



CREATING A BETTER WORLD OF LOTTERY

QUARTERLY STATEMENT
1 JANUARY – 31 MARCH 2018

ZEAL

WHO WE ARE

ZEAL is the world's leading online lottery innovator. Our aim is to create a better world of lottery; positively changing a sector that's been stuck in a time-warp for too long and helping change lives while doing it. Founded in 1999, we are a house of lottery brands operating across: lottery betting (Tipp24 and myLotto24), primary and social lottery operation (Lottovate), and lottery venture capital (ZEAL Ventures). We have more than 3.5million customers globally across the Group. We are headquartered in London and our shares are listed on the Prime Standard of the Frankfurt Stock Exchange. Since our incorporation, we have generated stakes of more than €3billion, and paid out more than €1.5billion in prizes.

ZEAL GROUP

We are a house of lottery brands operating in the lottery betting, primary & social lottery, and lottery venture capital spaces.



TABLE OF CONTENTS

- 02 Q1 2018 at a glance
- 03 Business Review
- 04 Financial Review
- 07 Selected Notes
- 08 Financial Statements

Q1 2018 AT A GLANCE

€72.8m

BILLINGS (Q1 17: €68.4M)

€63.0m

STAKES (Q1 17: €58.7M)

€38.7m

REVENUE (Q1 17: €23.6M)

€39.8m

TOTAL OPERATING PERFORMANCE (Q1 17: €24.1M)

€9.2m

EBIT (Q1 17: €0.2M)

€75.0m

NET CASH (Q1 17: €44.7M)

€0.76

EPS (Q1 17: €0.02)

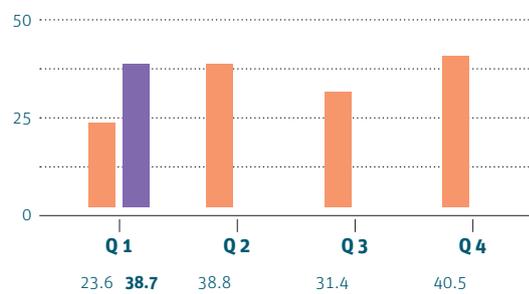
€58.02

Ø BILLINGS PER USER (Q1 17: €54.35)

392k

MONTHLY ACTIVE USERS (Q1 17: 393K)

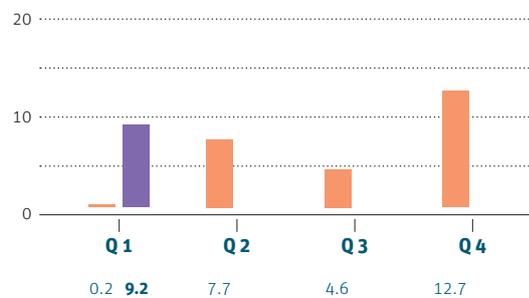
STATUTORY REVENUE¹ in €m



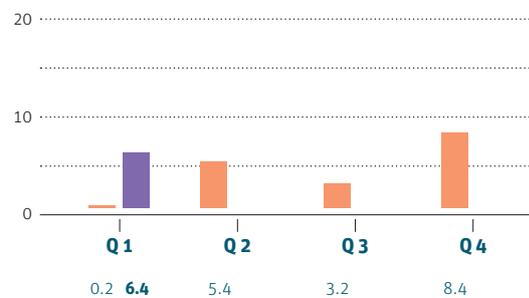
STATUTORY TOTAL OPERATING PERFORMANCE in €m



STATUTORY EBIT in €m



NET PROFIT in €m



2017 ■ 2018

¹ Revenue in Q1 2017 was negatively impacted by high prize pay-outs.

The definitions concerning the financial measurements disclosed above can be found on page 21-22 of the 2017 Annual Report. There has been no change in definitions since the issue of the 2017 Annual Report on 22 March 2018.

BUSINESS REVIEW

We have had a strong start to the year, building on the momentum generated in the final quarter of 2017.

During the first three months of 2018, we delivered growth in Billings, Total Operating Performance (TOP¹) and EBIT in line with our guidance range.

We delivered:

- Billings of €72.8m (Q1 2017: €68.4m); up 6.4%
- TOP of €39.8m (Q1 2017: €24.1m); up 65.0%
- EBIT of €9.2m (Q1 2017: €0.2m)

Our strategy of building a more diverse portfolio is paying off. Our increase in range and frequency of higher jackpot products – including Powerball and Mega Millions – together with continued positive performance in our Instant Win Games, drove billings growth and increased customer spend. Average Billings Per User increased by 6.8% to €58.02 in the period (2017: €54.35).

