the Annual Report.

TWO ICONIC GERMAN LOTTERY BRANDS UNITED

With the Lotto24 takeover and the return of the former Tipp24 secondary lottery to the German brokerage business (Business Model Change), the two strong brands Lotto24 and Tipp24 are now united under one roof. Around half of internet users who are keen lottery players know them and are the first to associate Lotto24 or Tipp24 when they think of online lotteries. Both brands stand for trust, innovation and consistency[1]. No wonder! After all, both are pioneers in the field of online lottery brokerage: founded in 1999, the later Tipp24 went onto the market in 2000, established itself and in 2005 was one of the most successful German IPOs at that time. Separated from the Tipp24 Group in 2012 as part of a spin-off, Lotto24 was one of the first providers to offer online lotteries again after the lifting of the Internet ban and has since then far outperformed all other German online lottery brokers with its growth momentum. At the employee level, there have always been common roots which now makes the integration of the two companies much easier, and even the respective brokerage platforms are based on software that was originally shared. This leaves the impression that what belongs together is coming together again.

ZEAL

Tipp24.com

LOTTO 24

Lottovate

ONCE

ZEAL VENTURES

In the Lottery Brokerage segment, we broker lottery products via the Internet and receive brokerage commissions from the lottery operators. We can therefore generate income without bearing the bookmaking risk ourselves. Our products are well-known on the market and customers are attracted to the services, simple game processing and free additional features we provide for them. One of the sector-specific success factors of our business model is the enduring loyalty of our customers: once gained, they provide us with long-term and stable gaming revenue.

The Lottovate segment comprises the elements of our business which are focused on the reinvention of the digital lottery experience, operating primary lotteries with national permissions and helping charities such as ONCE, foundations and communities to unlock new sources of funding through bespoke lottery platforms. ZEAL Ventures pursues its lottery-related start-up investment portfolio. Our objective is to learn from these companies, generate profits and/or integrate exciting business ideas into the ZEAL Group[2].

[1] Source: Own brand surveys

[2] The ZEAL Group is comprised of ZEAL Network SE and its subsidiaries.

"2019 WAS AN EXCITING AND SUCCESSFUL YEAR FOR ZEAL"

LADIES AND GENTLEMEN,

2019 was a special year for the ZEAL Group: we not only successfully integrated Lotto24 AG (Lotto24), changed our business model to online lottery brokerage and relocated our registered office back to Hamburg, but also clearly reduced costs and implemented numerous measures to achieve our planned synergy targets. Despite the necessary and extensive organisational changes and a much weaker jackpot development than in the previous year, we were able to grow our market share and generated an amount of €93 million to various good causes.

RISE IN BILLINGS

In May 2019, we completed the Lotto24 takeover and established the ZEAL Group as Germany's leading online provider of state-licensed lottery products. This report includes the results of Lotto24 from the acquisition date, 14 May 2019. Moreover, we completed our Business Model Change on 15 October 2019, thus ending our German secondary lottery business and transitioning it to a state-licensed online lottery brokerage business on the basis of the brokerage permit held by Lotto24. Thanks to the Lotto24 takeover, and despite the fundamental organisational changes and the considerably weaker 'EuroJackpot' development than in the previous year, we succeeded in increasing billings by 58% to €466.7 million in 2019 (2018: €296.3 million). Revenue and total operating performance (TOP) were down on the previous year at €113.5 million and €121.6 million respectively (2018: €154.8 million and €159.7 million). This was mainly due to a significant prize pay-out of €26.3 million from our former secondary lottery business, and the announced revenue dis-synergies caused by the Business Model Change. Following our Business Model Change, such strong fluctuations brought about by jackpot pay-outs will no longer occur in future.

MAJOR COST SAVINGS

As announced, we also succeeded in significantly reducing our cost base: although we incurred additional costs of €22.0 million in connection with the Lotto24 takeover, our total costs fell by €20.6 million to €91.9 million (2018: €112.5 million). The reduction in the number of employees to 190 full-time equivalents (2018: 228 FTEs excl. Lotto24) and the associated reduction in personnel expenses by around €5.9 million to €23.0 million (2018: €28.8 million) contributed to this. There was also a particularly strong decline in other operating expenses of €14.7 million to €69.0 million (2018: €83.7 million) – despite a €2.0 million increase in marketing expenses for our two brands (Lotto24 and Tipp24). This reflects the synergy measures planned to reduce direct operating expenses (including the costs of covering the bookmaking risk) and non-deductible VAT within the myLotto24 Sub-Group[1], which only began to take effect on transition of our German business from a secondary lottery model to the lottery brokerage business permitted in Germany and will have a full year effect in 2020.

The high loyalty of our customers is our greatest value. Consequently, we want to offer our Tipp24 and Lotto24 customers the best possible service. Always.

Dr. Helmut Becker, CEO, ZEAL

[1] *The myLotto24 Sub-Group is comprised of mylotto24 Limited and its subsidiaries.*

Jonas Mattsson, CFO; Dr. Helmut Becker, CEO

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 2019, we have incurred expenses of €14.9 million and expect further expenses of around €2.0 million in the fiscal year 2020.

The German online lottery brokerage market offers tremendous growth potential for the ZEAL Group. In our German business, we gained around 274 thousand new registered customers in 2019 – this figure only includes new Lotto24 customers since the takeover on 14 May 2019 and new Tipp24 customers since the Business Model Change on 15 October 2019 – at acquisition costs per new registered customer (cost per lead, CPL) of €32.50 (2018: €34.90).

ADJUSTED EBITDA IN LINE WITH GUIDANCE

As a result of revenue dis-synergies and our last significant prize pay-out, adjusted EBITDA of €29.4 million was down on the previous year (2018: €47.7 million) but in line with our recently raised guidance of €27 million to €30 million. After deducting increased depreciation and amortisation charges mainly resulting from the takeover of €8.8 million (2018: €1.2 million) and additional non-recurring expenses of €11.4 million (2018: €8.3 million), EBIT fell to €9.1 million (2018: €38.3 million). The non-recurring expenses mainly related to activities for restructuring the ZEAL Group as part of the Business Model Change (€9.4 million) and the takeover of Lotto24 (€2.0 million).

MARKET SHARE EXPANDED

According to information published by the German Association of State Lottery Companies (DLTB) and the German Lottery Association (DLV), online revenue of the 16 state lottery companies and private lottery brokers with permits rose to €1,035 million in the fiscal year 2019 (2018: €937 million). This corresponds to an online share of 14% (2018: 13%).

Whereas stakes generated online by all state-owned companies together grew by 11.6% to around €651 million (2018: €583 million), we grew – taking into account the official online lottery brokerage business, which consists of the full year Lotto24 billings as well as the Tipp24 billings only since the Business Model Change on 15 October 2019 – by 13.8% to €366 million. Consequently, we were able to expand our online market leadership with the Lotto24 and Tipp24 brands and achieve a market share of 35% (2018: 34%). This does not include any billings under the Tipp24 brand from 1 January until 15 October 2019.

€93 MILLION FOR GOOD CAUSES

According to DLTB figures, over €2.9 billion was transferred to the state budgets or the beneficiaries in the form of taxes and duties in 2019 (2018: €2.9 billion). This corresponds to around €8 million per day for good causes throughout Germany – money which is absolutely vital for the financing of numerous projects in the field of welfare, sport and culture, as well as landmark and environmental protection.

In addition to our other projects, since the Lotto24 takeover and the Business Model Change, we have supported important social and community projects with €93 million in fiscal year 2019 with our brokerage activities under the Lotto24 and Tipp24 brands.

DIVIDEND

Following the takeover of Lotto24 AG and the resulting change in business model, we adapted our dividend policy to the new circumstances and, in view of the Company's relocation back to Germany in October 2019, we did not pay an interim dividend in December 2019 in accordance with German practice.

However, our dividend policy is based on continuity and sustainable earnings development. Due to the positive liquidity situation of the ZEAL Group in 2019 and the expected increasing profitability, we will propose a total amount of pay-out of €17.6 million (2018: €8.4 million) to the Annual General Meeting on 17 June 2020. This corresponds to a dividend of €0.80 per share for the fiscal year 2019 (2018: € 1.00). Depending on the economic development of the ZEAL Group, we also intend to propose an annually increasing dividend to shareholders in the following years – with the aim of reaching €1.00 per share in 2022.

IMPACTS 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 to protect our employees and the community.

OUTLOOK 2020

We 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 comparative figures for the previous year 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 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 German business of the ZEAL Group to nearly double the number of new customers in 2020 with a lower cost per lead (CPL) compared to the previous year.

> After a long period of legal uncertainties, we are looking forward to focussing on the sustainable and further growing German online lottery brokerage business.
>
> *Jonas Mattsson, CFO, ZEAL*

THANKS TO OUR SHAREHOLDERS

Dear shareholders, we are aware that the figures for the 2019 financial year are difficult to compare with the previous year's figures due to the numerous changes and are sometimes difficult to understand. We tried to give you as much guidance in the interpretation of the KPIs and their development as we can, and promise you that we can and will make our KPIs as part of the new business model correspondingly more transparent from 2020. We are also aware that we could only achieve the latest milestones in the history of the ZEAL Group with your support. You have remained loyal to us even in difficult times and helped us chart a new course. Thanks to you, we were able to implement the intended Business Model Change in October 2019, leaving behind a long period of legal uncertainties. With the end of the secondary lottery business we were able to significantly optimise the risk profile of the ZEAL Group. And also the success in the first instance against the VAT assessment – a relic from that same secondary lottery past – allows us to look positively into the future. True to the Annual Report motto 'Better together' as Germany's leading online provider of state-licensed lottery products we can now fully concentrate on the sustainable, continuously growing and socially valuable German lottery brokerage business with two strong brands. Knowing the great value and high loyalty of our customers, we look forward to setting out on this exciting journey together with you.

Hamburg, 24 March 2020

The Management Board

Dr. Helmut Becker
Chief Executive Officer

Jonas Mattsson
Chief Financial Officer

SUPERVISORY BOARD REPORT

COOPERATION BETWEEN THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

In the reporting period, the Supervisory Board of ZEAL Network SE performed its statutory duties, regularly advising the Management Board and monitoring its actions.

In the past fiscal year, the Management Board regularly and swiftly informed the Supervisory Board about external economic conditions, its considerations regarding the Group's future strategic alignment, the Group's current position and development, significant business transactions, risk management and compliance issues. During and outside meetings, it provided the Supervisory Board with timely, comprehensive and regular reports on current business developments or issues of particular significance. The Supervisory Board was directly involved in all decisions of the Management Board of fundamental importance for the Group.

MEETINGS OF THE SUPERVISORY BOARD IN 2019

The Supervisory Board held a total of six meetings in 2019, which were attended by all members who held positions at the time of the meeting.

Apart from the Supervisory Board meetings, the Chairman of the Supervisory Board was also regularly provided with detailed and up-to-date information by the Management Board about significant business transactions and discussed various aspects of business policy with the Management Board. Consequently, the Supervisory Board was promptly informed at all times.

MAIN TOPICS OF DISCUSSION

The meetings of the Supervisory Board focused on the following topics:

- The acquisition of Lotto24 and the Business Model Change;
- The discussion and consultation of structural measures; intercompany agreements and relocation to Germany;
- The discussion and consultation of restructuring and reorganisation and various personnel measures;
- The development of revenue and earnings; as well as the financial position of ZEAL;
- The determination; implementation and monitoring of IT strategy;
- Corporate planning; including marketing; investment and personnel planning;
- The determination of regulatory targets and the corresponding strategic alignment;
- The development of the regulatory and economic environment in Germany with regard to games of chance and in particular lotteries;
- Discussion and consultation of all business transactions requiring approval;

- The current risk exposure; as well as the risk management and compliance management systems;
- The continuous improvement of corporate governance and its adaptation to new statutory requirements;
- The determination of target attainment for the members of the Management Board for the fiscal year 2018 (short-term variable remuneration) and the fiscal years 2016–2018 (long-term variable remuneration) as well as the setting of targets for the fiscal year 2019 (short-term variable remuneration);
- The financial statements of the ZEAL Group and their audit.

COMMITTEES

The Supervisory Board has established a Chairman's Committee, an Audit Committee and an Investment Committee (the 'Committees'), each consisting of three members of the Supervisory Board. The respective committee chairperson reports regularly to the Supervisory Board on the work of the Committee. If a committee has no chairperson, the entire committee reports. The Supervisory Board periodically reviews the adequacy of the committee structure with a view to setting up additional committees if the need arises.

CHAIRMAN'S COMMITTEE

The Chairman's Committee is responsible for the preparation of Supervisory Board meetings, coordination of committee meetings and ongoing exchanges with the Management Board on behalf of the Chairman of the Supervisory Board. The Chairman's Committee also performs the functions of nomination and remuneration committees.

The Committee meets as required. It held 14 meetings in 2019, which were attended by all members.

AUDIT COMMITTEE

The Audit Committee is responsible for overseeing the external audit and monitoring the effectiveness of the Company's framework of internal control. The Committee held nine meetings in 2019. Its meetings are regularly attended by the Company's Chief Financial Officer. Key matters dealt with by the Audit Committee during 2019 included the acquisition of Lotto24 AG, the implications of the Business Model Change, the relocation of the Company's registered office to Germany, the application by the Management Board to the Hamburg Local Court for the appointment of the Company's and the ZEAL Group's auditors for the fiscal year 2019 as well as the award of the audit contract and the approval of the audit plan, the myLotto24 Limited VAT litigation, the Annual Financial Statements of the Company and the Consolidated Financial Statements as well as the Half-year Consolidated Financial Statements and Quarterly Statements of the ZEAL Group. The Audit Committee also reviewed and monitored the effectiveness of the ZEAL Group's internal controls and risk management systems.

INVESTMENT COMMITTEE

The Investment Committee is responsible for reviewing the Group's external investments and internal start-ups and deciding on approving investments in certain cases. The Committee held six meetings in 2019.

SPECIAL COMMITTEES

In November 2018 the Supervisory Board had established a Special Committee which comprised members of the Supervisory Board who had no personal interest in the acquisition of Lotto24 (namely Leslie-Ann Reed, Peter Steiner and Bernd Schiphorst). The Supervisory Board had delegated to the Special Committee the power to resolve on any matters within the responsibility of the Supervisory Board that related to the acquisition, including the approval of the issuing of any shares of the Company. The Committee was disbanded in June 2019 following the completion of the acquisition of Lotto24.

CORPORATE GOVERNANCE AND DECLARATION OF CONFORMITY

The Management Board and Supervisory Board issued a Declaration of Conformity according to section 161 of the German Stock Corporation Act (AktG), which is also printed in the Corporate Governance Statement on page 21. Prior to the relocation of the Company's registered office to Germany, the German Corporate Governance Code and the provisions regarding the Declaration of Conformity did not apply to the Company.

AUDIT

The Annual Financial Statements for the fiscal year 2019 of ZEAL Network SE, as prepared by the Management Board in accordance with the German GAAP (HGB), and the Consolidated Financial Statements of ZEAL Network SE and respective management report for the fiscal year 2019 prepared in accordance with International Financial Reporting Standards (IFRS), as applied in the EU, and the additional commercial law regulations pursuant to section 325 (2a) HGB, were audited by the independent auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, who issued an unqualified audit certificate in each case. Following the relocation of the Company's registered office to Hamburg, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft was appointed as independent auditors for the Company and the ZEAL Group on 19 December 2019 by the local court of Hamburg. As of the fiscal year 2019, the audit partner in charge of the audit has been Carl-Heinz Klimmer.

The Management Board and auditors provided all members of the Supervisory Board with the audit reports in due time. They were thoroughly examined and discussed at the meeting of the Audit Committee on 23 March 2020 which was also attended by the independent auditors. At the Supervisory Board meeting on 24 March 2020, the Supervisory Board comprehensively reviewed the audit report in the presence of the independent auditors, who reported on the scope, focal points and main findings of their audit, addressing, in particular, key audit matters and the audit procedures implemented. No major weaknesses in the Company's internal control or risk management systems were reported. At this meeting, the Management Board explained the Financial Statements and Consolidated Financial Statements of the Company as well as the Company's risk management system.

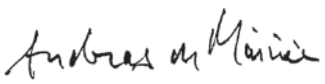
The Supervisory Board concurs with the results of the audit. Following the definitive findings of the Audit Committee's examination and our own examination, we have no objections. We approved the Annual Financial Statements and the Consolidated Financial Statements. The Annual Financial Statements are thereby adopted. We endorsed the Management Board's proposal that the net income available for distribution be used to pay out a dividend of €0.80 per share entitled to a dividend and that the remaining amount be carried forward.

CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD

Leslie-Ann Reed and Bernd Schiphorst resigned from the Supervisory Board with effect to the end of the Company's Annual General Meeting on 27 June 2019. They were succeeded by Andreas de Maizière and Marc Peters, who were appointed by shareholder resolutions at the same Annual General Meeting. We would like to thank Leslie-Ann Reed and Bernd Schiphorst for their dedication and successful efforts and wish them all the best for the future.

We would also like to express our sincere gratitude to our employees and the members of the Management Board for the high level of commitment in these times of change.

Hamburg, 24 March 2020



Andreas de Maizière
Chairman of the Supervisory Board

20! EXCITING YEARS

2008
REGULATORY CHANGE IN GERMANY (GLÜSTV)

2007
LONDON OFFICE

2005
IPO

Tipp24.com

2002
MADRID OFFICE

1999
FOUNDED

ZEAL

2019

MAY

TAKEOVER OF LOTTO24

OCTOBER

BUSINESS MODEL CHANGE & RELOCATION TO HAMBURG

2014

RENAMED ZEAL & MOVE TO LONDON

2012

SPANISH ONCE BUSINESS STARTED

2009

CHANGE TO SECONDARY LOTTERY BUSINESS

2012

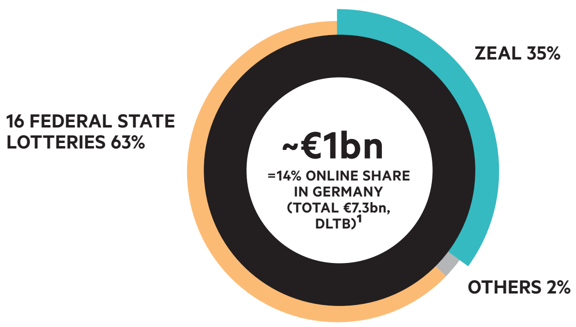
SPIN-OFF LOTTO24

In 2019, we celebrated our 20th anniversary – and it has been a ride! In a sometimes very challenging environment, we succesfully established the strongest online lottery brand in Germany and are excited to discover what the future holds for ZEAL!

A STRONG, SUSTAINABLE PLATFORM TO ACCELERATE GROWTH

Having completed the takeover of Lotto24 AG in 2019, we established the ZEAL Group as Germany's leading online provider of state-licensed lottery products. From our position of strength, we see tremendous growth potential.

NO. 1 IN GERMANY[1]



35%

ONLINE MARKET SHARE[2]

[1] According to information of the German Association of State Lottery Companies ('Deutscher Lotto- und Totoblock, DLTB') and calculations of the German Lottery Association ('Deutscher Lottoverband, DLV')

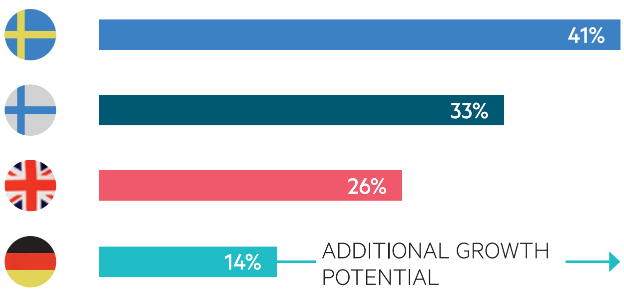
[2] Full year Lotto24 billings as well as Tipp24 billings only since the Business Model Change on 15 October 2019

LOTS OF POTENTIAL

In Germany, online penetration in the lottery market is still very low – around 14 % of the € 7.3bn DLTB market. In the UK it is 26%, in Finland it is 33%, and in Sweden it is 41%. This highlights the outstanding opportunity that exists.

The scale, expertise and technological capability of our combined Group, coupled with our existing market position in Germany, will put us in an excellent position to accelerate online growth in the €8.7 billion German lottery market. (DLTB plus class lotteries, 'Aktion Mensch' and 'Deutsche Fernsehlotterie', source: Goldmedia 'Gambling Market Monitor 2018')

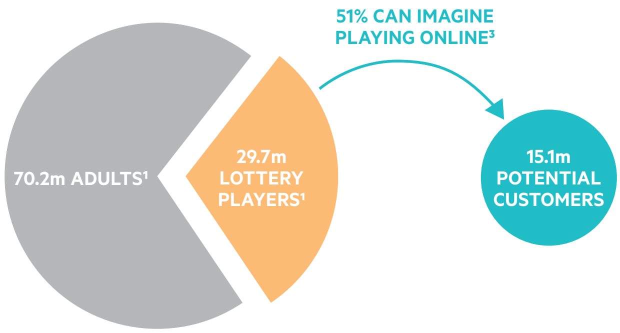
TREMENDOUS UNTAPPED GROWTH POTENTIAL[1, 2]



[1] Online share in selected European countries, based on H2 Gambling Capital data (excl. ODDSET), Gambling Gross Turnover or Gross Wins (stakes less prizes paid out but incl. bonuses) where available (2017A)

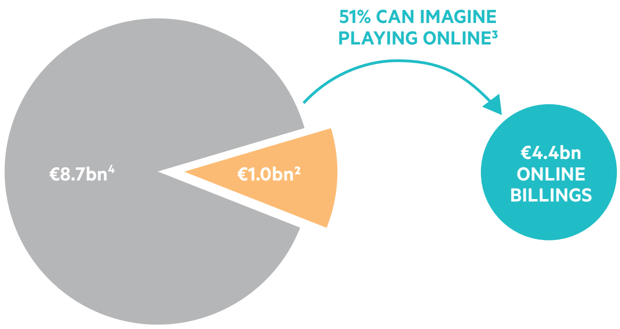
[2] Based on 2017 estimates

CUSTOMERS & BILLINGS



Adults (>18 years) in Germany · Adults that play lotto occasionally or regularly · Potential customers in Germany

Customers Of 70.2 million adults who live in Germany, 29.7 million play lotto occasionally or regularly – approximately 42%. 51% of offline players surveyed – i.e. lotto players who still hand in their tickets at kiosks – can imagine playing lotto online in the future – a market potential of 15.1 million.



Total lottery market in Germany 2017 · Online penetration 2019 · Online market potential in Germany

Billings Based on the total volume of the German lottery market (DLTB plus class lotteries, 'Aktion Mensch' and 'Deutsche Fernsehlotterie') of around €8.7 billion, this corresponds to a potential total online lottery revenue of €4.4 billion.

[1] According to IfD Allensbach © Statista 2019, 'Anzahl der Personen in Deutschland, die Lotto oder Toto spielen, nach Häufigkeit von 2015 bis 2019 (in Millionen)'

[2] According to information of the German Association of State Lottery Companies ('Deutscher Lotto- und Totoblock, DLTB') and calculations of the German Lottery Association ('Deutscher Lottoverband, DLV')

[3] According to own Brand Tracking November/December 2019

[4] Source: Goldmedia 'Gambling Market Monitor 2018' ('Deutscher Lotto- und Totoblock, DLTB' plus class lotteries, 'Aktion Mensch' and 'Deutsche Fernseh-lotterie')

OUR VISION

MEDIUM TO LONG TERM: 50% ONLINE PENETRATION

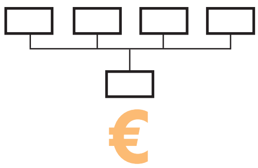
TARGET: MARKET SHARE ~50%

ZEAL'S LONG-TERM POTENTIAL

[1] Source: Total German lottery market volume of €8.7bn in 2017A as per Goldmedia, including other lotteries such as Class Lotteries, Aktion Mensch and Deutsche Fernsehlotterie.

Vision In the medium to long term, online penetration of lottery billings in Germany is expected to rise to 50%. With our targeted marketing, we want to achieve a 50% share of this market, resulting in a long-term annual billings potential of €2 billion for ZEAL.

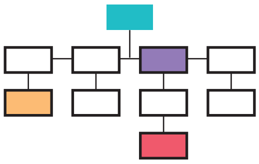
SUCCESSFUL PROCESS



1

**€4M P.A.
INTERNAL RESTRUCTURING
PROGRAM**

DONE

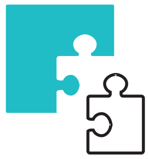


2

**INTERNAL ORGANISATION
STRUCTURE DEFINED**

~ 200 employees to be reached

DONE



3

**PHYSICAL MERGER OF
ZEAL AND LOTTO24 IN
ONE OFFICE**

DONE

4

**BUSINESS MODEL CHANGE
AND RELOCATION BACK TO
GERMANY**

DONE

5

**€14.9M ALREADY INCURRED
OF THE TOTAL EXPECTED
IMPLEMENTATION COSTS OF
€15M–€20M**

WELL ON TRACK

6

€57M SYNERGIES P.A.

60% related to the Business
Model Change

40% related to personnel and other
operating costs

Fully achievable at the end of year
2 after completion of the takeover

WELL ON TRACK

MERGER PROGRESSING WELL

Having already set up an internal restructuring programme in 2018 in order to realise savings of €4 million, we brought our Hamburg employees together at one location and defined the new organisational structure immediately after the successful completion of the Lotto24 takeover on 14 May 2019. With the agreement of the roadmap, the implementation of the measures described therein to exploit the targeted synergies and the signing of the contract bundle as the basis for the cooperation between ZEAL and Lotto24, we have reached further milestones on the joint path taken by ZEAL and Lotto24. The change of business model from a secondary lottery business to online lottery brokerage and the relocation of the Company's registered office from London back to Hamburg in October 2019 were further successful steps on our way to becoming the leading German online provider of state lottery products.

We have already significantly reduced our cost base in 2019 and are well on the way to achieving annual cost synergies of at least €57 million, 80% of which are to be realised at the end of the first year and 100% at the end of the second year following the completion of the Lotto24 takeover. The total cost of realising these synergies will remain within the targeted range of between €15 million and €20 million. By the end of 2019, costs of just under €15 million had been incurred for this purpose, and we expect to incur costs of around €2 million in 2020.

THE ZEAL SHARE

ZEAL SHARE PERFORMANCE LARGELY DOMINATED BY LOTTO24 TAKEOVER

Stock markets 2019

In view of the negative capital market performance of December 2018, the prospects for 2019 were not particularly promising. In the reporting period, the markets were dominated by two major topics – with both positive and negative effects: Brexit and the tariff dispute between the USA and China. Despite strong fluctuations, all relevant indices had risen significantly by the end of the year: the DAX and our benchmark index, the SDAX, grew by 25% and 31% respectively over the course of the year – something hardly anyone would have predicted at the beginning of the year.

ZEAL share performance shaped by Lotto24 takeover

Following the announcement of our takeover bid for Lotto24 AG on 19 November 2018, the planned transaction had a significant impact on the performance of the ZEAL share. It began the year at €20.70 on 2 January 2019 and reached a year-high of €24.10 just a few trading days later on 14 January 2019 – in connection with several open letters from our competitor Lottoland Holdings Ltd. relating to the takeover. On the day the actual takeover bid to Lotto24's shareholders was published, 31 January 2019, the share was quoted at €21.95 and on announcement of the acceptance rate for the takeover bid on 15 April 2019, it closed at €20.15. On 14 May 2019 – the day on which we successfully completed the Lotto24 takeover – the share price fell further to €19.50 and hovered around €18.00 until the beginning of August with very low trading volumes. Following the publication of inside information about a major prize pay-out on 12 August 2019, our share finally reached its year-low of €16.44. This negative trend was reversed with the resolution of shareholders at our Extraordinary General Meeting on 25 September to relocate the Company's registered office back to Germany and its completion on 25 October 2019. By 20 November, the ZEAL share had rallied to €23.00 and closed the 2019 trading year at €20.75.

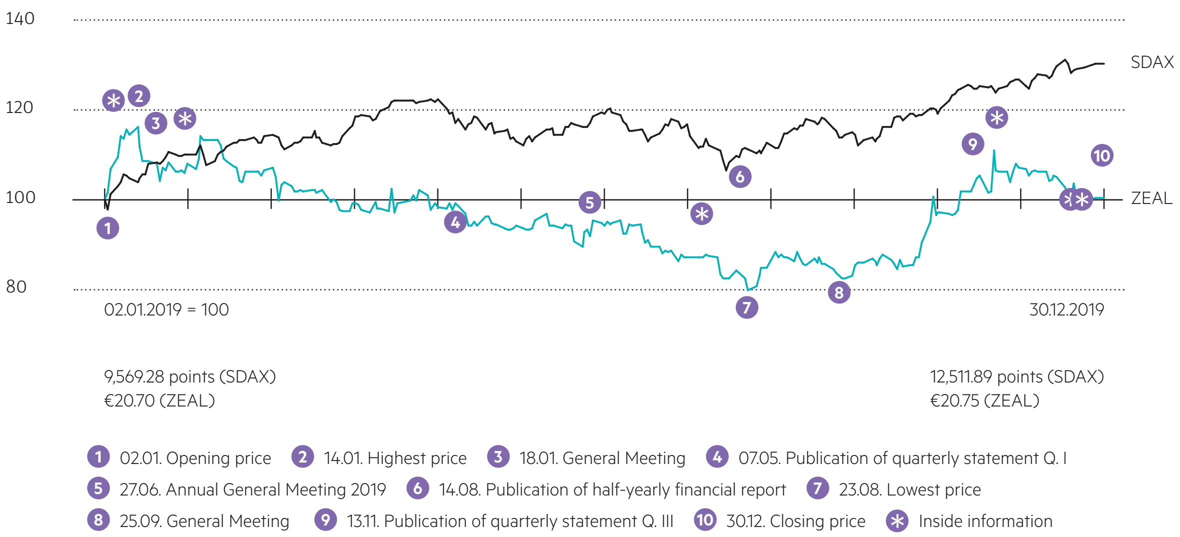
General Meetings

On 18 January 2019, we held an Extraordinary General Meeting in London on the topic of the Lotto24 takeover. With a total presence of around 54% of the voting capital, the shareholders approved all items on the agenda. These items included the submission of Lotto24's takeover offer for all issued shares of Lotto24 AG and the acquisition of shares as part of the offer and the waiver by shareholders of an obligation of the 'Günther Concert Party' to submit a takeover bid based on an expected company shareholding of more than 30% of voting rights in ZEAL.

Our 2019 Annual General Meeting was also held in London on 27 June 2019. With a total presence of around 68% of the voting capital, shareholders again approved all items on the agenda. In addition to the usual items, such as the receipt of the reports and financial statements of the directors and auditors, and the approval of the remuneration report and policy for directors, the agenda also included the reappointment of the Supervisory Board members Peter Steiner, Thorsten Hehl, Oliver Jaster and Jens Schumann, as well as the appointment of Andreas de Maizière and Marc Peters, the reappointment of Ernst & Young LLP as auditors, the authorisation of the Supervisory Board to determine the remuneration of the auditors, and an extension of the authorisation to sell treasury shares held by the Company.

Last but not least, at a further Extraordinary General Meeting on 25 September 2019, the shareholders approved the relocation of ZEAL's registered office from the UK back to Germany with a majority of 99.9% of votes cast and a total presence of around 70%.

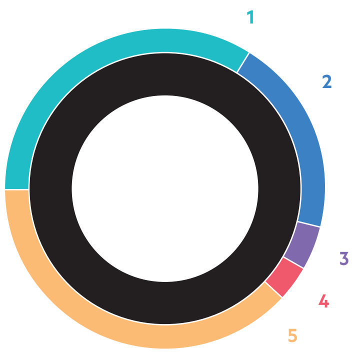
ZEAL SHARE PERFORMANCE



Shareholder structure

As of 31 December 2019, the subscribed capital of ZEAL Network SE amounted to €22,396,070 and was divided into 22,396,070 no-par value registered shares. The shares are fully paid. Each share entitles the owner to one vote and is decisive in determining the corresponding appropriation of profit. Our shares are admitted to trading on the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange. Treasury shares held by the Company on the day of the Annual General Meeting have no voting nor dividend entitlements. As of 31 December 2019, there were 43,910 treasury shares. According to published voting rights notifications and Directors' Dealings, the shareholder structure was as follows on 24 March 2020:

33.89%	1	Oliver Jaster
20.18%	2	Working Capital Management Pte. Ltd.
4.46%	3	Marc Peters
3.58%	4	Jens Schumann
37.89%	5	Free float



Dividend

Following the takeover of Lotto24 AG and the resulting change in business model, we have adapted our dividend policy to the new circumstances and, in view of the Company's relocation back to Germany in October 2019, we did not pay an interim dividend in December 2019 in accordance with German practice.

However, our dividend policy is based on continuity and sustainable earnings development. Due to the positive liquidity situation of the ZEAL Group in 2019 and the expected increasing profitability, we will propose a total amount of pay-out of €17.6 million (2018: €8.4 million) to the Annual General Meeting on 17 June 2020. This corresponds to a dividend of €0.80 per share for the fiscal year 2019 (2018: € 1.00). Depending on the economic development of the ZEAL Group, we also intend to propose an annually increasing dividend to shareholders in the following years – with the aim of reaching €1.00 per share in 2022.

Conferences and roadshows

In order to exchange views on ZEAL Group strategy with our existing shareholders and present the Company to potential new investors, the Management Board and Investor Relations (IR) team once again attended various conferences in Frankfurt and Munich during 2019 and held numerous one-on-one meetings. In addition, we conducted a number of conference calls, e.g. on publication of the annual and quarterly figures, which are stored on our website for subsequent reference.

We attach great importance to direct contact with our shareholders: on the one hand, this open discussion with analysts, as well as fund and portfolio managers, helps us understand the specific demands the capital market places on us, and on the other hand it gives investment companies the opportunity to meet ZEAL's Management Board members and IR team on a regular basis.

In 2020, we plan to step up our various investor relations activities in order to maintain our close ties with existing investors and access new investor groups.

Analysts

In 2019, we were covered by Joh. Berenberg, Gossler & Co. KG, Kepler Cheuvreux and M.M.Warburg & CO.

Basic data on the ZEAL share

WKN	**ZEAL24**
ISIN[1]	**DE000ZEAL241**
LEI Code[2]	**391200EIRBXU4TUMMQ46**
Ticker symbol	**TIMA**
Reuters code	**TIMAn.DE**
Bloomberg code	**TIMA:GR**
Stock exchange	**Frankfurt**
Market segment	**Regulated Market, Prime Standard**
Designated sponsor	**M.M.Warburg & CO**

[1] *International Securities Identification Number*

[2] *Legal Entity Identifier Code*

Key figures for the ZEAL share	2019	2018
Number of shares on reporting day	**22,396,070**	8,385,088
Highest price (in €)	**24.10**	28.65
Lowest price (in €)	**16.44**	19.00
Share price on reporting day (in €)	**20.75**	20.80
Market capitalisation on reporting day (in € million)	**464.7**	174.4
Average daily trading volume (in €)	**382 thousand**	644 thousand
Earnings per share (in €)	**0.09**	3.18

CORPORATE GOVERNANCE STATEMENT

In the following section, the Management Board and Supervisory Board report on the corporate governance and management of ZEAL.

INTRODUCTION

Good corporate governance is a central aspect of our corporate policy which extends to every area of the Group: a management and control system based on responsible and sustainable value growth. In addition to organisational and business policy principles, we believe that the internal and external mechanisms for controlling and monitoring the Group are integral components, as are the efficient cooperation between Management Board and Supervisory Board, the transparent communication of Group activities and the respect of shareholder interests. With the aid of good corporate governance, we aim to promote the trust of national and international investors, financial markets, our business associates, employees and the general public in the management and monitoring of ZEAL. In the Declaration of Conformity presented below – the latest version of which is also permanently available to shareholders on the Internet at Zealnetwork.de – we explain which recommendations we do not comply with and why we deviate from them.

DISCLOSURES ON COMPANY MANAGEMENT AND CORPORATE GOVERNANCE

Declaration of Conformity with the German Corporate Governance Code ('Code') pursuant to Section 161 of the German Stock Corporation Act (AktG)

The Management Board and Supervisory Board of ZEAL Network SE declare that the recommendations of the 'Regierungskommission Deutscher Corporate Governance Kodex' in the version dated 16 December 2019 and published in the official section of the Federal Gazette (amtlicher Teil des Bundesanzeigers) on 20 March 2020 will be complied with in future with the exceptions set out and justified below:

1. *C.1 (determination and publication of the status of the implementation of concrete objectives for the composition of the Supervisory Board)* With regard to its own composition as well as the composition of the Management Board, the Supervisory Board supports, among other things, the aspects of internationality, participation of women and independence. However, the Supervisory Board will refrain for the time being from formally defining objectives for its composition that go beyond the requirements of stock corporation law in order not to restrict its selection criteria by setting concrete objectives and quotas.
2. *G.4 (vertical remuneration comparison)* The Supervisory Board duly deals with the appropriateness of the remuneration of the Management Board. In doing so, it also takes into account the Company's internal remuneration structure. However, the Supervisory Board is convinced that the determination of comparison groups and the consideration of the development over time will not lead to an improvement in the quality of decision-making, so that the Supervisory Board refrains from implementing these formal recommendations.

Hamburg, March 2020

The Supervisory Board

The Management Board

CORPORATE GOVERNANCE STATEMENT IN ACCORDANCE WITH SECTION 289F GERMAN GAAP (HGB)

Declaration of Conformity

In accordance with section 161 AktG, the Supervisory Board and Management Board have issued a Declaration of Conformity with the German Corporate Governance Code and made it permanently available to shareholders on the preceding pages of this Annual Report as well as via the Group's website (Zealnetwork.de).

Composition and working practices of the Management Board and Supervisory Board

As a German Societas Europaea (SE), ZEAL is subject to German corporate law and has a two-tier management system which currently consists of a Management Board (management organ) with two members and a Supervisory Board (supervisory organ) with six members.

The Supervisory Board appoints, monitors and advises the Management Board. The two bodies work closely together: the Management Board informs the Supervisory Board regularly, comprehensively and in due time about all issues relevant to strategy, planning, business development, risk position, risk management and compliance. The Supervisory Board is immediately informed about ZEAL's strategic alignment and ongoing development, as well as any deviations in the course of business from the defined plans and targets. The Supervisory Board regularly evaluates the work of the Management Board and adopts improvement measures as part of its regular self-assessment.

