

BETTER

2GETHER

QUARTERLY STATEMENT
1 JANUARY – 30 SEPTEMBER 2020



ZEAL



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

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

In May 2019, ZEAL completed the acquisition of LOTTO24 AG. It transitioned its former Tipp24 secondary lottery business to a German online lottery brokerage business in October 2019 and has since become the leading German online broker for state lottery products once again. In the same month, it relocated its registered office back to Germany.

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Q 1–3 2020 AT A GLANCE

€471.8m

BILLINGS

(Q 1–3 2019: €332.6m)

€63.9m

REVENUE

(Q 1–3 2019: €93.2m)

€6.9m

ADJUSTED EBITDA

(Q 1–3 2019: €28.3m)

12.3%

**GROSS MARGIN,
GERMANY SEGMENT¹**

(Q 1–3 2019: NOT APPLICABLE)

€27.58

**COST PER LEAD,
GERMANY SEGMENT¹**

(Q 1–3 2019: NOT APPLICABLE)

787k

**NEW REGISTERED CUSTOMERS,
GERMANY SEGMENT¹**

(Q 1–3 2019: NOT APPLICABLE)

¹In the nine months ended 30 September 2019, the Group did not operate a Germany segment as defined on page 16 of this report. As such, prior year comparatives are not available.

STRONG NINE MONTHS 2020

- Billings increased
- Solid gross margin achieved
- Cost savings continued
- Further investment in marketing
- 787 thousand new registered customers gained
- Guidance 2020 raised again

Definitions of the financial measurements disclosed above can be found in the Key Financial Figures section of the Interim Group Management Report for the first half of 2020.

BUSINESS REVIEW

LADIES AND GENTLEMEN,

The first nine months of 2020 were a great success for the ZEAL Group¹: based on the very good development in the first half of the year, we were able to raise our guidance for 2020 already in July. Supported by the good jackpot development of the German lottery Lotto 6aus49 in the third quarter of 2020, the continued high marketing investments again led to a growth in billings, revenue and new registered customers exceeding expectations, so that we were able to raise our already adjusted guidance once more on 15 October 2020.

FURTHER ON GROWTH COURSE

In the first nine months of 2020 our billings increased by 42% to €471.8 million (2019: €332.6 million) thanks to the inclusion of LOTTO24 and the good jackpot development. The Germany segment contributed €470.9 million to this. Billings of the Spanish ONCE business are not attributed for contractual reasons. In a year-on-year comparison, however, it should be noted that in 2019 we offered a broader product range in the secondary lottery business (e.g. including 'Instant Win Games', the European lottery 'EuroMillions' or the US 'Powerball' lottery), which were discontinued in October 2019 due to the Business Model Change². Moreover, LOTTO24's online lottery brokerage business has only been part of the ZEAL Group in the previous year since 14 May 2019. The LOTTO24 billings up to 14 May 2019 were therefore not included in the previous year's figures.

In the German lottery Lotto 6aus49, the average jackpot for the first nine months of 2020 was slightly higher than in the previous year and exceeded the €20 million mark a total of four times (2019: twice), thereof twice in the third quarter (2019: twice). The average jackpot of the European Lottery EuroJackpot, on the other hand, was significantly higher than in the previous year and reached the €90 million mark six times in total (2019: once), but not once in the third quarter (2019: once).

Our revenue decreased by 31% to €63.9 million (2019: €93.2 million), mainly due to the expected revenue dis-synergies in connection with the Business Model Change. Similar to billings, revenue in the first nine months of 2019 still included the secondary lottery business but not LOTTO24's online lottery brokerage business until 14 May 2019. Revenue in the Germany segment amounted to €57.8 million in the first nine months of 2020.

Supported by the market launch of the social lottery freiheit+ in March 2020 and the positive development of lottery clubs, the gross margin in the Germany segment amounted to 12.3% in the first nine months of 2020 (2019: no Germany segment). Since the Spanish ONCE business is not included in billings but only in revenue, our margin development is better reflected in the Germany segment than on Group level.

