

**CREATE EXCITING  
EXPERIENCES**

**SUPPORT  
CHARITIES**

**GROW  
INTERNATIONALLY**

**DISRUPT  
THE INDUSTRY**

# **CREATE A BETTER WORLD OF LOTTERY**

INTERIM FINANCIAL REPORT  
1 JANUARY – 30 SEPTEMBER 2016

**ZEAL**

**ZEAL Network SE\*** and its consolidated companies\*\* specialise in the area of online lottery. Our service offering consists primarily of the highly profitable consumer-facing lottery-based games business (secondary lottery betting and instant win games) and the provision of business-to-business lottery solutions (including white-label lotteries in the charity and associated sports organisation sectors).

We are a market leader in the global lottery sector. As the global lottery market continues to grow, we are confident that the strong stewardship of our existing business-to-consumer offering, investment in innovative new products in our business-to-business segment together with gradual deregulation of the European lottery markets will help us reach our primary goal of disrupting this sector.

Our vision is to create a better world of lottery, a world that our customers, business partners and people deserve.

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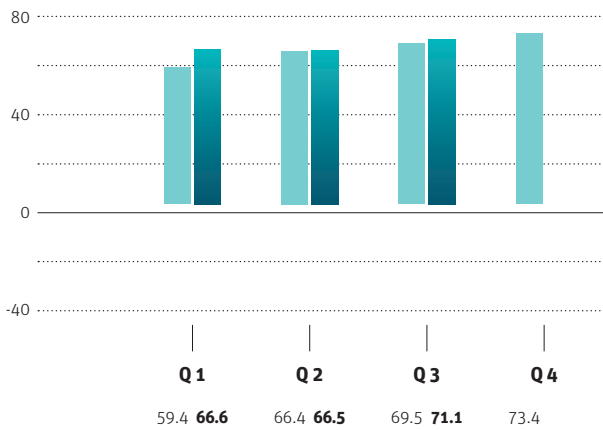
\* "ZEAL Network" or "the Company"

\*\* "ZEAL Group" or "the Group"