THE MANAGEMENT BOARD

ROLE

The Management Board is responsible for running the day-to-day operations of the Group, setting the short-term and long-term strategic objectives and ensuring that these objectives are implemented and proposing investment decisions for ratification by the Supervisory Board. The Management Board's key objective is to create sustainable value for the Group's shareholders and other stakeholders. The Management Board manages ZEAL in accordance with the statutory provisions, the Company's Articles of Association, the Management Board's Rules of Procedure and the stipulations of the respective service agreements with the aim of achieving a sustainable added value.

COMPOSITION

The Management Board currently comprises two members. Its members can only be appointed and removed by the Supervisory Board. The Supervisory Board is responsible for setting out the scope of the roles and responsibilities of each Management Board member together with items that must be authorised by all members of the Management Board (reserved matters). The Supervisory Board has set an age limit of 63 years for the Management Board.

MEMBERS OF THE MANAGEMENT BOARD

Dr. Helmut Becker – Managing Director (CEO)

Dr. Helmut Becker is responsible for leading the Management Board, Corporate Strategy, External Communications, Legal Affairs and Regulation, Human Resources, Marketing, Sales, the Lottery Brokerage, Lottery Betting and Lottovate business units, and Technology.

Jonas Mattsson – Managing Director (CFO)

Jonas Mattsson is responsible for Finance, Accounts, 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.

THE SUPERVISORY BOARD

ROLE

The Supervisory Board is responsible for advising on and overseeing the work of the Management Board together with ratification of transactions that are of fundamental importance to the Group (as set out in the Company's Articles of Association).

COMPOSITION

The Supervisory Board currently comprises six members. Its members are appointed and removed at the General Meeting of the Company by the shareholders. The Members of the Supervisory Board have the appropriate balance of skills, experience, independence and knowledge of the Company to enable the Supervisory Board to discharge its duties and responsibilities effectively. The Supervisory Board has concluded that it comprises an adequate number of independent members. All members of the Supervisory Board are to be regarded as independent. As a rule, the members of the Supervisory Board shall not hold office for longer than the end of the Annual General Meeting following their seventy-fourth birthday.

The Supervisory Board has adopted a skills profile for the Board as a whole. In its current composition, the Supervisory Board believes that it has the skills which are necessary with regard to the activities of ZEAL. In particular, these include the following knowledge and experience:

- Special knowledge and experience in the lottery business (market and competition);
- Extensive knowledge in the field of finance/accounting and controlling;
- special knowledge in the field of IT in the e-commerce environment;
- Experience in managing and monitoring a group of companies, including corporate governance requirements.

To this end, at least one member of the Supervisory Board (the Vice-Chair, Peter Steiner) has recognised expertise in the field of accounting or auditing.

Andreas de Maizière was appointed as the Chairman of the Supervisory Board on 27 June 2019. Prior to this date Peter Steiner was the Chairman. Mr de Maizière is responsible for organising and coordinating the work of Supervisory Board, chairing its meetings and attending to the affairs of the Supervisory Board externally. He is also responsible for maintaining regular contact with the Management Board and informing the Supervisory Board of important events in relation to the management of the Group and, if required, convening extraordinary meetings of the Supervisory Board. The other Members of the Supervisory Board are: Peter Steiner, Thorsten Hehl, Oliver Jaster, Jens Schumann and Marc Peters (appointed 27 June 2019). The terms of Leslie-Ann Reed and Bernd Schiphorst as members of the Supervisory Board ended on 27 June 2019.

Members of the Supervisory Board

Name	Appointment Date	End of term	Positions in the Supervisory Board and Committees
Andreas de Maizière	27 June 2019	–	Chairman of the Supervisory Board, Chair of Chairman's Committee, Member of the Audit Committee
Peter Steiner	28 June 2013	–	Vice-Chair of the Supervisory Board and Chairman of the Audit Committee – appointed to these committee roles on 27 June 2019
Leslie-Ann Reed	14 July 2017	27 June 2019	Vice-Chair of the Supervisory Board and Chair of the Audit Committee
Thorsten Hehl	28 June 2013	–	Member of the Audit Committee
Oliver Jaster	28 June 2013	–	Member of the Chairman's Committee
Jens Schumann	28 June 2013	–	Member of the Chairman's Committee
Marc Peters	27 June 2019	–	
Bernd Schiphorst	28 June 2013	27 June 2019	

In addition to the Management Board and Supervisory Board, the General Meeting acts as the third corporate body. The Company's shareholders exercise their rights at the General Meeting and are involved in fundamental decisions concerning ZEAL. The Management Board, Supervisory Board and General Meeting are jointly committed to acting in the best interests of shareholders and to the benefit of the Company. ZEAL's Annual General Meeting is held within the first six months of the fiscal year. In accordance with the Articles, the General Meeting is presided over by the Chairman of the Supervisory Board. The General Meeting resolves on all matters that are reserved for it by law (including the election of Supervisory Board members, amendments to the Articles, the appropriation of net profit and capital measures). ZEAL's aim is to make it easy for our shareholders to participate in the General Meeting: we publish all necessary documents on the Internet in advance and nominate a proxy for shareholders who is obliged to following their voting instructions.

Transparency

ZEAL attaches great importance to providing information uniformly, comprehensively and promptly. The business situation and results of ZEAL are disclosed via regular reporting in the form of the Annual Report, half-yearly financial report and quarterly statements. The Company provides full and swift information on specific events by means of press releases and publication of inside information in accordance with statutory regulations. All publications, press releases and announcements are available on our website (Zealnetwork.de) in the Investor Relations section. Moreover, we are available for discussions at analyst, investor and telephone conferences as well as international roadshows. ZEAL also keeps insider lists as required and informs the persons concerned about their statutory duties and penalties.

Audit

Ernst & Young LLP was reappointed as auditors by the ZEAL Annual General Meeting on 27 June 2019. Following the relocation of the corporate seat to Hamburg, Ernst & Young LLP resigned. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft was appointed as auditor for the Annual Financial Statements and Consolidated Financial Statements for the fiscal year 2019 by the local court of Hamburg. As of fiscal year 2019, the audit partner in charge of the audit has been Carl-Heinz Klimmer.

Definition of target figures for the proportion of women on the Supervisory Board, Management Board and management levels; diversity

In 2020, the Supervisory Board has set a target percentage of women for its composition of 0% until 28 February 2025.

The Supervisory Board has set the same target percentage for the Management Board, also until 28 February 2025.

Both target percentages correspond to the status quo.

The Management Board has set targets of 30% for the percentage of women at the two management levels below the Management Board in 2020, also by 28 February 2025. Currently, the percentage of women is 29% in the case of the first management level and 67% in the case of the second management level.

According to recommendation C.1 of the Code, the Supervisory Board shall specify concrete objectives for its composition and, within this framework, take diversity into account. The Supervisory Board has not resolved on the determination of specific objectives for its composition. While the Management Board and Supervisory Board are of the opinion that the current composition of the Supervisory Board fulfils the criteria set out in recommendation C.1 of the Code, all proposals for appointments to a corporate body of ZEAL Network SE are always made with a view to selecting candidates with the best qualifications and personal experience, thus complementing the composition of the committee as a whole. The Management Board and Supervisory Board are therefore of the opinion that determining objectives for the composition of the Supervisory Board are not suitable for achieving an efficient and qualified Supervisory Board. Accordingly, the Supervisory Board has also refrained from setting a minimum percentage of women above 0%.

According to recommendation B.1 of the Code, the Supervisory Board shall take diversity into account with regard to the composition of the Management Board. The Management Board and Supervisory Board are of the opinion that the current composition of the Management Board fulfils this recommendation. The above considerations regarding the composition of the Supervisory Board apply accordingly to the Management Board, for which the Supervisory Board has therefore also refrained from setting a minimum percentage of women above 0%.

According to recommendation A.1 of the Code, the Management Board should take diversity into account when filling management positions in the Company. The Management Board supports the diversity already existing in the workforce as a whole and being reflected in the composition of the two management levels below the Management Board.

DIRECTORS' DEALINGS

According to Article 19 of the Market Abuse Regulation (MAR), members of the Management Board and Supervisory Board, as well as closely associated persons, are obliged to declare any transactions relating to ZEAL shares, insofar as the value of the transactions during one calendar year reaches or exceeds €5 thousand. ZEAL immediately publishes details of such transactions on its website and submits the corresponding voucher to the Federal Financial Supervisory Authority ('Bundesanstalt für Finanzdienstleistungsaufsicht'). All transactions reported to ZEAL in the past fiscal year have been duly published and are available on our website (Zealnetwork.de).

DISCLOSURE ON SHAREHOLDINGS OF MEMBERS OF THE MANAGEMENT BOARD

Details of the share interests of the members of the executive bodies as at 31 December 2018 and 2019, or at date of cessation of Directorship, are as follows:

Beneficially owned Shares		2018	Changes	**2019**
Dr. Helmut Becker[1]	CEO	8,316	13,193	**21,509**
Jonas Mattsson[1]	CFO	5,000	2,000	**7,000**
Susan Standiford[1, 2]	COO	2,285	(2,285)	**–**

[1] No dividends were paid out in 2019. The following dividends were paid to each of the members of the Supervisory Board and Management Board during the 2018 financial year: Dr. Helmut Becker – €8,316, Jonas Mattsson – €5,000, Susan Standiford – €2,285.

[2] Susan Standiford resigned on 31 August 2018.

GROUP MANAGEMENT REPORT

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.

BASIC PRINCIPLES OF THE COMPANY

BUSINESS MODEL

ORGANISATIONAL STRUCTURE

ZEAL Network SE is a German Societas Europaea (SE) with its registered office in Hamburg, Germany. 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 acquisition of Lotto24 on 14 May 2019, we reviewed our reportable operating segments and determined that brokerage meets the definition of a reportable operating segment. This segment has therefore been included in the 2019 disclosure.

The reportable operating segments are as follows:

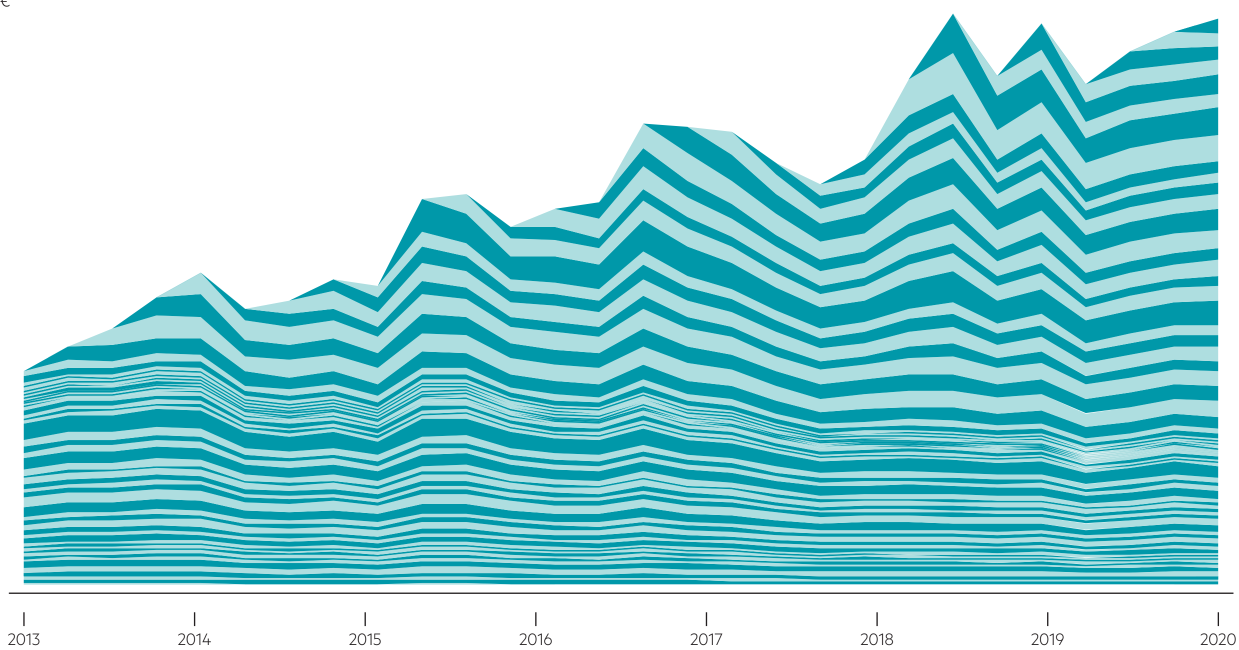
LOTTERY BROKERAGE

The Lottery Brokerage segment comprises the results of Lotto24, the Group's online lottery brokerage business in Germany. In this segment, we broker lottery products via the Internet (Lotto24.de, Tipp24.com) and receive brokerage commissions from the lottery operators. We can therefore generate income without bearing the bookmaking risk ourselves. In addition to the Lotto24 brand, we have also transferred the former secondary lottery Tipp24 to the German brokerage business and have been brokering tickets to the state lottery companies via the domains Tipp24.de and Tipp24.com since 15 October 2019.

Amongst other things, we offer our customers the possibility 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.

One of the sector-specific success factors of our business model is the enduring loyalty of our customers: once gained, they provide us with long-term and stable billings.

BILLINGS PER CUSTOMER GENERATION (LOTTO24 AND TIPP24, QUARTERLY)
in €



LOTTERY BETTING

The Lottery Betting segment comprises our secondary lottery betting business and sales of Instant Win Games products to secondary lottery customers. However, our secondary lottery business in Germany ended on 15 October 2019; the previously announced change to our business model was completed and the secondary lottery business was transitioned into a state-regulated online lottery brokerage business on the basis of the brokerage permit held by Lotto24.

We have changed and improved our international business approach: as part of the initiative to internationalise our secondary lottery business, myLotto24, we focused on assessing the profitability of the UK business before pursuing further international markets where national licences are available. During the third quarter of 2019, we determined that our secondary lottery business in the UK was unable to meet its profitability targets and was therefore discontinued. In view of the declining international market potential for secondary lottery business, we also decided to terminate all of these activities and focus mainly on growth opportunities in the German market.

LOTTOVATE

The Lottovate segment comprises the elements of our business which are focused on the reinvention of the digital lottery experience, operating primary lotteries with national permissions and helping charities, foundations and communities to unlock new sources of funding through bespoke lottery platforms. These include our international services business for lottery operators including online operation of the lottery games for charitable organisations, such as ONCE. In addition, the business offers digital services to business partners (such as UNICEF Norway) and state lotteries as well as operating its own licensed lotteries through Lottovate.

Following the Lotto24 takeover on 14 May 2019 and the corresponding restructuring of the Group, the results of ZEAL Ventures are included within the Lottovate segment. ZEAL Ventures continues to pursue its lottery-related start-up investment portfolio. We have made several start-up investments, which we are closely monitoring and supporting where necessary while continuing to pursue additional investment opportunities. Our objective is to learn from these companies, generate profits and/or integrate exciting business ideas into the ZEAL Group. As of 31 December 2019 ZEAL Ventures held stakes in Omaze (2.5%) – an experience-based fundraising platform, Pick my Postcode (10.0%) – an advertising-funded free-to-play lottery-style game, Wshful (20.0%) – a lottery syndicate business, The Dream Makers (10.0%) – an early-stage travel-deal subscription business, Furlong (20.0%) – an early stage start-up developing a horse racing lottery, and Trip Hunters (33.0%) – an experience-based travel lottery.

STRATEGY

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

- **continue to grow and expand our tried and trusted business models, especially in Germany but also in Spain,**
- build on our existing strengths in order to develop new lottery businesses, and
- discover new start-up ideas in order to tap further target groups and gain important market knowledge.

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

ADDITIONAL OPPORTUNITIES IN NEW CUSTOMER MARKETING

Maintaining and expanding our strong position

Thanks to the Lotto24 takeover and the Business Model Change completed in October 2019, there is now the opportunity to use our established Tipp24 brand in the German brokerage business in addition to the Lotto24 brand, thus pursuing a multi-brand strategy. In the representative online surveys of key brand data we have been conducting for many years (most recently a survey of 1,437 Internet users with an affinity for lotto in November/December 2019), Lotto24 came second in unprompted brand awareness of online lottery providers with a share of 21% – only slightly behind the state lottery companies with their pooled platform Lotto.de. For more than half of the respondents (51%), Lotto24 was even the first brand to come to mind (top-of-mind). Tipp24 followed at 11% (and 29% top-of-mind). In prompted responses, the two brands scored 53% (Lotto24) and 45% (Tipp24). The aim of our marketing activities is to further expand our market position and gain new customers for both the Lotto24 and Tipp24 product ranges by exploiting our strong brand appeal.

Efficient sales

In online marketing, the consolidation of the commercial lottery brokerage market and the intensified efforts of regulatory and competition authorities to combat lottery offerings without permits in Germany are having a positive effect on advertising prices and the competitive situation. In addition to high-reach channels such as search engine advertising (SEA) or social media advertising, we also acquire new customers via affiliates, banners, text ads, content ads and special advertising formats. Moreover, we are reaching new customer groups by cooperating with news sites or portals, for example. We incentivise our partners by offering them a share of the revenue generated by jointly acquired customers and/or supplying them with journalistic content. Good search engine optimisation (SEO) is also essential for our sustained marketing success. As many of these measures are particularly effective when it comes to high jackpots, we align our marketing measures with the respective jackpot development in order to achieve maximum efficiency.

Lotto goes Mobile

Since a large proportion of both new and existing customers now reach us via their mobile devices, we are also increasingly optimising our marketing channels, advertising formats and products – especially in terms of load speed and screen size – for mobile use. As the smartphone market is almost completely covered by the operating systems 'iOS' (Apple) and 'Android' (Google), we offer Lotto24 apps for both systems and plan to expand our portfolio with corresponding Tipp24 apps in 2020. Our iOS app will be distributed via the App Store – Lotto24 was one of the first lottery providers to successfully offer a fully native app which complies with the new Apple guideline recently introduced for apps in the gaming segment. The Android app can only be downloaded directly from our website at present, as Google continues to refuse access to its 'Google Play Store' in Germany for so-called gambling apps.

DATA SCIENCE ENSURES IMPROVED CUSTOMER RETENTION

Data-based decisions along the entire customer journey

The use of data plays a key role in ensuring we provide our customers with the best possible offer at the right time, based on their individual needs and preferences. By merging the respective organisational units of ZEAL and Lotto24, we plan to make significant improvements in the medium term and to personalise our offerings along the entire customer journey – from initial contact to the development of long-term customer loyalty – by using big data and machine learning, with the aim of becoming even more effective and efficient.

To this end, we are currently modernising our entire data management architecture, both in terms of storage and structure, as well as with regard to its productive use. While we are already achieving good results with behaviour-based personalisation for new and existing customer marketing, this will be possible via all touch points – website, apps, mails, advertising, notifications etc. – with standardised logic in future. We are capable of measuring the success of all campaigns in real time and ranking the efficiency or contribution of each individual measure, thus ensuring the optimal use of our budget. All data is administered and used exclusively for the improvement of our own products and services in strict compliance with data protection regulations. An essential priority is to comply with German and international data protection standards (e.g. GDPR, ISO).

Our data analysts are integrated into the product development and marketing teams in order to determine the effects of individual measures, to design A/B tests and to provide advice on the prioritisation of new ideas.

In addition, we have our own user lab where we regularly test innovations and operating concepts with customers. Furthermore, we use customer surveys as well as corresponding analyses and tests to permanently optimise the gaming experience of our customers.

PRODUCT DEVELOPMENT

Customer wishes are changing – but slowly

In view of the prevailing state monopoly, the German lottery market is not known for its high level of innovation. However, customer needs with regard to winning experiences, game motivation and context are definitely changing. We are therefore continuously developing and integrating new offerings which aim to capture this spirit of the times – for example with innovative services or products – in order to achieve a competitive advantage in the market. In addition, our subscription products enable customers to 'stay in the game' without additional effort, to 'hunt down' large jackpots or to discover particularly high chances of winning via lotto clubs.

Working together to ensure smooth product development

Offering customers the best-possible online lottery experience is the goal that drives our product management team to master all disciplines along the initial and repeat purchase process with the aid of modern organisational structures. In particular, these include conversion optimisation, personalisation, trust building and transaction security – all essential core competencies for ZEAL as an e-commerce company.

In order to create new or optimise existing product features, all departments and disciplines involved – such as product management, user experience and graphic design, software development, data analysis, quality assurance and operations – are organised in cross-functional teams at one location.

EXISTING CUSTOMER MARKETING AND CUSTOMER SUPPORT

Marketing for long-term customer loyalty

Our business depends on satisfying customers over many years and thus ensuring their loyalty. Dialogue (Customer Relationship Management, CRM) plays a major role in these efforts. We therefore use extensive customer behaviour analyses in order to contact customers at the most appropriate time with relevant content. In addition to automating standard communication methods, we aim to exploit new communication channels, such as browser push and offline mailing, while also harmonising our delivery technologies and data models for the integration of Lotto24 and Tipp24.

Customer service excellence – a win-win situation

In various surveys of their respective customer service quality, both Lotto24 and Tipp24 achieved high satisfaction scores above the 90% mark: whether by phone, e-mail, social media or chat – our customers can easily ask questions and quickly receive the support they need. Even in times of major challenges for our customer service team – such as the conversion of Tipp24's business model from a secondary lottery to an online lottery broker – we are able to flexibly increase capacity at very short notice by taking on external customer service staff.

It is our belief that the best support is one that is not needed in the first place. We therefore invest heavily in good, product-specific user experiences, in the monitoring of payment processes, and in helping customers find answers to typical questions as quickly and easily as possible in self-service sections of our website.

TECHNOLOGY AS A SUCCESS-CRITICAL FACTOR

Highly scalable e-commerce platforms

Together, Lotto24 and Tipp24 process transactions worth nearly half a billion Euro per year, making us one of Germany's largest e-commerce providers with correspondingly ambitious technology goals. Our business is strongly linked to the prevailing jackpot development: with a €90 million 'EuroJackpot' that has already been rolled over several times, the load on our systems on a Friday afternoon multiplies significantly. We therefore have to scale them very carefully, optimise load times, upgrade caching solutions and at the same time expand our security systems.

The standards we set ourselves are high: after all, every customer looking to win millions of euros must be able to trust that everything is going to run smoothly. Automated tests during software development, for example, ensure that as many errors as possible are detected and remedied before operation.

Platform merger

We plan to migrate Lotto24 to the ZEAL platform in 2020. Together, we aim to make progress – especially in the areas of multi-brand management, software architecture and development speed.

In addition to the use of state-of-the-art hybrid cloud solutions, we will be able to improve system redundancy and keep the costs of servicing peak loads within the planned limits. While migration will restrict our bandwidth for other development initiatives especially in 2020, our dedicated product development teams will subsequently be able to implement new developments for the respective product domains much faster in future, thus supporting our targeted business growth.

MANAGEMENT SYSTEM

We use a range of indicators to continually assess performance, ensuring alignment between the Group's stated strategies and shareholder interests. These indicators include a mix of statutory and non-statutory measures, which facilitates comparisons against similar businesses within the industry. Following the Business Model Change we have reviewed the key performance indicators and have updated them and updated the disclosure in the annual report to be consistent with the information used internally to make decisions.

KEY FINANCIAL FIGURES

The main financial KPIs which we use to steer the Group and whose values we 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 for brokered tickets/stakes to be remitted and additional/ticket fees in connection with the lottery brokerage of stakes and revenue from secondary lottery betting and instant win games),
- **Adjusted EBITDA** (earnings before interest, taxes, depreciation, amortisation and non-recurring expenses represents the Group's earnings over a certain period of time);
- The **number of new registered customers, lottery brokerage** (customers who have successfully completed the registration process on our website. This number is disclosed after adjustment for multiple registrations and de-registrations.);
- **CPL** (cost per lead, or acquisition costs per new registered customer – not including CRM costs, customer service, etc.) which we use to monitor the efficiency of our marketing efforts.

Performance indicator[1]	2019	2018
Billings (in € thousand)	466,650	296,286
Revenue (in € thousand)	113,475	154,751
Adjusted EBITDA (in € thousand)	29.350	47,742
CPL (in €)	32.50	34.90
New registered customers, lottery brokerage (in thousand)	274	–

[1] The key performance indicators disclosed above have been significantly impacted by the Business Model Change and the takeover of Lotto24. As a result the 2019 numbers include seven and a half months of the results of Lotto24 and the results from secondary lottery from 1 January 2019 to 15 October 2019. This makes a comparison with 2018 figures, which show a full year of secondary lottery, difficult.

The acquisition of Lotto24 has contributed to strong growth in billings, with Lotto24 contributing €250,687 thousand since its acquisition in May 2019. In line with expectation, due to a loss of products which we are not allowed to offer to German customers under the brokerage permit, we saw a decrease in billings from our Tipp24 business following the Business Model Change.

Lotto24 contributed €29,317 thousand to the Group's revenue and helped to offset the significant prize pay-out of €26,300 thousand in September 2019. Overall, revenue fell as a result of the closure of the secondary lottery business in October 2019 and the closure of Ventura24 consumer facing brokerage business in December 2018.

As previously reported we have reduced the costs of the Group and despite Lotto24 contributing €22,028 thousand of additional expenses, overall costs have fallen by €20,600 thousand. This has resulted in adjusted EBITDA reducing by €18,392 thousand compared with a €41,276 thousand decrease in revenue.

We have closely managed our marketing spend to deliver a reduction in CPL from €34.90 to €32.50. Since the transition to a licenced lottery broker in Germany, we had 274 thousand new registered customers – this figure only includes new Lotto24 customers since the takeover on 14 May 2019 and new Tipp24 customers since the Business Model Change on 15 October 2019.

Although we no longer focus on monthly active users (MAU)[1] and average billings per user (ABPU)[2] for business management purposes, following the ongoing development and optimisation of our business model, we are pleased to report MAU significantly increased to 731 thousand following the acquisition of Lotto24 (2018: 404 thousand). ABPU decreased from €57.57 in 2018 to €53.20 in 2019 as a result of the closure of our secondary lottery betting business in October 2019.

The Group has entered into agreements with partners in Spain and Germany to provide IT and marketing services or the operation of their own online lottery services (B2B and business services). The results from these agreements are included in full in the statement of comprehensive income and the statement of financial position. However, for contractual reasons the results from the ONCE agreement is not included in billings, CPL or new registered customers.

In 2012, Lotto24 recruited two major partners as multipliers for these integrated services with WEB.de and GMX.net. The billings from these services and the corresponding revenues are included in our figures, but not disclosed separately for contractual reasons. Customers generated via these partners are therefore not included in the 'Number of new registered customers'.

KEY NON-FINANCIAL FIGURES

In addition to our key financial figures, since the Business Model Change, we also use certain non-financial KPIs to help steer the business:

- We want to grow faster than our competitors. Our **market share of the online lottery segment** indicates the extent to which we are achieving this aim.
- **Customer satisfaction:** an important element of our business is the loyalty of our existing customers, whose satisfaction is measured by annual surveys.
- **Corporate Social Responsibility** is already a firm component of our business model: according to the German Association of State Lottery Companies (DLTB), approximately 40% of stakes are donated to good causes. As our lottery brokerage helped raise the billings of Germany's 16 state lottery companies by €233 million in 2019 (billings remitted), around €93 million was made available to social, sporting and cultural causes, as well as landmark protection activities, via DLTB.

[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 Company'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 Company's ability to increase loyalty and value from our customers.

Performance indicator	2019	Outlook 2020
Online market share[1]	35%	Still growing
Customer satisfaction[2]		
- Lotto24	84%	Still very high
- Tipp24	83%	Still very high
Corporate Social Responsibility (CSR)[3]	€93 million	Still growing

[1] Source: German Association of State Lottery Companies (DLTB)/German Lottery Association (DLV). Include Lotto24 market share since acquisition in May 2019 and two and a half months of Tipp24's lottery brokerage activities following the Business Model Change.

[2] Source: Customer satisfaction survey in November and December 2019. This is a new survey and therefore no prior year comparison.

[3] 40% of the forwarded transaction volume, the transaction volume was only forwarded to the DLTB after completion of the Lotto24 takeover and the Business Model Change, therefore no previous year comparison values.

HISTORIC KEY FINANCIAL FIGURES

For completeness the Group has also disclosed the key performance indicators used prior to the Business Model Change and which are no longer used. These are:

Performance indicator	Definition	Relevance	Performance
Stakes	Stakes comprises all bet from customers net of free bets.	This provided a measure of the Group's ability to increase the economic value of stakes from customers over a period of time.	2019: €417,588 thousand 2018: €254,538 thousand
'Normalised' revenue	Revenue which has been adjusted for the underlying statistical average pay-out ratio.	This provided a measure of underlying performance of the Group by removing deviations between the expected pay-out ratio and actual pay-outs made.	2019: €138,142 thousand 2018: €157,384 thousand
Total operating performance (TOP)	TOP is the sum of revenue and other operating income as disclosed in the Consolidated Income Statement.	This provided a measure of the statutory revenue and other operating income (including hedging income) of the Group.	2019: €121,571 thousand 2018: €159,652 thousand
'Normalised' adjusted EBITDA	'Normalised' adjusted EBITDA is adjusted earnings before interest, tax, depreciation, amortisation, and non-recurring expenses, which has been amended for the underlying statistical average pay-out ratio.	This provided a measure of the Group's ability to increase the economic value of our operating activity over a period of time, excluding the impact of pay-out ratio variances and non-recurring expenses which could distort the results of the Group reporting period over period.	2019: €49,234 thousand 2018: €50,577 thousand
Statutory EBIT	Statutory EBIT is the unadjusted earnings before interest and tax.	This provided a measure of the Group's ability to increase the economic value of our operating activity over a period of time.	2019: €9,067 thousand 2018: €38,307 thousand
Earnings per share (EPS)	EPS is profit attributable to the equity shareholders of the Group divided by share capital.	This provided a measure of the Group's ability to increase the inherent value of our business for our shareholders over a period of time.	2019: €0.09 2018: €3.18
Net cash position	Net cash position is: Cash (without pledged cash) + Cash equivalents and other short-term equity funds + Other current assets and prepaid expenses - Trade payables - Other liabilities - Income tax liabilities - 2018: €21,627 thousand hedging reserve[1]	This provided a measure of the Group's ability to reinvest profits or to pay dividends to shareholders.	2019: €119,577 thousand 2018: €101,919 thousand
Operating cash flow	Operating cash flow is the cash flow generated by the Group in the course of normal business operations.	This provided a measure of the Group's liquidity in the short term.	2019: €5,297 thousand 2018: €38,202 thousand

[1] Following the ending of the Group's secondary lottery operations a hedging reserve was no longer required and it was released.

ANALYSIS OF HISTORIC KEY FINANCIAL FIGURES

'Normalised' results

In the prior year ZEAL included normalised results as KPIs. This showed the deviations between the expected pay-out ratio and actual pay-outs made. In order to aid the understanding of the Consolidated Financial Statements and the related earnings position, we disclose the effect of deviations between the expected and actual pay-out ratio by presenting 'normalised' revenue and adjusted 'normalised' EBIT.

Significant prize pay-outs

Total pay-outs for secondary lotteries in 2019 were €24,667 thousand above the expected pay-out value (2018: €2,633 thousand). This was offset by the €4,849 thousand of Insurance Linked Securities (ILS) insurance income received after the significant win in August 2019, this resulted in a difference between actual and expected adjusted EBITDA of €19,884 thousand (2018: €2,835 thousand).

The deviation between actual and expected revenue and adjusted EBIT is driven by the amount actually paid out in prizes in the period.

Revenue	**2019**	2018
in € thousand		
Actual	113,475	154,751
Expected[1]	138,142	157,384
Deviations[2]	**(24,667)**	**(2,633)**

Adjusted EBITDA[3]	**2019**	2018
in € thousand		
Actual	29,350	47,742
Expected[1]	49,234	50,577
Deviations[2]	**(19,884)**	**(2,835)**

1 Actual results adjusted for the normalisation effect.

2 The difference between actual and expected amounts.

3 Difference between actual and expected amounts. In 2018 the Group updated its alternative performance measure to present 'adjusted EBIT' adjusted for normalisation effects where 'adjusted EBIT' excludes non-recurring items which could distort the readers' understanding of the Consolidated Financial Statements. In the second quarter of 2019 following the acquisition of Lotto24 and the recognition of significant intangible assets, the Group further updated its alternative performance measure to present adjusted EBITDA. This excludes amortisation and depreciation charges (in addition to non-recurring items) and provides readers with a more appropriate measure of the performance of the underlying business. We believe this alternative performance measure is useful to enable a reader to compare underlying performance excluding the impact of irregular items and variances in pay-out ratios.

Net cash

The increase in net cash is primarily driven by the release of the €21,627 thousand hedging reserve following the significant prize pay-out in September 2019 and the increase in cash, cash equivalents and other short-term equity funds by €10,318 thousand. This was offset by movements in working capital.

RESEARCH AND DEVELOPMENT

We regard ourselves as a customer-centric technology Group. This also involves building up core competencies and developing and operating our platform and central systems ourselves, in order to be able to align software with operational processes and customer needs in the best possible way. 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. At present, the system worlds of Lotto24 and Tipp24 are still largely separate but will be merged to a significant extent in 2020. We already made important preparations for this in 2019.

Lotto24 will be migrated to the platform of the ZEAL Group in 2020. The existing Lotto24 iOS app – which had to be converted from web technology to a native app due to new Apple guidelines – already runs on the single platform for our future brokerage business. This was achieved in just a few weeks, despite the numerous organisational changes resulting from the takeover. A so-called wrapper app has also been published for Android. Last but not least, we expanded our portfolio of online instant lotteries (scratch cards) in 2019.

For Tipp24, the main focus in 2019 was on changing its business model: although the platform is versatile enough to generally function with any business model, we have made every effort to ensure we can continue to operate as much of our existing business as possible also in the brokerage model, or if previous products are discontinued, that we can seamlessly transition to those lotteries and game formats which will be continued. As well as modernising our software architecture and testing and implementing various optimisations and conversion improvements for our customer communication, we also expanded our product portfolio of online instant lotteries with the addition of 50-cent games.

Last but not least, we also improved the overall performance and speed of both our platform and infrastructure – for example, by optimising storage behaviour (caching), modernising the development environment (front-end frameworks), and improving the combination of local and cloud-based service provision (hybrid cloud hosting).

ECONOMIC REPORT

REGULATORY CONDITIONS

STATE TREATY ON GAMES OF CHANCE

In Germany, the offering of lotteries via the Internet is regulated by the German State Treaty on Games of Chance ('Glücksspielstaatsvertrag' – GlüStV). The current version of the GlüStV came into force on 1 July 2012 and replaced the general Internet ban of the previous State Treaty on Games of Chance ('GlüStV 2008') from 15 December 2007. The new GlüStV offers private providers the possibility to receive an online brokerage permit. As a result, the business model of the commercial online lottery broker has been legally permissible in Germany again since 2012. After years of legal uncertainty overall regulatory framework and legal argumentation has been strengthened lately. Former infringement procedures of the European Commission have been closed, several rulings have confirmed the overall regulation and the enforcement against unlicensed operators.

On 21 March 2019, the federal states decided that the time limitation on the licensing procedure for sports betting providers would be discontinued with effect from 1 January 2020 (removal of the so-called experimental clause in the GlüStV). In addition, the cap on licences was lifted. The regulation, in the form of a Third Amendment of the GlüStV is limited until 30 June 2021 (transitional regulation).

The federal states are currently negotiating a new GlüStV for the period after 1 July 2021.

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 will expire on 30 June 2021, the day on which the current GlüStV also expires, and 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 German population over 18 already have access to scratch cards on the Internet. The permit will also expire on 30 June 2021 and still contains many restrictive and in part uncertain ancillary provisions and conditions. In addition, Lotto24 received a supplement to the existing brokerage permit on 8 February 2019 which enables it to broker tickets of the Tipp24.de and Tipp24.com domains to the state lottery companies via Lotto24. The supplement is subject both to the restrictions already contained in the brokerage permit and to the time limit of 30 June 2021.

ADVERTISING PERMIT

On 27 February 2019, the German authority responsible for advertising standards, the District Government of Dusseldorf, prolonged the advertising permit of Lotto24 for the third time in a row. It is now valid until the GlüStV expires on 30 June 2021. The extension must always be requested and is not granted automatically. After receiving the extension, Lotto24 continues to be authorised to advertise the online marketing of state lotteries throughout Germany via the Internet and TV, thus driving the further expansion of Lotto24's customer base. The renewal of the advertising permit and the resulting legal certainty it continues to provide, form the basis for the planned expansion of the Group's business and market share.

POLITICAL DEVELOPMENTS ON REFORMING THE GLÜSTV

As the current State Treaty on Games of Chance (GlüStV 2012) expires on 30 June 2021, the heads of Germany's federal states agreed on a follow-up state treaty on 12 March 2020. The State Treaty on Games of Chance 2021 (GlüStV 2021) includes a permit model for virtual slot machines (online games), sports betting (online and offline) and online poker, as well as a licence model for online banking games (online casino). The announcement followed several months of political debate on the degree to which the market should be opened up, especially for online games and online casinos.

Germany's federal states are planning to establish a national gambling supervision authority in the state of Saxony-Anhalt. The current Gambling Council of the federal states is to be dissolved in the medium term. Existing game or brokerage permits held by providers already active on the market, such as Lotto24, will remain valid beyond 30 June 2021 for a further calendar year, whereby the provisions of the new GlüStV will then already apply.

The regulations of the new GlüStV affect all game formats and are also relevant to commercial game brokerage. However, we do not expect the new legislation to have any significant impact on our business model. Germany's federal states are upholding their state monopoly for lotteries, with the exception of lotteries with low risk potential (social lotteries). The specific regulations for commercial lottery brokerage remain unchanged. In addition, the previous requirement to separate online gaming formats will be abolished. Subject to certain restrictions, game providers will be permitted to offer different game formats via the same Internet domain in future. Moreover, the new GlüStV makes a distinction in many areas (e.g. advertising, player identification, blacklist) between classic lottery offerings, with two draws per week, and all other offerings, such as sports betting and online games, as well as online instant lotteries and 'Keno'. We expect that this will result in a greater degree of freedom for those offering classic lottery products.

The current draft law has been initialled by the heads of Germany's federal states but still has to be passed by their respective parliaments and notified to the European Commission. The GlüStV 2021 has no expiry date and can be terminated no sooner than 31 December 2028.