Total Operating Performance and revenue both increased more than 60%, due to a 7.4% increase in stakes compared to the prior period and the positive impact of the reduction in exceptional prize pay-outs (Q1 2018: €nil; Q1 2017: €15.0m).

We delivered EBIT of €9.2m (Q1 2017: €0.2m) and acquired 140k new registered customers for the Group and our partners; an increase of 59.1% compared to the prior period (Q1 2017: 88k).

ONGOING LEGAL AND REGULATORY MATTERS

The principal legal and regulatory matters affecting the Group are included in the 2017 Annual Report. There have been no material changes to the status of these matters since the date of approval of the 2017 Annual Report.

TAX MATTERS AND CONTINGENT LIABILITIES

There have been no material changes in the status of the tax matters reported in the 2017 Annual Report. The Directors continue to closely monitor any changes in areas where a contingent liability has been previously disclosed.

OUTLOOK

As previously announced on 26 February 2018 and re-iterated in the 2017 Annual Report issued on 22 March 2018, we expect to generate TOP in the range of €150m to €160m and EBIT of between €33m and €43m.

DIVIDEND

ZEAL confirms its intention of paying a total dividend of at least €1.00 per share in the current year. This position is subject to periodic review and may be amended depending on our future earnings and financial position.

¹ TOP is the sum of Revenue and Other Operating Income as disclosed in the interim Consolidated Income Statement.

FINANCIAL REVIEW

Summary financial results and key performance indicators:

	Q1 2018	Q1 2017
in €k		
Summary financial results		
Revenue	38,700	23,574
Total Operating Performance (TOP)	39,830	24,142
Personnel expenses	(7,741)	(8,009)
Other operating expenses	(22,481)	(15,551)
<i>Marketing expenses</i>	<i>(4,669)</i>	<i>(3,978)</i>
<i>Direct costs of operations</i>	<i>(11,601)</i>	<i>(6,975)</i>
<i>Other costs of operations</i>	<i>(6,211)</i>	<i>(4,598)</i>
EBIT	9,159	245
Key Performance Indicators		
Billings	72,751	68,427
Stakes	62,999	58,665
Normalised revenue	39,206	35,140
Normalised EBIT	10,244	11,995
Earnings per share (€)	0.76	0.02
Net cash position ¹	74,999	44,698
Cash inflow/(outflow) from operating activities	6,513	(4,570)
Cash used in investing and financing activities	(226)	(282)

REVENUE AND TOTAL OPERATING PERFORMANCE

Revenue for the three-month period ended 31 March 2018 increased by €15,126k to €38,700k (Q1 2017: €23,574k). TOP for the three-month period ended 31 March 2018 increased by €15,688k to €39,830k (Q1 2017: €24,142k).

The increase in both revenue and TOP is largely due to a reduction in the value of exceptional prize pay-outs, which in Q1 2018 was €nil (Q1 2017: €15,000k) and a 74% increase in stakes compared to the prior period.

Fluctuations in revenue and other operating income are expected based on the timing of jackpot winners.

PERSONNEL EXPENSES

Personnel expenses for the three-month period ended 31 March 2018 decreased by €268k to €7,741k (Q1 2017: €8,009k). The minimal movement is consistent with the average number of full time equivalent (FTE) employees which are in line with Q1 2017.

¹ Due to the implementation of a new ILS structure, the hedging reserve has decreased from €50,000k as at 31 March 2017 to €30,000k as at 31 March 2018.

OTHER OPERATING EXPENSES

Other operating expenses for the three-month period ended 31 March 2018 increased by €6,930k to €22,481k (Q1 2017: €15,551k). The most significant contributory factors were:

- Increase in marketing expenses of €691k. The increased investment in marketing is consistent with our strategy to drive customer acquisition and internationalisation. This investment has contributed to an additional 140k new registered customers for the Group and our partners; an increase of 59.1% compared to the prior period (Q1 2017: 88k).
- Increase in direct costs of operations of €4,626k, which is mainly due to a €3,041k increase in the cost of physically hedged tickets due to a higher number of customers and fully hedged draws compared to the prior period.
- Increase in other costs of operations of €1,613k, which is mainly driven by a €902k increase in consulting costs. The remaining movement is due to various immaterial increases in other line items.