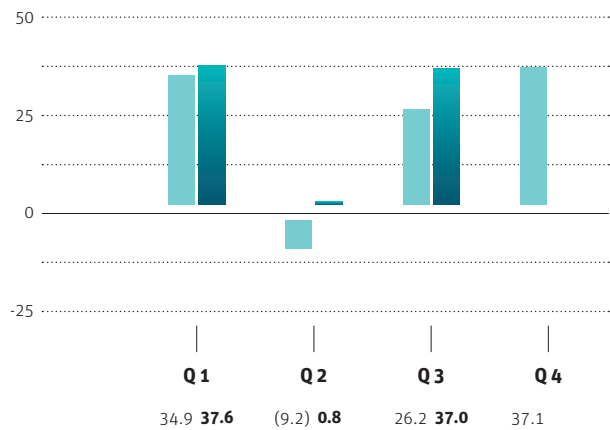
# PERFORMANCE

2015 ■ 2016

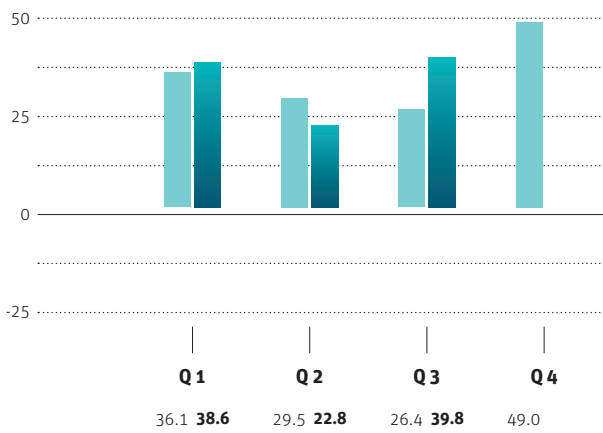
## BILLINGS in €m



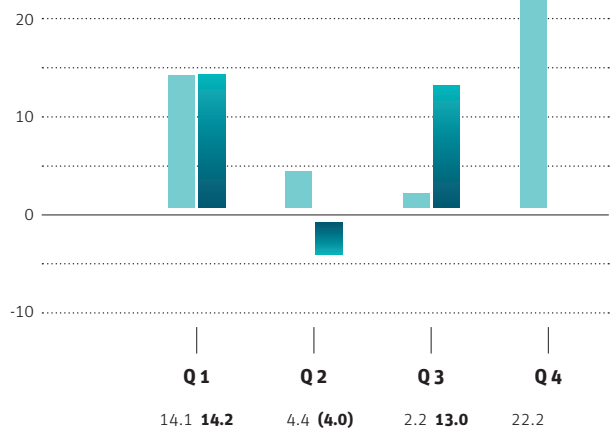
## STATUTORY REVENUE<sup>1</sup> in €m



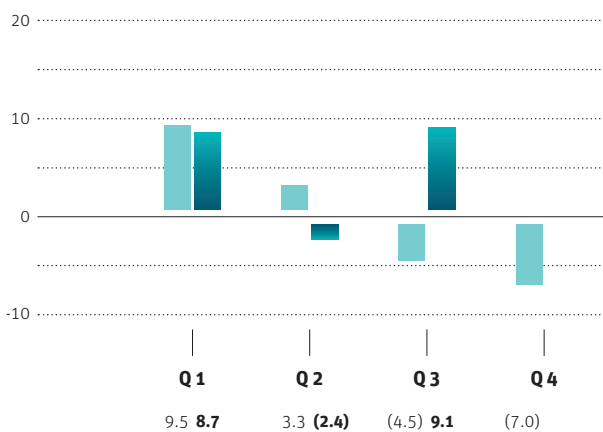
## STATUTORY TOTAL OPERATING PERFORMANCE in €m



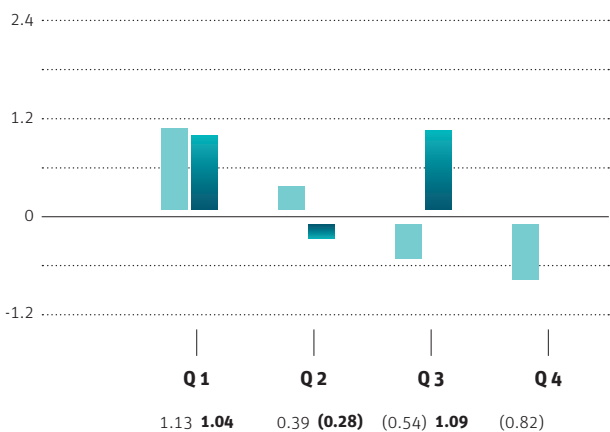
## STATUTORY EBIT in €m



## NET PROFIT in €m



## EARNINGS PER SHARE in €



<sup>1</sup> Revenue in Q2 2015, Q3 2015 and Q2 2016 was negatively impacted by a high prize pay-out.

## EXECUTIVE REVIEW

### DEAR SHAREHOLDERS

ZEAL Group continues to build on the strong financial performance seen last year and during the first half of 2016 with a profitable third quarter. Consistent with the first half of the year, we continue to see sustained levels of growth in our business-to-consumer segment. This growth is primarily attributable to the roll out of seven new instant win games throughout the year, adding value to our product suite. We have also been successful in maintaining the high average levels of spend from our customer base that we saw in 2015. Furthermore, based on positive results from additional marketing channels we have started to accelerate investment in this area. During September our application for a licence in Ireland was approved, representing an important step towards the internationalisation of our business-to-consumer offering. We intend to launch in this market during the first quarter of 2017. Throughout the year we invested heavily in our business-to-business platform development which is now launch-ready. Additionally, the Norwegian licence application is progressing and we continue to explore expansion into new markets.

### STRONG PERFORMANCE IN THE FIRST NINE MONTHS OF 2016

Billings, which comprises all stakes from customers, totalled €204.1m for the nine month period ended 30 September 2016. This represents an increase of €8.9m (5%) compared to the same period in 2015 (€195.2m).

Total operating performance, which comprises revenue and other operating income, amounted to €101.2m for the nine month period ended 30 September 2016 representing an increase of €9.3m (10.2%) compared to the same period in 2015 (€91.9m). During the third quarter of 2016, total operating performance was €39.8m which is a €13.5m increase compared to the same period last year.