COST SAVINGS CONTINUED

We also succeeded in further reducing our cost base: Our personnel and other operating expenses together in the first nine months of 2020 fell by €13.6 million to €59.6 million (2019: €73.1 million). Here, too, it should be noted that LOTTO24 AG's costs were not yet included up to 14 May 2019, so the cost savings would have been correspondingly higher compared to the previous year. With marketing costs increased by € 9.2 million to €25.3 million to take advantage of the good market and jackpot environment (2019: €16.1 million), other operating expenses fell by €13.0 million to €43.0 million (2019: €56.0 million).

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

² The Business Model Change refers to the LOTTO24 takeover and the conversion of the former Tipp24 secondary lottery to the German online lottery brokerage business.

The targeted synergies of at least €57.0 million p.a. have made a significant contribution to the cost savings: thanks to the strict implementation of the planned measures, we have already succeeded in generating 91% of the planned cost synergies by May 2020, i.e. by the end of the first year after the completion of the LOTTO24 takeover. We have achieved our goal of generating 80% of the cost synergies in this period faster than planned. Against this background we remain confident that we will also be able to reach the planned 100% of the cost synergies by May 2021 at the latest. With total one-time expenses of €15 million incurred to date to realise the planned cost synergies, we have also remained at the lower end of the target range of between €15 million and €20 million and do not expect any further relevant costs in this context.

As our latest development shows, the German online lottery brokerage market offers tremendous growth potential for the ZEAL Group: Already in the first nine months of 2020, we have almost reached our already raised guidance with 787 thousand new registered customers in the Germany segment with acquisition costs per new registered customer (cost per lead, CPL) of €27.58 (2019: no Germany segment).

AS EXPECTED, ADJUSTED EBITDA BELOW PREVIOUS YEAR

As expected, adjusted EBITDA of €6.9 million was down on the previous year (2019: €28.3 million) due to the revenue dis-synergies in the course of the Business Model Change. Despite the significantly increased marketing costs, the Germany segment contributed €5.2 million to this figure. After increased depreciation and amortisation of €7.7 million (2019: €5.4 million) mainly resulting from the LOTTO24 takeover and non-recurring income of €3.7 million related to the repayment of Stamp Duty Reserve Tax from the UK tax authority HMRC (2019: non-recurring expenses of €10.0 million), EBIT decreased to €2.9 million (2019: €12.9 million).

GUIDANCE 2020 RAISED AGAIN

In fiscal year 2020, we continue to plan to expand our market leadership as an online provider of state lottery products with the LOTTO24 and Tipp24 brands. Based on the strong nine-month figures and access to proven, more cost-effective marketing channels, we now expect the number of new registered customers in the Germany segment to be around 900 thousand in 2020 (previously: around 800 thousand) with a lower CPL than in the previous year. In addition, we now anticipate billings of between €610 million and €630 million (previously: between €590 million and €610 million), revenue of between €80 million and €83 million (previously: between €76 million and €79 million) and an unchanged gross margin in the Germany segment of slightly above 12% in fiscal year 2020. Depending on the general conditions – in particular the continuation of the high marketing investments to acquire new customers within the attractive market environment, the jackpot development and the implementation of the synergy effects – we now forecast the adjusted EBITDA to be between €8 million and €10 million (previously: between €7 million and €10 million).

DEAR SHAREHOLDERS,

Despite the corona crisis, we continued to grow in the first nine months of 2020 and furthermore we have shown that we understand how to exploit market opportunities and are willing to invest in future growth with almost 800 thousand registered new customers at economically advantageous acquisition costs. We really look forward to continuing this path together with you.

Hamburg, 11 November 2020

The Management Board



Dr. Helmut Becker
Chief Executive Officer



Jonas Mattsson
Chief Financial Officer

RESULTS OF OPERATIONS AND FINANCIAL POSITION

POSITION

Summary key earnings figures:

Summary financial results	Q 1–3 2020	Q 1–3 2019
in € thousand		
Revenue	63,865	93,178
Other operating income	2,329	7,988
Personnel expenses	(16,593)	(17,166)
Other operating expenses	(42,976)	(55,973)
Marketing expenses	(25,304)	(16,089)
Direct operating expenses	(7,236)	(26,798)
Indirect operating expenses	(10,436)	(13,086)
Exchange rate differences	278	226
Adjusted EBITDA	6,903	28,253
Non-recurring income and expenses	3,656	(9,995)
EBITDA	10,559	18,258
Amortisation and depreciation	(7,695)	(5,404)
EBIT	2,864	12,854
Key Performance Indicators		
Billings (in € thousand)	471,757	332,649
Revenue (in € thousand)	63,865	93,178
Adjusted EBITDA (in € thousand)	6,903	28,253
Gross margin, Germany segment (%)	12.3	-
Number of new registered customers, Germany segment (in thousand)	787	-
CPL, Germany segment (in €)	27.58	-