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 is conducting various court proceedings to review the legality of what it considers to be indeterminate and disproportionate restrictions. However, a final clarification of the fundamental questions is made more difficult by the two-year duration of the advertising permits. This short duration regularly leads to the loss of interest in legal protection as soon as new lawsuits against the subsequent permit become pending. Most recently, the Higher Administrative Court of Hamburg ('Oberverwaltungsgericht, OVG Hamburg') rejected key points of claims in proceedings brought by Lotto24 against both the advertising permit and the brokerage permit. Even the first lawsuit, which related to ancillary provisions of the previous brokerage permit and expired in 2017, did not result in a ruling of the court of last instance the Federal Administrative Court ('Bundesverwaltungsgericht, BVG'). After careful analysis of the opportunities and risks involved, Lotto24 decided to withdraw its appeal before the hearing on 14 November 2018.

During the year 2020 Tipp24 Services Ltd and myLotto24 Limited intend to amicably terminate proceedings of the gaming supervisory authorities pending in the administrative courts.

MYLOTTO24 SUCCESSFULLY CONTESTS VAT ASSESSMENT

myLotto24 has successfully contested a VAT assessment before the fiscal court of Hanover ('Finanzgericht, FG Hannover') 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 ('Finanzamt') appealed against the ruling.

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. 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.

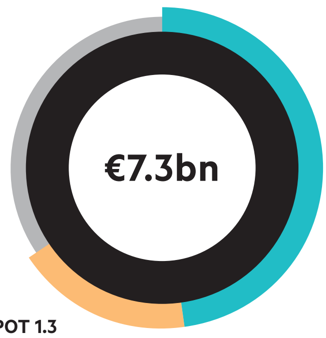
ZEAL Network SE remains confident that the lawsuit brought by myLotto24 will be upheld in the final instance. In this case, the VAT paid plus interest (currently 6% p.a.) would be refunded to myLotto24.

ECONOMIC CONDITIONS

SLIGHT REVENUE DECLINE IN GERMAN LOTTERY MARKET

According to its own figures, DLTB revenue fell by around 1% to almost €7.3 billion in fiscal year 2019 (2018: €7.3 billion). With an increase of over 2%, however, the lottery 'Lotto 6aus49' remained Germany's most popular lottery with revenue of €3.54 billion and just under 49% of total stakes (2018: €3.5 billion). Despite a revenue decline of 14.4% to €1.25 billion (2018: €1.5 billion) due to a weaker jackpot development than in the previous year, the European lottery 'EuroJackpot' remained the second most popular lottery product in 2019. Other DLTB products include 'Spiel 77', 'Sofortlotterien', 'Super 6', 'GlücksSpirale', 'Oddset', 'Keno', 'Bingo', 'Toto', 'Plus 5' and 'Sieger Chance'.

REVENUE SHARES DEUTSCHER LOTTO- UND TOTOBLOCK 2019
in € billion



LOTTERY COMPANIES RAISE PRICES

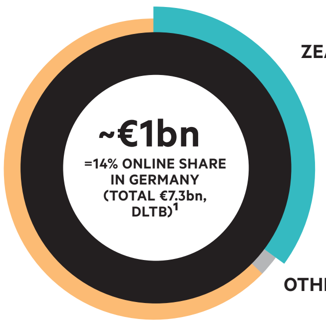
According to its own information, DLTB is planning a price increase for its 'Lotto 6aus49' product in autumn 2020: one field of the lottery ticket 'Lotto 6aus49' will cost €1.20 in the future instead of its current price of €1.00.

We assume that this price change – similar to the last adjustment in May 2013 – will also have a positive overall effect on our business: on the one hand, we expect stakes for the 'Lotto 6aus49' product to rise and, on the other hand, jackpots will grow much faster as a result of the change. This in turn will make the product more attractive and should also trigger a long-term positive revenue effect. However, it remains to be seen whether the price increase will also change the playing behaviour of lotto customers or tempt them to migrate to the increasingly well established 'EuroJackpot' product.

LOTTO24 AND TIPP24 EXTEND MARKET LEADERSHIP

According to information of DLTB and the German Lottery Association ('Deutscher Lottoverband, DLV'), online revenue of state lottery companies and legal private brokers has been steadily rising: starting at €35 million in 2012, revenue already reached €937 million in 2018 and rose by a further 10% to €1,035 million in fiscal year 2019 (including the full-year Lotto24 billings as well as the Tipp24 billings following the Business Model Change on 15 October 2019). Online sales thus accounted for approximately 14% of total German lottery sales in 2019 (2018: 13% excluding Tipp24). Whereas stakes generated online by all state-owned companies together grew by 11.6% to €651 million (2018: €583 million), our official online lottery brokerage business with the Lotto24 and Tipp24 brands grew by 13.8% to €366 million (2018: €322 million), which does not include any billings under the Tipp24 brand from 1 January until 15 October 2019. Consequently, we were able to expand our online market leadership with a market share of 35% (2018: 34%). Other lottery brokers achieved total online revenue of around €18 million (2018: €32 million).

LOTTO24/TIPP24'S SHARE OF ONLINE MARKET 2019



[1] According to information of the German Association of State Lottery Companies ('Deutscher Lotto- und Totoblock, DLTB') and calculations of the German Lottery Association ('Deutscher Lottoverband, DLV')

[2] Full-year Lotto24 billings, Tipp24 billings 15 October–31 December 2019

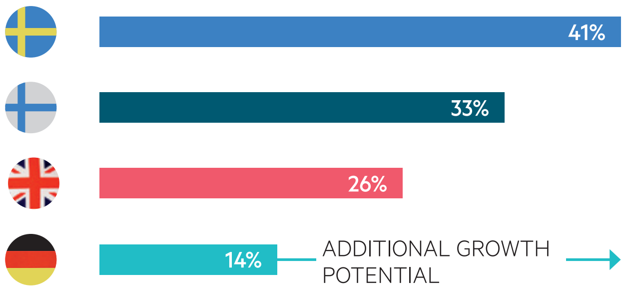
HUGE POTENTIAL OF ONLINE SEGMENT

70.2 million adults live in Germany, of whom 29.7 million play lotto occasionally or regularly[1]. This corresponds to almost 42% of all adult Germans. In our latest survey of 1,437 Internet users with an affinity for lotto in November/December 2019, 38% of respondents confirmed that they had played lotto in the last six months. It is interesting to note that (despite the new, slightly more conservative survey methodology) 51% of offline players surveyed – i.e. lotto players who still hand in their tickets at kiosks – can imagine playing lotto online in the future. Translated to 29.7 million lotto players, this represents a market potential of 15.1 million potential online lotto players. Based on the total volume of the German lottery market (DLTB plus class lotteries, 'Aktion Mensch' and 'Deutsche Fernsehlotterie') of around €8.7 billion[2], this corresponds to potential total online lottery revenue of €4.4 billion.

[1] *source: IfD Allensbach © Statista 2019, 'Anzahl der Personen in Deutschland, die Lotto oder Toto spielen, nach Häufigkeit von 2015 bis 2019 (in Millionen)'*

[2] *source: Goldmedia 'Gambling Market Monitor 2018'*

MARKET POTENTIAL[1, 2]



[1] *Online share in selected European countries, based on H2 Gambling Capital data (excl. ODDSET), Gambling Gross Turnover or Gross Wins (stakes less prizes paid out but incl. bonuses) where available (2017A)*

[2] *Based on 2017 estimates*

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 – we are 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 completely forbidden until mid 2012, we expect further strong revenue growth. Compared with foreign online lottery markets, which were less strictly regulated in the past, we expect above-average growth for Germany in the medium term.
- In 2017, the online share of the lottery market in Sweden was just under 41%, in Finland around 33%, and in the United Kingdom around 26%[1]. The growing importance of e-commerce as a sales channel and mobile offerings are also strengthening this trend: in 2018, 50% of all banking was already done online[2], 57% of music was sold online in 2018[3] and 43% of trips were booked online in 2018[4].

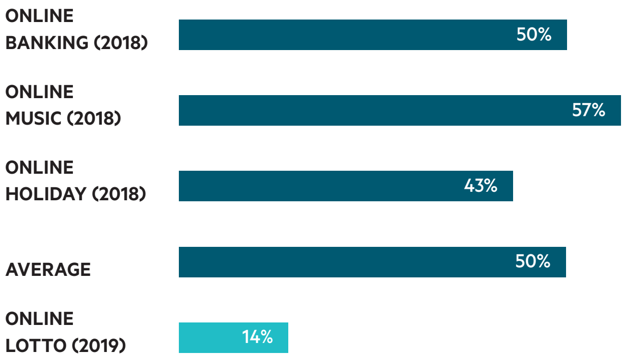
[1] *source: H2 Gambling Capital data; excluding ODDSET*

[2] *source: Bankenverband, 'Jeder zweite Bundesbürger nutzt Online-Banking', June 2018*

[3] *source: Bundesverband Musikindustrie, 'Musikindustrie in Zahlen 2018'*

[4] *source: DRV, 'Der deutsche Reisemarkt Zahlen und Fakten 2018', July 2019*

ONLINE MARKET SHARES



Source: Bankenverband, Bundesverband Musikindustrie , DRV, German Association of State Lottery Companies ('Deutscher Lotto- und Totoblock, DLTB'), German Lottery Association ('Deutscher Lottoverband, DLV')

Based on a medium to long-term assumption of an online share of 50% of the total German lottery market of €8.7 billion, this would also result in an online lottery market potential of more than €4 billion. As our objective is to further expand our own market share to 50% or more, our long-term billings potential would lie beyond the €2 billion mark.

ADVERTISING AND COMPETITION

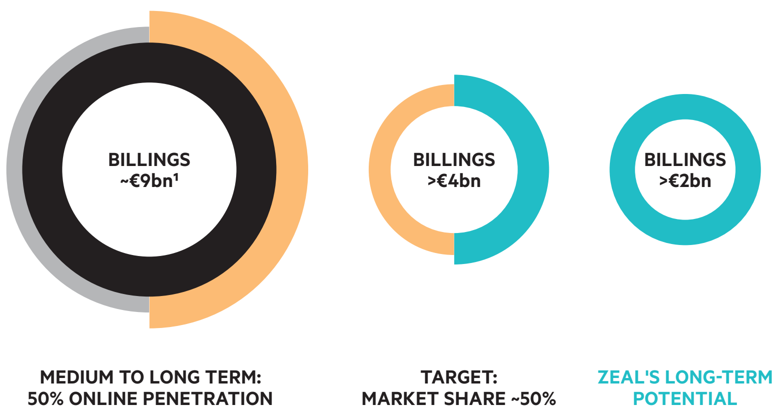
Our success is largely determined by the scope and efficiency of our marketing measures – especially new customer acquisition. In addition to the regulatory conditions, our key performance indicators (KPIs) are also influenced by the number of competitors aggressively advertising their online lottery 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 relevant Ministry of the Interior for Lower Saxony, 16 private commercial gaming brokers had 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 as a whole were quite modest in 2019.

The advertising pressure from secondary lottery providers with neither a German brokerage nor corresponding advertising permit has declined sharply. This is due to both a stricter approach by the relevant regulatory authorities and competition law proceedings brought by certain state lottery companies. In addition, we have returned our former secondary lottery Tipp24 to the German online lottery brokerage business and, as an official DLTB partner, are once again transmitting the tickets of Tipp24 customers directly to the German state lottery companies.

We monitor our relevant competitors, for example, by regularly and systematically testing the respective websites. In addition, we use media monitoring and social media monitoring to gather and evaluate social signals of Internet users with regard to specific sectors, brands or defined websites. This enables us to discover what this target group thinks about us and our competitors so that we can react accordingly. In the course of our brand tracking activities, we also regularly collect information on our competitors. We do not therefore rely solely on our own subjective perception, but also use customer surveys when defining the direction in which we want to evolve and how we can clearly differentiate ourselves from the competition.

OUR VISION



[1] *Source: Total German lottery market volume of €8.7bn in 2017A as per Goldmedia, including other lotteries such as Class Lotteries, Aktion Mensch and Deutsche Fernsehlotterie.*

WEAKER 'EUROJACKPOT' DEVELOPMENT THAN IN THE PREVIOUS YEAR

Jackpots are a major driver of our billings volume. We expect particularly strong increases in the activity rate and number of registered customers when potential players have greater expectations of exceptional winnings, in other words whenever there are large jackpots. Such jackpots are comprised of stakes submitted by players who did not meet the conditions for winning prizes and which are then paid out to the winners on top of regular prizes in a subsequent draw.

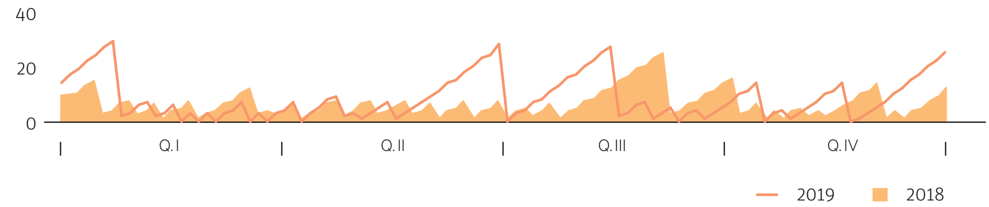
In 2019, the jackpot development of the various lotteries varied greatly: the German lottery 'Lotto 6aus49', for example, reported four jackpots of over €20 million (2018: one), which led to three guaranteed jackpot pay-outs after the 13th draw (2018: once). The average 'Lotto 6aus49' jackpot was €9.6 million (2018: €6.9 million). However, with an average jackpot amount of €37.2 million in 2019 (2018: €47.8 million), the European lottery 'EuroJackpot' reached the €90 million mark just four times and thus fell well short of its prior-year performance with 13 draws reaching the €90 million mark.

The average jackpot of the 'EuroMillions' lottery rose to €71.9 million in 2019 (2018: €58.8 million). However, we no longer offer this product since the transition of our German core business in October 2019.

JACKPOT DEVELOPMENT LOTTO 6AUS49, EUROJACKPOT AND EUROMILLIONS

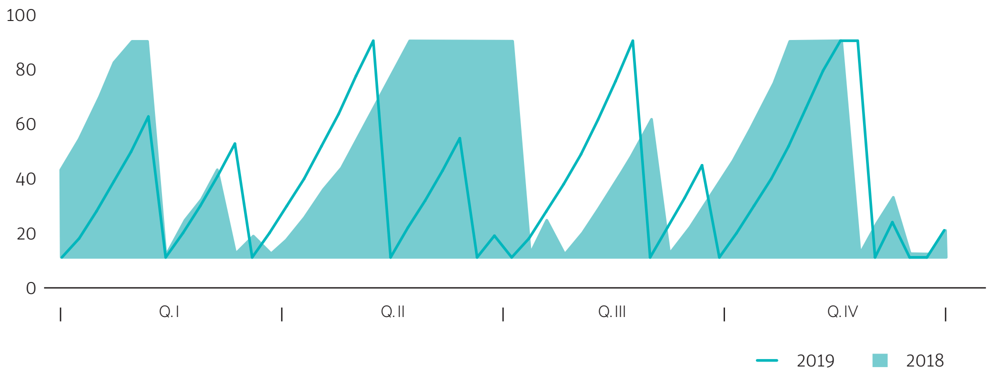
Lotto 6aus49

in € million



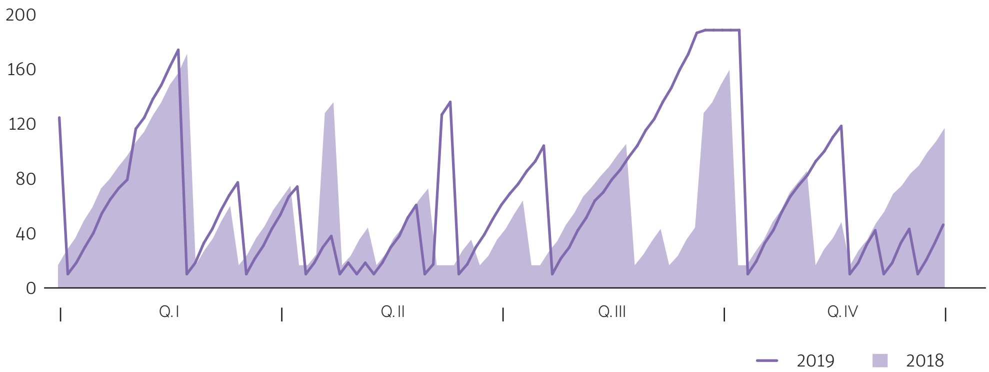
EuroJackpot

in € million



EuroMillions

in € million



BUSINESS DEVELOPMENT

In view of the special situation created by the acquisition of Lotto24 and the transformation of the core German business model, ZEAL did not provide any financial guidance as part of its 2018 Annual Report. Following its relocation to Germany and the requirement to comply fully with German Accounting Standard No. 20 (GAS 20), ZEAL has provided 2020 guidance on page 52.

POSITION

EARNINGS POSITION

The following table details the Consolidated Income Statement of ZEAL Group for the financial year ended 31 December:

	2019	2018
in € thousand		
Revenue	113,475	154,751
Other operating income	8,096	4,901
Total operating performance (TOP)	**121,571**	**159,652**
Personnel expenses	(22,964)	(28,837)
Other operating expenses	(68,963)	(83,690)
Marketing expenses	(21,706)	(19,666)
Direct cost of operations	(29,311)	(44,323)
Indirect operating expenses	(17,946)	(19,701)
Exchange rate differences	(294)	617
Adjusted EBITDA	**29,350**	**47,742**
Non-recurring expenses and income	(11,438)	(8,288)
EBITDA	**17,912**	**39,454**
Amortisation and depreciation	(8,845)	(1,147)
Statutory EBIT	**9,067**	**38,307**
Financial and investing result	(727)	(322)
Loss from associate	(12)	–
Profit before taxes	**8,328**	**37,985**
Income taxes	(6,610)	(11,322)
Net profit for the period	**1,718**	**26,663**

2019 was a year of significant change for the ZEAL Group. The acquisition of Lotto24, in May 2019, and the closure of the German secondary lottery business, in October 2019, have both significantly impacted our results.

REVENUE AND TOTAL OPERATING PERFORMANCE

Revenue for the year has decreased from €154,751 thousand in 2018 to €113,475 thousand in 2019 despite Lotto24 contributing €29,317 thousand in the period since its acquisition. The decline in revenue is primarily driven by the closure of the secondary lottery business in October 2019 and the significant prize pay-out of €26,300 thousand in September 2019.

Other operating income increased from €4,901 thousand in 2018 to €8,096 thousand in 2019 due to the receipt of €4,849 thousand of ILS income, following the significant prize pay-out.

TOP for the financial year 2019 amounted to €121,571 thousand, (2018: €159,652 thousand) representing a decrease of €38,081 thousand compared to 2018.

As a result of the Business Model Change, strong fluctuations brought about by jackpot-related prize pay-outs will no longer occur in the future.

EXPENSES

The Group successfully reduced personnel expenses from €28,837 thousand in 2018 to €22,964 thousand in 2019 and other operating expenses from €83,690 thousand in 2018 to €68,963 thousand in 2019. This was despite the acquisition of Lotto24 contributing over €4 million to personnel expenses and €16,091 thousand to other operating expenses.

The decrease in personnel costs was a result of a reduction in the average number of full-time equivalent employees (FTEs) from 258 in 2018 to 206 in 2019.

Other operating expenses decreased to €68,963 thousand in 2019 from €83,690 thousand in 2018. The most significant contributory factors were:

- An increase in marketing expenses of €2,040 thousand from €19,666 thousand in 2018 to €21,706 thousand in 2019. The increase was a result of the acquisition of Lotto24 which contributed marketing spend of €8,412 thousand, partly offset by the decrease in marketing in the rest of the Group ahead of the closure of the secondary lottery business.
- The €15,012 thousand decrease in direct operating expenses from €44,323 thousand in 2018 to €29,311 thousand in 2019, is due to a €11,625 thousand fall in hedging costs following the closure of the secondary lottery betting business. Also, in 2018, a catch-up provision of €1,909 thousand (2019: €178 thousand) was recorded for a potential gaming duty liability in Austria.
- The decrease in indirect operating expenses of €1,755 thousand from €19,701 thousand in 2018 to €17,946 thousand in 2019, is primarily due to the adoption of IFRS 16 which reduced rental expenses by €1,288 thousand. From 1 January 2019, rental expenses are no longer recognised within indirect operating expenses but instead the costs associated with leases are recognised in depreciation of right of use assets and interest expense (both of which are below presented EBITDA). In addition, recruitment and other personnel costs decreased by €447 thousand following the Group's decision to reduce headcount following the acquisition of Lotto24.

FINANCING AND INVESTING RESULT

The financing and investing result amounted to a loss of €727 thousand (2018: loss of €322 thousand), representing a cost increase of €405 thousand compared to 2018. This is driven by the €388 thousand of interest expense recognised following the adoption of IFRS 16 and a €215 thousand increase in other interest, offset by a €361 thousand decrease in loss on cash equivalents and other short-term equity funds.

ADJUSTED EBITDA

Adjusted EBITDA in 2019 was €29,350 thousand (2018: €47,742 thousand) representing a decrease of €18,392 thousand compared to the prior year.

NON-RECURRING EXPENSES AND INCOME

The Group incurred €11,438 thousand (2018: €8,288 thousand) of costs which have been classified as non-recurring expenses and income due to their irregular nature. The most significant costs are:

- In 2019, the Group continued to implement its previously announced restructuring programme. As a result, €7,814 thousand (2018: €1,253 thousand) of employee severance costs and €1,574 thousand (2018: €200 thousand) of other restructuring costs were incurred. The costs associated with this programme are considered to be exceptional due to them being irregular.
- On 19 November 2018, the Group announced its intention to acquire Lotto24. Due to the one-off nature of the transaction, these costs are considered to be exceptional. Transaction costs of €1,950 thousand (2018: €3,852 thousand) were incurred by the Group. These costs include, €941 thousand (2018: €808 thousand) of legal costs €623 thousand (2018: €2,156 thousand) of consulting costs, €155 thousand (2018: €767 thousand) of non-audit fees, €52 thousand (2018: €121 thousand) of public relations costs and €179 thousand of other.
- The Group has recorded a provision of €600 thousand for potential legal costs.
- In 2018, the Group announced the closure of its Ventura24 consumer facing brokerage business. A provision of €2,983 thousand was recorded for expected costs. In 2019 the closure of this business was finalised and €500 thousand of this provision was released as it was no longer required.

TAX

The expected tax charge based on the average tax rate of 21.44% (2018: 19.00%) is €1,786 thousand (2018: €7,217 thousand) compared to the actual tax charge recorded of €6,610 thousand (2018: €11,322 thousand). The most significant drivers of the tax charge being higher than the effective rate are described below:

- A tax expense of €357 thousand (2018: tax expense of €184 thousand) on non-deductible expenses and adjustments in respect of foreign tax rates.
- A tax credit of €225 thousand (2018: tax expense of €66 thousand) in respect of adjustments relating to the prior years.
- A tax credit of €4,976 thousand (2018: tax credit of €307 thousand) relating to the use of tax losses for which no deferred tax asset had previously been recognised.
- A tax expense of €1,618 thousand (2018: tax expense of €4,162 thousand) on tax losses carried forward for which no deferred tax asset was recognised.
- A tax charge of nil (2018: tax credit of €250 thousand) in respect of the recognition of previously unrecognised tax losses carried forward.
- A tax charge of €10,416 thousand (2018: nil) in respect of the disposals of intangible assets.

Other drivers include a credit in 2019 of €359 thousand (2018: nil) relating to foreign exchange, a tax charge in 2019 of €194 thousand relating to non-exempt dividend income, and a credit in 2019 of €2,201 thousand (2018: charge of €250 thousand) which related to a movement in unrecognised timing differences.

ANALYSIS OF THE GROUP'S OPERATING SEGMENTS

LOTTERY BETTING BUSINESS UNIT SEGMENT REPORTING	2019	2018
in € thousand		
Revenue from secondary lottery	81,830	119,646
Revenue from Instant Win Games	8,857	13,562
Revenue from ticket sales and commission	13,242	16,217
Other operating income	1,933	4,391
Total operating performance (TOP)	**105,862**	**153,816**
Non-recurring expenses	(8,983)	(5,135)
EBITDA	**35,797**	**51,862**
Depreciation/amortisation	(1,414)	(860)
EBIT	**34,383**	**51,002**

Lottery betting comprises the results of the Group's lottery betting operations. These operations ceased in October 2019 and contributed to the decrease in TOP from €153,816 thousand in 2018 to €105,862 thousand in 2019. In addition, the prize pay-out of €26,300 in September 2019 also resulted in the fall in TOP.

LOTTOVATE BUSINESS UNIT SEGMENT REPORTING	2019	2018
in € thousand		
Revenue from secondary lottery	–	–
Revenue from Instant Win Games	–	–
Revenue from ticket sales and commission	4,718	7,773
Other operating income	885	537
Total operating performance (TOP)	**5,603**	**8,310**
Non-recurring expenses	(780)	(3,153)
EBITDA	**(5,510)**	**(10,855)**
Depreciation/amortisation	(760)	(287)
EBIT	**(6,270)**	**(11,142)**

Lottovate is our business unit which focuses on reinventing the digital lottery experience. The closure of Lotto Network and Ventura24's brokerage business in late 2018 have resulted in a decrease in TOP from €8,310 thousand in 2018 to €5,603 thousand in 2019. However strong cost control in 2019 has resulted in a decrease in the loss before interest and tax from €11,142 thousand to €6,270 thousand.

LOTTERY BROKERAGE BUSINESS UNIT SEGMENT REPORTING	2019	2018
in € thousand		
Revenue from secondary lottery	–	–
Revenue from Instant Win Games	–	–
Revenue from ticket sales and commission	30,656	–
Other operating income	215	–
Total operating performance (TOP)	**30,871**	**–**
Non-recurring expenses	(1,675)	–
EBITDA	**3,624**	**–**
Depreciation/amortisation	(952)	–
EBIT	**2,672**	**–**

Lottery brokerage comprises the results of Lotto24, the Group's lottery brokerage business in Germany. This is a new operating segment in the year and shows the results from Lotto24 since its acquisition in May 2019, as such there are no prior year comparatives. We are pleased to announce that the lottery brokerage unit contributed TOP of €30,871 thousand and EBITDA of €3,642 thousand in the period since acquisition.

FINANCIAL POSITION

PRINCIPLES AND OBJECTIVES OF CAPITAL MANAGEMENT

Prior to the Business Model Change, ZEAL operated a decentralised capital management system. While the Management Board of ZEAL took all major decisions concerning the financial structure of the Lottovate segment, capital management activities of the Lottery Betting segment were handled by myLotto24 Limited – with the exception of Tipp24 Services Limited (Tipp24), which operated its own capital management system. Following the Business Model Change, the separation was ended.

The principles and objectives of the Group's capital management are as follows (the risks to which ZEAL is exposed are described in the risk report on pages 46 to 50):

- Cash and cash equivalents are invested in a variety of short-term securities offering as much liquidity and as little volatility as possible, while ensuring broad risk diversification. The overriding objective of our investment strategy is to preserve capital – even at the expense of expected returns.
- Equity in excess of those funds required to ensure the Group's stable financial position is to be used for investments in line with our growth strategy. In the medium-term, it is possible that ZEAL may also leverage its financial position by means of interest-bearing debt.

Further information can be found in note 30 to the Consolidated Financial Statements.

ZEAL's equity increased in total by €282,527 thousand to €405,725 thousand in 2019. No dividend was paid in 2019. For details of the Company's dividend policy see page 6. In 2018 ZEAL distributed a dividend of €1.00 per share totalling €8,341 thousand. Over the same period, the equity ratio (total equity over total assets) increased by 2 percentage points to 78%.

ZEAL did not hold any interest-bearing debt during 2019 or at 31 December 2019 (2018: none).

INVESTMENT ANALYSIS

In the reporting period, the Group invested €104 thousand (2018: €766 thousand) in software and hardware needed for operations, as well as in apps, IT data centre, workplace equipment and business intelligence systems.

LIQUIDITY ANALYSIS

in € thousand	2019	2018
Key cash flows		
Cash generated from operating activities	5,297	38,202
Cash generated from investing activities	5,058	5,554
Cash used in financing activities	(2,962)	(10,244)
Changes in cash, pledged cash and cash equivalents	**7,393**	**33,512**
Cash, pledged cash and cash equivalents at the beginning of the year[1]	145,887	112,375
Cash, pledged cash and cash equivalents at the end of the year	**153,280**	**145,887**

[1] In line with IFRS, for the purposes of the Consolidated Statement of Cash Flows, cash equivalents and other short-term equity funds at the end of the year exclude €2,925 thousand invested in equity funds (2018: nil). The 2018 opening balance excludes €6,800 thousand (2019: nil) invested in equity funds.

Following the adoption of IFRS 16, rental expense is no longer recognised within operating expenses but is instead recognised in the cash flow within depreciation of right of use assets, finance costs – lease liabilities and payments for lease liabilities. This has increased cash outflow from financing activities by €2,312 thousand and increased cash inflow from operating activities by €1,771 thousand. In 2018, the Group made €1,833 thousand of rental payments in respect of its Hamburg and London office leases.

Cash generated from operating activities in 2019 was €5,297 thousand (2018: €38,202 thousand) a decrease of €32,905 thousand compared to the prior year. The decrease is primarily driven by the €29,657 thousand decrease in profit before tax, a €3,074 thousand decrease in the deferred revenue balance and a €952 thousand increase in tax paid.

Cash generated from investing activities in 2019 was €5,058 thousand (2018: €5,554 thousand) representing an decrease of €496 thousand compared to the prior year. €697 thousand (2018: €247 thousand) was paid to acquire new investments in associates or other external investments. €177 thousand was paid to acquire 33% of Trip Hunters, €350 thousand was paid to acquire an additional 15% of Wshful, €112 thousand was invested in Omaze and €58 thousand was invested in Furlong. In addition, we spent €514 thousand (2018: nil) acquiring additional shares in Lotto24 following its initial acquisition. This was offset by €9,348 thousand of cash recognised on acquisition of Lotto24

Cash used in financing activities in 2019 was €2,962 thousand (2018: €10,244 thousand). In 2019, in addition to the €2,312 thousand of lease payments, the Group incurred €650 thousand of costs associated with the new share issuance. In 2018, the cash used in financing activities related to dividend payments of €8,341 thousand (2019: nil) and a payment of €1,903 thousand to acquire treasury shares.

As of 31 December 2019, ZEAL Group had cash, pledged cash and cash equivalents of €153,280 thousand (2018: €145,887 thousand).

ASSET POSITION

Total non-current assets have increased from €6,932 thousand at 31 December 2018 to €347,135 thousand at 31 December 2019. The increase is primarily due to the acquisition of Lotto24 and the adoption of IFRS 16. Following the acquisition of Lotto24 goodwill of €160,886 thousand and acquired intangibles of €157,028 thousand were recognised. Right of use assets of €11,261 thousand were recognised following the adoption of IFRS.

Current assets are primarily comprised of cash and pledged cash of €83,694 thousand (2018: €132,993 thousand), cash equivalents and other short-term equity funds of €72,511 thousand (2018: €12,894 thousand), and trade receivables and other current assets of €17,741 thousand (2018: €16,354 thousand).

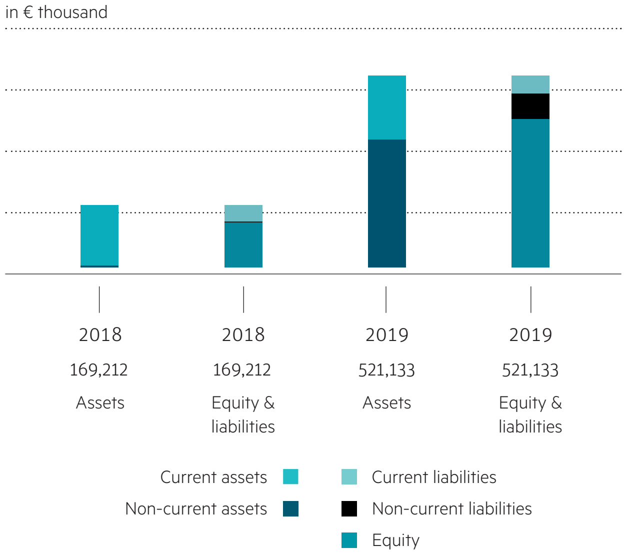
LIABILITY POSITION

Total liabilities have increased from €46,014 thousand at 31 December 2018 to €115,408 thousand at 31 December 2019. The increase is primarily driven by the recognition of a deferred tax liability of €53,256 thousand (2018: nil) and the recognition of lease liabilities of €11,306 thousand (2018: nil) following the adoption of IFRS 16.

EQUITY POSITION

Equity has increased by €282,527 thousand to €405,725 thousand as at 31 December 2019 (2018: €123,198 thousand). As a result of the acquisition of Lotto24, ZEAL issued 14,011 thousand new shares at a value of €19.50 per share. This increased share capital to €22,396 thousand (2018: €8,385 thousand) and share premium to €280,132 thousand (2018: €21,578 thousand). ZEAL acquired 93.04% of the share capital of Lotto24, leading to the recognition of a non-controlling interest balance of €8,388 thousand.

BALANCE SHEET STRUCTURE



ASSETS NOT RECOGNISED

ZEAL has not recognised any internally generated assets such as customer lists, brands or gaming software in its Consolidated Financial Statements. Employee costs incurred in 2019 and 2018 for the development of new gaming software were not capitalised as they did not meet all criteria set out in IAS 38, 'Intangible assets'.

OFF BALANCE SHEET FINANCIAL INSTRUMENTS

Off balance sheet financial instruments did not play a significant role in financing ZEAL in 2019. We hold a number of bank guarantee facilities totalling €4,484 thousand (2018: €4,144 thousand). These guarantees are required to obtain certain licences and to secure future obligations under rental agreements for office space.

At 31 December 2018, we had off-balance sheet future obligations from operating lease agreements for offices and technical equipment in the amount of €11,344 thousand. Following the adoption of IFRS 16 on 1 January 2019, these leases were recognised in the statement of financial position. At 31 December 2019 we had future obligations of €327 thousand (2018: €2,200 thousand) from agreements containing obligations relating to services, insurance, maintenance and licences.

OVERALL ASSESSMENT

The acquisition of Lotto24 has contributed to strong growth in billings. However, in line with expectation we saw a decrease in billings from our Tipp24 business following the Business Model Change. Lotto24 contributed €29,317 thousand to the Group's revenue and helped to offset the significant prize pay-out of €26,300 thousand in September 2019. As previously reported we have reduced the costs of the Group and despite Lotto24 contributing €22,028 thousand of additional expenses, overall costs have fallen by €20,600 thousand. This has resulted in adjusted EBITDA reducing by €18,392 thousand compared with a €41,276 thousand decrease in revenue.

EMPLOYEES

We are committed to promoting the well-being of our employees and have therefore undertaken a number of activities related to work life balance, diversity and continuous learning.

HIGHLY MOTIVATED EMPLOYEES AND TALENT DEVELOPMENT

We empower people to take ownership and independently drive developments by promoting a culture that is characterised by agile working methods, regular get-togethers, knowledge sharing and peer coaching. We treat each other with respect and live our company values in our daily work.

We consider instant feedback and continuous learning as essential and therefore offer every employee the opportunity to develop their knowledge. Training is delivered and encouraged in a number of flexible ways: allowing employees to participate in traditional on-site training, extending experiences and skills 'on the job', and by facilitating conference attendance. Regular performance reviews are used to ensure transparent feedback and performance assessments.

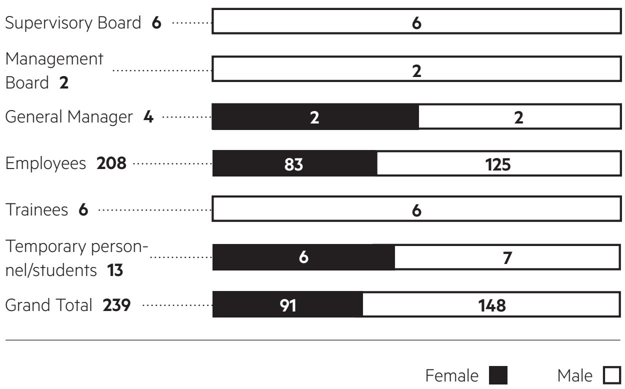
During 2019, ZEAL Group invested €289 thousand (2018: €354 thousand) in training activities. Various staff training programs were offered across all employee levels including training and coaching in leadership, stakeholder management and effective presentations. Training is often tailored to meet individual needs and knowledge gaps. ZEAL also provides language lessons in German, Spanish and English to upskill staff and to break down internal language barriers that can exist in multinational companies.

DIVERSITY

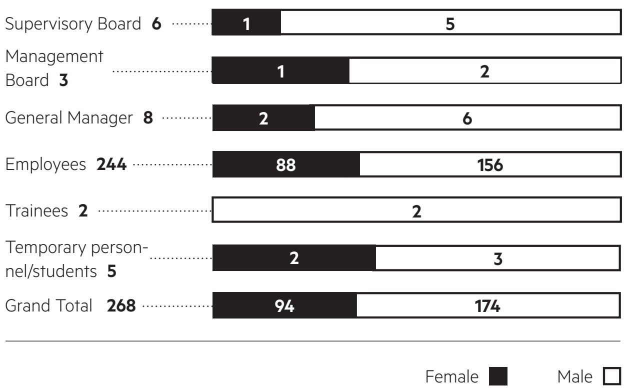
ZEAL employees are truly diverse, which makes for an exciting, internationally aware and engaging working environment. Despite the fact that our industry (in general) continues to be predominantly male we manage to foster a culture which embraces and values diversity and encourages equal opportunities. The average gender split of our Supervisory Board, Management Board and staff during 2019 and 2018 can be seen below. To support and enable family life we offer flexible working hours and where possible options to work from home. For us, equality is not intended to be an aspiration but a reality. We recognise that we can always do more in this area and will be ambitiously reviewing possible opportunities to support diversity.

At 31 December 2019 the ZEAL Group had 233 employees (2018: 262) of this 91 (2018: 94) were women and 52 (2018: 40) worked part time. After taking into account part time workers, FTEs at the 31 December 2019 were 190 (2018: 228)

2019



2018



CORPORATE SOCIAL RESPONSIBILITIES

€93 MILLION FOR GOOD CAUSES

We attach great importance to corporate social responsibility and make a major contribution to society: ever since lotteries have been supervised by the state, money has flowed into numerous socially relevant projects. Around 40% of stakes received by the state lottery companies benefited society as a whole over the past few years in the form of taxes and duties, a further 50% is returned to players in the form of prices and about 10% is spent on marketing and administration.

According to DLTB figures, over €2.9 billion was transferred to the state budgets or beneficiaries in the form of taxes and duties in 2019 (2018: €2.9 billion). This corresponds to around €8 million per day for good causes throughout Germany – money which is absolutely vital for the funding of numerous projects in the field of welfare, sport and culture, as well as landmark and environmental protection.