EBIT for the nine month period amounted to €23.3m representing an increase of €2.6m (12.4%) compared to the same period in 2015 (€20.7m). The growth in EBIT was driven by an increase of €9.3m in total operating performance, partly generated by an increase in our investment in marketing activities of €1.9m. The increased marketing spend relates to a multi-media campaign launched during Q2 2016 with the objective of growing the Group's customer base. EBIT growth was partially offset by increases in personnel costs of €0.8m.

Additionally, the Group suffered adverse movements in exchange rate differences of €2.3m due to the volatility of the Euro against GBP during the nine month period and a one off cost of €1.3m associated with the acquisition of Geonomics Global Games Limited and Geo24 UK Limited. Further explanation is included in the financial review section of this report.

We are satisfied with the core underlying profitability of the Group and are confident that adherence to the strategic objectives set out in the 2015 Annual Report will result in sustained EBIT growth for the rest of the year. Historically, we have seen a decrease in levels of activity during major sporting events (such as European football championships) where Germany has been successful. Despite Germany's success in the Euro 2016 championships which took place in Q2 2016, we saw an increase in "normalised" revenue during the first nine months of the year of approximately €1.8m compared to the same period in the prior year. "Normalised" results include adjustments for expected lottery pay-outs based on statistical modelling.

### RELEASE OF DORMANT BALANCES

As noted in the Q2 interim financial report, during the first six months of 2016, one of the Group's minority shareholdings, Tipp24 Services Limited released an amount of €1.6m relating to dormant customer account balances to other operating income. A further balance of €1.8m was released during Q3 2016. These releases related to customer account balances where no activity had occurred since 2013. The release of these account balances is in full compliance with publicly available terms and conditions included on the tipp24.com website and significant diligence was performed prior to the authorisation of these releases.

### THIRD INTERIM DIVIDEND PAYMENT 2016

In accordance with our dividend policy, ZEAL Network paid out the third interim dividend amounting to €0.70 per share at the end of Q3 2016. We intend to pay one more instalment of €0.70 per share in 2016. ZEAL Network's dividend policy is subject to periodic review and possible amendments depending on future earnings and financial position.

### OUTLOOK

Our strategic outlook remains unchanged with attractive growth opportunities in our target markets. We continue to make positive progress towards our strategic goals. We have benefitted from recent rulings in the European Courts which have enhanced our marketing capabilities and we are confident that our ability to increase our direct investment in marketing will drive our planned growth strategy and build on our existing customer base. Our new instant win games attract new target groups who demand a more exciting gaming experience and have increased the average revenue generated from our customers. We see high potential in this growing market. The Group remains well positioned to capitalise on opportunities arising from changes to regulatory conditions and relatively low internet penetration of the lottery industry.

When reviewing the principal business risks prior to signing off the Q3 2016 Interim Financial Report, the Board concluded that the EU referendum result was not a principal business risk. We will continue to monitor the negotiations between the UK and the European Union.

As announced on 17 May 2016, we expect full year total operating performance to be €125–135m and full year EBIT to be €25–35m.

The Executive Board

**Dr. Helmut Becker**  
CEO

**Jonas Mattsson**  
CFO

**Susan Standiford**  
CTO

# BUSINESS REVIEW

## BUSINESS MODEL AND STRUCTURE

The Group's operating segments are Business-to-Consumer ("B2C") and Business-to-Business/Business-to-Government ("BBG"). We have described the composition of the segments in more detail below:

### B2C Segment

B2C's operating results comprise the secondary lottery betting business (secondary lottery), sales of "instant win games" products, direct costs and an allocation of the shared cost base.

### BBG Segment

The BBG segment comprises the remainder of the Group's core operating activities including:

- The lottery brokerage business in Spain.
- The international services business for lottery operators including online operation of the lottery games of the Spanish lottery operator ONCE (a national organisation for blind and disabled people).
- The international business that offers digital services to private business partners and state lotteries.
- Segmental results presented are attributable to the operating activities of the BBG segment together with an allocation of shared costs.