The takeover of LOTTO24 in May 2019, and the closure of the secondary lottery business and switch to online lottery brokerage in October 2019, makes comparison between the 2019 and 2020 results difficult. The 2019 comparatives include the results from secondary lottery from 1 January 2019 to 30 September 2019 and the result of LOTTO24 AG from 14 May 2019, whilst the 2020 results reflect the online lottery brokerage business from 1 January 2020 to 30 September 2020.

REVENUE

Revenue for the nine-month period ended 30 September 2020 decreased by €29,313 thousand to €63,865 thousand (2019: €93,178 thousand).

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

PERSONNEL EXPENSES

Personnel expenses for the nine-month period ended 30 September 2020 decreased by €573 thousand to €16,593 thousand (2019: €17,166 thousand). The decrease is due to the fall in the average number of full time equivalent (FTE) employees from 208 to 165. The fall in headcount was mainly driven by the restructuring of the Group as part of the integration with LOTTO24. This offsets an increase in the provision for long term incentives, reflecting the increased level of the ZEAL share price at 30 September 2020.

OTHER OPERATING EXPENSES

Other operating expenses for the nine-month period ended 30 September 2020 decreased by €12,997 thousand to €42,976 thousand (2019: €55,973 thousand). The most significant contributory factors were:

- Increase in marketing expenses of €9,215 thousand which is mainly driven by the additional investment in marketing following the Business Model Change and the improved regulatory environment for online lottery brokerage. This allows the Group to increase its marketing activity in line with its strategy to continue growing and outperforming the market, while reducing the CPL in comparison to the secondary lottery business and acquiring new registered customers. The increase in marketing expenses is also partly due to 2020 figures including the marketing expenses for both Tipp24 and LOTTO24 brands for the whole year to date, whilst the comparative does not include the marketing expenses for LOTTO24 before its takeover in May 2019.
- Decrease in direct operating expenses of €19,562 thousand which is mainly due to the Business Model Change. Following the closure of the Group's secondary lottery business the Group no longer incurs the costs of covering bookmaking risk. This has resulted in a €18,233 thousand decrease in direct operating expenses. The Business Model Change has also resulted in the reduction of non-deductible VAT by €1,063 thousand.
- Decrease in indirect operating expenses of €2,648 thousand, which is primarily driven by a €1,608 thousand decrease in consultancy costs and a €505 thousand decrease in travel expenses. The remaining movement is due to various immaterial decreases in other line items.

NON-RECURRING INCOME AND EXPENSES

Non-recurring income and expenses for the nine-month period ended 30 September 2020 were €3,656 thousand (2019: expense of €9,995 thousand) which relates the net repayment of Stamp Duty Reserve Tax from HMRC (the UK tax authority). Non-recurring expenses incurred in the nine-month period ended 30 September 2019 mainly related to the takeover of LOTTO24 (€1,950 thousand) and restructuring activities (€7,945 thousand), as well as a €600 thousand provision for legal risks. In addition, €500 thousand of costs in relation to the closure of Ventura24 S.L.U's consumer facing business, which were provided for at 31 December 2018 but not required, were released in 2019.

AMORTISATION AND DEPRECIATION

Amortisation and depreciation expense for the nine-month period ended 30 September 2020 has increased by €2,291 thousand to €7,695 thousand (2019: €5,404 thousand). The increase is driven by the amortisation of intangible assets recognised following the takeover of LOTTO24 impacting the full nine-month period in 2020 compared to four-and-a-half months in the comparative period.