In addition to our other projects, since the Lotto24 takeover and the Business Model Change, we have supported important social and community projects with €93 million in fiscal year 2019 with our brokerage activities under the Lotto24 and Tipp24 brands.

'DEUTSCHE FERNSEHLOTTERIE'

In 2016, we were also the first German lottery broker to include 'Deutsche Fernsehlotterie' – Germany's oldest social lottery to support people in need – in our product range. As a result, we provide additional indirect support for further social and community projects.

STRONG PARTNERSHIPS

In recent years, we have also partnered with several organisations which help us distribute our funds in a transparent and traceable manner to our beneficiaries. They include the 'Good Neighbourhood Fund' in the UK, as well as the 'Marie Keating Foundation' and the 'Community Foundation for Ireland (CFI)' in Ireland. While the Good Neighbourhood Fund, with our help, has already been able to support a number of local organisations, from a foodbank to a community garden, both financially and through volunteer work, the Marie Keating Foundation offers a range of awareness and support services to prevent or detect cancer at an early stage. The money we donate provides financial assistance for people currently receiving cancer treatment. The Community Foundation for Ireland is part of a global network of foundations dedicated to promoting philanthropy in Ireland. For many years now, we have also been supporting the UK charity 'GambleAware', which helps people deal with gambling problems.

SUBSEQUENT EVENTS

VAT PAYMENT MADE

Following the agreement of the ZEAL subsidiary myLotto24 with the tax authority Hanover-Nord in December 2019 myLotto24 made the corresponding interim VAT payment of €54 million to the German tax authorities in January 2020. The payment was made to eliminate the risk of potential fines for late payment of taxes and to significantly reduce the amount of potential interest payments. The Fiscal Court of Hanover (Finanzgericht Hannover) had ruled on 19 November 2019 to uphold the appeal by myLotto24 against the assessment of VAT. The tax authority has meanwhile announced its intention to appeal the decision. We remain confident that the action brought by myLotto24 will be upheld in the last instance. In this case, the VAT paid plus interest (currently 6% p.a.) would be refunded to myLotto24.

ZEAL LAUNCHES NEW CHARITY LOTTERY 'FREIHEIT+'

Since 9 March 2020, Tipp24.com and BildungsChancen gGmbH have officially offered the new charity lottery freiheit+ to support educational projects. BildungsChancen gGmbH is owned by the 'Stifterverband für die Deutsche Wissenschaft' (a joint initiative started by German companies and foundations to promote improvements in the fields of education, science and innovation), the 'SOS Children's Villages worldwide' and the 'Deutsche Kinder- und Jugendstiftung (The German Children and Youth Foundation – DKJS)'. 50 cents of every lottery ticket sold goes to non-profit educational projects.

freiheit+ is a number lottery in which seven numbers between 1 and 35 are selected. If at least three numbers match the winning numbers, a prize is paid out. The main prize consists of a monthly payment of € 5,000 for 15 years and an additional instant prize of € 250,000. The probability of winning the main prize of freiheit+ is 21 times higher than with the German lottery 'Lotto 6aus49' – in addition, every eighth ticket is a prize. In a first step, the charity lottery will be offered via the lottery portal Tipp24.com and later also integrated into Lotto24.de. The draw takes place every Monday at 12:00, the deadline for submitting tickets is 11:30.

SMARTGAMES TECHNOLOGIES LIMITED SUBLEASES ITS OFFICE SPACE

On 12 March 2020, the Group's subsidiary, Smartgames Technology Limited ('Smartgames') based in the UK, signed an agreement to sublease its outstanding office space.

There were no other material subsequent events that require adjustment or disclosure in the Consolidated Financial Statements for the financial year ended 31 December 2019 to the date of issue of the report.

IMPACTS 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 to protect our employees and the community.

REPORT ON EXPECTED DEVELOPMENTS AND ASSOCIATED MATERIAL OPPORTUNITIES AND RISKS

RISK REPORT

Our business models and ventures are influenced by a number of factors – these include the legal and macroeconomic conditions, the retention of relevant local permits, and business or other contractual relationships. On this basis, we make assumptions about our development and profitability, the level of billings and revenue, cost items, staffing, funding and key balance sheet items which may prove to be false or incomplete. There is no guarantee that ZEAL will be able to succeed in this market in the long term. In particular, our continued growth depends on whether, and to what extent, we are able to gain new customers for ZEAL's products, to expand our current offerings, to add further products to the range and to establish new sales channels.

In the worst case, the business model may prove to be unprofitable or unfeasible. This may lead to impairment especially of capitalised non-current assets, as well as to other significant negative effects on the financial position and performance of ZEAL.

RISK AND COMPLIANCE MANAGEMENT

The Management Board of ZEAL Network SE has expanded the existing risk management system by including an integrated risk and compliance management system. To this end, we carefully monitor our market and competitive environment while analysing the identified risks and compliance fields in the course of regular risk workshops. The insights this provides are used to swiftly introduce measures which will ensure the long-term and sustainable success of the Group and prevent infringements of compliance regulations.

ZEAL Network SE is exposed to the typical sector and market risks associated with the online lottery sector. We define risks as being those events or developments which may have a negative impact on the Group or the attainment of our corporate objectives. In order to counter such risks, we have established a modern and comprehensive risk management system.

We monitor operating risks by means of regular risk management workshops for the Management Board and other executives and by constantly reviewing the relevant financial and non-financial performance indicators – whereby the monitoring frequency, designated controlling responsibility, rules of procedure and emergency procedures for defined deviations from target values are stipulated for each key performance indicator. Furthermore, we regularly monitor the adjustments and updates made to the security systems and processes of our service providers.

We regularly evaluate the regulatory conditions, also with the aid of legal advisors, and can thus react swiftly and appropriately.

We are convinced that our early warning and risk management system is well suited to quickly recognise and deal with dangers for ZEAL resulting from possible risks. The risk early recognition system has been formally documented and is regularly monitored and adapted. Should one or more of the following risks occur, it may materially impact our business and have significant adverse effects on the financial position and performance of ZEAL Network SE.

ZEAL's compliance management system consists of a large number of in-house measures and processes. It serves our objective of acting in accordance with ethical principles and abiding by all applicable laws, internal regulations and voluntary commitments. In addition to the general compliance fields, we pay particular attention to complying with the special compliance fields of gambling regulation, data privacy, IT security, competition, corruption and general non-discrimination.

These special requirements are binding constituents of our Code of Conduct. All executives are required to live an exemplary risk culture through their own attitudes and actions which sets a tone from the top and encourages all employees to comply with the applicable regulations and strictly avoid any violations. Executives whose areas of responsibility have contact with compliance fields meet regularly in workshops to analyse and assess possible risks and determine appropriate measures. The Compliance Officer is responsible for the compliance management system and the coordination of the compliance workshops and reports directly to the Management Board.

ZEAL encourages a transparent and open culture where people feel they can 'Think Brave' and raise concerns. It is important to the business that any fraud, misconduct or wrongdoing by workers or officers of the organisation is reported and properly dealt with. The organisation therefore encourages all individuals to raise any concerns that they may have about the conduct of others in the business or the way in which the business is run. ZEAL has set up a whistleblowing system which employees or external whistle-blowers can use to report compliance violations to ZEAL. The report can also be made anonymously.

We constantly review the effectiveness of our compliance management system and adapt it to developments, changed risks and new legal requirements. This ensures that its effectiveness and efficiency is continuously improved. We systematically and regularly minimise compliance risks across all business areas. The results of this analysis serve as the basis for our risk management.

MARKET AND SECTOR RISKS

Stronger competition

It cannot be ruled out that competition within the gambling sector in Germany will increase significantly in the medium term. Following the implementation of the revised GlüStV, international sports betting and casino providers could enter the lottery brokerage business. At the same time, an expanded range of attractive gambling services could lead to a decline in lottery revenues. In principle, however, the increased enforcement of legal restrictions in recent years has put the secondary lottery business model under considerable pressure. We expect that the competition from foreign secondary lottery providers will become weaker short term. The medium-term success of the secondary lottery business model has therefore been fundamentally challenged and its further growth will be hampered. It will become increasingly difficult for the remaining providers to enter into successful advertising collaborations in order to ensure further growth. But, providers of secondary lotteries that have not been permitted to date therefore could also apply for and obtain a licence for lottery brokerage in Germany.

Default of strategic service providers

Strategically relevant service providers such as Amazon, Apple, Google or Facebook could refuse to cooperate with gambling providers or terminate existing agreements due to a shift in their internal corporate policies. There is therefore a risk that those companies cease to provide their services to us. In consequence Lotto24's and Tipp24's advertising or relevant use of cloud services would be subject to significant limitations, which may result in a significant reduction of revenues and new customer figures.

Absence of unusually high lottery jackpots

Jackpots occur by chance due to certain conditions during lottery draws. It cannot be excluded, therefore, that no such high lottery winnings are offered over a longer period of time. Such longer periods of time without (sizeable) jackpot draws may in particular lead to lower revenue and new customer figures due to a reduced interest to participate in lotteries.

LEGAL RISKS FROM THE REGULATORY DEVELOPMENT

Future development of legal situation in Germany remains uncertain

We have already reported on the general legal conditions and the resulting possible uncertainties in the section Legal Conditions. As a result of the legal conditions, which still remain uncertain in significant areas, the following risks may endanger the Group's future survival in general:

In Germany, the online distribution of state lotteries is only possible if the relevant brokerage and advertising permits have been granted. We have received these permits, which are regularly limited in time and subject to revocation. It is unlikely, but cannot be excluded, that the brokerage or advertising permit may be withdrawn or not prolonged. Such a revocation or non-prolongation would significantly impede or even prevent the continued operation and expansion of business activities.

Due to the variety of indeterminate legal bases and the related issue of ancillary permit provisions, there is still considerable legal uncertainty. The enforcement of the existing rules by the relevant regulatory authorities is often difficult to predict. Due to the considerable discretionary powers of the authorities and a lack of clear permit criteria, there is no effective temporary legal protection against enforceable regulatory measures. As a result, enforceable restrictions of our offerings introduced by the authorities must initially be observed – despite requests for temporary legal protection. This may lead to a temporary or permanent decline in revenue and new customer figures.

Stricter age verification regulations

Our subsidiary Lotto24 uses an age verification process which it developed itself and which has been certified by Freiwillige Selbstkontrolle Multimedia-Diensteanbieter e.V. (FSM). FSM is an institution for youth protection issues recognised by the German Commission for Protection of Minors in the Media (Kommission für Jugend- und Medienschutz, KJM). In its inspection report, it concludes that the age verification process used by Lotto24 ensures the protection of minors – especially preventing young people from taking part in Lotto24 offerings – and thus meets the legal requirements. Due to the uncertain legal situation, especially in this field, it cannot be excluded that certain authorities may demand additional procedures for our age verification. Making the age verification process as simple as possible for new customers is a key factor for sales – additional requirements may therefore lead to fewer new registrations or a loss of customers.

Strict enforcement of advertising restrictions

Due to the uncertainty of the auxiliary provisions, it cannot be excluded that the relevant authorities may regard the advertising measures we take as being incompatible with our advertising permit and the requirements of the GlüStV. Corresponding official measures may lead to a restriction of our offerings or our advertising measures.

Moreover, those authorities responsible for advertising standards may enforce the existing advertising restrictions more strictly in future due to a sports betting ruling of the Federal Administrative Court (8 C 17/12) on 20 June 2013, or the published verdict of the Administrative Court of Munich of 25 July 2017 (M 16 K 12/1915): both rulings call for the continued validity of a sports betting monopoly – especially of the state-owned companies – and low-key advertising in line with the monopoly's target of preventing addiction. Expansive advertising of state gaming products is incompatible with this aim. Although the ruling in a sports betting case was passed on the basis of the old State Treaty, the regulatory authorities have in part expressed the opinion that the principles of this jurisdiction should be transferred to the current GlüStV. The authorities may therefore also apply stricter enforcement to advertising for lotteries. We consider both the transfer of the court's reasoning to harmless lottery brokerage and to the current legal situation and the applicable legal basis for advertising restrictions as unlawful. However, it is possible that the District Government of Dusseldorf, which is responsible for advertising supervision, may restrict advertising possibilities further in future.

Future development of regulatory markets

ZEAL is active in several European jurisdictions and ZEAL may enter into further markets in the future. Each jurisdiction has different laws and regulations regarding gambling and lottery legislation that are not harmonised under European law. The conduct of ZEAL's business activities depends crucially on these regulatory environments. The offering of lottery and other gambling products is typically subject to restrictions, in particular the requirement that they must not be offered without permits, licences and other authorisations granted by the competent authority.

TAX RISKS

ZEAL is subject to various tax laws across several jurisdictions and dependent on their application and interpretation. Tax laws and administrative guidance (relating, among other things, to their interpretation or application) might be subject to changes, and changes in tax laws, their interpretation or application could increase its future tax burden.

Uncertainty relating to the tax environment in Germany

Due to the changes in German VAT legislation introduced on 1 January 2015, there is judgement around whether certain services provided by the myLotto24 Sub-Group in Germany until 15 October 2019 are subject to VAT and around the tax base on which any VAT payable would be calculated. Up to 31 December 2014, VAT liabilities on Electronically Supplied Services (ESS) to private consumers and non-taxable customers were accounted for based on the governing legislation of the country where the supplier was established. Effective 1 January 2015, amendments made to the German VAT Act (UStG) have been brought into law. These changes implement amendments to the EU Directive on the common system of value added tax (EU VAT Directive) which has now been adopted throughout the EU. In terms of the

Group's operations, ESS provided to private consumers and non-taxable customers (i.e. those that are not deemed to be 'in business' for VAT purposes) are now taxable in the Member State in which the recipient is established rather than in the supplier's country of establishment.

Uncertainty relating to the tax environment in Austria

In Austria, there are two separate legislative regimes (the Gambling Act and the Duties Act) which dictate the taxation/duty that can potentially be levied on the services provided by myLotto24. The co-existence of these two Acts has given rise to uncertainty in respect of the basis on which taxation/duty should be accrued. This uncertainty is caused by the distinction drawn in the Acts between games of chance (taxed at 40% of gross gaming revenue) and betting (currently taxed at 4% of stakes).

OPERATING RISKS

Risks from gaming operations

- Dependency on complex IT systems: We are dependent on the use of automated processes for handling gaming agreements. Despite our extensive security provisions currently in place, the processing of the lottery tickets may be materially impacted by breakdowns of or disruptions to the IT systems. This may result from the destruction of hardware, system crashes, software problems, virus attacks, and the intrusion of unauthorised persons on the system or similar disruptions, and particularly the automated generation of mass mailing requests on a server via the Internet with the aim of significantly limiting its availability by overloading (denial of service attacks). Any adverse effect could, depending on its extent, result in damage to our reputation and financial losses.
- Data abuse by unauthorised persons: In the course of the registration process, our customers provide us with their personal details which are stored electronically and can be viewed by the customer on our website via the respective player account section. We have taken exhaustive steps to secure the data we store, which are regularly checked by independent security experts and continually adapted to state-of-the-art requirements. Despite these high security precautions, it cannot be fully excluded that unauthorised persons illegally gain access to our customer database or the customer database of our partners. This may lead to loss of revenue, damage claim obligations and considerable damage to our assets.
- Cooperation with external service providers: For the processing of our business, we depend on the cooperation with external service providers who have the specialist know-how and technologies. This applies to data and voice communication, procurement, installation, ongoing development, updating and maintaining hardware and software, data centre services, payment processing, text messaging and emailing. There is a possibility that one or more of the external service providers we use does not render the services, or not on time or not without errors. It is therefore possible that we may be unable to provide our own services on time or without error due to errors or oversights of the external service providers we have commissioned. This may lead to loss of income, damage claim obligations and considerable damage to our reputation.
- Jackpot risk: Our Lottovate business operates primary lotteries in Norway and the Czech Republic. In Germany we have introduced the charity lottery 'freiheit+'. We are responsible for paying out all prizes which are won by our customers. There is a risk that we do not have sufficient funds to make these payments. In order to mitigate this risk we have taken out insurance to cover the jackpot prizes offered in the Czech Republic and ensure that we have sufficient cash in order to cover the smaller jackpots in Norway and for freiheit+.

RISKS IN CONNECTION WITH THE CORONA CRISIS

The spread of the coronavirus and existing restrictions on public life have created significant risks for global economic growth. In particular, the significant reduction in consumer behaviour may also indirectly have a significant impact on e-commerce services. A possible future shutdown of shops, which may also affect lottery retailers, could lead to a significant reduction in lottery sales at state lottery companies. As a consequence, lower jackpots could also lead to a lower volume of lottery sales at online lottery brokers. Overall, continuing restrictions due to the coronavirus could have a negative impact on the net assets, financial position and results of operations in the future.

IMPLEMENTATION RISKS IN CONNECTION WITH THE ACQUISITION OF LOTTO24

The combining and restructuring of companies involves fundamental risks which can have a negative impact on the financial position and performance. Restructuring may proceed more slowly with the result that such effects last longer and synergies may occur later or not to the extent planned. The announcement of redundancies and restructuring in connection with the takeover may lead to an increase in employee turnover, the loss of key personnel and a reduction in the performance of employees.

Foreign currency exposure

ZEAL operates in jurisdictions whose official currency is the Euro (Germany and Spain) as well as in jurisdictions with other currencies, namely Norway (Norwegian krone) and the UK (GBP). ZEAL's financial accounting and the basis for calculating dividends is based on the Euro. Because ZEAL does not generate significant revenue in currencies other than the Euro, it is exposed to a currency risk, in particular due to the exchange rate of GBP and USD against the EUR. From 2020 onwards the Group will no longer incur any significant costs in USD as these related to the hedging structure required when operating a secondary lottery business and we expect an associated decrease in the level of foreign currency exposure.

Counterparty default

ZEAL frequently holds significant cash balances on deposit with financial institutions or has it invested on a short-term basis. These deposits, cash equivalents and other short-term equity funds and other contractual arrangements give rise to credit risks on amounts due from counterparties, including financial institutions. ZEAL may experience write-downs or severe delays in payments by counterparties. The financial failure of certain financial institutions where ZEAL holds balances could lead to a partial or complete loss of its deposits. Similarly, the collapse of individual issuers of cash equivalents and other short-term equity funds may lead to the partial or complete loss of these cash equivalents and other short-term equity funds..

CHANGES TO THE RISK REPORT SINCE 2018

2019 has been a year of significant change for ZEAL and its subsidiaries. The transformation of the core business to a licenced online lottery broker in Germany and the relocation of ZEAL's registered office has significantly reduced the risk profile of the Group and changed the processes by which risks are identified. Prior to 15 October 2019 the ZEAL Group only held a minority shareholding in the fully consolidated myLotto24 Sub-Group, therefore previously the assessment of risks within the Lottery Betting segment have substantively been based on risk reports provided by segment management as part of regular and ad-hoc reporting. On 15 October 2019 the myLotto24 Sub-Group became wholly owned by ZEAL and adopted the same risk and compliance management as is used by the rest of the Group.

The following risks were identified in the 2018 Annual Report and are no longer considered to be risks for the Group. An explanation of why they are no longer considered to be risks is documented.

Regulatory environment for secondary lottery betting

Prior to the Business Model Change and ending of secondary lottery business in Germany, ZEAL faced a number of administrative and civil proceedings, in particular aimed at prohibiting Tipp24 Services Limited and myLotto24 Limited from operating a secondary lottery business in the German market. In light of the Business Model Change the administrative and civil proceedings have ceased and there is no longer considered to be any risk to the Group or its subsidiaries (Tipp24 Services Limited and myLotto24 Limited).

Spanish regulatory environment

In October 2018, the Spanish Gambling Commission (DGOJ) instructed Ventura24 S.L.U. (Ventura24) to close its consumer facing brokerage business. The business was stopped in December 2018. However, the Group considered there to be a risk at 31 December 2018 that the DGOJ had the right to start sanction proceedings against Ventura24 and could potentially fine the Company. In June 2019, Ventura24 received confirmation from the DGOJ that the case against them had been closed. As a result, the exposure to potential fines is no longer considered to be a risk for Ventura24 or the Group.

Brexit

In the prior year ZEAL considered there to be a risk associated with the outcome of the negotiations between the EU and the UK as regarding the framework of the future relationship, in particular, the terms and conditions for the post-Brexit access of the UK to the European single market. However, following the Business Model Change and the relocation of ZEAL's registered office from the UK to Germany, this is no longer considered to be a risk to the Group.

Bookmaking risk

As a secondary lottery broker myLotto24 Limited held the bookmaking risks for its secondary lottery business. There was a risk that prizes owed to customers could have been temporarily greater than the stakes received by myLotto24 Limited. Further there was a risk that myLotto24's insurers would be unable or unwilling to pay out. Following the Business Model Change myLotto24 ceased its operations as a secondary lottery broker. As a licenced broker the Group no longer holds any secondary lottery bookmaking risk as the responsibility to pay customer prizes is held by the state lottery operators. As such this is no longer a risk.

Restrictions on payment service providers

Prior to the Business Model Change there was a risk that national or international payment transaction restrictions may have been introduced in connection with the further regulation of gambling markets. The number of available payment service providers for the gambling market is restricted. As a consequence, there was a risk that such providers may leave this market segment and no suitable replacement may be available for ZEAL. As a licenced online lottery broker this is no longer a risk to ZEAL.

OPPORTUNITY REPORT

INCREASING DIGITISATION OF MEDIA USAGE AND COMMERCE

Media consumption and commerce in Germany is becoming increasingly digital from year to year: customers are switching from print to Internet media and from linear TV to video-on-demand services available on various devices. This change gives us the opportunity to benefit from the digital trend and possibly tap new marketing channels which will accelerate our growth by enabling easier access to our product offerings.

UNUSUALLY HIGH LOTTERY JACKPOTS

Jackpots arise by chance on the basis of certain lottery draw events. Based on our experience, we expect particularly strong customer growth as well as an increase in billings of our registered customers in times of high jackpots. A higher frequency of large jackpots (>€20 million) or record jackpot amounts (>€35 million) may lead to rising customer growth.

OPENING OF 'GOOGLE PLAY STORE'

According to Statista, the Android operating system had a market share of around 70% for mobile Internet use in Germany in January 2020. It automatically includes access to the Google Play Store, which currently offers around 2.9 million apps (Statista, February 2020). Android users are used to searching for online services in the Play Store and then installing such apps on their smartphones. Google has banned all e-commerce apps from gaming companies worldwide since 2013. This ban was lifted for the first markets (UK, France) in 2017. An opening of the German Play Store is therefore possible. With reference to our official permit for lottery brokerage, we already applied to Google for the release of our fully featured app in 2015. A Google Play Store release might provide support for the ongoing trend towards greater mobile use of Lotto24 and thus accelerate our growth.

SYNERGY EFFECTS FROM COMBINATION OF ZEAL NETWORK SE AND LOTTO24 AG

Despite the implementation risks, the strategic combination of ZEAL and Lotto24 may lead to greater synergy effects in the medium term than currently anticipated. In particular, the combination may be completed more quickly and cost savings may occur earlier than expected. Moreover, the future cooperation – especially in the areas of product development and IT – may also have positive effects on the product portfolio.

In addition, the successful completion of the exchange offer resulted in a digital lottery group with a broad international presence, which may lead both to increased market power and higher entry barriers for additional competitors.

OPPORTUNITIES IN CONNECTION WITH THE CORONA CRISIS

The spread of the coronavirus and the existing restrictions on public life can lead to a rise in online sales, especially for e-commerce business models. Currently, a large part of the population is staying at home due to the recommendations issued by the health authorities and the Robert Koch Institute. It is also possible that entertainment services, especially online gaming and lottery services, will be used more. As a result, lottery revenues could also be higher for online lottery brokers and have a positive impact on the net assets, financial position and results of operations in the future.

ASSESSMENT OF THE RISKS AND OPPORTUNITIES

We believe that the probability of the above mentioned risks occurring varies and regard the overall risk position as moderate. We regard the likelihood of risks that could jeopardise the continued existence of the Group as small. We are not aware of any other risks which might endanger the Group's continued existence. Overall, we believe that the opportunities that the Group has significantly outweigh the risks that we face.

FEATURES OF THE ACCOUNTING-RELATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Our definition of an accounting-related internal control system (ICS) and risk management system corresponds to that of the Institute of Public Auditors in Germany ('Institut der Wirtschaftsprüfer in Deutschland e.V.'), Dusseldorf, Germany. The Management Board has the responsibility to define the scope and structure of the ICS at its own discretion.

The primary objective of the accounting-related ICS is to avoid the risk of material misstatements in accounting, to detect substantially incorrect valuations and to ensure compliance with the relevant regulations. Irrespective of its specific structure, however, an ICS cannot provide absolute assurance that these objectives will be achieved.

By means of defined organisational, control and monitoring structures, the accounting-related ICS of ZEAL ensures the complete recording of group-related matters and their proper presentation in the Consolidated Financial Statements. The principles, procedures and measures introduced for this purpose are regularly reviewed and continuously developed.

ZEAL Network SE prepares its Annual Financial Statements in accordance with German accounting standards and its Consolidated Financial Statements in accordance with the requirements of IFRS, as adopted by the EU. Changes to the relevant legal regulations are constantly monitored and examined for any adjustments that might be required.

We consider the following elements of the internal control and risk management system to be significant with respect to the consolidated financial reporting process:

- Identification of all significant financial reporting-related processes and risk areas including supporting IT systems and definition of corresponding key controls.

- Continuing analysis of new or changing accounting principles, laws and other regulations and assessment of their effect on the financial statements. Regular update of Group-wide accounting and reporting directives in the form of accounting guidelines, charts of accounts and reporting procedures.
- Support of Group companies in implementation of adequate accounting processes and systems, e.g. by providing accounting services, guidelines and checklists for financial statement closing as well as key risks and standard controls within the business processes.
- Centralized preparation of the consolidated financial statements (including Group Management Report, employing manual and automated controls and quality checks.
- Assuring requisite expertise of employees involved in the financial accounting and reporting process by means of appropriate selection procedures and training as well as employing specialists for specific valuation and IFRS topics such as valuation of investments and share-based payments.

Finance division staff are responsible for the preparation of the Consolidated Financial Statements. The process of preparing the Consolidated Financial Statements is carried out in accordance with a time schedule agreed with the staff of those departments providing information. Individual items are accounted for based on the input of external specialists/appraisers.

We monitor the accounting-related ICS mainly by controls integrated into processes. These internal controls comprise both preventive as well as detective activities. The following controls are embedded in the process: IT-based and manual data matching, the segregation of functions, the dual checking principle and monitoring controls.

The external auditors conduct a process-independent audit. In accordance with section 107 (3) sentence 2 AktG, the Supervisory Board regularly commissions the external auditors to conduct additional audit activities.

FORECAST REPORT

EXPECTED EARNINGS POSITION

Also in 2020, we plan to further expand our market leadership as an online provider of state lottery products with the Lotto24 and Tipp24 brands. Recognising that the comparative figures for the previous year 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 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, 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 German business of ZEAL Group to nearly double the number of new customers in 2020 with a lower CPL compared to the previous year.

	2020	2019[1]
	Guidance	Actual
Billings (€ million)	550-570	466.7
Revenue (€ million)	70–73	113.5
Gross margin (%)	Approx 12	24.3
Adjusted EBITDA (€ million)[2]	5–8	29.4
CPL (German business, €)	Lower than previous year	32.50
New registered customers (German business, thousand)[3]	Nearly twice as many new customers	274

[1] Including Lotto24 since 14 May 2019, German secondary lottery business up to 15 October 2019 and Tipp24 online lottery brokerage business beginning with 15 October 2019.

[2] Result from operating activities before amortisation, depreciation and non-recurring expenses.

[3] Related to the Germany business of the ZEAL Group; 2019: including Lotto24 since 14 May 2019 and Tipp24 only since the Business Model Change on 15 October 2019.

TAKEOVER RELEVANT INFORMATION AND EXPLANATION

The following disclosures are made pursuant to sections 315a and 289a of the German Commercial Code (HGB):

Composition of Subscribed Capital

As of 31 December 2019, the Subscribed Capital of ZEAL Network SE amounted to EUR 22,396,070, divided into 22,396,070 no-par value registered shares. The shares are fully paid. Pursuant to section 67 (2) of the German Stock Corporation Act (AktG), only those persons registered as shareholders in the register of shareholders are considered to be shareholders of the Company. Each share confers the right to one vote and the respective share of profit – with the possible exception of any new shares with no dividend rights. The rights and obligations arising from the shares are derived from the provisions of applicable law, in particular sections 12, 53a et seqq., 118 et seqq. and 186 of the German Stock Corporation Act (AktG). Treasury shares held by the Company on the day of the Annual General Meeting have no voting nor dividend entitlements. As of 31 December 2019, there were 43,910 treasury shares.

Restrictions concerning voting rights or the transfer of shares

The Company's treasury shares do not entitle it to any rights. In the cases of section 136 German Stock Corporation Act (AktG), the voting rights of the shares concerned are excluded by law. Violations of disclosure obligations pursuant to sections 33, 38 or 39 German Securities Trading Act (WpHG) can also result in the – at least temporary – loss of rights from shares, including the right to vote, pursuant to section 44 German Securities Trading Act (WpHG). The Company is not aware of any contractual restrictions regarding voting rights or the transfer of shares.

Direct or indirect shareholdings which exceed 10% of voting rights

The Company is aware of the following direct and indirect holdings in its share capital in excess of 10% of total voting rights on the basis of voting right notifications pursuant to section 33 German Securities Trading Act (WpHG) or pursuant to similar provisions:

Name	Shareholding
Oliver Jaster	33.89% (indirect)[1]
Günther SE	33.89% (indirect)[1]
Günther Holding SE	33.89% (indirect)[1]
Günther Holding Immobilien Management GmbH	30.06% (indirect)[1]
Günther Holding Immobilien GmbH & Co. KG	30.06% (indirect)[1]
Günther Consulting GmbH	30.06% (indirect)[1]
Othello Vier Beteiligungs GmbH & Co. KG, Hamburg, Germany	30.06% (direct/indirect)[1]
Working Capital Advisors (UK) Ltd, London, United Kingdom	20.18% (indirect)[1]
High Street Partners, Ltd., Cayman Islands	11.55% (direct)[1]

[1] *Percentage of the 22,352,160 shares in the Company carrying voting rights disregarding the 43,910 treasury shares.*

Owners of shares with special rights granting powers of control

Shares with special rights granting powers of control have not been issued.

Type of voting rights control when employees hold shares and do not directly exercise their control rights

Employees who hold shares of ZEAL Network SE exercise their control rights in the same way as other shareholders in accordance with the statutory provisions and the Articles of Association.

Legal regulations and provisions of the Articles of Association regarding the appointment and dismissal of Management Board members and amendments to the Articles of Association

ZEAL Network SE is an SE with a two-tier system within the meaning of article 38 lit. b) first alternative SE Regulation. The members of the Management Board (management organ) of the Company are appointed by the Supervisory Board (supervisory organ) for a period of no more than five years. Members may be re-appointed for further periods of no more than five years (section 6 (2) of the Articles of Association). Members of the Management Board are appointed with a simple majority of the votes cast by the Supervisory Board. If a vote results in a tie, the Chairman has two votes in the event of a new vote on the same item if that also results in a tie (section 13 (6) of the Articles of Association). If an obligatory member of the Management Board is missing, the court may appoint a member in urgent cases and on application of a person involved in accordance with section 85 German Stock Corporation Act (AktG). The Management Board consists of one or more persons pursuant to section 6 (1) of the Articles of Association. The Supervisory Board determines the number of Management Board members and appoints a Chairman of the Management Board pursuant to section 84 (2) German Stock Corporation Act (AktG). Pursuant to section 84 (3) of the German Stock Corporation Act (AktG), the Supervisory Board can revoke the appointment of a member of the Management Board and of the Chairman of the Management Board if there is an important reason to do so.

The scope of activities which the Company may carry out is defined in section 2 of the Articles of Association. According to section 179 German Stock Corporation Act (AktG), the Articles of Association can only be amended by resolution of the General Meeting of shareholders. Unless otherwise prescribed by law, resolutions of the General Meeting are adopted by a simple majority of votes cast (pursuant to section 133 German Stock Corporation Act (AktG), section 20 (1) of the Articles of Association) and where necessary by a simple majority of the share capital represented. In accordance with section 179 (2) German Stock Corporation Act (AktG), a majority of 75% of the share capital represented is required to change the purpose of the Company. The Supervisory Board is authorised to resolve amendments to the Articles of Association that only concern the formal wording (section 16 of the Articles of Association). Pursuant to section 181 (3) German Stock Corporation Act (AktG), amendments to the Articles of Association become effective when entered in the Commercial Register.

Powers of the Management Board to issue or buy back shares

Pursuant to section 4 (2) of the Articles of Association, the Management Board is authorised, subject to the approval by the Supervisory Board, to increase the share capital on one or more occasions until 21 June 2021 by up to a total of EUR 1,197,017 (Authorised Capital 2019). Shareholders subscription rights can be excluded under certain circumstances. Further details on the Authorised Capital 2019 are provided in section 21 of the Notes to the Consolidated Financial Statements and in section 4 of the Articles of Association. No use has yet been made of the Authorised Capital 2019.

By resolution of the General Meeting of shareholders of 27 July 2018, the Company was authorised to acquire 43,910 of its own shares during the period until 31 December 2018 for a price of EUR 43.34 per share from certain shareholders having a claim to a mandatory cash compensation in connection with the transfer of the registered office of the Company from Hamburg, Germany, to London, UK. The Management Board made full use of the authorisation. By resolution of the General Meeting of shareholders of 25 September 2019, the shares can be used, under the exclusion of shareholders' subscription rights, for, among other things, corporate mergers and acquisitions or else can be sold for cash to third parties at a price that is not significantly below the market price at the time of the sale. The shares can furthermore be issued to employees of the Company and affiliated companies, including managers at affiliated companies, in the scope of share-option and/or employee profit-sharing plans. The Company's own shares can also be canceled.

Significant agreements that are conditional on a change of control following a takeover bid

No significant agreements that are conditional on a change of control following a takeover bid have been concluded.

Compensation arrangements in the event of a takeover bid

No compensation arrangements with members of the Management Board or employees have been made in the event of a takeover bid.

CORPORATE GOVERANCE DECLARATION IN ACCORDANCE WITH SECTION 289F HGB

The Corporate Governance Declaration pursuant to section 289f HGB has been made available to the public on the Company's website Zealnetwork.de. Further information on corporate governance practices and the definition of targets for the proportion of women on the Supervisory Board, the Management Board and in senior management positions, as well as the Declaration of Conformity pursuant to section 161 AktG are included in the Corporate Governance Statement.

REMUNERATION REPORT

ROLE OF THE REMUNERATION COMMITTEE

The Chairman's Committee, acting as the remuneration committee, is responsible for recommending the compensation each Managing Director receives for their services to the Company. The Committee is also responsible for setting the Company's remuneration strategy together with the structure of the Management Board's remuneration including the split of compensation between fixed and variable elements. From 1 January 2016, the remuneration of the Management Board has been reviewed every two years. In reviewing the pay arrangements of the Management Board, the Chairman's Committee takes into account:

- The growth of the Group during the preceding period together with forecasted growth in future periods;
- The Group's performance relative to other companies operating within the same sector;
- The Group's place of incorporation and associated stakeholder expectations;
- The general external environment and the market context for executive pay.

Our remuneration policy is in no way designed to reward inappropriate outcomes or excessive risk.

REMUNERATION POLICY EFFECTIVE 1 JANUARY 2019

Management Board remuneration consists of a fixed and variable component.

Fixed remuneration

The fixed component is reviewed every two years and the Chairman's Committee has authorised an automatic 10% increase in base salary to all members of the Management Board if 10% of the Director's base salary is invested in the Company's shares. Members of the Management Board undertake to hold the investment for a minimum period of three financial years commencing on 1 January of the financial year.

Variable remuneration

The variable component is a mixture of short-term and long-term incentives.

Short-term incentives represent 25% of the overall remuneration package for all members of the Management Board (based on 100% achievement of short-term incentive targets). Target achievement is measured based on pre-determined financial and non-financial targets. Assessment of target achievement will be reviewed on an annual basis (January or February of the following period) and equal weighting will be given to the targets noted above. Over-achievement of targets is permitted under the policy but any short-term incentive will be capped at the total base salary level (if 200% STI target incentive is obtained).

The long-term incentives within the remuneration policy have been designed to represent 25% of the overall remuneration package for all members of the Management Board (based on 100% achievement of long-term incentive targets). Members of the Management Board have been granted a long-term share based remuneration program. Annually the members of the Management Board are granted a variable compensation amount which is converted into a number of virtual shares. The number of shares is calculated by dividing the variable compensation amount by the average volume-weighted share price of a no-par ordinary bearer share (individual share) of ZEAL Network SE in Xetra trading of Deutsche Börse AG within the 90 day period prior to issuance. The payment date is three years after issuance and the amount to be paid will be the number of virtual shares issues multiplied by the end share price. The end share price is the average volume-weighted share price of a no-par ordinary bearer share (individual share) of ZEAL in Xetra trading of Deutsche Börse AG within the 90 day period prior to payment.

REMUNERATION POLICY EFFECTIVE 1 JANUARY 2016 TO 31 DECEMBER 2018

Management Board remuneration consists of a fixed and variable component.

Fixed remuneration

The fixed component is reviewed every two years and the Chairman's Committee has authorised an automatic 10% increase in base salary to all members of the Management Board if 10% of the Director's base salary is invested in the Company's shares. Members of the Management Board undertake to hold the investment for a minimum period of three financial years commencing on 1 January of the financial year.

Variable remuneration

The variable component is a mixture of short-term and long-term incentives.

Short-term incentives represent 24%–31% of the overall remuneration package for all members of the Management Board (based on 100% achievement of short-term incentive targets). Target achievement is measured based on pre-determined financial and non-financial targets. Assessment of target achievement will be reviewed on an annual basis (January or February of the following period) and equal weighting will be given to the targets noted above. Over-achievement of targets is permitted under the policy but any short-term incentive will be capped at the total base salary level (if 200% STI target incentive is obtained).

The long-term incentives within the remuneration policy have been designed to represent 24%–31% of the overall remuneration package for all members of the Management Board (based on 100% achievement of long-term incentive targets). Target achievement will be measured based on pre-determined earnings per share (EPS) and total shareholder return (TSR) levels. Assessment of target achievement will be reviewed at the end of every three-year cycle (January or February of the following period) and equal weighting will be placed on the targets noted above. A monetary value will be computed based on average achievement of the pre-defined LTI targets over the three year performance period. This monetary value will be converted into an associated number of shares based on the average share price during a pre-determined period (generally a three month period immediately preceding the commencement of the three year performance period). The LTI payment made to each member of the Management Board following completion of the three year performance period will amount to the cash equivalent of the number of notional shares granted multiplied by an average share price during a separate pre-defined time period towards the end of the performance period.