BILLINGS AND STAKES

Billings for the three-month period ended 31 March 2018 increased by €4,324k to €72,751k (Q1 2017: €68,427k). Stakes for the three-month period ended 31 March 2018 increased by €4,334k to €62,999k (Q1 2017: €58,665k). The growth in billings and stakes is primarily associated with instant win games and betting on our major US lottery products – Powerball and Mega Millions.

NORMALISATION OF RESULTS

The underlying statistical average pay-out ratios for ongoing lottery draws is approximately 50% in respect of our main products (the expected pay-out ratio for lottery betting is the same as for the primary lotteries). However, we experience differences between the expected pay-out ratio and actual pay-outs made, and the difference is referred to as "normalisation". In order to aid understanding of our financial results, we disclose the effect of these differences between the expected and actual pay-out ratio by presenting "normalised" revenue and EBIT.

Total pay-outs for secondary lotteries in the first quarter of 2018 were €506k above the expected pay-out value (Q1 2017: €11,566k). This, combined with the €579k negative impact from the normalisation of hedging income, resulted in a difference between actual and expected statutory EBIT of €1,085k (Q1 2017: €11,750k).

In the prior period, the deviation between actual and expected revenue and EBIT was primarily due to an exceptional prize pay-out in March 2017 of €15,000k.

Revenue

	Q1 2018	Q1 2017
in €k		
Actual	38,700	23,574
Expected ¹	39,206	35,140
Normalisation effect ²	(506)	(11,566)

EBIT

	Q1 2018	Q1 2017
in €k		
Actual	9,159	245
Expected ¹	10,244	11,995
Normalisation effect ²	(1,085)	(11,750)

¹ Actual results adjusted for the normalisation effect.

² The difference between actual and expected amounts.

EARNINGS PER SHARE (EPS)

EPS for the three-month period ended 31 March 2018 increased by €0.74 to €0.76 (Q1 2017: €0.02), due to an increase in the profit after tax of €6,203k compared to the prior period.

NET CASH POSITION

Net Cash as at 31 March 2018, increased by €30,301k to €74,999k (Q1 2017: €44,698k). The increase in net cash is due to a €12,917k increase in cash (excluding pledged cash) and short-term deposits and a €20,000k decrease in the hedging reserve due to the implementation of the new ILS structure. This has been offset by a €2,616k movement in other working capital balances.

CASH FLOW

	Q1 2018	Q1 2017
in €k		
Cash inflow/(outflow) from operating activities	6,513	(4,570)
Cash used in investing activities	(226)	(282)
Cash used in financing activities	-	-
Changes in cash and pledged cash and short-term financial assets	6,287	(4,852)
Cash and pledged cash and short-term financial assets at the beginning of the period	119,175	114,665
Cash and pledged cash and short-term financial assets at the end of the period	125,462	109,813

Cash inflow from operating activities for the three-month period ended 31 March 2018 increased by €11,083k to €6,513k (Q1 2017: cash outflow of €4,570k). The difference relates to the increase in profit before tax of €8,860k, with the remaining movements due to changes in working capital.

Investing outflow for the three-month period ended 31 March 2018 decreased by €56k to €226k (Q1 2017: €282k). The outflow is attributable to the acquisition of intangible and property, plant and equipment assets.

As of 31 March 2018, cash and pledged cash and short-term deposits increased by €15,649k to €125,462k (Q1 2017: €109,813k). This includes the retention of €30,000k (Q1 2017: €50,000k) which is held to ensure myLotto24 Limited is sufficiently financed to pay jackpot winnings as they fall due.

SELECTED NOTES

GENERAL INFORMATION

The unaudited Quarterly Statement for ZEAL Network SE (the 'Company') and its subsidiaries (collectively, 'ZEAL Group' or 'the Group') covers the period from 1 January 2018 to 31 March 2018. The date of the interim consolidated statement of financial position is 31 March 2018.

The format of this Quarterly Statement has been changed from previous publications to align with Deutsche Börse rules regarding condensed quarterly reporting.

GOING CONCERN

The Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period no less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the Quarterly Statement.

PRINCIPAL ACCOUNTING POLICIES

The same accounting policies and calculation methods were used for the Quarterly Statement as for the annual consolidated financial statements as at 31 December 2017.

RELATED PARTIES

There has been no change in the related parties or their activities since the issue of the 2017 Annual Report on 22 March 2018.

SUBSEQUENT EVENTS

In April 2018 in a secondary lottery held by myLotto24 Limited, a player won a prize of approximately €8.3m. The pay-out amount falls within the self-retention specified in myLotto24 Limited's hedging instruments but the impact is within the annual statistical fluctuation and will therefore not change the previously communicated guidance.