KEY PERFORMANCE INDICATORS

Billings for the nine-month period ended 30 September 2020 increased by €139,108 thousand to €471,757 thousand (2019: €332,649 thousand). The increase in billings is primarily due to the inclusion of LOTTO24 billings in the numbers for 2020 as well as the strong business performance based on the favourable jackpot situation. Supported by the market launch of the social lottery *freiheit+* in March 2020 and the increased revenue of lottery clubs the Germany segment achieved a gross margin of 12.3% for the nine-month period ended 30 September 2020. We were able to acquire 787 thousand new registered customers in the Germany segment in the first nine months of 2020, with CPL in the Germany segment of €27.58 (2019: no Germany segment). Monthly average active users (MAU)¹ for the Germany segment and average billings per user (ABPU)² reached 987 thousand and €53.01 respectively for the nine-month period ended 30 September 2020 (2019: no Germany segment).

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

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

CASH FLOW

	Q 1-3 2020	Q 1-3 2019
in € thousand		
Cash generated from/(used in) operating activities	(56,963)	8,968
Cash generated from investing activities	1,533	5,241
Cash used in financing activities	(19,612)	(2,773)
Changes in cash, pledged cash and cash equivalents	(75,042)	11,436
Cash, pledged cash and cash equivalents at the beginning of the period ¹	153,280	145,887
Cash, pledged cash and cash equivalents at the end of the period¹	78,238	157,323

¹ In line with IFRS, for the purpose of the statement of cash flows, cash equivalents at the beginning of the period exclude €2,925 thousand (2019: nil) invested in equity funds. Cash equivalents at 30 September 2019 exclude €2,805 thousand invested in equity funds.

Cash used in operating activities for the nine-month period ended 30 September 2020 was €56,963 thousand (2019: cash inflow of €8,968 thousand). The cash outflow in the nine-month period ended 30 September 2020 was primarily due to the interim VAT payment of €54,316 thousand made in January 2020. The payment was made – despite the first instance ruling in favour of myLotto24 Limited (a 100% owned subsidiary of ZEAL Network SE) and without acknowledging any legal obligation – to reduce the amount of potential interest payments and to eliminate the risk of potential fines for late payment of taxes.

Cash generated from investing activities for the nine-month period ended 30 September 2020 was €1,533 thousand (2019: cash inflow of €5,241 thousand). The inflow is primarily attributable to the sale of €2,925 thousand (2019: cash outflow of €2,975 thousand) of equity funds which were converted into cash on sale. This was offset by €377 thousand invested in associates (2019: €350 thousand), and €826 thousand (2019: €503 thousand) paid to acquire non-controlling interests.

Cash used in financing activities for the nine-month period ended 30 September 2020 was €19,612 thousand (2019: €2,773 thousand). The outflow relates to a dividend payment of €17,887 thousand (2019: nil) and to lease payments of €1,725 thousand (2019: €2,123 thousand) made in relation to the Group's offices in London and Hamburg.

As of 30 September 2020, cash, pledged cash and cash equivalents decreased accordingly by €75,042 thousand to €78,238 thousand (31 December 2019: €153,280 thousand).

SELECTED FINANCIAL INFORMATION

INTERIM CONSOLIDATED INCOME STATEMENT (UNAUDITED) FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2020 AND 30 SEPTEMBER 2019

	Q 1-3 2020	Q 1-3 2019	Q 3 2020	Q 3 2019
in € thousand				
Revenue	63,865	93,178	20,569	15,717
Other operating income	2,329	7,988	1,281	6,176
Personnel expenses	(16,593)	(17,166)	(5,398)	(5,994)
Other operating expenses	(42,976)	(55,973)	(12,903)	(19,139)
Marketing expenses	(25,304)	(16,089)	(6,976)	(5,052)
Direct operating expenses	(7,236)	(26,798)	(2,333)	(9,057)
Indirect operating expenses	(10,436)	(13,086)	(3,594)	(5,030)
Exchange rate differences	278	226	104	289
Non-recurring income and expenses	3,656	(9,995)	3,764	(2,638)
Results from operating activities before interest, taxes, depreciation and amortisation (EBITDA)	10,559	18,258	7,417	(5,589)
Amortisation/depreciation on intangible assets and property, plant and equipment	(6,765)	(4,142)	(2,211)	(2,434)
Depreciation of right of use assets	(930)	(1,262)	(320)	(470)
Result from operating activities (EBIT)	2,864	12,854	4,886	(8,493)
Income from financial activities	3,326	147	790	28
Expenses from financial activities	(402)	(490)	(95)	(180)
Gain/(loss) on financial assets	(51)	318	276	73
Financial result	2,873	(25)	971	(79)
Share of loss from associates	(142)	(14)	(47)	-
Net profit/(loss) before taxes	5,595	12,815	5,810	(8,572)
Income taxes	942	(1,999)	350	5,068
Net profit/(loss)	6,537	10,816	6,160	(3,504)
Attributable to				
Equity shareholders of the Company	6,439	10,666	6,042	(3,630)
Non-controlling interest	98	150	118	126
Earnings/(loss) per share for profit attributable to ordinary equity holders of the Company	€	€	€	€
Basic and diluted earnings/(loss) per share (in €/share)	0.29	0.70	0.27	(0.16)