MANAGEMENT BOARD EMOLUMENTS GRANTED FOR THE YEAR ENDED 31 DECEMBER

Benefits Granted		**Dr. Helmut Becker, CEO**		
in € thousand	**2019**	2019 (min) variable	2019 (max) variable	2018
Fixed remuneration	651	–	–	651
Retirement and other benefits	11	–	–	11
Total (Fixed)	**662**	**–**	**–**	**662**
Short-term incentives	415	–	533	481
Transitional incentives	–	–	–	–
Long-term incentives				
Share plan 2015–2018	–	–	–	–
Share plan 2016–2019	–	–	–	–
Share plan 2017–2020	–	–	–	–
Share plan 2018–2021	–	–	-	592
Share plan 2019–2022	460	–	651	–
Total (Variable)	**875**	–	**1,184**	**1,073**
Remuneration expense	–	–	–	–
Total remuneration	**1,537**	**–**	**1,184**	**1,735**

Benefits Granted		**Jonas Mattsson, CFO**		
in € thousand	**2019**	2019 (min) variable	2019 (max) variable	2018
Fixed remuneration	443	–	–	443
Retirement and other benefits	11	–	–	12
Total (Fixed)	**454**	**–**	**–**	**455**
Short-term incentives	291	–	374	337
Transitional incentives	–	–	–	–
Long-term incentives				
Share plan 2015–2018	–	–	–	–
Share plan 2016–2019	–	–	–	–
Share plan 2017–2020	–	–	–	–
Share plan 2018–2021	–	–	-	415
Share plan 2019–2022	322	–	457	–
Total (Variable)	**613**	–	**831**	**752**
Remuneration expense	–	–	–	–
Total remuneration	**1,067**	**–**	**831**	**1,207**

MANAGEMENT BOARD EMOLUMENTS RECEIVED FOR THE YEAR ENDED 31 DECEMBER

Benefits Received	Dr. Helmut Becker		Jonas Mattsson		Susan Standiford	
in € thousand	**2019**	2018	**2019**	2018	**2019**	2018
Fixed remuneration	651	651	443	443	–	288
Retirement and other benefits	11	11	11	12	–	9
Total (Fixed)	**662**	**662**	**454**	**455**	**–**	**297**
Short-term incentives	415	481	291	337	–	–
Transitional incentives	–	255	–	–	–	–
Long-term incentives						
Share plan 2015–2018	–	240	–	155	–	–
Share plan 2016–2019	286	–	193	–	–	–
Share plan 2017–2020	–	–	–	–	–	–
Share plan 2018–2021	–	–	–	–	–	–
Share plan 2019–2022	–	–	–	–	–	–
Total (Variable)	**701**	**976**	**484**	**492**	–	–
Remuneration expense[1]	–	–	–	–	–	611
Total remuneration	**1,363**	**1,638**	**938**	**947**	**–**	**908**

[1] *In 2018 €611 thousand was paid to Susan Standiford for loss of office. This included €231 thousand as a payment in lieu of the STI payment for 2019, €231 thousand in lieu of the LTI awards for the period 2016-2019, and €149 thousand one off payment. €111 thousand was paid in 2018 and the remaining amounts were paid in January 2019.*

REMUNERATION OF SUPERVISORY BOARD MEMBERS

In addition to the reimbursement of their expenses, the Members of the Supervisory Board receive a fixed annual remuneration of €45.5 thousand for every full financial year served in that capacity (€136.5 thousand for the Chairman and €91.0 thousand for the deputy Chairman).

For their membership in one or more committees of the Supervisory Board, Members of the Supervisory Board shall receive an additional annual remuneration of €17.5 thousand (or €35.0 thousand for the Chairman).

The following table sets out the total remuneration for non-executive Directors (members of the Supervisory Board) for the year ended 31 December 2019:

Supervisory Board	Year	Renumeration	Out of pocket expenses	**Total**
in € thousand				
Peter Steiner	**2019**	158	16	**174**
Peter Steiner	2018	186	9	**195**
Andreas de Maizière	**2019**	95	5	**100**
Andreas de Maizière	2018	–	–	**–**
Oliver Jaster	**2019**	63	3	**66**
Oliver Jaster	2018	63	2	**65**
Thorsten Hehl	**2019**	63	2	**65**
Thorsten Hehl	2018	60	4	**64**
Jens Schumann	**2019**	63	3	**66**
Jens Schumann	2018	63	5	**68**
Leslie-Ann Reed	**2019**	63	–	**63**
Leslie-Ann Reed	2018	126	–	**126**
Marc Peters	**2019**	23	1	**24**
Marc Peters	2018	–	–	**–**
Bernd Schiphorst	**2019**	23	1	**24**
Bernd Schiphorst	2018	46	3	**49**

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD 1 JANUARY TO 31 DECEMBER

		2019	2018
in € thousand	Note		
Revenue	4	113,475	154,751
Other operating income	5	8,096	4,901
Total operating performance (TOP)		**121,571**	**159,652**
Personnel expenses	23	(22,964)	(28,837)
Other operating expenses	6	(68,963)	(83,690)
Marketing expenses		(21,706)	(19,666)
Direct operating expenses		(29,311)	(44,323)
Indirect operating expenses		(17,946)	(19,701)
Exchange rate differences		(294)	617
Non-recurring expenses and income	7	(11,438)	(8,288)
Result from operating activities before interest, taxes, depreciation and amortisation (EBITDA)		**17,912**	**39,454**
Amortisation/depreciation on intangible assets and property, plant and equipment	10, 12	(7.074)	(1,147)
Depreciation of right of use assets	25	(1,771)	–
Result from operating activities (EBIT)		**9,067**	**38,307**
Income from financial activities	8	273	331
Expenses from financial activities	8	(912)	(204)
Loss on cash equivalents and other short-term equity funds	17	(88)	(449)
Financial result		**(727)**	**(322)**
Share of loss of an associate	15	(12)	–
Net profit before taxes		**8,328**	**37,985**
Income taxes	9	(6,610)	(11,322)
Net profit after taxes		**1,718**	**26,663**
Attributable to			
Equity shareholders of the Company		1,460	26,663
Non-controlling interest		258	–
Earnings per share for profit attributable to ordinary equity holders of the Company		€	€
Basic and diluted earnings per share (in €/share)	21	0.09	3.18

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY TO 31 DECEMBER

in € thousand	Note	2019	2018
Net profit after taxes		**1,718**	**26,663**
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	14	647	145
Other comprehensive income to be reclassified to the income statement in subsequent periods			
Exchange differences on translation of foreign operations, net of tax		–	18
Other comprehensive income after taxes		**647**	**163**
Total comprehensive income after taxes		**2,365**	**26,826**
Attributable to			
Equity shareholders of the Company		2,107	26,826
Non-controlling interest		258	–

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

		2019	2018
ASSETS in € thousand	Note		
Non-current assets			
Property, plant and equipment	10	1,786	2,425
Right of use asset	25	8,478	–
Goodwill	11	160,886	–
Intangible assets	12	152,091	301
Deferred tax assets	13	18,474	627
Other investments	14	4,137	3,433
Shares in associated companies	15	629	–
Other assets and prepaid expenses		654	146
Total non-current assets		**347,135**	**6,932**
Current assets			
Income tax receivable		52	39
Trade receivables and other current assets	16	17,741	16,354
Cash equivalents and other short-term equity funds	17	72,511	12,894
Cash and pledged cash	17	83,694	132,993
Total current assets		**173,998**	**162,280**
TOTAL ASSETS		**521,133**	**169,212**

EQUITY & LIABILITIES in € thousand	Note	2019	2018
Non-current liabilities			
Deferred tax liabilities	13	53,256	–
Other non-current liabilities	18	1,026	1,758
Long-term provisions	20	2,360	2,160
Lease liabilities	25	8,857	–
Total non-current liabilities		**65,499**	**3,918**
Current liabilities			
Trade payables		3,838	3,425
Other current liabilities	18	30,150	25,424
Financial liabilities		–	106
Deferred income	19	24	3,098
Income tax liabilities		6,886	5,702
Short-term provisions	20	6,562	4,341
Lease liabilities	25	2,449	–
Total current liabilities		**49,909**	**42,096**
Equity			
Subscribed capital	21	22,396	8,385
Share premium	21	280,132	21,578
Treasury shares	21	(1,903)	(1,903)
Other reserves	21	874	227
Foreign currency translation reserve	21	164	201
Retained earnings	21	95,674	94,710
Equity attributable to equity holders of the parent		**397,337**	**123,198**
Non-controlling interest	21	8,388	–
Total equity		**405,725**	**123,198**
TOTAL EQUITY & LIABILITIES		**521,133**	**169,212**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD 1 JANUARY TO 31 DECEMBER

	2019	2018
in € thousand		
Net profit before tax	8,328	37,985
Adjustments for		
Amortisation/depreciation	7,074	1,147
Depreciation of right of use assets	1,771	–
Income from financial activities	(273)	(331)
Expenses from financial activities	524	204
Expenses from financial activities – lease liabilities	388	–
Other non-cash expenses/income	331	240
Changes in		
Trade receivables and other current assets	6,335	(1,234)
Trade payables	(3,044)	(2,085)
Other liabilities	(6,616)	2,319
Financial liabilities	(106)	–
Deferred income	(3,074)	993
Provisions	2,077	5,664
Interest received	273	331
Interest paid	(524)	(204)
Interest paid on lease liabilities	(388)	–
Income taxes paid	(7,779)	(6,827)
Cash inflow from operating activities	**5,297**	**38,202**

	2019	2018
in € thousand		
Cash flow from investing activities		
Acquisition of intangible assets	(44)	(44)
Acquisition of tangible assets	(60)	(722)
Payments for acquisition of associates	(527)	–
Payments for acquisition of external investments	(170)	(247)
(Payment)/proceeds from sale of investments in equity funds	(2,975)	6,567
Acquisition of a subsidiary, net of cash acquired	9,348	–
Payments made to acquire Non-Controlling Interest	(514)	–
Cash inflow from investing activities	**5,058**	**5,554**
Cash flow from financing activities		
Purchase of treasury shares	–	(1,903)
Payments to issue shares	(650)	–
Payments for lease liabilities	(2,312)	–
Dividends paid to the Company's shareholders	–	(8,341)
Cash outflow from financing activities	**(2,962)**	**(10,244)**
Change in available funds	7,393	33,512
Available funds at the beginning of the period	145,887	112,375
Available funds at the end of the period	**153,280**	**145,887**
Composition of cash, pledged cash and cash equivalents		
Cash and pledged cash	83,694	132,993
Cash equivalents	69,586	12,894
Cash, pledged cash and cash equivalents at the end of the financial year	**153,280**	**145,887**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY TO 31 DECEMBER

	Subscribed capital	Share premium	Treasury shares	Other reserves	Retained earnings	Currency translation adjust-ments	**Equity attribut-able to equity holders of the parent**	Non-con-trolling interest	**Total equity**
in € thousand									
Balance at 1 January 2018	**21,578**	**21,578**	**–**	**82**	**76,388**	**183**	**106,616**	**–**	**106,616**
Net profit	–	–	–	–	26,663	–	26,663	–	26,663
Other comprehensive income	–	–	–	145	–	18	163	–	163
Total comprehensive income for the year	**–**	**–**	**–**	**145**	**26,663**	**18**	**26,826**	**–**	**26,826**
Transactions with owners in their capacity as owners									
Treasury shares acquired	–	–	(1,903)	–	–	–	(1,903)	–	(1,903)
Dividends paid	–	–	–	–	(8,341)	–	(8,341)	–	(8,341)
As at 31 December 2018	**8,385**	**21,578**	**–**	**227**	**94,710**	**201**	**123,198**	**–**	**123,198**
Reclassification on adoption of IFRS 16	–	–	–	–	(292)	–	(292)	–	(292)
Balance at 1 January 2019	**8,385**	**21,578**	**(1,903)**	**227**	**94,418**	**201**	**122,906**	**–**	**122,906**
Net profit	–	–	–	–	1,460	–	1,460	258	1,718
Other comprehensive income	–	–	–	647	37	(37)	647	–	647
Total comprehensive income for the year	**–**	**–**	**–**	**647**	**1,497**	**(37)**	**2,107**	**258**	**2,365**
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**	**95,674**	**164**	**397,337**	**8,388**	**405,725**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

ZEAL Network SE, Hamburg (hereinafter also referred to as 'ZEAL Network' or the Company), is a listed company under German law. It is domiciled in Hamburg at the address Straßenbahnring 11, 20355 Hamburg, Germany, and entered in the Commercial Register of the District Court of Hamburg (Germany) under the registry number HRB 159581. The balance sheet date is 31 December 2019 and the fiscal year 2019 covered the period from 1 January 2019 to 31 December 2019.

These Consolidated Financial Statements have been significantly impacted by the acquisition on 14 May 2019 of Lotto24 and the closure of the Group's secondary lottery betting business and switch to a licenced brokerage model in Germany (the 'Business Model Change') on 15 October 2019. As a result, the 2019 numbers include seven and a half months of the results of Lotto24 and the results from secondary lottery from 1 January 2019 to 15 October 2019. This makes a comparison with 2018 figures, which show a full year of secondary lottery difficult. The accounting for the acquisition of Lotto24 can be found in note 28.

The Group adopted IFRS 16 on 1 January 2019, this has also significantly impacted the results of the Group for the financial year ended 31 December 2019 and makes comparison with 2018 difficult. Details of the IFRS 16 transition can be found in note 2.2 and note 25.

These Consolidated Financial Statements were prepared by resolution of the Management Board on 24 March 2020 and subsequently provided to the Supervisory Board for examination and approval. Publication was authorised by resolution of the Management Board on 24 March 2020.

2 ACCOUNTING POLICIES

The significant accounting principles applied by ZEAL Network SE in preparing the Consolidated Financial Statements are presented below.

2.1 BASIS OF PREPARATION

The Consolidated Financial Statements of ZEAL Network SE and its subsidiaries as of 31 December 2019 were prepared in accordance with the valid IFRS and IFRIC of the 'International Accounting Standards Board' (IASB) which have to be applied in the EU as of the balance sheet date, and additionally in accordance with the applicable commercial law regulations as stated in section 315e HGB.

The Consolidated Financial Statements have been prepared under the historical cost convention, except for the revaluation to fair value of the cash equivalents and other short-term equity funds and and other investments as described in the accounting policies below.

The Consolidated Financial Statements are prepared on a going concern basis. The Management Board has formed a judgement at the time of approving the Consolidated Financial Statements that there is a reasonable expectation that ZEAL Group has adequate resources to continue in operation for the foreseeable future. This assessment is based on the fact that the Group held €83,694 thousand in cash and €72,511 thousand in cash equivalents and other short-term equity funds at the year-end (2018: €132,993 thousand and €12,894 thousand in cash and cash equivalents and other short-term equity funds, respectively). As the Group expects to deliver revenue, positive cash inflows and profit growth in the years ahead, the Management Board has adopted the going concern basis in preparing the Consolidated Financial Statements. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Actual results could differ from those estimates.

2.2 RECENT ACCOUNTING DEVELOPMENTS

New standards, amendments and interpretations of existing standards adopted by the Group

The following standards, interpretations and amendments apply for the first time to the financial reporting period commencing on 1 January 2019 and have been adopted by the Group:

- IFRS 16, 'Leases'
- IFRIC Interpretation 23, 'Uncertainty over Income Tax Treatments'.

IFRS 16, 'Leases'

In January 2016, the IASB published the new standard IFRS 16 according to which lessees must recognise right of use assets and liabilities for most leases in the balance sheet. For the lessor, there are only minor changes compared to accounting according to IAS 17 'Leases'. In accordance with the provisions of IFRS 16, ZEAL Network applied the modified retrospective transition method on initial application of IFRS 16. Lease liabilities for leases previously classified as operating leases under IAS 17 were recognised on initial application of IFRS 16. These lease liabilities are measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate was 4% as of 1 January 2019. The respective right of use assets were recognised at the same amount.

ZEAL Network SE does not have any leases classified as finance leases.

As part of the transition, assets of €6,935 thousand for rights of use lassets and lease liabilities of €8,344 thousand were recognised as of 1 January 2019. In line with the requirements of IFRS 16, the deferred rent accruals for the London and Hamburg offices have been released to retained earnings, resulting in a net impact of €292 thousand on retained earnings at 1 January 2019.

The comparative figures for prior year periods were not restated.

For the initial application of IFRS 16 'Leases' the following practical expedients were used:

- The use of a single discount rate for a portfolio of leases with similar characteristics;
- The recognition of leases with remaining terms of less than 12 months as at 1 January as current leases;
- Excluded initial direct costs from measuring the right of use asset at the date of initial application;
- Non-lease components have not been separately identified.

Based on the operating lease obligations as of 31 December 2018, the following shows a reconciliation to the opening balance sheet amounts of lease liabilities as of 1 January 2019:

in € thousand	**01.01.2019**
Operating lease obligation as of 31 December 2018	11,344
Discounted using the incremental borrowing rate at 1 January 2019	10,153
Practical expedients for:	
– Short term leases	(72)
Variable lease payments based on an index or a rate	(1,737)
Lease obligation from initial application of IFRS 16 as of 1 January 2019	8,344

See note 25 for further details.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately.
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

Published standards which are not yet mandatory

Standards and interpretations which had been published at the time of publishing these Annual Consolidated Financial Statements but which were not yet mandatory are presented below, insofar as they can be expected to impact the financial position and performance of ZEAL Network. ZEAL Network intends to adopt the amendments to these standards no later than as of their effective date:

IFRS 3 'Business Combinations' effective from 1 January 2020
IAS 1 'Presentation of Financial Statements' effective from 1 January 2020
IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' effective from 1 January 2020

As at 31 December 2019 the Group expects the adoption of these standards to have no material impact on the financial results or disclosures of the Group.

2.3 SIGNIFICANT JUDGEMENTS AND ESTIMATES

IFRS accounting requires that estimates and assumptions be made that underlie the amounts recognised in the Consolidated Financial Statements and Notes to the Consolidated Financial Statements. Significant assumptions and estimates were made for the standard useful lives of non-current assets, the realisability of accounts receivable and the accounting treatment and valuation of provisions. Actual figures may differ from these estimates. In addition, the following forward-looking assumptions as of the balance sheet date mean that there is a risk that the carrying amounts of assets and liabilities may need to be amended in future.

Judgements in applying the Group's accounting policies

Basis of consolidation

The relative complexity of the Group structure, prior to the acquisition of the shares in myLotto24 Limited, UK, (myLotto24) and Tipp24 Services Limited, UK, (Tipp24) previously held by Fondation enfance sans frontiers (the Swiss Foundation), means that judgement is required in correctly applying the provisions of IFRS 10, 'Consolidated Financial Statements', to ensure that all companies over which the Company has control are included and presented appropriately in the Consolidated Financial Statements. The basis of consolidation is described in detail in section 2.4.

Insurance Linked Security (ILS)

The Group entered into a new ILS vehicle, Hoplon III (Hoplon), in 2018. Judgement is required to determine if the Group has control over Hoplon and should consolidate the results of operations into its Consolidated Financial Statements. The conclusions drawn by the Management Board are described in detail in section 2.4.

Non-recurring expenses and income

Management uses judgement to determine items to be classified as one-off to enable a better understanding of the underlying financial performance of the Group. Further details can be found in note 7.

Taxation and other duties

Due to periodic changes in the tax landscape of the industry in which the Group operates, judgement is required in determining the provision for certain taxes and other duties. The treatment of these items is often by its nature complex and cannot be finally determined until a formal resolution has been reached with the relevant tax authority, which may take several years. Amounts provided are accrued based on advice from legal professionals and tax professionals, management's interpretation of specific tax laws and the likelihood of settlement. Actual liabilities could differ from the amount provided, which could have an impact on the results and net position of the Group.

The majority of tax and other duty positions taken by the Group are routine and not subjective. However,judgement has been exercised by the Management Board in certain specific tax and duty related areas. These matters have been disclosed if appropriate in the Notes to the Consolidated Financial Statements in accordance with the governing financial reporting standards and include the following areas:

Value added tax (VAT)

Due to the changes in German VAT legislation introduced on 1 January 2015, there is significant uncertainty around whether certain services provided by the myLotto24 Sub-Group are subject to VAT and the tax base on which any VAT payable would be calculated. At this stage, the Management Board of the Group considers that the likelihood of the outflow of economic benefits is not probable and, as such, no liability has been recorded in the Consolidated Financial Statements. Based on a thorough legal assessment, which included a review of the existing legal framework and case law, the Management Board remains confident that the outcome will be favourable for the Group. The Group will continue to closely monitor any changes in this area and ensure that the accounting for VAT continues to comply with governing legislation. The Management Board has reported a contingent liability on this matter and a separate disclosure is included in note 27 to the Consolidated Financial Statements.

Austrian Gaming Duty

In January 2011, gaming duty became payable on a point of consumption basis in Austria. There is judgement over whether the correct Austrian gaming duty should be payable based on 4% of stakes from 1 January 2018 (2% prior to 1 January 2018), which is the rate for 'betting' or 40% of gross gaming revenue, which is the rate for 'gaming' activities.

Previously, the Management Board considered the most likely outcome was that the duty would be due based on stakes and accrued on this basis. However, correspondence with the Specialist Division (Fachbereich) of the Tax Office for Duties, Transfer Taxes and Gaming (the 'Austrian Tax Office') now indicates that activities in Austria are likely to be classified as gaming. The Austrian Tax Office argues that since lotteries qualify as gaming, bets on the outcome of lotteries also qualify as gaming. This correspondence does not present a legally binding statement of the view of the Austrian Tax Office. Such a legally binding view may follow in the form of a tax assessment. However, the Management Board now considers that it is probable that an assessment will be received on the basis of gaming activities and are providing on the basis that ZEAL will be assessed at 40% of gross gaming revenue. As a result, a €1.9 million provision was recorded in 2018 (note 20). This amount is provided for based on advice from legal professionals, management's interpretation of gaming duty laws and the likelihood of settlement.

Acquisition of Lotto24

The acquisition of Lotto24 required significant judgement based on facts and circumstances in correctly applying the provisions of IFRS 3, 'Business Combinations', to ensure that the most appropriate accounting acquirer is identified. In determining the acquirer, consideration was given to the guidance provided in IFRS 3. B15–16.

Particular emphasis was put on the composition of the senior management of the combined Group and the relative size of the ZEAL and Lotto24 businesses prior to the combination. Additional other considerations refer to the commercial and strategic rationale for the transaction.

Based on the analysis conducted, the group's ultimate conclusion was mainly driven by the composition of the senior management and ZEAL's relative size. Therefore, the Management Board considers ZEAL to be the accounting acquirer and the acquisition accounting has been performed on this basis. Information for that business combination is disclosed in note 28.

Estimates and assumptions

Goodwill

Goodwill and indefinite lived intangible assets are tested at least annually for impairment. An impairment charge is recognised when the recoverable amount of the asset falls below its carrying amount. We determine the recoverable amount for goodwill on the basis of forward-looking estimates and assumptions, such as billings and revenue, cost items, headcount, funding needs and growth rates. These are set by the Management Board and continuously monitored and updated. Further details are presented in note 11.

Deferred tax assets

Deferred tax assets are recognised for all unused tax loss carryforwards to the extent that it appears probable that taxable income will be available, so that the loss carryforwards can actually be used. When determining the amount of the deferred tax assets, the Management Board must make estimations regarding the expected time and size of the future taxable income, as well as future tax planning. Further details are provided in note 13.

Fair value of level 3 investments

At each reporting period, the fair value of the external investments is calculated. A discounted cash flow model is utilised to determine the fair value (enterprise value) of the underlying businesses that ZEAL has invested in. The fair value of ZEAL's share of each business has been measured using an option pricing model. The option pricing model allocates the enterprise value of the investment amongst the individual shareholders. Key estimates and assumptions in the model include: the discount rate, billings growth rate and the growth in margin. Further details can be found in note 14.

Provisions for litigation

At each reporting period, management is required to estimate the expected outflow of cash resulting from the Group's legal cases. If it is considered probable (i.e. greater than 50%) that a case will be lost then management will estimate the expected costs to be incurred and will record a provision. The determination of if it is probable a case will be lost may be made in conjunction with external legal professionals. Details of the year end provisions for litigation can be found in note 20.

2.4 BASIS OF CONSOLIDATION

The Consolidated Financial Statements include the financial information of the subsidiaries owned by the Company:

Consolidation of subsidiary companies including initial consolidation

Subsidiaries are entities controlled by the Company. Control is where the Company has power to vary the returns from its investment, and exposure to the variability of those returns. Subsidiaries are included in the Consolidated Financial Statements from the date control commences until the date control ceases.

The equity interests of all subsidiary companies included in the Consolidated Financial Statements are 100% owned by ZEAL Network with the exception of the Company's interests in Lotto24 AG (full details are set out within the Subsidiaries section note 22).

Accounting for the myLotto24 Sub-Group

In October 2019 the Company acquired the outstanding 60% of shares in myLotto24 and Tipp24, previously owned by the Swiss Foundation. Prior to this, ZEAL Network held 40% of the voting shares in myLotto24. myLotto24 is the parent of the myLotto24 Sub-Group in which it itself holds the majority of the voting shares except for Tipp24 in which it holds 40% of the voting shares. The Swiss Foundation held the remaining 60% of Tipp24. Following the purchase of the shares they were converted from preference shares to ordinary shares.

On 30 April 2009, ZEAL Network sold 60% of the voting shares in both myLotto24 and Tipp24 to a Swiss foundation set up by ZEAL Network in the form of preference shares stripped of their main economic rights. As a consequence, ZEAL Network owned no more than half the voting rights in myLotto24 Limited, while myLotto24 Limited owned no more than half the voting rights in Tipp24 Services Limited. The affiliate companies and their respective subsidiaries were consolidated in the ZEAL Network SE Group Consolidated Financial Statements because the relevant criteria of IFRS 10 were met:

- ZEAL Network had a right to repurchase the majority of voting rights for an amount of £30 thousand for each company. ZEAL Network had veto rights with regard to changes in the articles of myLotto24 and Tipp24.
- The owner of the majority of voting rights received an annual dividend of up to £15 thousand for each company. In the case of liquidation, the owner of the majority of voting rights was entitled to receive previously agreed liquidation proceeds of £30 thousand. ZEAL Network alone is entitled to the entire remaining profits and any remaining liquidation proceeds.

The annual dividend was therefore treated as an expense in the Consolidated Financial Statements of ZEAL Group and the results of all entities within the myLotto24 Sub-Group are fully consolidated into the ZEAL Group Consolidated Financial Statements. As a result of the substance of the relationship, no non-controlling interest is recorded.

Subsequent disposal of subsidiary companies

On the subsequent disposal or termination of a business, the results of the business are included in the Group's results up to the effective date of disposal. The profit or loss on disposal or termination is calculated after charging the amount of any related goodwill to the extent that it has not previously been taken to the income statement. Dividends received on liquidation of subsidiaries, representing the residual value attributable to the owner, are recorded in the period in which the liquidation is finalised.

Transactions, balances and Insurance Linked Security (ILS) vehicles not included in the consolidated results

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Up to the Business Model Change, the Group managed its risk exposure to large jackpots through the use of an ILS vehicle set up specifically to provide insurance cover to the myLotto24 Sub-Group.

In 2011, an ILS vehicle was created to partially transfer the Group's jackpot payment risk to the capital market, with the ILS cover placed with institutional investors outside the Group. In 2014 and again in 2018, the Group renewed the transaction when it matured with no fundamental differences. The new ILS was effective from 2018 and is called Hoplon III. The Group has no power over the ILS and has no exposure, or rights, to variable returns from its involvement as they rest with third party investors.

In forming the view that the relevant IFRS 10 criteria are not met, the Management Board has considered the following points:

- The Group has no voting rights or potential voting rights, or the ability to appoint, reassign or remove members of the key management personnel of the ILS vehicle. In addition the Group has no rights to direct relevant activities which it could subsequently benefit from.
- The Group does not have any rights to returns from the ILS vehicle in the form of earnings, and has no rights to any of ILS vehicle assets on liquidation.
- The exposure to and right to variable returns is limited to the Preference Shareholders of the ILS vehicle, who are not related parties to the Group.

Based on the Management Board's assessment the Group does not control the ILS vehicle and therefore does not consolidate its results in its own Consolidated Financial Statements, the Management Board considers the transaction to be insurance cover, in consideration for which the Group has agreed to pay to the ILS vehicle premiums in accordance with the agreement between the parties.

2.5 CLASSIFICATION OF CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

ZEAL Group presents assets and liabilities in the Statement of Financial Position based on the Group's assessment of whether they meet the classification as current or non-current balances.

An asset is a current asset when:

- The asset is expected to be realised or intended to be sold or consumed in the normal operating cycle;
- The asset is held primarily for the purpose of trading;
- The asset is expected to be realised within twelve months after the reporting period; or
- The asset is cash or a cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period date.

All other assets are classified as non-current.

A liability is a current liability when:

- The liability is expected to be settled in the normal operating cycle;
- The liability is held primarily for the purpose of trading;
- The liability is due to be settled within twelve months after the reporting period; or
- The Company has no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period date.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities in accordance with IAS 1, 'Presentation of financial statements'.

2.6 REVENUE

Prior to the Business Model Change on 15 October 2019, the Group had the following revenue streams: secondary lottery revenue, revenue generated from Instant Win Games, revenue generated from commission and fees, and lottery brokerage revenue. Revenue from secondary lottery, Instant Win Games, and commission and fee's on secondary lottery was recognised within the secondary lottery segment in note 3.

As part of the Business Model Change certain secondary lottery customer were transferred to Lotto24 and are now offered lottery brokerage via the Lotto24 licence. As a result the Group now has the following revenue streams: revenue generated from commission and fees, and lottery brokerage revenue.

(I) Secondary lottery revenue

Revenue that myLotto24 Limited generated as the operator of secondary lotteries, where myLotto24 Limited bared the bookmaking risk, was recognised at the moment the draw results of the respective lotteries were announced. Stakes received as of the Statement of Financial Position date, but which were intended for games whose draw results were not available until after the Statement of Financial Position date, were deferred.

A contract to participate in a secondary lottery was treated as a derivative. The definition of a derivative was applied to contracts:

- Where payments are linked to the outcome of an event;
- Where the value of the contract, compared to the potential pay-out, was relatively low;
- Where contracts are in place before the event has occurred and, in the case of a win, the pay-out was made in the future after the event has occurred.

Profits or losses from a change in the fair value of derivatives were recognised in the income statement. Stakes and pay-outs were therefore not regarded as separate income and expenditure but were aggregated to determine the total fair value.

A possible term for such items in the income statement could have been 'Changes in the fair value of contracts for participation in secondary lotteries'. Throughout the sector, however, this item is generally termed 'Revenue', as it refers to the ordinary activity of a company in the gaming industry.

In line with industry practice gaming duties are recorded as 'Other operating expenses' and not as sales tax within revenue.

(II) Revenue generated from Instant Win Games

Revenue that myLotto24 Limited generated from the sale of Instant Win Game products was recognised in the same way as revenue generated on secondary lottery activities. Revenue on Instant Win Games was recorded at the point which the game was purchased. The quantum of revenue recorded represents the amount of bets, less free bets, placed by the customers less amounts won.

(III) Revenue generated from commissions and fees

Revenue also results from commissions and fees, which the Group receives for placing bets on behalf of customers. Revenue is recognised at the point in time when control of the goods or services are transferred to the customer. This occurs when: the bets have been made, the lottery ticket information passed on to the lottery operator and confirmation of receipt of the information has been received. Where advanced payments are received from customers for subscriptions, payments received are deferred and the related revenue is only recognised at the point in time, when the lottery ticket information has been passed on to the lottery operator and confirmation of receipt of the information has been obtained.

Under IFRS 15, the Group is considered to be an agent based on the following points;

- Another third party is responsible for fulfilling the contract and this is stipulated in the terms and conditions agreed with the customer;
- The book making risk is held by another party;
- The Group does not have discretion in establishing prices; and
- The revenue received is in the form of fees and commission.

(IV) Lottery brokerage revenue

The Group generates revenues in the following areas:

- Commissions provided by the respective lottery operators for brokered tickets and stakes to be forwarded;
- Additional/ticket fees incurred in connection with the lottery brokerage of stakes.

Revenues from contracts with lottery companies and customers (players) are recognised when control over the corresponding services (lottery brokerage and remittance of tickets) is transferred to the customer.

The Group generates our revenue mainly from commissions received from the respective lottery companies for tickets or stakes brokered and to be transmitted, as well as from additional fees charged to our customers. Some of the agreements with state lottery companies contain proportional commission rates which are triggered when agreed size criteria are exceeded. The increased proportional commission rates apply either to the excess amounts as of the fulfilment date or retroactively for the complete past time period and are recognised accordingly. The commissions and additional fees do not contain financing components and are due either immediately or according to the agreement. Revenue is recognised at a point in time.

In the lottery brokerage business, commissions and additional/ticket fees are recognised as revenues when the bets have been made, the lottery ticket information passed on to the lottery organiser and confirmation of receipt has been obtained. We render the lottery brokerage of the tickets for which we receive commissions and additional/ticket fees at the time when the power of disposal is transferred to the lottery organisers. We transfer the brokered stakes directly to the lottery companies without the involvement of third parties.

In allocating proportional commission rates, the Group applies the exceptions according to which variable consideration is allocated in full to a specific contract component.

Stakes received from customers are disclosed as billings. The difference between stakes to be remitted (less commission) and billings represent our own revenue. In the course of our online lottery brokerage of lottery products, we collect the amounts owed by our customers via direct debit or credit card charges.

Billings consist of the accumulated stakes received from customers for game participation and additional fees. As this figure determines the commission rates, billings also have a direct influence on the size of revenue.

Under IFRS 15, the Group is considered to be an agent based on the following points:

- Another third party is responsible for fulfilling the contract and this is stipulated in the terms and conditions agreed with the customer;
- The book making risk is held by another party;
- The Group does not have discretion in establishing prices; and
- The revenue received is in the form of fees and commission.

All revenue from lottery brokerage is recognised within the lottery brokerage business unit in note 3.

2.7 OTHER INCOME

(I) Interest income

Interest income is recognised on an accruals basis using the effective interest rate method.

(II) Other operating income

Other operating income comprises the following:

- The fair value of consideration received or receivable from winning tickets purchased by myLotto24 Limited on Spanish EuroMillions draws;
- The fair value of consideration received or receivable from special insurance policies taken out to hedge against the risk of special draw pay-outs;
- The fair value of consideration received or receivable from the use of an ILS vehicle taken out to provide cover against the risk of large pay-outs;
- The release of dormant customer balances to the Consolidated Income Statement. Funds deposited by the Group's customers are classified as other liabilities in the Consolidated Financial Statements. After a period of 24 months from the date of last activity on customer accounts, the related customer liabilities are classified as dormant. If attempts to contact the customer to refund deposits held on their behalf are unsuccessful (at least 26 months from last activity), these customer liabilities are released to other operating income.

2.8 INCOME TAXES

(I) Current and deferred taxes

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity, respectively.

Current tax expense is based on the results for the year as adjusted for items that are not taxable or not deductible. The Group's liability for current taxation is calculated using tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax is provided in full in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the Consolidated Financial Statements, except where the temporary difference arises from goodwill (in the case of deferred tax liabilities) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither accounting nor taxable profit.

Deferred tax liabilities are recognised where the carrying value of an asset is greater than its tax base, or where the carrying value of a liability is less than its tax base. Deferred tax is recognised in full on temporary differences arising from investment in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. This includes taxation in respect of the retained earnings of overseas subsidiaries only to the extent that, at the Statement of Financial Position date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future periods has been entered into by the subsidiary.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it is expected that sufficient existing taxable temporary differences will reverse in the future or there will be sufficient taxable profit available against which the temporary differences (including carried forward tax losses) can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured, on an undiscounted basis, at the tax rates expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at Statement of Financial Position date.

(II) Withholding and similar taxes

Withholding taxes suffered relate specifically to amounts withheld from gross pay-outs on winning tickets purchased from the Spanish National Lottery (SELAE) by myLotto24. As a result of lottery tax legislation brought in by the Spanish Government in 2013, SELAE is required to withhold 20% of gross winnings and transfer this directly to the Spanish Tax Authorities on behalf of the winner. A receivable for taxes withheld at source will be recorded only when there is persuasive evidence to confirm that a refund will be received.

2.9 OPERATING EXPENSES

Operating expenses are recognised when goods and services have been provided to the Group. Any goods or services that have been provided during the period where no invoice has been received from the supplier are accrued for. Where it is probable that future economic benefits will flow as a result of a good or service provided and the cost can be reliably measured, the costs are capitalised and amortised over the duration of the expected economic benefit. Non-deductible VAT is included within other operating expenses as opposed to being included in the attributable cost line item. Direct operating expenses are those expenses which are incurred in operating the Group's lottery brokerage and secondary lottery operations and primarily relate to hedging and payment processing costs. Other operating expenses are costs which are not directly related to the Group's operations and include: legal and regulatory costs, office expenses and freelancer costs.

2.10 NON-RECURRING EXPENSES AND INCOME

To improve the understanding of the Group's financial performance, items which are not considered to reflect the underlying performance of the reporting period are presented as non-recurring expenses and income. Items classified as non-recurring expenses are disclosed separately due to their size or nature to enable a better understanding of year on year performance. These include, but are not limited to, significant restructuring of the activities of an entity including employee associated severance costs, acquisition and disposal related transaction costs, integration costs, and one-off legal expenses, as these are irregular in nature.

2.11 FOREIGN EXCHANGE

(I) Foreign exchange translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Consolidated Financial Statements are presented in Euros, which is the Group's presentational currency. On consolidation, the assets and liabilities of subsidiaries not having the Euro as functional currency are translated into Euros at the rate of exchange prevailing at the reporting date and their income statements at average exchange rates. The exchange differences arising on translation for consolidation are recognised in OCI. The average exchange rates (calculated based on the average of the exchange rates during the financial year) and the closing exchange rates have been taken from the publicly available European Central Bank rates. Translation differences on non-monetary assets such as equity investments classified as available for sale assets are included in other comprehensive income.

(II) Transactions and balances

The financial statements for each Group company have been prepared on the basis that transactions in foreign currencies are recorded in their functional currency at the rate of exchange ruling at the date of the transaction. Monetary items denominated in foreign currencies are retranslated at the rate of exchange ruling at the Statement of Financial Position date. The resultant translation differences are included in operating profit in the income statement other than those arising on financial assets and liabilities, which are recorded within financial income or expense, or foreign exchange on tax balances, which are recorded in the income taxes line item.