There have been no other significant subsequent events since the Statement of Financial Position date which require separate disclosure.

APPROVAL

The Quarterly Statement was approved by the Executive Board of Directors on 4 May 2018.

FINANCIAL STATEMENTS

INTERIM CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE THREE MONTHS ENDED 31 MARCH 2018 AND 31 MARCH 2017

	Q 1 2018	Q 1 2017
in €k		
Revenue	38,700	23,574
Other operating income	1,130	568
Total Operating Performance (TOP)	39,830	24,142
Personnel expenses	(7,741)	(8,009)
Other operating expenses	(22,481)	(15,551)
<i>Marketing expenses</i>	<i>(4,669)</i>	<i>(3,978)</i>
<i>Direct costs of operations</i>	<i>(11,601)</i>	<i>(6,975)</i>
<i>Other costs of operations</i>	<i>(6,211)</i>	<i>(4,598)</i>
Exchange rate differences	(150)	3
Depreciation and amortisation of non-current assets	(299)	(340)
Result from operating activities (EBIT)	9,159	245
Finance income	20	75
Finance costs	(84)	(85)
Results from financing and investing activities	(64)	(10)
Profit before income tax	9,095	235
Income tax expense	(2,727)	(70)
Profit attributable to the equity shareholders of the Company	6,368	165
Earnings per share for profit attributable to ordinary equity holders of the Company	€	€
Basic and diluted earnings per share	0.76	0.02

	Q 1 2018	Q 1 2017
in €k		
Profit for the year	6,368	165
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange gain/(loss) on translation of foreign operations	18	(3)
Other comprehensive income not reclassified to profit or loss in subsequent periods:		
(Loss)/gain on available-for-sale financial assets (AFS)	(87)	90
Other comprehensive (loss)/income net of tax	(69)	87
Total comprehensive income attributable to the equity shareholders of the Company	6,299	252

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED) AS AT 31 MARCH 2018 AND 31 DECEMBER 2017**

	As at 31 March 2018	As at 31 December 2017
ASSETS in €k		
Non-current assets		
Property plant and equipment	2,619	2,607
Intangible assets	425	510
Deferred tax assets	38	38
Other investments	3,041	3,041
Other assets and prepaid expenses	998	438
Total non-current assets	7,121	6,634
Current assets		
Trade and other receivables	2,230	1,803
Income tax receivables	730	474
Other current assets and prepaid expenses	9,599	13,025
Financial assets	27,036	27,123
Cash and pledged cash	98,426	92,052
Total current assets	138,021	134,477
TOTAL ASSETS	145,142	141,111
EQUITY & LIABILITIES in €k		
Non-current liabilities		
Other liabilities	2,297	1,765
Total non-current liabilities	2,297	1,765
Current liabilities		
Trade payables	3,562	5,510
Other liabilities	22,392	23,098
Financial liabilities	115	106
Deferred income	1,916	2,105
Income tax liabilities	1,108	1,074
Provisions	837	837
Total current liabilities	29,930	32,730
Equity		
Subscribed capital	8,385	8,385
Share premium	21,578	21,578
Other reserves	(647)	(560)
Foreign currency translation reserve	201	183
Retained earnings	83,398	77,030
Total equity	112,915	106,616
TOTAL EQUITY & LIABILITIES	145,142	141,111

INTERIM CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED) FOR THE THREE MONTHS ENDED 31 MARCH 2018 AND 31 MARCH 2017

in €k	Q1 2018	Q1 2017
Profit from continuing operations before tax	9,095	235
Adjustments for		
Depreciation and amortisation of non-current assets	299	340
Finance income	(20)	(75)
Finance costs	84	85
Other non-cash changes	(69)	87
Changes in		
Trade and other receivables	(427)	88
Other assets and prepaid expenses	2,866	2,321
Trade payables	(1,948)	(1,258)
Other liabilities	(174)	(4,319)
Financial liabilities	9	4
Deferred income	(189)	964
Short-term provisions	-	(32)
Interest received	20	75
Interest paid	(84)	(85)
Income taxes paid	(2,949)	(3,000)
Cash inflow/(outflow) from operating activities	6,513	(4,570)
Cash flow from investing activities		
Payments for acquisition of intangible assets	(2)	-
Payments for acquisition of property, plant and equipment	(224)	(282)
Net cash outflow from investing activities	(226)	(282)
Net cash outflow from financing activities	-	-
Net increase/(decrease) in cash, pledged cash and short-term financial assets	6,287	(4,852)
Cash, pledged cash and short-term financial assets at the beginning of the year	119,175	114,665
Cash, pledged cash and short-term financial assets at the end of the period	125,462	109,813
Composition of cash, pledged cash and short-term financial assets at the end of the period		
Cash and pledged cash	98,426	71,139
Short-term financial assets	27,036	38,674
	125,462	109,813