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2020 AND 30 SEPTEMBER 2019**

	Q 1-3 2020	Q 1-3 2019	Q 3 2020	Q 3 2019
in € thousand				
Net profit/(loss)	6,537	10,816	6,160	(3,504)
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	561	796	2	170
Items that may be reclassified to profit or loss in subsequent periods	-	-	-	-
Exchange differences on translation of foreign operations, net of tax	-	5	-	5
Other comprehensive income after taxes	561	801	2	175
Total comprehensive income/(loss) after taxes	7,098	11,617	6,162	(3,329)
Attributable to				
Equity shareholders of the Company	7,000	11,467	6,044	(3,455)
Non-controlling interest	98	150	118	126

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 SEPTEMBER 2020 AND 31 DECEMBER 2019**

	As at 30 September 2020	As at 31 December 2019
ASSETS in € thousand		
Non-current assets		
Property plant and equipment	1,111	1,786
Right of use assets	5,081	8,478
Goodwill	160,886	160,886
Intangible assets	146,190	152,091
Deferred tax assets	17,956	18,474
Other investments	4,640	4,137
Shares in associated companies	922	629
Other assets and prepaid expenses	59,112	654
Total non-current assets	395,898	347,135
Current assets		
Income tax receivable	191	52
Trade receivables and other current assets	17,709	17,741
Cash equivalents and other short-term equity funds	30,007	72,511
Cash and pledged cash	48,231	83,694
Total current assets	96,138	173,998
TOTAL ASSETS	492,036	521,133

	As at 30 September 2020	As at 31 December 2019
EQUITY & LIABILITIES in € thousand		
Non-current liabilities		
Deferred tax liabilities	51,517	53,256
Other non-current liabilities	1,863	1,026
Long-term provisions	2,276	2,360
Lease liabilities	7,341	8,857
Total non-current liabilities	62,997	65,499
Current liabilities		
Trade payables	1,898	3,838
Other current liabilities	27,948	30,150
Deferred income	5	24
Income tax liabilities	883	6,886
Short-term provisions	2,207	6,562
Lease liabilities	1,676	2,449
Total current liabilities	34,617	49,909
Equity		
Subscribed capital	22,396	22,396
Share premium	280,132	280,132
Treasury shares	(1,591)	(1,903)
Other reserves	1,435	874
Foreign currency translation reserve	-	164
Retained earnings	83,950	95,674
Equity attributable to equity holders of the parent	386,322	397,337
Non-controlling interest	8,100	8,388
Total equity	394,422	405,725
TOTAL EQUITY & LIABILITIES	492,036	521,133

**INTERIM CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 AND 30 SEPTEMBER 2019**

	Q 1-3 2020	Q1-3 2019
in € thousand		
Net profit before taxes	5,595	12,815
Adjustments for		
Amortisation/depreciation	6,765	4,142
Depreciation of right of use assets	930	1,262
Income from financial activities	(2,152)	(147)
Expenses from financial activities	107	210
Expenses from financial activities – lease liabilities	295	280
Income from financial activities – lease assets	(1,174)	-
Other non-cash income/(expenses)	118	(503)
Changes in		
Trade receivables and other assets	(53,359)	9,463
Trade payables	(1,940)	(3,141)
Other liabilities	(1,365)	(4,575)
Financial liabilities	-	(9)
Deferred income	(19)	(1,926)
Provisions	(4,439)	511
Interest received	139	147
Interest paid	(107)	(210)
Income taxes paid	(6,357)	(9,351)
Cash inflow/(outflow) from operating activities	(56,963)	8,968