2.12 INTANGIBLE ASSETS

Intangible assets are stated at cost less accumulated amortisation on a straight-line basis (if applicable) and impairment losses. Cost is usually determined as the amount paid by the Group, unless the asset has been acquired as part of a business combination. Intangible assets acquired as part of a business combination are recognised at their fair value at the date of acquisition. Amortisation is included within depreciation and amortisation in the income statement. Internally generated intangibles are not recognised except for computer software and development costs referred to under computer software and research and development below.

Intangible assets with finite lives are amortised over their estimated useful economic lives, and only tested for impairment where there is a triggering event. The Group regularly reviews all of its amortisation rates and residual values to take account of any changes in circumstances.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset. They are recognised in profit or loss when the asset is derecognised.

(I) Computer software and licences

Where computer software is not an integral part of a related item of property, plant and equipment, the software is capitalised as an intangible asset.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring them to use. Direct costs associated with the production of identifiable and unique internally generated software controlled by the Group that will probably generate economic benefits exceeding costs beyond one year are capitalised. Direct costs include software development employment costs (including those of contractors used) and an appropriate portion of overheads that are directly attributable to the development of the asset. Capitalised computer software, licence and development costs are amortised over their useful economic lives of between three and five years.

(II) Acquired brands and domains

Acquired brands and domains are capitalised on the basis of the fair value of the costs incurred to acquire them. These assets are considered to be indefinite lived as no contractual, legal, competitive, economic or other factor limits their useful economic life. The Lotto24 brand and domain have high brand awareness and there are no indicators that they should not be indefinite lived.

(III) Acquired customer lists

Acquired customer are capitalised on the basis of the fair value of the costs incurred to acquire them. These assets are considered to be indefinite lived. Acquired customer lists are amortised over their useful economic lives of twelve years.

(IV) Research and development

Research and general development expenditure is expensed in the period in which it is incurred.

Certain development costs are capitalised as internally generated intangible assets in the following circumstances:

- Where there is a clearly defined project;
- Where there is separately identifiable expenditure;
- Where expenditure can be reliably measured;
- Where an outcome can be assessed with reasonable certainty (in terms of feasibility and commerciality);
- When expected revenues exceed expected costs and the Group has the resources to complete the task.

Such assets are amortised on a straight-line basis over their useful lives once the project is complete.

2.13 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost net of accumulated depreciation and any impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying value or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the specific asset will flow to the Group and the cost can be measured reliably.

Repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value of the asset and is recognised in the income statement.

(I) Assets in the course of construction

Assets in the course of construction are carried at cost less any impairment loss. Cost includes professional fees and for qualifying assets certain borrowing costs. When these assets are ready for their intended use, they are transferred into the appropriate category. At this point, depreciation commences on the same basis as on other property, plant and equipment.

(II) Depreciation

Depreciation is provided on a straight-line basis at rates calculated to write off the cost, less the estimated residual value, of each asset over its expected useful life as follows:

	years
Technical equipment/hardware	2–6
Office equipment and fit-out	3–12

Leasehold improvements are depreciated over the lower of the lease term and 3–12 years.

Each financial year the Group reviews all of its depreciation rates and residual values to take account of any changes in circumstances. When setting useful economic lives, the principal factors the Group takes into account are the expected rate of technological developments, expected market requirements for the equipment and the intensity at which the assets are expected to be used.

2.14 IMPAIRMENT

This policy covers all assets except financial assets and deferred tax assets.

A review of all non-financial assets (including goodwill and indefinite lived assets) is carried out on each reporting date to ascertain whether there is any indication that an impairment is required or that a previously recognised impairment loss may no longer exist or may have decreased. Impairment reviews are performed by comparing the carrying value of the non-current asset with its recoverable amount, being the higher of the fair value less costs of disposal and value in use. The fair value less costs of disposal is considered to be the amount that could be obtained on disposal of the asset, and therefore is determined from a market participant perspective. The recoverable amount under both calculations is determined by discounting the future pre-tax cash flows generated from continuing use of the cash generating unit (CGU) using a pre-tax discount rate. Fair value less costs of disposal calculations are prepared on a post-tax basis, and are classified as level 3 in the fair value hierarchy.

Where the asset does not generate cash flows that are independent from the cash flows of other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs. For the purpose of conducting impairment reviews, CGUs are considered to be groups of assets that have separately identifiable cash flows. They also include those assets and liabilities directly involved in producing the income and a suitable proportion of those used to produce more than one income stream.

An impairment loss is taken first against any specifically impaired assets.

Where an impairment is recognised against a CGU, the impairment is first taken against goodwill balances and if there is a remaining loss it is set against the remaining intangible and tangible assets on a pro-rata basis.

Should circumstances or events change and give rise to a reversal of a previous impairment loss, the reversal is recognised in the income statement in the period in which it occurs and the carrying value of the asset is increased. The increase in the carrying value of the asset is restricted to the amount that it would have been had the original impairment not occurred. Impairment losses in respect of goodwill are irreversible.

2.15 OTHER INVESTMENTS

The Group invests in the equity instruments of other entities. Other investments are held as long term strategic investments. Management elected to hold them at fair value through other comprehensive income (FVOCI).

Each investment is initially recognised at fair value plus transaction costs. A discounted cash flow model is utilised to determine the fair value (enterprise value) of the underlying businesses that ZEAL has invested in. The fair value of ZEAL's share of each business has been measured using an option pricing model. The option pricing model allocates the enterprise value of the investment amongst the individual shareholders. Gains and losses on disposal will be recognised in Other Comprehensive Income (OCI).

2.16 LEASING

The Group adopted IFRS 16 on 1 January 2019 and the accounting policy has been updated as detailed below.

The Group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments;
- Variable payments that depend on an index or rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase agreement that the Group is reasonably certain to exercise.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right of use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Prior to 1 January 2019, the Group accounted for leases under IAS 17. In accordance with IAS 17 all the Group's leases in place at 31 December 2017 and 31 December 2018 were classified as operating leases and the Group recognised the expense straight line over the life of the lease.

As a lessor

The Group subleases some of its office space in London and Germany. As an intermediate lessor, the Group accounts for its interest in the head lease and the sublease separately. It assesses the lease classification of a sublease to determine if the risk and rewards of ownership are transferred of the underlying asset. The Group recognises lease payments received under the operating lease as income on a straight-line basis over the lease term as part of other income. If a lease is determined to be a finance lease, the Group recognises a net investment receivable for the present value of the expected future lease income. The net investment is measure at amortised cost using the effective interest method.

The accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16.

2.17 BUSINESS COMBINATIONS

The acquisition method is used to account for business combinations.

The identifiable net assets (including intangibles) are incorporated into the Consolidated Financial Statements on the basis of their fair value from the effective date of control, and the results of subsidiary undertakings acquired during the financial year are included in the Group's results from that date.

On the acquisition of a company or business, fair values reflecting conditions at the date of acquisition are attributed to the identifiable assets (including intangibles), liabilities and contingent liabilities acquired.

Fair values of these assets and liabilities are determined by reference to market values, where available, or by reference to the current price at which similar assets could be exited or similar obligations entered into, or by discounting expected future cash flows to present value, using either market rates or the risk-free rates and risk-adjusted expected future cash flows.

The consideration transferred is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of the acquisition, and also includes the Group's estimate of the fair value of any deferred consideration payable. Acquisition-related costs are expensed as incurred.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where the business combination is achieved in stages and results in a change in control, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Where the business combination agreement provides for an adjustment to the cost that is contingent on future events, the consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

2.18 ASSOCIATED COMPANIES

On 27 March 2019, the Group invested €350 thousand (£300 thousand) to acquire a 15% interest in Cloud Canyon Limited (Wshful), which is based in London, UK. This increased the interest held by the Group to 20%. As a result, the Group is now considered to have significant influence and the investment is now accounted for as an associate. In December 2019 the Group invested €177 thousand for a 33% interest in TH Travel Limited, which is also classified as an associate.

Associated companies are those companies over which the Group has significant influence but no control, generally accompanied by a shareholding of 20% to 50%. Shares held in associated companies are accounted for using equity accounting.

Under equity accounting, the investment in the associated company is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of the net assets of the associate from the acquisition date. Goodwill relating to the associated company is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the Group's share of the results of operations of the associated company. When there has been a change recognised directly in the equity of the associated company, the Group recognises its share of any changes, when applicable, in its statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associated company are eliminated to the extent of the interest in the associated company.

The Group's share of the associated company's result for the period is shown on the face of the income statement. The financial statements of the associated company are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies of the associated company into line with those of the Group.

2.19 FINANCIAL ASSETS AND LIABILITIES

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables the Group initially measures a financial asset at its fair value plus transaction costs. Trade receivables are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

(I) Fair value through profit or loss (FVPL)

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Financial assets

Financial assets include investments in fixed income funds and equity funds. These financial assets have cash flows that are not solely payments of principal and interest and as such are classified and measured at fair value through profit or loss. These are initially recognised at fair value. Movements in fair value are recognised in gains/losses from financial assets within the income statement.

(II) Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

1) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
2) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Trade receivables

Trade receivables are initially recognised at transaction price and subsequently measured at amortised cost less provision for impairment.

Cash, cash equivalents and pledged cash

In the Consolidated Statement of Financial Position, cash and cash equivalents includes cash in hand, pledged cash, and bank deposits repayable on demand and other short-term highly liquid investments with original maturities of three months or less.

(III) Equity instruments at fair value through other comprehensive income (FVOCI)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under *IAS 32 Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Other investments

The Group elected to classify irrevocably its non-listed equity investments, held for long term strategic purposes, under this category. As the investments are not traded on active markets a discounted cash flow model is utilised to determine the fair value (enterprise value) of the underlying businesses that ZEAL has invested in. The fair value of ZEAL's share of each business has been measured using an option pricing model. The option pricing model allocates the enterprise value of the investment amongst the individual shareholders

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach to calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The simplified approach uses the amounts historically written off for each customer, adjusted for forward-looking factors and the economic environment and uses this as the basis for the ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

ii) Financial liabilities

Financial liabilities held at amortised cost include trade payables, accruals, and other payables, and borrowings.

Trade payables

Trade payables are initially recognised at fair value and subsequently remeasured at amortised cost. Trade payables are analysed between current and non-current liabilities on the face of the Statement of Financial Position, depending on when the obligation to settle will be realised.

2.20 EQUITY AND DISTRIBUTIONS

(I) Share capital, debt and equity instruments issued

Ordinary shares are classified as equity. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by ZEAL Network SE are recognised when the proceeds have been received, net of direct issue costs. Issue costs are those costs which would not have been incurred if the equity instrument had not been issued.

Treasury shares are a repurchase of the Company's own equity instruments and recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Debt and equity instruments issued by a Group company are classified as financial liabilities or equity depending on the economic substance of the contractual agreement.

(II) Dividend distributions

Dividend distributions to equity holders of ZEAL Network SE are recognised as a liability in the Group's Consolidated Financial Statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid. Dividends declared after the Statement of Financial Position date are not recognised as there is no present obligation at the Statement of Financial Position date.

2.21 PROVISIONS

Provisions are recognised when there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Such provisions are calculated on a discounted basis where the effect is material to the original undiscounted provision. The carrying amount of the provision increases in each period to reflect the passage of time and the unwinding of the discount and the movement is recognised in the income statement within expenses from financial activities.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.22 CONTINGENT LIABILITIES

Contingent liabilities are not recognised in the Consolidated Financial Statements. Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

2.23 EMPLOYEE BENEFITS

The Group operates various employee benefits including profit-sharing, bonus plans and long term incentives as well as other employment schemes including termination benefits, cash settled share based payments and defined contribution pension plans.

(I) Employee bonus

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a liability where there is a present obligation (legal or constructive) that has arisen as a result of a past event.

(II) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for restructuring within the scope of IAS 37, which involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of months employees worked for the Group.

(III) Defined contribution pension plans

The contributions to defined contribution plans are recognised as an expense as the costs become payable. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(IV) Cash-settled share-based payments

For cash-settled share-based payment schemes, a liability is recognised based on the fair value of the payment award at the Statement of Financial Position date. The fair value of the phantom share options granted is recognised over the vesting period to reflect the value of the employee services received. The charge relating to grants to employees is recognised as an expense in the income statement.

The fair value of options granted, excluding the impact of any non-market vesting conditions, is calculated using the Monte-Carlo model. The probability of meeting non-market vesting conditions, which include profitability targets, is used to estimate the number of phantom share options that are likely to vest.

3 SEGMENT REPORTING

SEGMENTAL DISCLOSURE PRESENTATION

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 acquisition of Lotto24 on 14 May 2019, the Group has reviewed its reportable operating segments and determined that German Lottery brokerage (Lotto24) meets the definition of a reportable operating segment. This segment has therefore been included in the 2019 disclosure.

We monitored the performance of the Lottery Betting segment based on 'normalised' revenue and EBITDA (statutory revenue and adjusted EBIT adjusted for statistically expected prize payouts) and actual results for the Lottovate segment. The disclosures included in the operating segment note below are consistent with the Group's internal reporting and 'normalised' performance is given due prominence in the disclosure as this is the way in which we analyse the Group. A fuller description of 'normalisation' is included in the Group Management Report. Included within the note below is a reconciliation between the segmental results used to assess the Business units and our consolidated statutory performance where statistically expected pay-outs are replaced with actual pay-outs. Inter-segment transactions are also eliminated as part of this process. Descriptions of the significant reconciling items are also included below the relevant tables.

We have described the composition of the segments in more detail below:

Lottery Betting Segment

The Lottery Betting segment comprises 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 lottery brokerage model on 15 October 2019. Following this, its international secondary lottery business was transferred to the Lottovate segment and the lottery betting segment no longer reported to the CODM on a standalone basis.

The discontinuance of the secondary lottery business in Germany is not considered to meet the IFRS definition of a discontinued operation, as the Group will continue to provide the same customers in Germany with DLTB products. Prior to the Business Model Change the Group was both a broker and a bookmaker and offered customers the chance to bet on the outcome of DLTB and some international lotteries. Following the Business Model Change the Group is purely a broker which offers brokered DLTB tickets to its customers.

Lottery brokerage Segment

The Lottery brokerage segment comprises the results of Lotto24, the Group's lottery brokerage business in Germany. Its cost base includes direct costs and an allocation of the shared cost base.

Lottovate Segment

The Lottovate segment comprises the elements of our business which are focused on the reinvention of the digital lottery experience, operating primary lotteries and helping charities, foundations and communities to unlock new sources of funding through bespoke lottery platforms. These include our international services business for lottery operators including online operation of the lottery games for charitable organisations, such as ONCE. In addition, the international business offers digital services to business partners (such as UNICEF Norway) and state lotteries as well as operating its own licensed lotteries through Lottovate.

Following the acquisition of Lotto24 and the restructure of the Group, the results of ZEAL Ventures and international secondary lottery betting are reported to the CODM as part of the Lottovate segment. From 14 May 2019 the results of ZEAL Ventures are included within the Lottovate segment. The international secondary lottery betting business has been included within the Lottovate segment from 15 October 2019, following the closure of the German secondary lottery betting business.

In December 2018, the Group closed its lottery brokerage business in Spain (Ventura24) and its Lotto Network. The results for 2019 do not included these operations.

The Lottovate segment's results comprise revenue and costs attributable to the operating activities of Lottovate together with an allocation of the shared cost base.

We monitor the performance of the Lottovate segment based on actual results.

ZEAL Ventures

In 2018, ZEAL Ventures was not a separately identifiable segment and its costs were instead proportionally allocated to the Lottery Betting and Lottovate segments. Following the acquisition of Lotto24 and the restructure of the Group, the results of ZEAL Ventures are now reported to the CODM as part of the Lottovate segment.

Business unit segment reporting 2019	Lottery Betting	Lottovate	Lottery brokerage	Business unit total	Normalisation adjustments	Other adjustments	Statutory
in € thousand							
Revenue from secondary lottery	81,830	–	–	81,830	(28,496)	177	53,511
Revenue from Instant Win Games	8,857	–	–	8,857	3,829	–	12,686
Revenue from ticket sales and commission	13,242	4,718	30,656	48,616	–	(1,338)	47,278
Total Revenue	**103,929**	**4,718**	**30,656**	**139,303**	**(24,667)**	**(1,161)**	**113,475**
Other operating income	1,933	885	215	3,033	4,783	280	8,096
Total operating performance	**105,862**	**5,603**	**30,871**	**142,336**	**(19,884)**	**(881)**	**121,571**
Non-recurring expenses and income	(8,983)	(780)	(1,675)	(11,438)	–	–	(11,124)
EBITDA	**35,797**	**(5,510)**	**3,624**	**33,911**	**(19,884)**	**3,885**	**17,912**
Depreciation/amortisation	(1,414)	(760)	(952)	(3,126)	–	(5,719)	(8,845)
EBIT	**34,383**	**(6,270)**	**2,672**	**30,785**	**(19,884)**	**(1,834)**	**9,067**
Financial result	–	–	–	–	–	(727)	(727)
Results from associate	–	–	–	–	–	(12)	(12)
EBT	**–**	**–**	**–**	**30,785**	**(19,884)**	**(2,573)**	**8,328**
Income tax	–	–	–	–		(6,610)	(6,610)
Net profit/(loss)	**–**	**–**	**–**	**30,785**	**(19,884)**	**(9,183)**	**1,718**

The principal reconciling items between the aggregated business unit results and the consolidated statutory results are attributable to two main categories:

- 'Normalisation' adjustments, which bridge the quantum of statistically expected pay-outs, included within the Business unit column to consolidated statutory results (which include actual pay-outs);
- 'Other' adjustments include, the elimination of intercompany revenue of €1,338 thousand and expenses of €3,428 thousand generated by the Brokerage business unit. 'Other' adjustments also includes the recognition of external revenue and expenses incurred by Schumann e.K. (which does not form part of the Lottery Betting, Lottovate or Brokerage segments) and €273 thousand income from financial activities, €912 thousand of expenses from financial activities and €88 thousand loss on cash equivalents and other short-term equity funds. €5,719 thousand of amortisation on assets recognised following the acquisition of Lotto24 has been included within other adjustments.

Business unit segment reporting **2018**	Lottery Betting	Lottovate	Business unit total	Normalisation adjustments	Other adjustments	Statutory
in €k						
Revenue from secondary lottery	119,646	–	119,646	(4,377)	186	115,455
Revenue from Instant Win Games	13,562	–	13,562	1,744	–	15,306
Revenue from ticket sales and commission	16,217	7,773	23,990	–	–	23,990
Total Revenue	**149,425**	**7,773**	**157,198**	**(2,633)**	**186**	**154,751**
Other operating income	4,391	537	4,928	(202)	175	4,901
Total operating performance	**153,816**	**8,310**	**162,126**	**(2,835)**	**361**	**159,652**
Non-recurring expenses and income	(5,135)	(3,153)	(8,288)	–	–	(8,288)
EBITDA	**51,862**	**(10,855)**	**41,007**	**(2,835)**	**1,282**	**39,454**
Depreciation/amortisation	(860)	(287)	(1,147)	–	–	(1,147)
EBIT	**51,002**	**(11,142)**	**39,860**	**(2,835)**	**1,282**	**38,307**
Financial result	–	–	–	–	(322)	(322)
EBT	**–**	**–**	**39,860**	**(2,835)**	**960**	**37,985**
Income tax	–	–	–	–	(11,322)	(11,322)
Net profit/(loss)	**–**	**–**	**39,860**	**(2,835)**	**(10,362)**	**26,663**

The principal reconciling items between the aggregated business unit results and the consolidated statutory results are attributable to two main categories:

- 'Normalisation' adjustments, which bridge the quantum of statistically expected pay-outs, included within the Business unit column to consolidated statutory results (which include actual pay-outs);
- 'Other' adjustments include external revenue generated by Schumann e.K. (which does not form part of either the Lottery Betting or Lottovate segments) and €331 thousand income from financial activities, €204 thousand of expenses from financial activities and €449 thousand loss on cash equivalents and other short-term equity funds.

4 REVENUE

	2019	2018
in € thousand		
Stakes	196,218	254,538
Prizes	(133,382)	(127,531)
Revenue from secondary lottery betting and Instant Win Games	**62,836**	**127,007**
Ticket fees	26,919	20,500
Commission	23,627	7,244
Other Revenue	93	–
Revenue	**113,475**	**154,751**

Revenue from secondary lottery betting and Instant Win Games products are classified as derivative financial instruments and are disclosed in the Consolidated Income Statement net of VAT, free bets and prizes. They are accounted for under IFRS 9.

4.1 CONTRACT BALANCES

The following table provides information about receivables, contract assets and contract liabilities from ticket fees and commission:

	Note	2019	2018
in € thousand			
Trade receivables	16	–	772
Contract assets	16	12,954	6,852

Trade receivables are non-interest bearing and are generally received on terms of 30 days.

Contract assets primarily relate to amounts due from customers, payments systems and lottery companies. They are included within receivables from gaming operations in note 16.

The amount of revenue recognised in 2019 from performance obligations satisfied in previous periods was nil.

The increase in the contract asset balance from €6,852 thousand at 1 January 2019 to €12,954 thousand is due to the increase in billings in December 2019 compared to December 2018, as a result of the acquisition of Lotto24 AG. This resulted in an increase in the amount due from lottery companies, payment systems and customers.

4.2 PERFORMANCE OBLIGATIONS

Ticket Fees

The performance obligation is satisfied when the bet has been placed on behalf of customers. Customer payments are received in advance of the bet being placed.

Commission

The performance obligation is satisfied when the lottery ticket is purchased, the lottery ticket information passed on to the lottery organiser and confirmation of receipt of the information received. Customer payments are received in advance and amounts received are deferred until the performance obligations are met.

5 OTHER OPERATING INCOME

	2019	2018
in € thousand		
Income from hedging transactions	1,381	2,980
Dormant customer accounts	(51)	431
Income from insurance	4,849	–
Other	1,917	1,490
Other operating income	**8,096**	**4,901**

Income from hedging activities relates to income generated from tickets hedged through the Group's wholly owned subsidiary Ventura24.

Income from insurance of €4,849 thousand (2018: nil) relates to the income received under the ILS insurance following the significant prize pay-out in September 2019.

In 2018, the Group recognised income of €431 thousand relating to customer account balances where no activity had been recorded at least in the last 26 months and all procedures have been completed to contact the customer. As part of the Business Model Change the Group contacted all customers to request their agreement to being transferred from Tipp24 to Lotto24. Whilst doing this certain customers who had previously been recognised as dormant were reactivated and their liabilities written back. This resulted in a €51 thousand expense in 2019.

The other income, which relates mainly to sublease income for office space, increased due to an increase in income received on the sub lease of the London office.

6 OTHER OPERATING EXPENSES

	2019	2018
in €k		
Marketing expenses	21,706	19,666
Direct operating expenses	29,311	44,323
Indirect operating expenses	17,946	19,701
Other operating expenses	**68,963**	**83,690**

The decrease in other operating expenses is attributable to the following movements in cost categories:

- Increase in marketing expenses of €2,040 thousand. The increased investment in marketing is a result of the acquisition of Lotto24.
- The €15,012 thousand decrease in direct operating expenses is partly due to a €11,625 thousand decrease in hedging costs following the ending of secondary lottery business in October 2019. In 2018 a catch-up provision of €1,909 thousand (2019: €178 thousand) was booked for Austrian gaming duty. The remainder of the movement is made up of immaterial movements in other expense types.
- The decrease in indirect operating expenses of €1,755 thousand, which is primarily due to a €1,288 thousand decrease in rent expense following the adoption of IFRS 16 on 1 January 2019. A reduction in external recruitment has resulted in €447 thousand of cost savings. The remaining movement is attributable to other movements that are individually immaterial.

Indirect operating expenses includes fees charged by the auditor, Ernst & Young, LLP, and its affiliates which summarised in the table below:

Auditor's remuneration	**2019**	2018
in € thousand		
Audit of the financial report of the Group	264	447
Audit of the financial report of the Group's subsidiaries	607	63
Total audit services	**871**	**510**
Audit related assurance services[1]	35	35
Total audit and audit related assurance services	**35**	**35**
Other services relating to corporate finance transactions[1]	155	767
Other non-audit services	–	–
Total non-audit related services	**155**	**767**
Tax services	14	–
Total tax services	**14**	**–**
Total auditor remuneration	**1,075**	**1,312**

[1] *These costs relate to additional one-off services in relation to the proposed acquisition of Lotto24.*

7 NON-RECURRING EXPENSES AND INCOME

	2019	2018
in € thousand		
Restructuring costs	9,388	1,453
Transaction costs	1,950	3,852
(Income)/costs associated with closure of operations in Ventura24's B2C business	(500)	2,983
Other costs	600	–
	11,438	**8,288**

Restructuring costs

Ahead of the acquisition of Lotto24, the Group implemented a restructuring programme. The costs include €5,591 thousand (2018: €1,253 thousand) of employee severance costs, €2,223 thousand (2018: nil) of severance costs incurred for former members of the Lotto24 Management Board, and €1,574 thousand (2018: €200 thousand) of other restructuring costs. The costs associated with this program are considered to be non-recurring due to them being irregular.

Transaction costs

On 19 November 2018, the Group announced its intention to acquire Lotto24. Due to the irregular nature of the transaction these costs are considered to be non-recurring. Transaction costs of €1,950 thousand (2018: €3,852 thousand) were incurred by the Group. These costs include €941 thousand (2018: €808 thousand) of legal costs, €623 thousand (2018: €2,156 thousand) of consulting costs, €155 thousand (2018 €767 thousand) of non-audit fees, €52 thousand (2018: €121 thousand) of public relations costs, and €179 thousand (2018: nil) of other.

(Income)/Costs associated with closure of operations in Ventura24's B2C business

In 2018, €2,983 thousand (2019: €500 thousand income) of costs were incurred in association with the closure of Ventura24's consumer-facing lottery brokerage business. In 2018, the costs include €2,362 thousand of costs associated with employee severance. The closure of the consumer-facing lottery brokerage business is an event which will not recur and was not expected by management, as such all costs associated with the closure are considered to be non-recurring in nature. In 2019 the Company released €500 thousand of the provision which was no longer required.

Other costs

In 2019, €600 thousand of costs have been provided against known one-off legal case. This case is not expected to recur in the future and therefore the costs associated with it have been recognised as non-recurring.

8 INCOME AND EXPENSES FROM FINANCIAL ACTIVITIES

	2019	2018
in € thousand		
Income from financial activities		
Income from other long-term securities and loans	273	331
	273	**331**
Expenses from financial activities		
Interest expense and similar charges	(912)	(204)
	(912)	**(204)**

9 INCOME TAXES

Income taxes paid or payable as well as deferred taxes and withholding taxes are recognised within the income taxes line item. Following the relocation of ZEAL's registered office from the UK to Germany, it became subject to German corporate income tax. The applicable corporate income tax rate in 2019 was 15.0%. The solidarity surcharge was 5.5% of corporate income tax. In addition, trade tax on income is levied on trading profit, which is calculated by taking the taxable income according to income and corporation tax law together with any additions or subtractions according to German trade tax law. The effective trade tax on income rate depends on the municipality in which the entity maintains a permanent establishment for carrying on its operations.

The effective trade tax on income rate for Hamburg in fiscal year 2019 was 16.45%. As a result, the total tax rate amounts to 32.28%.

Because the relocation of ZEAL took place during 2019, the total tax rate for the year of 21.44% has been derived from a blend of the UK rate (19.00% up to relocation on 25 October) and the total tax rate in Germany (32.28% from relocation to the end of the year). In 2018 the total tax rate of 19.00% was used.

In the case of foreign companies, the respective country-specific regulations and tax rates are used for the calculation of current income taxes. The impact of higher foreign tax rates is included as a reconciling item in the reconciliation below.

Deferred taxes under IAS 12 are calculated at the average tax rate at the time the differences are expected to reverse. For the calculation of deferred taxes, the total tax rate amounted to 32.28% (2018: UK rate of 17%). In the case of foreign companies, the respective country-specific regulations, enacted and substantively enacted tax rates were used to calculate deferred taxes.

Income statement	2019	2018
in € thousand		
Current taxation:		
Charge for the year	9,550	11,845
Adjustments in respect of prior years	(225)	66
Total current taxation	**9,325**	**11,911**
Deferred taxation:		
Credit for the year	(2,715)	(589)
Total deferred taxation	**(2,715)**	**(589)**
Total taxation expense (income statement)	**6,610**	**11,322**

Tax rate reconciliation	**2019**	2018
in € thousand		
Net profit before taxes	**8,328**	**37,985**
Expected tax charge at average tax rate of 21.44% (2018: UK rate of 19.00%)	1,786	7,217
Non-deductible expenses	357	222
Adjustments in foreign tax rates	–	(38)
Adjustments in respect of prior years	(225)	66
Tax loss utilisation	(4,976)	(307)
Unrecognised tax losses carried forward	1,618	4,162
Recognition of deferred tax assets for previously unrecognised tax losses carried forward	–	(250)
Foreign exchange	(359)	–
Gain on intangible assets due to company migration[1]	10,416	–
Other tax items	(2,007)	250
Total taxation expense[1]	**6,610**	**11,322**

[1] The sales of intangible assets between Group companies during the Business Model Change and the migration of ZEAL from the United Kingdom to Germany triggered tax charges which were only partly sheltered by tax losses.

10 PROPERTY, PLANT AND EQUIPMENT

Cost	Office equipment	Hardware	Office equipment under construction	**Total**
in € thousand				
Balance as at 1 January 2018	**4,435**	**5,405**	**4**	**9,844**
Additions	343	379	–	722
Disposals	(10)	(12)	–	(22)
Balance as at 31 December 2018	**4,768**	**5,772**	**4**	**10,544**
Additions	1,303	–	–	1,303
Transfer between asset classes	4	–	(4)	–
Disposals	(987)	–	–	(987)
Balance as at 31 December 2019	**5,088**	**5,772**	**–**	**10,860**

Accumulated depreciation	Office equipment	Hardware	Office equipment under construction	**Total**
in € thousand				
Accumulated depreciation as at 1 January 2018	**(2,515)**	**(4,722)**	**–**	**(7,237)**
Provided during the year	(471)	(423)	–	(894)
Disposals	–	12	–	12
Accumulated depreciation as at 31 December 2018	**(2,986)**	**(5,133)**	**–**	**(8,119)**
Provided during the year	(1,471)	(321)	–	(1,792)
Disposals	837	–	–	837
Accumulated depreciation as at 31 December 2019	**(3,620)**	**(5,454)**	**–**	**(9,074)**

Book value	Office equipment	Hardware	Office equipment under construction	Total
in € thousand				
As at 31 December 2018	**1,782**	**639**	**4**	**2,425**
As at 31 December 2019	**1,468**	**318**	**–**	**1,786**

There are no restrictions on rights of disposal for the above mentioned tangible assets. No assets were pledged as collateral for liabilities.

11 GOODWILL

ZEAL examines its goodwill of €160,886 thousand (2018: nil) at the end of the reporting period with regard to impairment. Goodwill is allocated to the legal entity Lotto24 AG as the lottery brokerage cash-generating unit (CGU). The test compares the carrying amount with the recoverable amount, in other words the higher of net realisable value and value in use. We calculate value in use on the basis of discounted future cash flow projections from internal budgets for several years as approved by management.

Budget calculations are based on a detailed planning period of five years, as the standard planning period of the Group. For the discounting of cash flows in the detailed planning period, the Company used used a pre-tax CAPM-based costs of capital before taxes of 10.44% (7.94% post-tax).

At the end of the detailed planning period, the years after 2024 apply a reconciled perpetual annuity based on the CAPM discounted with an average pre-tax cost of capital 8.44% (5.94% post-tax). The calculation of the perpetual annuity is based on a sustainable, average growth rate of 2.0%.

The sensitive planning assumption is the generally expected growth in the online lottery market as a result of the liberalisation (Internet lottery brokerage, advertising) of the gaming market since 2012 in connection with European trends. This is linked with the development of billings, revenue, personnel expenses, and direct and indirect operating expenses.

We continually monitor and update the relevant technical, market-based, economic and legal parameters and conditions for the impairment test. As there were no indications of impairment in the reporting period, an impairment test for goodwill was conducted at the end of the reporting period and no non-scheduled write downs were recognised.

A sensitivity test of the planning assumptions revealed that ceteris paribus no realistic change in the applied parameters EBIT margin and growth rate would lead to impairment.

12 INTANGIBLE ASSETS

Cost	Brand and domain	Customer list	Software	Licences	Total
in € thousand					
Balance as at 1 January 2018	**–**	**–**	**31,794**	**184**	**31,978**
Additions	–	–	44	–	44
Disposals	–	–	–	–	–
Balance as at 31 December 2018	**–**	**–**	**31,838**	**184**	**32,022**
Additions	66,007	88,387	2,680	–	157,074
Disposals	–	–	(680)	–	(680)
Balance as at 31 December 2019	**66,007**	**88,387**	**33,838**	**184**	**188,416**

Accumulated amortisation	Brand and domain	Customer list	Software	Licences	Total
in € thousand					
Accumulated amortisation as at 1 January 2018	**–**	**–**	**(31,382)**	**(86)**	**(31,468)**
Provided during the year	–	–	(235)	(18)	(253)
Disposals	–	–	–	–	–
Accumulated amortisation as at 31 December 2018	**–**	**–**	**(31,617)**	**(104)**	**(31,721)**
Provided during the year	–	(4,653)	(611)	(18)	(5,282)
Disposals	–	–	678	–	678
Accumulated amortisation as at 31 December 2019	**–**	**(4,653)**	**(31,550)**	**(122)**	**(36,325)**

Book value	Brand and domain	Customer list	Software	Licences	Total
in € thousand					
As at 31 December 2018	**–**	**–**	**221**	**80**	**301**
As at 31 December 2019	**66,007**	**83,734**	**2,288**	**62**	**152,091**

There are no restrictions on rights of disposal for the above mentioned intangible assets. No assets were pledged as collateral for liabilities. The remaining useful lives of intangible assets are between one and tweleve years.

13 DEFERRED TAXATION

Deferred tax asset movement schedule	2019	2018
in € thousand		
At 1 January	**627**	**38**
Addition on acquisition of subsidiary	16,221	–
Credited/(charged) to income statement	1,626	589
At 31 December	**18,474**	**627**

Deferred tax assets	Fixed asset allowances	Tax losses carried forward	Other temporary differences	Total
in € thousand				
At 1 January 2018	**38**	**–**	**–**	**38**
Credited/(charged) to income statement	(1)	250	340	589
At 1 January 2019	**37**	**250**	**340**	**627**
Addition on acquisition of subsidiary	–	15,136	1,086	16,221
Credited/(charged) to income statement	(37)	1,481	182	1,626
At 31 December 2019	**–**	**16,867**	**1,608**	**18,474**

Deferred tax liabilities	Temporary differences	Total
in € thousand		
At 1 January 2018	**–**	**–**
Charged to income statement	–	–
At 1 January 2019	**–**	**–**
Additions on acquisition of subsidiary	(54,345)	(54,345)
Credited/(charged) to income statement	1,089	1,089
At 31 December 2019	**(53,256)**	**(53,256)**

Deferred taxes under IAS 12 are calculated at the anticipated average tax rate at the time the differences are reversed. For the calculation of deferred taxes, the total tax rate amounted to 32.28% (2018: 17%). Prior to the relocation of the registered offices of ZEAL Network SE to Hamburg in October 2019, the Company was located in the UK which resulted in the low tax rate in 2018. The main rate of UK corporation tax was reduced from 20% to 19% from 1 April 2018 and was due to be reduced to 18% from 1 April 2020. These changes were substantively enacted on 26 October 2015. In the 2016 Finance Act, the main rate of Corporation tax was reduced to 17% from 1 April 2020. Royal Assent was received on 15 September 2016.

Total tax losses carried forward amount to €76,626 thousand as of 31 December 2019 (2018: €105,584 thousand). The tax losses predominately arose in the UK, Germany and Spain. The tax losses do not expire. With the exception of €51,747 thousand relating to Lotto24 and €1,000 thousand relating to Ventura24, deferred tax assets have not been recognised in respect of these losses as there is currently uncertainty as to whether the related entities will generate sufficient taxable profit in the future against which the losses could be utilised.

At 31 December 2019, there were no recognised or unrecognised deferred tax liabilities (2018: €nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associates or joint ventures. Management has determined that undistributed profits of its subsidiaries that will be distributed in the foreseeable future are unlikely to have any tax consequences therefore no deferred tax liability has been recorded.

As of December 31, 2019, the temporary difference between net assets and the tax bases of subsidiaries and associated companies (outside basis differences) amount to €125 million. Accordingly, €2 million in deferred tax liabilities were not recognized as ZEAL is able to control the timing of their reversal and the temporary difference will not reverse in the foreseeable future.

14 OTHER INVESTMENTS

	2019	2018
in € thousand		
Balance as at 1 January	**3,433**	**3,041**
Additions	170	247
Transfers	(113)	–
Fair value adjustment through OCI	647	145
Balance as at 31 December	**4,137**	**3,433**

ZEAL holds investments in Omaze Inc (Omaze), Pick Media Limited ('Pick my Postcode' or 'PMP'), De Integro Limited (The Dream Makers) and Furlong Gaming Limited (Furlong). On adoption of IFRS 9, as the investments are held for long term strategic purposes, they have been designated as fair value through other comprehensive income.

Furlong

In April 2019, ZEAL invested €58 thousand in Furlong. This is an early stage start-up which is developing a lottery aimed at customers interested in horse racing.

At 31 December 2019, the Group determined that the cash paid to acquire the investment is equal to the fair value of the business.

The Dream Makers

On 19 December 2018, the Group acquired a 10% interest in The Dream Makers which is located in England, UK. Cash consideration of €132 thousand (£120 thousand) was paid for 10% of the ordinary shares. The Dream Makers is a travel-deal subscription business which gives customers the chance to win amazing holiday experience.

At 31 December 2019, the Group has determined that the carrying value of the investment was no longer supported by it expected future cash flows and the investment was written down to nil.

Wshful

On 26 July 2018, ZEAL invested €113 thousand (£100 thousand) for a 5% interest in Wshful. Wshful is a lottery syndicator based in London. ZEAL holds an anti-dilution call option to purchase an extra 10% of the shares at any time within five years from the date of the investment. In 2019 the Company acquired an additional 15% of Wshful and the Company was reclassified as an investment in an associate.