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE YEAR ENDED 31 DECEMBER 2017 AND
FOR THE THREE MONTHS ENDED 31 MARCH 2018 AND 31 MARCH 2017

	Subscribed capital	Share premium	Other reserves	Retained earnings	Currency translation adjustments	Total equity
in €k						
As at 1 January 2017	8,385	21,578	(785)	68,237	143	97,558
Profit for the period	-	-	-	165	-	165
Other comprehensive income/(loss)	-	-	90	-	(3)	87
Total comprehensive income/(loss) for the period	-	-	90	165	(3)	252
As at 31 March 2017	8,385	21,578	(695)	68,402	140	97,810
Profit for the period	-	-	-	17,013	-	17,013
Other comprehensive income	-	-	135	-	43	178
Total comprehensive income for the period	-	-	135	17,013	43	17,191
Transactions with owners in their capacity as owners						
Dividends paid	-	-	-	(8,385)	-	(8,385)
As at 31 December 2017	8,385	21,578	(560)	77,030	183	106,616
Profit for the period	-	-	-	6,368	-	6,368
Other comprehensive (loss)/income	-	-	(87)	-	18	(69)
Total comprehensive (loss)/income for the period	-	-	(87)	6,368	18	6,299
As at 31 March 2018	8,385	21,578	(647)	83,398	201	112,915

SEGMENT REPORTING

The Group's operating segments are Lottery Betting, Lottovate and ZEAL Ventures. This is consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM), being the Executive Board of Directors.

There has been no change in the results or activities of the individual segments since the issue of the 2017 Annual Report on 22 March 2018.

The costs attributable to the operating activities of ZEAL Ventures are not separately disclosed. These costs do not meet the quantitative threshold requirements for separately identifiable segment reporting and are instead proportionally allocated to the Lottery Betting and Lottovate segments.

Business unit segment reporting	Lottery Betting	Lottovate	Business unit total	Normalisation adjustments	Other adjustments	Statutory total
Q1 2018						
in €k						
Revenue	37,075	2,080	39,155	(506)	51	38,700
Other operating income	1,622	91	1,713	(579)	(4)	1,130
Total Operating Performance (TOP)	38,697	2,171	40,868	(1,085)	47	39,830
EBITDA	12,933	(2,013)	10,920	(1,085)	(377)	9,458
Depreciation/amortisation	(227)	(72)	(299)	-	-	(299)
EBIT	12,706	(2,085)	10,621	(1,085)	(377)	9,159
Financing and investing result	-	-	-	-	(64)	(64)
EBT	-	-	10,621	(1,085)	(441)	9,095
Income tax	-	-	-	-	(2,727)	(2,727)
Net profit/loss	-	-	10,621	(1,085)	(3,168)	6,368

Business unit segment reporting	Lottery Betting	Lottovate	Business unit total	Normalisation adjustments	Other adjustments	Statutory total
Q1 2017						
in €k						
Revenue	33,356	1,723	35,079	(11,566)	61	23,574
Other operating income	567	55	622	(184)	130	568
Total Operating Performance (TOP)	33,923	1,778	35,701	(11,750)	191	24,142
EBITDA	14,510	(2,303)	12,207	(11,750)	128	585
Depreciation/amortisation	(260)	(80)	(340)	-	-	(340)
EBIT	14,250	(2,383)	11,867	(11,750)	128	245
Financing and investing result	-	-	-	-	(10)	(10)
EBT	-	-	11,867	(11,750)	118	235
Income tax	-	-	-	-	(70)	(70)
Net profit/loss	-	-	11,867	(11,750)	48	165



FINANCIAL CALENDAR

1 June 2018 Annual General Meeting

2 August 2018 Publication of Q2 Report

1 November 2018 Publication of Q3 Report

Published by

ZEAL Network SE

5th Floor – One New Change

London EC4M 9AF

Phone: +44 (0) 203 739 - 7000

Fax: +44 (0) 203 739 - 7099

zeal-network.co.uk

Concept & design

Impacct Communication GmbH

impacct.de