	Q 1-3 2020	Q1-3 2019
in € thousand		
Cash flow from investing activities		
Acquisition of intangible assets	(146)	(15)
Acquisition of property, plant and equipment	(43)	(94)
Payments for acquisition of associates	(377)	(350)
Income/(payment) for investment in equity funds	2,925	(2,975)
Payments made to acquire non-controlling interest	(826)	(503)
Payments for acquisition of external investments	-	(170)
Acquisition of a subsidiary, net of cash acquired	-	9,348
Net cash inflow from investing activities	1,533	5,241
Payments for lease liability	(1,725)	(2,123)
Payment of dividends	(17,887)	-
Payments to issue shares	-	(650)
Net cash outflow from financing activities	(19,612)	(2,773)
Change in available funds	(75,042)	11,436
Available funds at the beginning of the period	153,280	145,887
Available funds at the end of the period	78,238	157,323
Composition of cash, pledged cash and cash equivalents		
Cash and pledged cash	48,231	110,162
Cash equivalents	30,007	47,161
Cash, pledged cash and cash equivalents at the end of the financial period	78,238	157,323

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE YEAR ENDED 31 DECEMBER 2019 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020
AND 30 SEPTEMBER 2019**

	Subscribed capital	Share premium	Treasury shares	Other reserves	Currency translation adjust- ments	Retained earnings	Equity attribut- able to equity holders of the parent	Non-con- trolling interest	Total equity
in € thousand									
As at 1 January 2019	8,385	21,578	(1,903)	227	201	94,418	122,906	-	122,906
Net profit	-	-	-	-	-	10,666	10,666	150	10,816
Other comprehensive income	-	-	-	796	5	-	801	-	801
Total comprehensive income for the period	-	-	-	796	5	10,666	11,467	150	11,617
Capital increase to acquire LOTTO24	14,011	258,554	-	-	-	-	272,565	8,403	280,968
Purchase of non-controlling interest	-	-	-	-	-	(231)	(231)	(272)	(503)
Transactions with owners in their capacity as owners	14,011	258,554	-	-	-	(231)	272,334	8,131	280,465
As at 30 September 2019	22,396	280,132	(1,903)	1,023	206	104,853	406,707	8,281	414,988
Net profit/(loss)	-	-	-	-	-	(9,206)	(9,206)	108	(9,098)
Other comprehensive income/(loss)	-	-	-	(149)	(42)	37	(154)	-	(154)
Total comprehensive income/ (loss) for the period	-	-	-	(149)	(42)	(9,169)	(9,360)	108	(9,252)
Purchase of non-controlling interest	-	-	-	-	-	(10)	(10)	(1)	(11)
Transactions with owners in their capacity as owners	-	-	-	-	-	(10)	(10)	(1)	(11)
As at 31 December 2019	22,396	280,132	(1,903)	874	164	95,674	397,337	8,388	405,725
Net profit	-	-	-	-	-	6,439	6,439	98	6,537
Other comprehensive income/(loss)	-	-	-	561	(164)	164	561	-	561
Total comprehensive income/ (loss) for the period	-	-	-	561	(164)	6,603	7,000	98	7,098
Purchase of non-controlling interest	-	-	-	-	-	(440)	(440)	(386)	(826)
Treasury shares sold	-	-	312	-	-	-	312	-	312
Dividend payment	-	-	-	-	-	(17,887)	(17,887)	-	(17,887)
Transactions with owners in their capacity as owners	-	-	312	-	-	(18,327)	(18,015)	(386)	(18,401)
As at 30 September 2020	22,396	280,132	(1,591)	1,435	-	83,950	386,322	8,100	394,422

SELECTED NOTES

GENERAL INFORMATION

The unaudited Quarterly Statement for ZEAL Network SE (the 'Company') and its subsidiaries (collectively, 'ZEAL Group' or 'the Group') covers the period from 1 January 2020 to 30 September 2020. The date of the interim consolidated statement of financial position is 30 September 2020.