Omaze

On 1 May 2017, ZEAL secured a cash investment of €1,843 thousand (USD $2,000 thousand) in Los Angeles based start-up Omaze. Omaze is disrupting charitable giving by offering once-in-a-lifetime experiences and exclusive merchandise in support of critical causes. ZEAL received preferred shares representing a 2.5% interest, a Board Observer seat and various rights to protect and extend its shareholding. An additional investment of €112 thousand (USD $126 thousand) was made in April 2019, in order to maintain the Group's 2.5% interest in Omaze.

Pick My Postcode

In December 2016, the Group acquired for €1,198 thousand (£1,000 thousand), a 10% interest in PMP and an anti-dilution call option to purchase an extra 20% of the shares at any time within five years from the date of the investment.

Valuation of investments

For Omaze and PMP, the fair value of the investments was calculated using a discounted cash flow model to determine the fair value (enterprise value) of the underlying businesses that ZEAL has invested in. The fair value of ZEAL's share of each business has been measured using an option pricing model (OPM). The option pricing model allocates the enterprise value of the investment amongst the individual shareholders, to determine the fair value of their investment.

The discounted cash flow uses budgets, provided by our external investments, which show the forecasted earnings before interest and tax for the next 5 years to generate cash flow projections. These budgets are based on past experience and historic trends. The underlying growth rate varies between the investments and is detailed below. After year five a long-term growth rate has been applied in perpetuity. This growth rate is based on estimated long-term growth rates for the markets in which the investments operate. Accordingly, a terminal value has been applied using an underlying long-term growth rate of 1%. The cash flows are discounted to present value using a weighted average cost of capital (WACC). This WACC is considered to appropriately account for the uncertainty of how early start-up businesses will develop.

The key inputs in the Omaze valuation and their sensitivity are shown below:

Valuation technique	Significant unobservable input	Range	Sensitivity of the input to fair value
OPM	WACC	25%	A 5% increase (decrease) in the WACC would result in an increase in fair value of €462 thousand.

The key inputs in the PMP valuation and their sensitivity are shown below:

Valuation technique	Significant unobservable input	Range	Sensitivity of the input to fair value
OPM	WACC	20%	5% increase (decrease) in the WACC would result in a (decrease) increase in fair value of €32 thousand.

There was no dividend income from any investment in 2019 (2018: nil). No investments were disposed of during 2019, and there were no transfers of any cumulative gains or losses within equity relating to these investments.

15 SHARES IN ASSOCIATED COMPANIES

In 2019, the Group has investments in two associated companies; Wshful and TH Travel Limited (Trip Hunters).

Wshful

The Group increased its investment in Wshful from 5% at 31 December 2018 to 20% at 30 June 2019. Following the increase, the investment is accounted for as an investment in an associate using the equity method in the Consolidated Financial Statements. Wshful is a lottery syndicator based in London.

The following table illustrates the summarised financial information of the Group's investment in Wshful.

	2019
in € thousand	
Current assets	197
Current liabilities	(24)
Equity	**173**
Group's share in equity (20%)	**35**
Goodwill	417
Carrying amount of the Group's investment	**452**

	2019
in € thousand	
Revenue	202
Cost of sales	(157)
Other expenses	(106)
Loss before tax	**(61)**
Tax	–
Loss for the period	**(61)**
Group's share of loss for the period	**(12)**

The associate had no material contingent liabilities or capital commitments as at 31 December 2019.

Trip Hunters

The Group invested €177 thousand to acquire 33% of Trip Hunters in December 2019 .

	2019
in € thousand	
Current assets	138
Current liabilities	(1)
Equity	**137**
Group's share in equity (33%)	**45**
Goodwill	132
Carrying amount of the Group's investment	**177**

	2019
in € thousand	
Revenue	2
Cost of sales	(1)
Other expenses	(1)
Loss before tax	**–**
Tax	–
Loss for the period	**–**
Group's share of loss for the period	**–**

16 TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	2019	2018
in € thousand		
Trade receivables	–	772
Total trade receivables	**–**	**772**
Receivables from lottery companies, payment systems and customers	13,438	7,312
Provision for expected credit loss/doubtful debt	(484)	(460)
Security retainers	1,433	210
Receivables from gaming operations	**14,387**	**7,062**
Other debtors	1,300	1,298
Prepayments and accrued income	1,742	6,554
VAT receivable	312	668
Other receivables	**3,354**	**8,520**
Trade receivables and other current assets	**17,741**	**16,354**

All trade receivables, other assets and prepaid expenses are due in less than one year.

See note 31.2 for an explanation of the ECL models applied to the trade receivables and other current asset balances, were appropriate.

17 CASH, CASH EQUIVALENTS AND OTHER SHORT-TERM EQUITY FUNDS

	2019	2018
in € thousand		
Bank balances	79,208	128,846
Cash on hand	2	3
Pledged cash	4,484	4,144
Cash and pledged cash	**83,694**	**132,993**
Equity funds	2,925	–
Fixed income funds	69,586	12,894
Cash equivalents and other short term equity funds	**72,511**	**12,894**

In line with IAS 7, investment in equity funds are excluded from the cash and cash equivalents balance. Total cash and cash equivalents at 31 December 2019 is €153,280 thousand (2018: €145,887 thousand).

Bank balances mainly comprise term deposits on short-term call and with variable interest rates held at various major European banks.

Included within the bank balances of €79,208 thousand (2018: €128,846 thousand) is an amount of €13,575 thousand (2018: €10,888 thousand) to cover customer liabilities. Pledged cash is €4,484 thousand (2018: €4,144 thousand). This cash is pledged as a requirement of our Spanish, Czech and Norwegian gambling licences.

17.1 CASH EQUIVALENTS AND OTHER SHORT-TERM EQUITY FUNDS

At 31 December 2019, ZEAL held cash equivalents and other short-term equity funds amounting to €72,511 thousand (2018: €12,894 thousand). These deposits comprised fixed-income funds and equity funds and are broadly spread and of high quality. A change in fair value of a €88 thousand loss (2018: loss of €449 thousand) was recognised in the income statement.

Movements in cash equivalents and other short-term equity funds in the period are as follows:

	2019	2018
in € thousand		
Balance at 1 January	**12,894**	**27,123**
Acquired	74,804	–
Sold	(15,099)	(13,780)
Fair value movement	(88)	(449)
Balance at 31 December	**72,511**	**12,894**

18 OTHER LIABILITIES

Current	2019	2018
in € thousand		
Accrued liabilities	5,308	10,133
Accrued liabilities	**5,308**	**10,133**
Liabilities to customers and game brokers	21,455	11,429
Liabilities from gaming duty	9	128
Liabilities from gaming operations	**21,464**	**11,557**
Employee benefits	**607**	**925**
VAT	1,835	2,567
Payroll related taxes and social security payable	936	242
Tax and social security payable	**2,771**	**2,809**
Total other current liabilities	**30,150**	**25,424**

All other liabilities included in the table above are due in less than one year.

Non-current	2019	2018
in € thousand		
Accrued rent	–	1,194
Employee benefits	1,026	529
Other non-current liabilities	–	35
Total other non-current liabilities	**1,026**	**1,758**

Employee benefits

The Group operates a long-term incentive plan arrangement for certain employees. Further details have been disclosed in note 24 to the Consolidated Financial Statements.

All other liabilities included in the table above are due after more than one year.

19 DEFERRED INCOME

Deferred income of €24 thousand (2018: €3,098 thousand) relates to payments for gaming orders and stakes received prior to 31 December 2019. In accordance with the Group's accounting policies, revenue can only be recognised on these stakes on the date of the respective draw. Of the deferred income recognised none (2018: nil) relates to revenue transactions accounted for under IFRS 15.

The Management Board expects that all deferred revenue will be released to the Consolidated Income Statement during 2020.

20 PROVISIONS

Current	Opening balance 01.01.2019	Utilised	Release	Additions	Closing balance 31.12.2019
in € thousand					
Provisions for litigation	439	(274)	(441)	946	670
Provisions for closure of Ventura24's B2C business	2,912	(2,412)	(500)	102	102
Provision for severance costs	990	(1,885)	(776)	7,461	5,790
Total short-term provisions	**4,341**	**(4,571)**	**(1,717)**	**8,509**	**6,562**
Provision for Austrian gaming duty	1,909	–	–	178	2,087
Provisions for dilapidation	251	–	–	22	273
Total long-term provisions	**2,160**	**–**	**–**	**200**	**2,360**
Total provisions	**6,501**	**(4,571)**	**(1,717)**	**8,709**	**8,922**

Provisions for litigation

Provisions for litigation represent management's best estimate of the probable eventual cash outflow that will result from resolution of ongoing legal cases. Individual provisions included in provisions for litigation relate to cases that have been in progress for a number of years. It is difficult to predict the timing of any cash outflow that might result from cases awarded against the Group. As such, provisions for litigation have been classified as current liabilities as there is no certainty that any judgement against the Group (leading to an outflow of cash) would take place in annual periods commencing after 2019.

Provisions for closure of Ventura24's B2C Business

Provisions represent management's best estimate of the probable eventual cash outflow resulting from the closure of Ventura24's B2C Business. The provision can be broken down between: employee related expenses including redundancy packages and other closure costs. At 31 December 2019, the provision is expected to be spent in the following year as affected employees leave the business.

Provision for severance costs

The severance provision relates to redundancy and other costs associated with ZEAL's decision to restructure the business ahead of the acquisition of Lotto24. At 31 December 2019, the provision is expected to be spent in the following year as affected employees leave the business.

Provision for Austrian gaming duty

The provision for €2,087 thousand at 31 December 2019 (2018: €1,909 thousand) represents management's best estimate of the probable eventual cash outflow resulting from tax investigations. Management expects the outflow of cash to occur after more than one year and has therefore classified the amount as non-current.

Provision for dilapidation

The provision for €273 thousand at 31 December 2019 (2018: €251 thousand) represents managements best estimate of the probable eventual cash outflow resulting from the expiry of the Group's office leases. The provision covers the estimated cost of the contractual obligation to return the offices to their state at the origination of the lease.

21 EQUITY

21.1 SHARE CAPITAL

The Company's share capital consists of 22,396,070 ordinary shares issued and fully paid (2018: 8,385,088). Shares have a €1 par value. Each share has the right to dividends and there are no preference shares or restrictions. The Company issued 14,010,982 new shares in May 2019 as part of the acquisition of Lotto24.

21.2 AUTHORISED CAPITAL

On 22 June 2016 the Statutes of the Company were amended such that the Management Board of ZEAL Network – with the approval of the Supervisory Board – can approve allotment of additional share capital up to a nominal amount of €1,197 thousand. This increase in share capital can be effected by issuing, on one or more occasions, in whole or in part, new €1 par value shares in return for cash or contribution in kind (allotment of shares). The approval to issue additional share capital expires on 21 June 2021.

21.3 SHARE PREMIUM

The balance on the share premium account represents the amounts received in excess of the nominal amount of the ordinary and preference shares. Share premium amounted to €280,132 thousand at 31 December 2019 (2018: €21,578 thousand). The increase is the result of the issuance of 14,010,982 of new shares at a value of €19.50 per share.

21.4 NON-CONTROLLING INTEREST

Following the acquisition of Lotto24 the Group has recognised non-controlling interest. This is the proportion of equity of Lotto24 which is not attributable to ZEAL but is instead attributable to the holders of the 7% non-controlling interest.

In line with the requirements of IFRS 12, we have disclosed the key financial information of Lotto24, as a standalone company at 31 December 2019.

	2019
in € thousand	
Current assets	37,492
Non-current assets	38,151
Equity	37,288
Current liabilities	34,740
Non-current liabilities	3,615
Revenue	44,098
EBITDA	5,501
EBIT	3,979
Net profit/Total comprehensive income	4,962

	2019
in € thousand	
Cash flow from operating activities	8,727
Cash flow from investing activities	(659)
Cash flow from financing activities	(587)
Change in available funds	7,481

21.5 TREASURY SHARES

In March 2018, a final judgement was handed down by the Hamburg Regional Court in relation to a dispute originally raised in 2015 regarding the transfer of the registered office of ZEAL from Hamburg, Germany, to London, UK. As a result, qualifying shareholders who held shares in ZEAL on the date that the transfer was resolved became entitled to sell their shares back to ZEAL at a price which was set at €43.34 per share. A Resolution to approve the purchase of these shares by ZEAL was passed at an Extraordinary General Meeting on 27 July 2018. This has resulted in the acquisition of 43,910 treasury shares at a price of €43.34 per share resulting in a purchase price of €1,903 thousand in 2018. The acquired treasury shares are treated as a deduction from equity and have reduced distributable reserves.

21.6 EARNINGS PER SHARE

Earnings per share (basic and diluted) was €0.09 (2018: €3.18) per share for the year ended 31 December 2019.

The weighted average number of shares was 17,098,042 (2018: 8,366,792).

Basic earnings per share is calculated by dividing loss or net profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing loss or net profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year (increased to account for the diluting effects from stock options, warrant agreements or any other plans in place at the Statement of Financial Position date, which may lead to the issuance of an additional number of shares in the future). In fiscal year 2019, there was no dilutive effect as there were no such programs (2018: no dilutive effect).

21.7 OTHER RESERVES

Other reserves amount at 31 December 2019 is €874 thousand (2018: €227 thousand). Other reserves represents the cumulative gains and losses (including any related foreign exchange movements) arising from changes in the fair value of available for sale financial assets. On disposal or impairment of available for sale assets, any gains or losses in other comprehensive income were reclassified to the income statement.

Other reserves includes: the legal reserve in Ventura24 of €82 thousand (2018: €82 thousand) and the cumulative fair value movement in equity instruments (as recorded within other investments) of €792 thousand (2018: €145 thousand).

21.8 FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve records amount to €164 thousand (2018: €201 thousand) and relates to exchange differences arising from the translation of the financial statements of foreign operations.

21.9 RETAINED EARNINGS

Retained earnings represent the cumulative income and expenses recorded by the Group since inception. Cumulative net income generated since inception has been derived from transactions settled with qualifying consideration, with the exception of unrealised gains and losses due to foreign exchange.

22 SUBSIDIARIES

The list below includes all subsidiary undertakings. Effective interest is the Group's interest in the equity of the associated entity.

Name and registered office	Country	Principal activities	Nature of relationship with ZEAL Network	% effective interest	
				2019	2018
myLotto24 Limited [1] Suite 1, 3rd Floor 11–12 St. James's Square, London, SW1Y 4LB	United Kingdom	Lottery	Subsidiary	100	40
Tipp24 Services Limited 49 Clerkenwell Green London EC1R 0EB	United Kingdom	Support services	Subsidiary	100	16
Tipp24 Deutschland GmbH[1] Burchardstrasse 22 MBE 311 20095 Hamburg	Germany	Lottery	Subsidiary	100	100
Lottovate Deutschland GmbH Kurze Muehren 1 20095 Hamburg	Germany	Lottery	Subsidiary	100	100
Ventura24 S.L.U. [1] Leganitos 47 28013 Madrid	Spain	Lottery	Subsidiary	100	100
Ventura24 Games S.A.[1] Leganitos 47 28013 Madrid	Spain	Dormant	Subsidiary	100	100
Smartgames Technologies Limited Suite 1, 3rd Floor 11–12 St. James's Square, London, SW1Y 4LB	United Kingdom	Support services	Subsidiary	100	40
Lottovate Limited [1] 5th Floor One New Change, London, EC4M 9AF	United Kingdom	Lottovate business	Subsidiary	100	100
ZEAL International Limited[1] 5th Floor One New Change, London, EC4M 9AF	United Kingdom	Dormant	Subsidiary	100	100
Lottovate Nederland B.V. Herengracht 124 1015 BT Amsterdam	Netherland	Dormant	Subsidiary	100	100
Tipp24 Investment 1 Limited[1] 5th Floor One New Change, London, EC4M 9AF	United Kingdom	Holding company	Subsidiary	100	100
Tipp24 Investment 2 Limited [1] 5th Floor One New Change, London, EC4M 9AF	United Kingdom	Holding company	Subsidiary	100	100

Name and registered office	Country	Principal activities	Nature of relationship with ZEAL Network	% effective interest	
				2019	2018
Lotto Network Limited[1] 5th Floor One New Change, London, EC4M 9AF	United Kingdom	Dormant	Subsidiary	100	100
eSailors Limited[3] Suite 1, 3rd Floor 11-12 St. James's Square, London, SW1Y 4LB	United Kingdom	Holding company	Subsidiary	100	40
Schumann e.K. Straßenbahnring 11 20251 Hamburg	Germany	Lottery	Subsidiary	–	–
Geonomics Global Games Limited[1] 5th Floor One New Change, London, EC4M 9AF	United Kingdom	Dormant	Subsidiary	100	100
Geo24 UK Limited 5th Floor One New Change, London, EC4M 9AF	United Kingdom	Dormant	Subsidiary	100	100
Gratis Lotto Limited Suite 1, 3rd Floor 11–12 St. James's Square, London, SW1Y 4LB	United Kingdom	Dormant	Subsidiary	100	16
myLotto24 Australia Pty Ltd[4] Office 4, Building 5 356-366 Bagot Road Millner, Northern Territory, 0812	Australia	Lottery	Subsidiary	–	40
myLotto24 South Africa Pty Ltd 7 Martin Hammerschlag Way, Foreshore, Cape Town, 8001	South Africa	Dormant	Subsidiary	100	40
myLotto24 IT Platform Ltd[4] One Spencer Dock, North Wall Quay, Dublin 1	Ireland	Technology services	Subsidiary	–	40
Tipp24 Services Ltd (Malta) 93 Mill Street, QORMI QRM 3102	Malta	Support services	Subsidiary	100	16
myLotto24 Ltd (Malta) 93 Mill Street, QORMI QRM 3102	Malta	Support services	Subsidiary	100	40
ZEAL International Limited (Malta) 85 St John Street, Valletta, VLT 1165	Malta	Lottery	Subsidiary	100	100
Lotto24 AG[2] Straßenbahnring 11 20251 Hamburg	Germany	Lottery brokerage	Subsidiary	93	–

[1] These subsidiaries are held directly by ZEAL Network.

[2] This subsidiary was acquired on 14 May 2019.

[3] This subsidiary was liquidated on 26 August 2019.

[4] This subsidiary was liquidated on 9 October 2019.

Section 479A audit exemption

Tipp24 Investment 1 Limited (Company no. 08316353), Tipp24 Investment 2 Limited (Company no. 08467763), Lotto Network Limited (Company no. 08285053), Geonomics Global Games Limited (Company no. 08316353), Geo24 UK Limited (Company no. 07428898), eSailors Limited (Company no. 08840246), Gratis Lotto Limited (Company no. 09984098) and ZEAL International Limited (Company no. 10488774) will take the exemption available by virtue of section 479A of the UK Companies Act 2006, which exempts them of the requirements of an audit of their individual accounts.

23 PERSONNEL EXPENSES

The table below shows the full time equivalent average number of employees over the year.

Director and employee numbers	Total
2019	
Management Board	2
General Managers	5
Employees	186
Trainees	6
Temporary personnel	7
Total	**206**

Director and employee numbers	Total[1]
2018	
Management Board	3
General Managers	8
Employees	240
Trainees	2
Temporary personnel	5
Total	**258**

[1]The prior year comparatives have been restated to be calculated in line with the requirements of section 267(5) of HGB. The amounts average headcount disclosed in the 2018 Annual Report was 262.

Personnel expenses incurred during 2019 are included in the table below:

	2019	2018
in € thousand		
Salaries	19,462	24,572
Pension contributions	443	641
Social security contributions	3,059	3,624
Total personnel expenses	**22,964**	**28,837**

These figures include remuneration for the Management Board, further details of which are in included in the Remuneration Report on pages 55 to 59.

Personnel expenses associated with the Group restructure have been disclosed in non-recurring expenses and income and further detail can be found in note 7. During 2019, €1,740 thousand (2018: €254 thousand) of these severance costs were paid and €145 thousand (2018: €8 thousand) of social security costs were paid. The remainder will be paid to employees during 2020.

24 SHARE BASED PAYMENTS

The Group operates a long-term incentive plan arrangement for certain employees. The scheme provides a cash payment to the employee based on a specific number of phantom shares at grant date and the share price of ZEAL Network SE at the vesting date. The cash payment is dependent on the achievement of internal and external profitability targets over the two and three-year performance periods and continued employment until the end of the vesting period. The cash payment has no exercise price and therefore the weighted average exercise price in all cases is €nil.

The carrying amount of the liability relating to the long-term incentive plan at 31 December 2019 was €1,619 thousand (2018: €1,289 thousand). The total expense recognised for the long-term incentive plan was €893 thousand (2018: €510 thousand). Movements in the number of phantom shares awarded can be found below.

	2019	2018
in € thousand		
Outstanding at the beginning of the year	40,888	53,148
Granted during the year	39,071	22,305
Exercised in the year	(5,217)	(14,046)
Forfeited in the year	(6,683)	(20,519)
Outstanding at 31 December	**68,059**	**40,888**
Exercisable at 31 December	**13,366**	**5,217**

The weighted average remaining contractual life of the outstanding awards is 3.47 years (2018: 1.42 years).

The fair value of the awards was calculated using a Monte-Carlo model at the grant date. The fair value is updated at each reporting date as the awards are accounted for as cash settled under IFRS 2 Share-based Payments. External market conditions are incorporated into inputs into the model. The dividend yield and share price volatility is based on ZEAL Network SE historic data and the risk-free rate calculation is based on government bond rates. The inputs used are:

	2019	2018
Risk-free rate	(0.66%)	(0.65%)
Dividend yield	1.74%	5.0%
Share price volatility	43%	38.0%
Weighted average fair value per phantom share (€)	21.85	19.84

The share price volatility of the Group's TSR is calculated using daily data over a period commensurate to the remaining performance period for the awards.

25 LEASES

25.1 AS A LESSEE

The Group leases assets including office space and machinery. In addition, the Group leases IT equipment and other items with contract terms of one to three years. These leases are short term and/or low-value items. The Group has elected not to recognise right of use assets and lease liabilities for these leases. On adoption, when measuring lease liabilities, the Group discounted lease payment using its incremental borrowing rate at 1 January 2019. The rate applied is 4%.

The Group leases office space in London. The lease ends in July 2028, however under the terms of the lease the Group can terminate early in July 2025. The Group expects to exercise the early termination option and the IFRS 16 calculation has been prepared based on the lease ending in 2025.

The Hamburg office lease contains a clause that rent will increase after the fourth year (May 2021) by the consumer price index for Germany as determined by the Federal Statistical Office (base 2010 = 100) compared to the status in the month of the start of lease ('first basis month'). Annually, after the 4th year, the rent will increase by index changes between the last adjusment-based index status and the index status in the last month of the elapsed rental year. In line with the requirements of IFRS 16 the variable payments have been included in the calculation of the initial lease liability and right of use asset, based on the CPI rate on the date the contract was entered into (May 2017). The lease liability and right of use asset will be adjusted once the change in rent is known in May 2021. The Group has no other variable lease payments based on an index.

Information about leases for which the Group is a lessee, are presented below:

Cost	Property	Office equipment	**Total**
in € thousand			
Balance as at 1 January 2019	**–**	**–**	**–**
Amount recognised on adoption of IFRS 16	6,892	43	6,935
Additions	4,312	14	4,326
Disposals	(1,424)	(31)	(1,455)
Balance as at 31 December 2019	**9,780**	**26**	**9,806**

Accumulated depreciation	Property	Office equipment	**Total**
in € thousand			
Accumulated depreciation as at 1 January 2019	**–**	**–**	**–**
Provided during the year	(1,733)	(38)	(1,771)
Disposals	418	25	443
Accumulated depreciation as at 31 December 2019	**(1,315)**	**(13)**	**(1,328)**

Book value	Property	Office equipment	**Total**
in € thousand			
As at 31 December 2018	**–**	**–**	**–**
As at 31 December 2019	**8,465**	**13**	**8,478**

Additions to the right of use asset primarily relate to the amounts recognised following the acquisition of Lotto24 and the decision to lease an additional floor in the Straßenbahnring office in September 2019.

In December 2019, the Group subleased part of its German office. The Group classified this lease as a finance lease, as the risks and rewards of ownership were substantially transferred. As a result, the Group released the right of use asset, as seen in the table above, and recognised a net investment balance. A short-term net investment balance of €392 thousand has been disclosed within trade receivables and other current assets and a long-term net investment balance of €654 thousand has been disclosed within other assets and prepaid expenses.

The Group has recognised lease liabilities on the face of the Consolidated Statement of Financial Position. The table below shows the maturity analysis of the contractual undiscounted cash flows for the lease liability.

	2019
in € thousand due in	
Less than one year	2,874
One to five years	7,788
More than five years	1,971
Total	**12,633**

The following amounts have been recognised in the Consolidated Income Statement:

	2019
in € thousand	
Interest on lease liabilities	(388)
Expenses relating to leases of low value assets, excluding short-term leases of low value items	(67)
Depreciation on right of use assets	(1,771)

The effect on cash flow for 2019 was as follows:

	2019
in € thousand	
Cash flow from operating activities	–
Cash flow from financing activities	(2,312)

25.2 AS A LESSOR

The Group sub leases part of its office buildings in London. The Group has classified this lease as operating lease, because they do not transfer substantially all of the risks and rewards of ownership of the underlying asset. During the year the Group has earned income of €464 thousand from this sub lease.

The following table sets out a maturity analysis of lease payments, as of 31 December 2019, showing the undiscounted lease payments to be received after the reporting date.

	2019
in € thousand	
2020	875
2021	957
2022	435
Total	**2,267**

26 DIVIDENDS

Due to the continuing positive liquidity situation of the ZEAL Group in 2019 and the expected increasing profitability, we will propose a total amount of pay-out of €17.6 million (2018: €8.4 million) to the Annual General Meeting on 17 June 2020. This corresponds to a dividend of €0.80 per share for the fiscal year 2019 (2018: € 1.00). Depending on the economic development of the ZEAL Group, we also intend to propose an annually increasing dividend to shareholders in the following years – with the aim of reaching €1.00 per share in 2022.

Cash flows from dividends paid are classified under financing activities in the cash flow statement and the dividends paid are deducted from retained earnings in the statement of changes in equity.

27 COMMITMENTS AND CONTINGENCIES

OTHER FINANCIAL COMMITMENTS

In 2018, the Group had significant financial commitments arising from other contracts, including cooperation agreements, and insurance contracts. These commitments do not meet the definition of provisions in accordance with IAS 37 'Provisions, contingent assets and contingent liabilities' and have therefore been disclosed as a note to the Consolidated Financial Statements. At 31 December 2019 the Group had other commitments payable in 2020 of €305 thousand (2019: €2,200 thousand) and commitments payable in 2021 of €22 thousand (2018: nil).

CONTINGENT LIABILITIES

There is significant uncertainty as to whether VAT is due in respect of certain services provided by the myLotto24 Sub-Group to customers domiciled in the European Union from 1 January 2015. Furthermore, there is uncertainty in respect of the tax base to be applied in the event that it is ultimately determined that VAT is due on any of these services. Based on a thorough legal assessment, which included a review of the existing legal framework of relevant Member States and existing case law, the Management Board consider that the likelihood of outflow of economic resources is not probable and timing of associated financial impact is uncertain. Accordingly, the Management Board has not recorded any liability in the Consolidated Financial Statements. It is estimated that in the event that ZEAL is unsuccessful in its defence, the potential financial effect would be €76.9 million (2018: €64.6 million) exclusive of tax impact. Following the payment of €54 million in January 2020, the Group has mitigated the risk of penalty payments resulting in the potential financial effect decreasing compared to the amount disclosed in the quarterly reporting as at 30 September 2019. The Group considers its position to be strong. This view has been formed with consideration to independent legal opinions and likely outcomes. Although uncertain, it's expected that an outcome will be known within two to four years. In respect of other taxes and duties, with the exception of those provided in the Consolidated Financial Statements, the Management Board consider it unlikely that any further liability will arise from the final settlement of any suchassessments. The Management Board will continue to closely monitor any changes.

28 BUSINESS COMBINATION

Acquisition of Lotto24

On 14 May 2019, the Group acquired 93.04% of the shares of Lotto24, a listed German lottery brokerage business, in exchange for ZEAL shares. The Group acquired Lotto24 in order to significantly de-risk its business model and become a licenced broker in Germany.

Consideration paid and the costs of acquisition

ZEAL issued 14,010,982 shares as consideration to acquire 22,473,615 shares in Lotto24. The fair value of the shares is calculated with reference to the quoted price of ZEAL shares at the date of acquisition, which was €19.50 per share. The fair value of the consideration was therefore €273,214 thousand.

In 2019 transaction costs of €1,950 thousand (2018: €3,852 thousand) were expensed and included in non-recurring expenses. The attributable costs of the issuance of the shares of €650 thousand have been charged directly to equity as a reduction in share premium.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of Lotto24 at the date of acquisition are shown below:

	Carrying value on acquisition	Fair value adjustments acquired intangibles	Fair value adjustments - goodwill	Fair value adjustments – deferred tax liability	Fair value recognised on acquisition
Assets in € thousand					
Non-current assets					
Property, plant and equipment	1,244	–	–	–	1,244
Intangible assets	19,294	156,584	(18,850)	–	157,028
Deferred tax assets	16,223	–	–	–	16,223
Right of use asset	3,159	–	–	–	3,159
Total non-current assets	**39,920**	**156,584**	**(18,850)**	**–**	**177,654**
Current assets					
Trade and other receivables	315	–	–	–	315
Other current assets and prepaid expenses	7,098	–	–	–	7,098
Cash and pledged cash	9,348	–	–	–	9,348
Total current assets	**16,761**	**–**	**–**	**–**	**16,761**
Total Assets	**56,681**	**156,584**	**(18,850)**	**–**	**194,415**
Liabilities in € thousand					
Non-current liabilities					
Lease liability non-current	(2,810)	–	–	–	(2,810)
Deferred tax liabilities	(3,808)	–	–	(50,537)	(54,345)
Other financial liabilities (long term)	(1,791)	–	–	–	(1,791)
Total non-current liabilities	**(8,409)**	**–**	**–**	**(50,537)**	**(58,946)**
Lease liability	(326)	–	–	–	(326)
Trade payables	(3,459)	–	–	–	(3,459)
Other liabilities	(10,551)	–	–	–	(10,551)
Income tax liabilities	(58)	–	–	–	(58)
Provisions	(344)	–	–	–	(344)
Total current liabilities	**(14,738)**	**–**	**–**	**–**	**(14,738)**
Total identifiable net assets at fair value	**33,534**	**156,584**	**(18,850)**	**(50,537)**	**120,731**
Non-controlling interest	–	–	–	–	(8,403)
Goodwill arising on acquisition	–	–	–	–	160,886
Purchase consideration transferred	**–**	**–**	**–**	**–**	**273,214**

The goodwill of €160,886 thousand comprises the expected cost savings and synergies arising from the acquisition and the Business Model Change that this facilitates. The Group expects that savings in direct costs of operations will account for around 60% of the overall cost synergies because all costs covering the bookmaking risks for the German market will not be required after the Business Model Change, and the amount of non-deductible VAT will be reduced within the myLotto24 Sub-Group. Furthermore, the Group expects that a reduction of personnel expenses and other operating expenses within the combined ZEAL and Lotto24 Group will represent around 40% of the overall cost synergies and will result from removing business related duplicated roles enabled by the migration of the German broker businesses of the Combined Group onto one technology platform, removing duplication of central functions roles, duplicates in senior management structure and roles related to hedging activities, rationalisation of the Combined Group's locations, and reduction of consultancy expenses and professional fees based on de-duplication and changed requirements due to the Business Model Change.

The goodwill has been allocated entirely to the Lottery brokerage segment. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following adjustments have been posted to the opening statement of financial position:

1) The goodwill previously recognised in the Lotto24 statement of financial position was written off as it does not meet the capitalisation criteria under IFRS 3.
2) Acquired intangible assets with a fair value of €156,584 thousand were recognised on the acquisition of Lotto24. These can be broken down as follows: customer list valued at €88,387 thousand, brand valued at €66,007 thousand and software of €2,190 thousand. These assets were internally generated within Lotto24 and therefore not recognised on their statement of financial position. A fair value adjustment has been recorded to recognise these assets in the opening statement of financial position of Lotto24.
3) In line with the requirements of IAS 12 a deferred tax liability of €50,537 thousand was recognised in respect of the taxable differences which arose following the recognition of the acquired intangible assets.

Following a review of the Lotto24 accounting policies and the fair value of other acquired assets and assumed liabilities no other fair value adjustments have been made to the opening statement of financial position. Certain balances have been reclassified between financial statement line items to be consistent with the presentation and disclosure of ZEAL.

The fair value and gross amount of the acquired trade receivables is €315 thousand. It is expected that the full contractual amount will be collected.

Non-controlling interest

ZEAL has elected to measure its non-controlling interest in the acquiree using the proportionate share method. The net assets of Lotto24 at the date of acquisition were €120,731 thousand, resulting in a non-controlling interest of €8,403 thousand. In June 2019 ZEAL acquired an additional 37 thousand shares in Lotto24 for consideration of €514 thousand. The increase in investment in Lotto24 has reduced the value of the Group's non-controlling interest by €273 thousand and reduced retained earnings by €241 thousand. In line with the requirements of IFRS there has been no impact on the value of goodwill recognised on the acquisition of Lotto24.

Income statement

From the date of acquisition, Lotto24 has contributed €29,317 thousand of revenue and €4,726 thousand of net profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue for the Group would have been €126,784 thousand and net profit before tax for the Group would have been €9,468 thousand.

Analysis of cash flows on acquisition	**2019**
in € thousand	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	9,348
Transaction costs attributable to issuance of shares (included in cash flows from financing activities)	(650)
Net cash flow on acquisition	**8,698**

29 RELATED PARTIES

The members of the Management Board and Supervisory Board of ZEAL Network, as well as their immediate relatives are regarded as related parties in accordance with IAS 24 'Related party disclosures'.

Note 22 to the Consolidated Financial Statements provides information about the Group's structure, including details of each subsidiary.

Oliver Jaster is a member of the Supervisory Board. The operating business of Schumann e.K. was outsourced to a related company of Oliver Jaster, Günther Direct Services GmbH, Bamberg. In return, Günther Direct Services GmbH, Bamberg, received compensation of €137 thousand for the year (2018: €114 thousand).

In June 2014, Lotto24 AG entered into two cooperation agreements with NKL lottery broker Oliver Jaster and SKL lottery broker Walter Günther. The aforementioned cooperation partners represent 'related parties' pursuant to IAS 24. In addition, the NKL lottery broker Oliver Jaster is a 'related company' as defined in the Related Parties Report. The cooperation agreements regulate the marketing of the class lotteries NKL and SKL via the Lotto24 AG website (Lotto24.de) with effect from 1 July 2014. Customers selecting class lottery products on Lotto24.de are redirected to the website Guenther.de, where they can purchase these class lottery products. For such successful redirecting, Lotto24 AG receives a permanent fixed percentage of the class lottery revenue generated by these customers. Prior to signing the agreement, Lotto24 AG had solicited several offers from various class lottery brokers in order to gauge standard market conditions and ultimately decided in favour of the offer made by the Günther companies.

Jens Schumann is a member of the Supervisory Board. Jens Schumann is the sole shareholder of Schumann e.K. This structure has existed in comparable form since 2002 and was chosen because class lotteries only issue sales licences at present to natural persons or companies in which neither the liability of the company nor its direct and indirect partners is limited. Prior to the Business Model Change, a cooperation agreement was in place between ZEAL and Schumann e.K., which governed the processing of game participation of class lottery customers by Schumann e.K. Under the terms of the agreement, Schumann e.K. must pay all commissions and other lottery brokerage fees collected in this context to ZEAL. ZEAL provided Schumann e.K. with services in the field of controlling, bookkeeping, marketing and technical services and bore the costs incurred by Schumann e.K. in running its operations. As Schumann e.K. forms part of the ZEAL Group, all charges and income eliminate in full in the consolidated financial statements.

As Jens Schumann operates Schumann e.K. in the interest of ZEAL, ZEAL has undertaken to indemnify him in the event of any personal claims by third parties arising from or in connection with the operation of Schumann e.K. Indemnification is limited to the extent that fulfilment of this indemnification may not cause ZEAL to become insolvent or over-indebted. In his capacity as shareholder of Schumann e.K., Mr Schumann did not receive any remuneration during the year.

Marc Peters, a member of the Supervisory Board of ZEAL, is an investor in Lottostarlet Limited (Lottostarlet), a lottery operator which is registered in Malta. During 2019, Tipp24 Services entered into a Games Service Agreement with Lottostarlet. In 2019, Tipp24 Services recognised €497 thousand (2018: nil) of revenue in relation to this agreement, of which €497 thousand (2018: nil) was outstanding at the year-end. Also during the year, myLotto24 entered into an Infrastructure Services Agreement with Lottostarlet. Under this agreement, myLotto24 makes available various technology services to Lottostarlet. In 2019, myLotto24 recognised €66 thousand (2018: nil) of revenue in relation to this agreement, of which €66 thousand (2018: nil) was outstanding at the year-end.

The charitable foundation 'Fondation enfance sans frontières', Zurich Switzerland, owner of the preference shares of myLotto24 Limited and Tipp24 Services Limited (prior to 15 October 2019), has been identified as a related party. In 2019 ZEAL Network SE paid €72 thousand to acquire the outstanding preference shares in both companies. In 2019, dividends of £15 thousand (2018: £15 thousand) were paid by myLotto24 Limited and €15 thousand by Tipp24 Services Limited (2018: £15 thousand) to the Swiss Foundation. Donations were paid by the Group to the Swiss Foundation of €23 thousand by myLotto24 Limited (2018: €20 thousand) and €23 thousand by Tipp24 Services limited during the year (2018: €20 thousand).

Please refer to the Remuneration Report for details on Management Board and Supervisory Board remuneration. A charge of €858 thousand (2018: €434 thousand) has been recognised in the Consolidated Income Statement for the Director's long-term incentives.

Key Management Personnel disclosures have been made in the Remuneration Report and note 32 to the Consolidated Financial Statements. Dividends paid to the members of the Supervisory Board and Management Board in the year are disclosed on page 25.

There were no other significant transactions with related parties in the year.

30 CAPITAL MANAGEMENT

ZEAL operates a decentralised capital management system. All major decisions concerning the financial structure of the Lottovate segment are taken by the Management Board of ZEAL Network. Prior to the Business Model Change, capital management activities of the Lottery Betting segment were handled by myLotto24 Limited, with the exception of Tipp24 Services, which operated its own capital management system. Following the Business Model Change the capital management activities of the Lottery Betting segment were handled by ZEAL Network.

The objective of the capital management policy of all individual segments, and of the Group as a whole, is to maintain investor, creditor and market confidence and sustain future development of the business. Specific principles and objectives of capital management are as follows:

- The capital structures of the Lottovate segment and the Lottery Betting segment (together 'the segments') consist of shareholders' equity as none of these segments holds any external debt.
- The amount of each segment's surplus equity (i.e. the quantum of equity that exceeds the amount required to secure each segment's stable financial position) is to be used for inorganic acquisitions and the funding of further organic growth in line with the strategic objectives.
- ZEAL Network also monitors the capital structure of all segments to ensure that sufficient equity is available to service external dividend payments.
- While none of the segments currently holds external debt, in the medium-term, ZEAL Network may also leverage its financial position to secure funding to finance growth or future a cquisitions.

The capital capacity and requirements of each segment is reviewed on at least a quarterly basis by the Management Board and Supervisory Board. The objective of these reviews is to ensure that there is sufficient capital available to ensure that external dividend payments can be made and each segment has sufficient resources available to fund ongoing working capital, investment and acquisition plans.

The risks to which ZEAL is exposed are described in the risk report.

The Group's dividend policy is disclosed on page 108.

31 DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

31.1 FAIR VALUE

All assets and liabilities for which fair value is measured or disclosed in the Consolidated Financial Statements are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Other investments have been designated as fair value through other comprehensive income. At 31 December 2019, the fair value of these investments was €4,137 thousand (2018: €3,433 thousand). A discounted cash flow model is utilised to determine the fair value (enterprise value) of the underlying businesses that ZEAL has invested in. The fair value of ZEAL's share of each business has been measured using an option pricing model. The option pricing model allocates the enterprise value of the investment amongst the individual shareholders. Further details can be found in note 14.

For all level 1 financial instruments the carrying amount approximates the fair value and are classified as held at amortised cost, with the exception of cash equivalents and other short-term equity funds. Cash equivalents and other short-term equity funds have been designated as fair value through profit or loss. At 31 December 2019, the fair value of these cash equivalents and other short-term equity funds was €72,511 thousand (2018: €12,894 thousand). Financial assets are quoted and their fair value is based on the price quotations at the reporting date.

During 2019, there were no transfers between level 1, level 2 and level 3 fair value measurements. On acquisition the investment in Furlong was designated as level 3.

31.2 CREDIT RISK

The scope of the credit risk of ZEAL equals the sum of cash, cash equivalents and other short-term equity funds, trade receivables and other receivables. The maximum credit risk at the reporting date is the carrying value of cash, cash equivalents and other short-term equity funds, receivables from gaming operations and trade receivables disclosed in note 16.

Impairment losses on cash equivalents and other short-term equity funds recognised in profit or loss were as follows:

	2019	2018
in € thousand		
Impairment loss on receivables from gaming operations	956	1,160
Impairment loss on trade receivables	–	–
Impairment loss on cash and other financial assets	–	–
Total impairment loss	**956**	**1,160**

Cash and other financial assets

There may be a default risk both in respect of the cash, cash equivalence and other short-term equity funds themselves, as well as the related interest accrued.

Due to the high total amount of cash, cash equivalents and other short-term equity funds held by ZEAL, and the resulting absolute and relative importance, extensive management processes have been established to steer and regularly monitor the Company's investment strategy.

Cash, cash equivalence and other short-term equity funds are invested in a variety of short-term securities offering as much liquidity and as little volatility as possible, while ensuring broad risk diversification. The overriding objective of the Group's investment strategy is to preserve capital – even at the expense of expected returns.

ZEAL's investment strategy is aimed at spreading and minimising risk by means of multi-dimensional diversification. Firstly, funds are divided into differing investment products, such as short-term deposits, highly fungible government bonds of Eurozone states and short-term investment fund units. Secondly, we restrict our choice to those investments with good credit ratings.

Impairment on cash has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash has low credit risk based on the external credit ratings of the counterparties. No expected credit losses (ECL) has been recognised for cash, as it is not material.

Cash equivalence and other short-term equity funds are held at fair value through profit or loss and therefore not assessed for impairment.

Trade receivables

Trade receivables primarily relate to amounts due from our partners for services performed on their behalf. Amounts are invoiced monthly and payment is due within 30 days. Impairments on trade receivables have been considered using the simplified lifetime ECL model. An impairment analysis is performed at each reporting date based on past events. At 31 December 2018 the Group has €772 thousand (2019: nil) of trade debtors, due from one party which was received in full in 2019. They were current and none overdue. This is consistent with past loss patterns and no provision has been recorded.

Receivables from gaming operations

The Group mainly collects the amounts owed by customers directly, via direct debit or credit card. Missing amounts from such returned direct debits or credit card charges are charged directly to 'Other operating expenses'.

The Group generates receivables from lottery operator for the winnings of its customers, which are passed on directly to the winners upon receipt. Due to the credit standing of the lottery operator, the Group does not expect any significant default on payment.

Receivables from payment systems such as credit card companies entail the risk that the Group's customers themselves fail to meet their payment obligations. This cost is recognised directly in the income statement in the event of payment default by a customer.

At 31 December 2019 €484 thousand (2018: €460 thousand) of customer direct debits or credit card payments were fully provided against. Of the €460 thousand provided for at 31 December 2018, the Group has not recovered any of the balance and the full amount was written off during 2019. The Group provides against failed payments as they occur. Efforts to recover the amounts are continued for 3 months, if they not been recovered after this then they are fully written off. Group has considered this in determining the appropriate level of lifetime credit losses for amount owed by customers.

The movement in the allowance for impairment in respect of receivables from gaming operations during the year was as follows.

	2019	2018
in € thousand		
Balances at 31 December	**460**	**1,964**
Net re-measurement of loss allowance	1,511	1,620
Amounts written off	(1,487)	(3,124)
Balance at 31 December	**484**	**460**

Contingent assets

There are no contingent assets.

31.3 LIQUIDITY RISK

Due to the sufficiency of its liquid assets, ZEAL is not exposed to any significant liquidity risk. Even in the case of significant restrictions of business against the backdrop of regulatory developments, ZEAL has sufficient liquidity to service its liabilities at any time. Financial liabilities are mainly due immediately and do not accrue interest.

In order to limit the particular risk of high jackpot pay-outs in the Lottery Betting segment, myLotto24 Limited conducts hedging transactions which transfer of payment obligation risks to catastrophe bonds/preference shares via an ILS vehicle.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Year ended 31 December 2019	Within 1 year	Within 1 – 3 years	Within 3 – 5 years	Over 5 years	**Total**
in € thousand					
Trade payables	3,838	–	–	–	3,838
Other liabilities	27,370	–	–	–	27,370
Lease liability	2,449	3,905	3,077	1,875	11,306
Total	**33,657**	**3,905**	**3,077**	**1,875**	**42,514**

Year ended 31 December 2018	Within 1 year	Within 1 – 3 years	Within 3 – 5 years	Over 5 years	**Total**
in € thousand					
Trade payables	3,425	–	–	–	3,425
Other liabilities	21,562	1,229	–	–	22,791
Financial liabilities	106	–	–	–	106
Total	**25,093**	**1,229**	**–**	**–**	**26,322**

In addition to the amounts presented in the tables above, there are items excluded from other liabilities, as they are not considered a contractual financial liability. This includes VAT of €1,835 thousand (2018: €2,567 thousand), gaming duty of €9 thousand (2018: €128 thousand) and payroll related taxes and social security of €936 thousand (2018: €242 thousand).

31.4 INTEREST RATE RISK

ZEAL invests the majority of its funds in a combination of fixed term deposits. For these funds, which are mainly held in liquid or short-term investments, there is a general risk from changing interest rates. A sensitivity analysis was conducted for the portfolio of cash, cash equivalents and other short-term equity funds held on 31 December 2019 with an interest rate increase of 100 basis points. Assuming no changes are made to the portfolio in response to the interest rate increase, there would be a rise in interest income of €1,561 thousand (in a simplified calculation). Under consideration of the duration of those investments currently in the portfolio, there would be an expected reduction of this interest income of €1 thousand. The overall effect, therefore, would be an increase in interest income of €1,562 thousand (2018: €1,458 thousand).

31.5 CURRENCY RISK

The Company is exposed to a currency risk as a result of a range of exchange rates. The risk arises from payments received and made in foreign currency, which differ from the Company's functional currency and are not always offset by payments in the same currency of the same amount and with the same maturities.

For the presentation of currency risks, IFRS 7 requires sensitivity analyses, which display the effects of hypothetical changes of the relevant risk variables on earnings and equity. In order to determine the currency risk, a fluctuation of 10% of the Euro against currencies where the earnings of the Company are exposed to was assumed at 31 December 2019.

On the basis of this assumption, a 10% increase in the value of the Euro against the British Pound, Norwegian Krone, South African Rand and the US Dollar would result in a positive effect of €1,354 thousand (2018: €314 thousand) on earnings. A devaluation of 10% would result in a negative effect of €1,456 thousand (2018: €321 thousand) on earnings.

In the year ended 31 December 2019 there was a loss from foreign exchange movements on financial instruments of €294 thousand (2018: gain of €617 thousand).

The cash equivalents and other short-term equity funds currently held do not bear any material currency risk.

32 OTHER DISCLOSURES

32.1 MANAGEMENT BOARD

The members of the Management Board work on a full-time basis. Their remuneration in fiscal year 2019 comprised the following elements:

Benefits Granted	**Dr. Helmut Becker, CEO**			
in € thousand	**2019**	2019 (min) variable	2019 (max) variable	2018
Fixed remuneration	651	–	–	651
Retirement and other benefits	11	–	–	11
Total (Fixed)	**662**	**–**	**–**	**662**
Short-term incentives	415	–	533	481
Transitional incentives	–	–	–	–
Long-term incentives				
Share plan 2015–2018	–	–	–	–
Share plan 2016–2019	–	–	–	–
Share plan 2017–2020	–	–	–	–
Share plan 2018–2021	–	–	–	592
Share plan 2019–2022	460	–	651	–
Total (Variable)	**875**	–	**1,184**	**1,073**
Remuneration expense	–	–	–	–
Total remuneration	**1,537**	**–**	**1,184**	**1,735**

Benefits Granted	Jonas Mattsson, CFO			
in € thousand	**2019**	2019 (min) variable	2019 (max) variable	2018
Fixed remuneration	443	–	–	443
Retirement and other benefits	11	–	–	12
Total (Fixed)	**454**	**–**	**–**	**455**
Short-term incentives	291	–	374	337
Transitional incentives	–	–	–	–
Long-term incentives				
Share plan 2015–2018	–	–	–	–
Share plan 2016–2019	–	–	–	–
Share plan 2017–2020	–	–	–	–
Share plan 2018–2021	–	–	-	415
Share plan 2019–2022	322	–	457	–
Total (Variable)	**613**	–	**831**	**752**
Remuneration expense	–	–	–	–
Total remuneration	**1,067**	**–**	**831**	**1,207**

Benefits Received	Dr. Helmut Becker		Jonas Mattsson		Susan Standiford	
in € thousand	**2019**	2018	**2019**	2018	**2019**	2018
Fixed remuneration	651	651	443	443	–	288
Retirement and other benefits	11	11	11	12	–	9
Total (Fixed)	**662**	**662**	**454**	**455**	**–**	**297**
Short-term incentives	415	481	291	337	–	–
Transitional incentives	–	255	–	–	–	–
Long-term incentives						
Share plan 2015–2018	–	240	–	155	–	–
Share plan 2016–2019	286	–	193	–	–	–
Share plan 2017–2020	–	–	–	–	–	–
Share plan 2018–2021	–	–	–	–	–	–
Share plan 2019–2022	–	–	–	–	–	–
Total (Variable)	**701**	**976**	**484**	**492**	**–**	**–**
Remuneration expense[1]	–	–	–	–	–	611
Total remuneration	**1,363**	**1,638**	**938**	**947**	**–**	**908**

[1] *Ms Standiford resigned from the Group during 2019. She received a loss of office payment of €611 thousand.*

Benefits on termination of the Management Board Mandate

If a member of the Management Board agrees to be reappointed on the basis of the contractual conditions offered, the member shall receive compensation in the amount of the annual gross salary of the previous year if the Company is then culpable in failing to reappoint said member (for example in the case that the Supervisory Board offers the Management Board member a reappointment but this fails to materialise). If an appointment to the Management Board is effectively revoked, the Management Board member has the right to claim compensation amounting to two annual gross fixed salaries.

32.2 SUPERVISORY BOARD

The following persons held seats on the Supervisory Board of ZEAL Network SE in fiscal year 2019:

- Andreas de Maizière (Chairman of the Supervisory Board)
- Peter Steiner (Deputy Chairman)
- Thorsten Hehl (regular member)
- Oliver Jaster (regular member)
- Jens Schumann (regular member)
- Marc Peters (regular member)
- Leslie-Ann Reed (regular member) (Resigned on 27 June 2019)
- Bernd Schiphorst (regular member) (Resigned on 27 June 2019)

Andreas de Maizière is a member of the following other domestic Supervisory Boards which must be formed pursuant to statutory law, or other comparable domestic and foreign controlling committees:

- Eisen-und Huttenwerke AG, Andernach (Member of the Supervisory Board)
- Furstlich Castell'sche Bank, Credit Casse AG, Wurzburg (Chairman of the Supervisory Board)
- Rheinische Bodenverwaltung AG (Arenberg, Dusseldorf (Chairman of the Supervisory Board)
- Arenberg-Consult GmbH, Dusseldorf (Chairman of the Supervisory Board)
- Arenberg Recklinghausen GmbH, Dusseldorf (Chairman of the Supervisory Board)
- Arenberg Schleiden GmbH, Dusseldorf (Chairman of the Supervisory Board)
- Grundkredit-u. Bodenverwaltung GmbH, Dusseldorf (Chairman of the Supervisory Board)

Peter Steiner is a member of the following other domestic Supervisory Boards which must be formed pursuant to statutory law, or other comparable domestic and foreign controlling committees:

- Lotto24 AG, Hamburg (Chairman of the Supervisory Board)
- Clariant Ltd, Muttenz, Switzerland (Member of the Administrative Board, Member of the Nomination Committee, Chairman of the Audit Committee)
- Wienerberger AG, Vienna, (Deputy Chairman of the Supervisory Board, Member of the Nomination Committee, Chairman of the Compensation Committee)
- RKW SE, Frankenthal (Member of the Advisory Committee)

Thorsten Hehl is a member of the following other domestic Supervisory Boards which must be formed pursuant to statutory law, or other comparable domestic and foreign controlling committees:

- Günther Direct Services GmbH, Bamberg (Member of the Advisory Committee)
- Langenscheidt Digital GmbH & Co. KG, Munich (Member of the Advisory Committee), resigned on 20 December 2019
- Langenscheidt GmbH & Co. KG, Munich (Member of the Advisory Committee), resigned on 20 December 2019
- Langenscheidt Management GmbH, Munich (Member of the Advisory Committee), resigned on 20 December 2019
- Lotto24 AG, Hamburg (Member of the Supervisory Board)

Oliver Jaster is a member of the following other domestic Supervisory Boards which must be formed pursuant to statutory law, or other comparable domestic and foreign controlling committees:

- Günther Holding SE, Hamburg (Chairman of the Supervisory Board)
- Günther SE, Bamberg (Chairman of the Supervisory Board)
- Günther Direct Services GmbH, Bamberg (Chairman of the Advisory Board)
- MAX Automation SE, Dusseldorf (Member of the Supervisory Board)
- All4cloud Management GmbH, Viernheim (Chairman of the Advisory Board)
- All4cloud GmbH & Co. KG, Viernheim (Chairman of the Advisory Board)
- G Connect GmbH, Munich (Chairman of the Advisory Board)
- Langenscheidt Digital GmbH & Co. KG, Munich (Chairman of the Advisory Committee), resigned on 20 December 2019
- Langenscheidt GmbH & Co. KG, Munich (Chairman of the Advisory Committee), resigned on 20 December 2019
- Langenscheidt Management GmbH, Munich (Chairman of the Advisory Committee), resigned on 20 December 2019

Jens Schumann is a member of the following other domestic Supervisory Boards which must be formed pursuant to statutory law, or other comparable domestic and foreign controlling committees:

- next media accelerator GmbH, Hamburg (Member of the Advisory Committee)
- Contentflow GmbH, Berlin (Member of the Advisory Committee)
- LemonSwan GmbH, Hamburg (Member of the Advisory Committee)
- Lotto24 AG, Hamburg (Deputy Chairman of the Supervisory Board)

Leslie-Ann Reed is a member of the following other domestic Supervisory Boards which must be formed pursuant to statutory law, or other comparable domestic and foreign controlling committees:

- Learning Technologies Group, London
  (Member of the Advisory Committee)

Bernd Schiphorst is a member of the following other domestic Supervisory Boards which must be formed pursuant to statutory law, or other comparable domestic and foreign controlling committees:

- Hertha BSC-Stiftung, Berlin
  (Chairman of the Supervisory Board)
- media.net, Berlin
  (Chairman of the Supervisory Board)

BENEFITS RECEIVED

Supervisory Board	Year	Renumeration	Out of pocket expenses	**Total**
in € thousand				
Peter Steiner	**2019**	158	16	**174**
Peter Steiner	2018	186	9	**195**
Oliver Jaster	**2019**	63	3	**66**
Oliver Jaster	2018	63	2	**65**
Thorsten Hehl	**2019**	63	2	**65**
Thorsten Hehl	2018	60	4	**64**
Bernd Schiphorst	**2019**	23	1	**24**
Bernd Schiphorst	2018	46	3	**49**
Jens Schumann	**2019**	63	3	**66**
Jens Schumann	2018	63	5	**68**
Leslie-Ann Reed	**2019**	63	–	**63**
Leslie-Ann Reed	2018	126	–	**126**
Marc Peters	**2019**	23	1	**24**
Marc Peters	2018	–	–	**–**
Andreas de Maizière	**2019**	95	5	**100**
Andreas de Maizière	2018	–	–	**–**

32.3 DISCLOSURES ACCORDING TO SECTION 160 (1) NO. 8 AKTG

In accordance with section 160 (1) no. 8 of the German Stock Corporation Act (AktG), shareholdings in the Company notified to us in accordance with section 33 (1) of the German Securities Trading Act (WpHG), respectively section 21 (1) of the German Securities Trading Act (WpHG; superseded version) and published by us in accordance with section 40 (1) of the German Securities Trading Act (WpHG), respectively section 26 (1) of the German Securities Trading Act (WpHG; superseded version) are reproduced below. Please note that the subscribed capital of ZEAL Network SE has changed from €8,872,319 at the time of the first stock exchange listing on 12 October 2005 to €7,985,088 as of 23 January 2009, €8,385,088 as of 30 April 2013 and €22,396,070 as of 8 May 2019. It is divided into 22,396,070 no-par value registered shares. Each share conveys one voting right, except for the 43,910 treasury shares held by the Company on 31 December 2019.

Marc Peters, Germany, notified us according to section 21 (1) of the German Securities Trading Act (WpHG) (published on July 9, 2012) that on 3 July 2012 his percentage of voting rights in the Company via shares fell below the threshold of 5% and amounts to 4.82% (corresponding to 384,715 voting rights).

Additional Information on Notified Shareholdings in the Company

From 7 February 2014 to 25 October 2019, the registered office of the Company was in the United Kingdom. During this period, notifications of major holdings in the Company were subject to the provisions of the British Disclosure and Transparency Rules (DTR). The following major holdings in the Company notified to us in accordance with DTR5.1.2 R and published by us in accordance with section 40 (1) of the German Securities Trading Act (WpHG) are voluntarily reproduced in addition to the information required under section 160 (1) no. 8 of the German Stock Corporation Act (AktG):

Lottoland Holdings Limited, Gibraltar, notified us following an acquisition or disposal of voting rights (published on 14 January 2019) that its total share of voting rights in ZEAL Network SE on 11 January 2019 amounted to 5.53% (previous notification: 4.01%), whereas on this date all 463,499 of the total 8,385,088 voting rights in ZEAL Network SE, corresponding to 5.53%, are held directly (Article 9 of Directive 2004/109/EC) (DTR5.1).

Jens Schumann, Germany, notified us following an acquisition or disposal of voting rights (published on 17 May 2019) that his total percentage of voting rights in ZEAL Network SE on 14 May 2019 amounted to 3.58% (previous notification: 2.98%), whereas on this date all 800,209 of the total 22,352,160[1] voting rights in ZEAL Network SE, corresponding to 3.58%, are held directly (Article 9 of Directive 2004/109/EC) (DTR5.1).

Working Capital Advisors (UK) Ltd, United Kingdom, notified us following an acquisition or disposal of voting rights (published on 27 September 2019) that its total voting rights in ZEAL Network SE on 25 September 2019 amounted to 20.18% (previous notification: 19.35%), whereas all 4,511,693 voting rights in ZEAL Network SE, corresponding to 20.18%, are held indirectly (Article 10 of Directive 2004/109/EC) (DTR5.2.1). On this date 3% or more of the voting rights are held directly as follows (in each case full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity):

Working Capital Partners, Ltd. (voting rights 11.55%, total 11.55%)

High Street Partners, Ltd. (voting rights 8.63%, total 8.63%).

Oliver Jaster, Germany, notified us following the conclusion of a voting pool agreement (published on 28 October 2019) that his total voting rights in ZEAL Network SE on 24 October 2019 amounted to 33.89% (previous notification: 31.87%), whereas all 7,577,378 of a total of 22,352,160[1] voting rights in ZEAL Network SE, corresponding to 33.89%, are held indirectly (Article 10 of Directive 2004/109/EC) (DTR5.2.1). On this date less than 3% of the voting rights are held directly by Mr Walter Manfred Günther and 3% or more of the voting rights are held as follows (in each case full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity):

Oliver Jaster, Günther SE, Günther Holding SE, Othello Vier Beteiligungs GmbH & Co. KG (voting rights 30.06%, total 30.06%)

Oliver Jaster, Günther SE, Günther Holding SE, Günther Holding Immobilien GmbH & Co. KG, Günther Consulting GmbH, Othello Vier Beteiligungs GmbH & Co. KG (voting rights 30.06%, total 30.06%)

Oliver Jaster, Günther SE, Günther Holding SE, Günther Holding Immobilien Management GmbH, Günther Holding Immobilien GmbH & Co. KG, Günther Consulting GmbH, Othello Vier Beteiligungs GmbH & Co. KG (voting rights 30.06%, total 30.06%)

Oliver Jaster, Günther SE, Günther Holding SE, Othello Drei Beteiligungs GmbH & Co. KG (voting rights 3.83%, total 3.83%)

Oliver Jaster, Günther SE, Günther Holding SE, Othello Drei Beteiligungs-Management GmbH, Othello Drei Beteiligungs GmbH & Co. KG (voting rights 3.83%, total 3.83%).

[1] Number of shares in the company excluding the 43,910 treasury shares

32.4 DECLARATION OF CONFORMITY WITH THE RECOMMENDATION OF THE GERMAN CORPORATE GOVERNANCE CODE ACCORDING TO SECTION 161 AKTG

In accordance with section 161 AktG, the Supervisory Board and Management Board have issued a Declaration of Conformity with the German Corporate Governance Code and made it permanently available to shareholders on page 21 of this Annual Report and via the Company's website (Zealnetwork.de).

33 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

VAT Payment made

Following the agreement of the ZEAL subsidiary myLotto24 with the tax authority Hannover-Nord in December 2019 myLotto24 made the corresponding interim VAT payment of €54 million to the German tax authorities in January 2020. The payment was made to eliminate the risk of potential fines for late payment of taxes and to significantly reduce the amount of potential interest payments. The Fiscal Court of Hanover (Finanzgericht Hannover) had ruled on 19 November 2019 to uphold the appeal by myLotto24 against the assessment of VAT. The tax authority has meanwhile announced its intention to appeal the decision. We remain confident that the action brought by myLotto24 will be upheld in the last instance. In this case, the VAT paid plus interest (currently 6% p.a.) would be refunded to myLotto24.

ZEAL launches new social lottery 'freiheit+'

Since 9 March 2020, Tipp24.com and BildungsChancen gGmbH have officially offered the new social lottery freiheit+ to support educational projects. BildungsChancen gGmbH is owned by the 'Stifterverband für die Deutsche Wissenschaft' (a joint initiative started by German companies and foundations to promote improvements in the fields of education, science and innovation), the 'SOS Children's Villages worldwide' and the 'Deutsche Kinder- und Jugendstiftung (The German Children and Youth Foundation – DKJS)'. 50 cents of every lottery ticket sold goes to non-profit educational projects.

freiheit+ is a number lottery in which seven numbers between 1 and 35 are selected. If at least three numbers match the winning numbers, a prize is paid out. The main prize consists of a monthly payment of €5 thousand for 15 years and an additional instant prize of €250 thousand. The probability of winning the main prize of freiheit+ is 21 times higher than with the German lottery 'Lotto 6aus49' – in addition, every eighth ticket is a prize. In a first step, the social lottery will be offered via the lottery portal Tipp24.com and later also integrated into Lotto24.de. The draw takes place every Monday at 12:00, the deadline for submitting tickets is 11:30.

Smartgames Technologies Limited subleases its office space

On 12 March 2020, the Group's subsidiary, Smartgames Technology Limited ('Smartgames') based in the UK, signed an agreement to sublease its outstanding office space.

There were no other material subsequent events that require adjustment or disclosure in the Consolidated Financial Statements for the financial year ended 31 December 2019 to the date of issue of this report.

Impacts 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 to protect our employees and the community.

Hamburg, 24 March 2020

The Management Board

INDEPENDENT AUDITOR'S REPORT

To ZEAL Network SE

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Opinions

We have audited the consolidated financial statements of ZEAL Network SE, Hamburg (formerly London, UK), and its subsidiaries (the Group), which comprise the consolidated income statement from 1 January 2019 to 31 December 2019, the consolidated statement of comprehensive income from 1 January 2019 to 31 December 2019, the consolidated statement of financial position as at 31 December 2019, the consolidated statement of cash flows for the fiscal year from 1 January to 31 December 2019, the consolidated statement of changes in equity, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of ZEAL Network SE for the fiscal year from 1 January 2019 to 31 December 2019. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance which is published on the website stated in the group management report and is part of the group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2019 and of its financial performance for the fiscal year from 1 January 2019 to 31 December 2019, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the group statement on corporate governance referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as 'EU Audit Regulation') and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Our responsibilities under those requirements and principles are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report' section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January 2019 to 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. FIRST-TIME CONSOLIDATION OF LOTTO24 AG

Reasons why the matter was determined to be a key audit matter

On 19 November 2018, ZEAL Network SE announced its intention to take over Lotto24 AG. In connection with this transaction, the shareholders of Lotto24 AG were offered one share in ZEAL Network SE in exchange for 1.604 shares in Lotto24 AG. The proposed transaction was approved by the shareholders of ZEAL Network SE on 18 January 2019 and the shares were issued between 31 January 2019 and 10 April 2019 and between 16 April 2019 and 29 April 2019.

Given the materiality of this transaction and due to the acquired assets and liabilities to be identified as part of the purchase price allocation, the recognition and measurement of which are based to a high degree on estimates and assumptions by the Management Board, we consider the accounting treatment of this transaction to be a key audit matter.

Auditor's response

We gained an understanding of the underlying processes applied to ensure the complete recognition and measurement of the purchase price allocations. To assess the Management Board's allocation of the purchase price to the acquired assets and liabilities, we checked the clerical accuracy of the valuation model used with the aid of our internal valuation specialists. We analyzed the assumptions made by the Management Board when identifying and measuring the assets and liabilities and compared them with external market data where available. We checked both the method and the arithmetic involved in calculating the cost of capital, tested the plausibility of the peer companies used and compared the inputs used by the Management Board with current interest rates and market risk premiums.

Our procedures did not lead to any reservations relating to the accounting for the acquisition.

Reference to related disclosures

The Company provides information on the acquisition of Lotto24 AG in the notes to the consolidated financial statements and on recognition and measurement policies in note '28. Business Combination'.

2. IMPAIRMENT OF CASH-GENERATING UNITS WITH GOODWILL AND OF INTANGIBLE ASSETS

Reasons why the matter was determined to be a key audit matter

Goodwill and other intangible assets are reported in the consolidated financial statements of ZEAL Network SE as a result of the first-time consolidation of Lotto24 AG.

To test these material items including goodwill, the brand/domain, the customer list and internally generated technology/software of Lotto24 AG for impairment, the managing directors of ZEAL Network SE determine the fair value of the cash-generating units (CGU) as of 31 December each year or ad hoc. The Management Board determine fair value using valuation models according to the discounted cash flow method on the basis of the corporate planning for multiple years approved by the Supervisory Board. The assumptions underlying the valuation model (especially the discount rates, forecast cash inflows, growth rates and return on capital employed) are determined by the managing directors of ZEAL Network SE and are subject to judgment.

The fair values have a significant effect on the recognition of goodwill and intangible assets in the consolidated financial statements as of 31 December 2019. In light of its materiality, the complexity of the valuation models and the Management Board's use of judgment in making assumptions, we consider the determination of fair values to be a key audit matter.

Auditor's response

As part of our audit, we analyzed the process implemented by ZEAL Network SE's Management Board and the recognition and measurement policies applied to determine the fair values of the cash-generating unit and obtained an understanding of the process steps.

We analyzed the corporate planning by comparing it with the results actually achieved in the past and the current development of business figures. We tested the plausibility of the significant assumptions underlying the business growth and business performance forecasts through discussions with the Management Board and assessed their adequacy on this basis.

The other significant valuation assumptions, such as the discount and growth rates, was analyzed with the support of internal valuation specialists on the basis of an analysis of market indicators. As even minor changes in the discount rate can have a significant effect on the fair value, we obtained an understanding of the inputs used to determine the discount rate by comparing them with market information. With the aid of sensitivity analyses, we assessed impairment risks arising when significant valuation assumptions change. We also checked the clerical accuracy of the valuation models.

Our procedures did not lead to any reservations relating to the determination of the fair values.

Reference to related disclosures

The Company provides information on goodwill and the intangible assets in the notes to the consolidated financial statements in section '11. Goodwill' and '12 Intangible Assets'; further explanatory notes on recognition and measurement policies are contained in the notes to the consolidated financial statements in section '2. Accounting policies'. With regard to the recognition and measurement policies applied, we refer to the Company's disclosures in the notes to the financial statements in section '2. Accounting policies' under '2.3 Significant judgement and assumptions' and in section '2. accounting policies' under '2.12 Intangible assets' and in section '2.14 Impairment'.

3. REVENUE RECOGNITION

Reasons why the matter was determined to be a key audit matter

In the consolidated financial statements of ZEAL Network SE, revenue is recognized from the organisation of secondary lotteries and, in particular, from commissions received by subsidiaries for brokering and transmitting lottery tickets and stakes to the state lottery companies and from the additional charges paid by customers less cash discounts, customer bonuses and rebates. In view of the different contractual arrangements relating to staggering of commission amounts, cash discounts, customer bonuses and rebates, we consider the recognition of revenue from commission to be complex.

In light of the materiality and complexity, we consider revenue recognition to be a key audit matter.

Auditor's response

As part of our audit, we assessed the recognition and measurement policies applied in the consolidated financial statements of Zeal Network SE for the recognition of revenue on the basis of the five-step process defined in the standard for revenue recognition, IFRS 15. During our audit we obtained an understanding of the processes implemented by the Management Board for revenue recognition and the deferral of expected cash discounts, customer bonuses and rebates by reference to individual transactions from the receipt of the order to recognition in the consolidated financial statements of ZEAL Network SE and tested the controls in place in this process. In addition, we tested on a sample basis whether the amount of the contractually agreed staggered commissions was recognized in revenue on an accrual basis. We examined whether the revenue items for fiscal year 2019 correlate with the corresponding trade receivables to identify any irregularities in the development of revenue. We also analyzed the correlation of revenue in fiscal year 2019 with the related transaction volume, with reference to the development of the jackpot, to identify any irregularities.

Our procedures did not lead to any reservations relating to revenue recognition.

Reference to related disclosures

The Company provides information on revenue in the notes to the consolidated financial statements in section '4. Revenue'. With regard to the recognition and measurement policies applied, we refer to the Company's disclosures in the notes to the financial statements in section '2. Accounting policies' under '2.3 Revenue'.

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board. In all other respects, the managing directors are responsible for the other information. The other information comprises

- The statement on corporate governance pursuant to Sec. 289f and Sec. 315d HGB, which is published outside the group management report
- The declaration of conformity with the Corporate Governance Code in accordance with Sec. 161 AktG ('Aktiengesetz': German Stock Corporation Act), which is published outside the group management report
- The responsibility statement pursuant to Sec. 297 (2) Sentence 4 HGB and Sec. 315 (1) Sentence 6 HGB

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Management Board and the Supervisory Board for the consolidated financial statements and the group management report

The Management Board are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Management Board are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Management Board are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Management Board are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the Management Board and the reasonableness of estimates made by the Management Board and related disclosures.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with (German) law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the Management Board in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Management Board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.
We describe these matters in our auditor's

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further information pursuant to Art. 10 of the EU Audit Regulation

We were appointed as group auditor by Hamburg Local Court on 20 December 2019. We were engaged by the Supervisory Board on 17 February 2020. We have been the auditor of ZEAL Network SE since fiscal year 2019; the previous auditor serving until fiscal year 2018 was Ernst & Young LLP, London, UK.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Carl-Heinz Klimmer.

Hamburg, 24 March 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Klimmer	Hauschildt
Auditor	Auditor

RESPONSIBILITY STATEMENT

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

Hamburg, 24 March 2020

The Management Board

Dr. Helmut Becker	Jonas Mattsson
Chief Executive Officer	Chief Financial Officer

KEY CONSOLIDATED FIGURES

		2019	2018	2017	2016	2015
Customers						
Average billings per user per month	€	53.20	57.57	57.58	58.03	54.63
Average monthly active users	No. thousand	731	403.5	379.8	375.7	372.2
Income statement	€ thousand					
Billings		466,650	296,286	280,509	280,435	268,645
Revenue		113,475	154,751	134,295	112,935	88,962
EBIT		9,067	38,307	25,181	37,956	42,859
EBT		8,328	37,985	25,231	36,511	19,604
Profit for the year		1,718	26,663	17,178	25,951	1,346
Balance sheet	€ thousand					
Cash, cash equivalents and securities (incl. pledged cash, cash equivalents and securities)		83,694	132,993	92,052	94,983	94,777
Total non-current assets		347,135	6,932	6,634	4,677	8,198
Assets		521,133	169,212	141,111	136,016	140,354
Current liabilities		49,909	42,096	32,730	36,259	43,711
Non-current liabilities		65,499	3,918	1,765	2,199	1,474
Equity		405,725	123,198	106,616	97,558	95,169
Equity and liabilities		521,133	169,212	141,111	136,016	140,354
Cash flow	€ thousand					
Cash flow from operating activities		5,297	38,202	13,152	33,741	27,285
Cash flow from investing activities		5,058	5,554	(511)	(3,258)	(4,287)
Cash flow from financing activities		(2,962)	(10,244)	(8,385)	(23,478)	(23,478)
Personnel						
Number of employees	No.	233	262	274	250	257
Personnel expenses	€ thousand	(22,964)	(28,837)	(28,630)	(26,705)	(25,434)
Expenses per employee	€ thousand	99	110	104	105	103
Share (from 2004)						
Average number of shares (undiluted)	No.	17,098,042	8,366,792	8,385,088	8,385,088	8,385,088
Earnings per share (undiluted)	€	0.09	3.18	2.04[2]	3.09	0.16
Operating cash flow per share (undiluted)	€	0.03	4.57	1.57	4.02	3.25
Ratios	%					
EBIT margin		8.0	24.8	18.8	33.6	48.2
Net operating margin		1.5	16.7	12.8	23.0	1.5
Return-on-equity (ROE)		0.4	21.2	16.1	26.6	1.4

[1] from continuing operations

[2] In line with the requirements of IFRS, the 2017 EPS has been restated from €2.05 to €2.04 as a result of the purchase of treasury shares by the Group in July 2018.

2014	2013	2012	2011	2010	2009	2008	2007	2006
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	335,947	346,776	264,235
140,702[1]	129,933[1]	142,731[1]	139,316[1]	101,882[1]	89,551	45,838	44,974	34,575
19,156[1]	19,459[1]	56,464[1]	51,905[1]	32,681[1]	23,052	8,897	8,949	7,244
12,477[1]	18,831[1]	56,782[1]	52,770[1]	33,167[1]	25,076	10,720	11,192	8,365
5,317	10,187	40,891	36,339	19,551	17,482	6,606	6,272	7,445
92,585	85,822	78,303	64,123	43,957	69,361	21,261	66,121	60,764
34,109	44,593	48,881	36,215	29,444	18,296	12,304	7,213	5,740
155,406	213,581	191,217	173,043	130,013	108,123	93,151	91,739	82,794
37,471	36,821	39,414	42,848	36,911	42,971	35,623	35,774	22,128
682	1,204	1,427	904	181	752	2,607	335	14
117,253	175,556	150,375	129,291	92,921	64,399	54,922	55,630	60,652
155,406	213,581	191,217	173,043	130,013	108,123	93,151	91,739	82,794
23,838	16,751	22,546	44,323	14,081	30,217	9,651	17,886	8,360
(8,938)	(8,038)	(8,098)	(24,157)	(48,446)	25,579	(47,040)	(1,200)	(4,769)
(62,888)	15,337	0	0	8,950	(7,723)	(7,386)	(11,335)	–
274	140	104	128	121	132	185	154	144
(20,701)[1]	11,090[1]	10,760[1]	12,026[1]	10,110[1]	12,524	12,667	10,324	8,277
76[1]	79[1]	103[1]	94[1]	84[1]	72	69	67	58
8,385,088	8,268,421	7,985,088	7,985,088	7,715,614	7,730,961	8,032,265	8,524,199	8,872,319
0.63[1]	1.30[1]	4.99[1]	4.80[1]	2.85[1]	2.26	0.82	0.74	0.84
2.84	2.03	2.82	5.55	1.82	3.91	1.20	2.10	0.94
13.6[1]	15.0[1]	39.6[1]	37.3[1]	32.1[1]	25.7	19.4	19.9	21.0
3.8[1]	7.8[1]	28.6[1]	26.1[1]	19.2[1]	19.5	14.4	13.9	21.5
4.5[1]	5.8	27.2	28.1	21.0	27.1	12.0	11.3	12.3

FINANCIAL CALENDAR

14 May 2020	Publication of Q.1 Report
17 June 2020	Annual General Meeting
13 August 2020	Publication of Q.2 Report
12 November 2020	Publication of Q.3 Report

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