PRINCIPAL ACCOUNTING POLICIES

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

RELATED PARTIES

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

TAX MATTERS AND CONTINGENT LIABILITY

The Management Board continues to closely monitor any changes in areas where a contingent liability has been previously disclosed. As disclosed in note 27 of the Notes to the 2019 Consolidated Financial Statements, there is significant uncertainty as to whether VAT is due in respect of certain services provided by the myLotto24 Sub-Group. If myLotto24 is unsuccessful, the potential financial impact at 30 September 2020 is €76.3 million (31 December 2019: €76.9 million). Following the payment of €54.3 million, the remaining potential cash exposure is €22.0 million.

SUBSEQUENT EVENTS

There were no events of particular significance after the end of the reporting period that will have a material impact on the Group's business performance.

APPROVAL

The Quarterly Statement has been approved for publication by a resolution of the Management Board on 11 November 2020.

SEGMENT REPORTING

The Group's reportable operating segments reflect the management structure of the Group, the way performance is evaluated, and the way resources are allocated by the Chief Operating Decision Maker (CODM), being the Management Board. Following the takeover of LOTTO24 on 14 May 2019 and the Business Model Change on 15 October 2019, the Group reviewed its reportable operating segments and determined that the following segments should be used from 1 January 2020.

Germany

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

Other

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

2019 Comparatives

The 2019 comparatives have been restated so that they are presented on the same basis as the 2020 note. This has resulted in shared costs being reallocated from the Other segment (previously called Lottovate) to the Germany and Lottery Betting segments. This has decreased the negative EBITDA from €3,100 thousand in the Lottovate segment to €526 thousand in the Other segment.

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

The 2019 Lottery Betting segment has been restated to show actual rather than normalised results and to reflect the apportionment of shared costs in 2020. This has resulted in EBITDA decreasing from €48,797 thousand to €18,885 thousand.

The discontinuance of the secondary lottery business in Germany is not considered to meet the IFRS definition of a discontinued operation, as the Group continues to provide the same customers in Germany on the basis of the brokerage licence granted by the German gambling authorities with the products of the German Association of State Lottery Companies (DLTB) for a brokerage fee without carrying any bookmaking risk. Prior to the Business

Model Change the Group was a bookmaker and also offered customers the chance to bet on the outcome of German and some international lotteries. Following the Business Model Change, the Group is primarily a broker which offers DLTB tickets to its customers.

Business unit segment reporting

Q1-3 2020	Germany	Lottery Betting	Other	Total
in € thousand				
Revenue	57,846	-	6,019	63,865
Other operating income	2,339	-	(10)	2,329
Personnel expenses	(15,517)	-	(1,076)	(16,593)
Other operating expenses and exchange rate differences	(39,433)	-	(3,265)	(42,698)
Non-recurring income	3,656	-	-	3,656
EBITDA	8,891	-	1,668	10,559
Amortisation/depreciation	-	-	-	(7,695)
EBIT	-	-	-	2,864
Financial result	-	-	-	2,873
Share of loss from associates	-	-	-	(142)
Net profit before taxes	-	-	-	5,595
Income taxes	-	-	-	942
Net profit	-	-	-	6,537

Billings for the Germany segment were €470,913 thousand and €844 thousand for the Other segment.

Q1-3 2019 Restated	Germany	Lottery Betting	Other	Total
in € thousand				
Revenue	15,909	73,216	4,053	93,178
Other operating income	647	7,357	(16)	7,988
Personnel expenses	(4,391)	(10,682)	(2,093)	(17,166)
Other operating expenses and exchange rate differences	(9,510)	(43,296)	(2,941)	(55,747)
Non-recurring income and expenses	(2,756)	(7,710)	471	(9,995)
EBITDA	(101)	18,885	(526)	18,258
Amortisation/depreciation	-	-	-	(5,404)
EBIT	-	-	-	12,854
Financial result	-	-	-	(25)
Share of loss from associates	-	-	-	(14)
Net profit before taxes	-	-	-	12,815
Income taxes	-	-	-	(1,999)
Net profit	-	-	-	10,816

FINANCIAL CALENDAR

25 March 2021	Publication of Annual Report 2020
7 May 2021	Publication of Quarterly Statement Q1 2021
4 June 2021	Annual General Meeting 2021
12 August 2021	Publication of Half-Year Report 2021
11 November 2021	Publication of Quarterly Statement Q1-3 2021

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