## LEGAL AND REGULATORY MATTERS

### ADAPTING THE FORMER BUSINESS MODEL IN GERMANY

The second stage of the German State Treaty on Games of Chance ("GlüStV 2008") became effective on 1 January 2009. GlüStV 2008 contained provisions which completely prohibited the brokering of state-run lotteries through the Internet. As a result, ZEAL Network discontinued its lottery brokerage activities in Germany at that time and transferred the assets of the German brokerage business, together with the Spanish companies (Ventura24 and Ventura24 Games), (the "transfer") to the MyLotto24 sub group. At the date of the transfer, MyLotto24 Limited was a wholly owned subsidiary of ZEAL Network. Ownership of the Spanish companies was transferred to ZEAL Network as part of a corporate restructure in 2014.

Following the transfer, ZEAL Network assigned the majority voting rights (in the form of preference shares stripped of their main economic rights) in both MyLotto24 Limited and its subsidiary Tipp24 Services Limited to a Swiss foundation ("Fondation Enfance Sans Frontières" or "FESF") set up by ZEAL Network. The MyLotto24 sub group is consolidated into the ZEAL Group financial statements because the relevant criteria under IFRS 10 are met (refer to section 2.4 of the Group's accounting policies on page 72 of the 2015 Annual Report for further detail).

The GlüStV 2008 expired on 31 December 2011 and was replaced by the 2012 German State Treaty on Games of Chance ("GlüStV 2012"). GlüStV 2012 permits brokerage activities in Germany where licences are granted by the State. While we continue to fight in the courts for the resumption of our business in Germany, our attempt to obtain a licence under GlüStV 2012 has so far been unsuccessful.

### ONGOING LEGAL AND REGULATORY MATTERS

The principal legal and regulatory matters affecting the Group are included within our 2015 Annual Report. There have been no material changes to the status of these matters since the date of approval of the 2015 Annual Report. Furthermore, there have been no significant additional legal or regulatory matters that have arisen during the first nine months of 2016.

### TAX MATTERS AND CONTINGENT LIABILITIES

There have been no changes in the status of the tax matters reported in the 2015 Annual Report. The Directors continue to closely monitor any changes in areas where contingent liabilities have previously been disclosed and where provisions have previously been recorded.

## NORMALISATION OF RESULTS

### NORMALISED RESULTS

In the primary lotteries on whose results ZEAL relies, there are fixed underlying pay-out ratios (ratio of pay-outs to stakes) for ongoing lottery draws. For our main products this is approximately 50%. Over time, the expected pay-out ratio for secondary lotteries is the same as for the primary lotteries.

There may be deviations between the expected pay-out ratio and actual pay-outs made. The difference between the actual pay-out and the expected prize pay-out is referred to as "normalisation" in this report.

In order to aid understanding of the 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 EBIT.

### PAY-OUTS ON SECONDARY LOTTERIES

Total pay-outs on secondary lotteries in the first nine months of 2016 were €31.0m above the expected pay-out value (in the first nine months of 2015, the comparable figure was €52.7m above the expected pay-out value) with an impact on statutory revenue of the same amount. The impact of revenue normalisation was partially offset by special jackpot insurance income of €20.0m and a small negative impact of (€0.3m) from hedging income normalisation resulting in a difference between actual and expected statutory EBIT of €11.3m (in the first nine months of 2015 statutory EBIT was €14.6m lower than expectation).

#### Revenue

	01/01-30/09/2016	01/01-30/09/2015
in €k		
Actual	75,338	51,869
Expected <sup>1</sup>	106,344	104,521
<b>Deviations<sup>2</sup></b>	<b>(31,006)</b>	<b>(52,652)</b>

#### EBIT

	01/01-30/09/2016	01/01-30/09/2015
in €k		
Actual	23,255	20,686
Expected <sup>1</sup>	34,507	35,253
<b>Deviations<sup>2</sup></b>	<b>(11,252)</b>	<b>(14,567)</b>

<sup>1</sup> Actuals adjusted for expected pay-outs

<sup>2</sup> Effect of normalisation of results

## FINANCIAL REVIEW

The following table details the interim consolidated statement of operations of the ZEAL Group for the nine months ended 30 September:

	01/01-30/09/2016	01/01-30/09/2015	Change %
in €k			
Revenue	75,338	51,869	45
Other operating income	25,910	40,022	(35)
<b>Total operating performance</b>	<b>101,248</b>	<b>91,891</b>	<b>10</b>
Personnel expenses	(19,729)	(18,930)	4
Exchange rate differences	(1,576)	762	(307)
Other operating expenses	(53,557)	(47,701)	12
Marketing expenses	(9,828)	(7,965)	23
Direct costs of operations	(26,716)	(21,615)	24
Other costs of operations	(17,013)	(18,121)	(6)
Loss on acquisition	(1,340)	-	N/A
<b>EBITDA</b>	<b>25,046</b>	<b>26,022</b>	<b>(4)</b>
Amortisation and depreciation	(1,791)	(5,336)	(66)
<b>EBIT</b>	<b>23,255</b>	<b>20,686</b>	<b>12</b>
Financial result	(1,199)	(3,184)	(62)
<b>Earnings before taxes</b>	<b>22,056</b>	<b>17,502</b>	<b>26</b>
Income taxes	(6,617)	(9,341)	(29)
<b>Profit for the period</b>	<b>15,439</b>	<b>8,161</b>	<b>89</b>

### REVENUE AND TOTAL OPERATING PERFORMANCE

Consolidated revenue and total operating performance for the nine month period ended 30 September 2016 amounted to €75.3m and €101.2m respectively, representing an increase of €23.5m in consolidated revenue and an increase of €9.3m in total operating performance respectively compared to the same period in 2015.

The increase in revenue performance was largely driven by the successful rollout of our instant win games product offering since February 2015. These products started to generate positive revenues and cash inflows towards the end of Q1 2015. Sustained revenue growth in these products during the remainder of 2015 and into 2016 has led to positive period-on-period revenue growth. Part of this growth was attributable to an increase in the high average levels of spend from our customer base compared to 2015.

The period-on-period decrease in the other operating income is attributable to hedging income generated in each period together with the release of €3.4m of dormant balances referred to in the Executive Review above. The other operating income for the period ended 30 September 2016 primarily comprised €20m from special jackpot insurance income (30 September 2015: €38.3m of hedging income). Period-on-period fluctuations in other operating income are expected based on the timing of jackpot winners.



## EBIT

At a consolidated statutory level, EBIT for the period amounted to €23.3m (2015: €20.7m) representing an increase of €2.6m compared to the same period in 2015. The EBIT result for the period was strengthened by the following movements:

- Increase of €9.3m in total operating performance
- Decrease of €3.5m in depreciation and amortisation charges mainly associated with the age of the Group's software assets
- Release of dormant customer account balances of €3.4m
- Decrease in other costs of operations of €1.1m

EBIT for the period was negatively impacted by the following movements, certain of which we expect to be temporary or one off in nature:

- Increase in personnel costs of €0.8m
- Adverse exchange rate movements of €2.3m
- Increase in direct expenses of €5.1m
- Increase of €1.9m marketing spend
- One off charge on acquisition of the Geo companies of approximately €1.3m

Further commentary on the movement in expenses is included in the expenses section directly below.

## EXPENSES

In the first nine months of 2016, personnel expenses amounted to €19.7m representing an increase of 4% compared to the same period in 2015 (€18.9m). The period-on-period increase in personnel expenses is primarily due to an increased group headcount relating to investments in new business opportunities and inflation based salary increases.

During the period, the Group also suffered adverse exchange rate movements of €2.3m driven by balances held in United Kingdom Pound ("GBP") – this is highly dependent on the volatility of GBP against Euro, driven by the UK's decision to leave the European Union.

Compared to the same period in the previous year, other operating expenses increased 12.3% from €47.7m to €53.6m. The most significant contributory factors, were:

- Increase of €1.9m marketing spend resulting from a multi-media advertising campaign.
- Increase in non-deductible VAT of €2.2m resulting from a change in the Group's UK VAT structure (which is expected to drive relative cost savings from the middle of Q4 2016).

- Increase in special jackpot insurance to hedge against our exposure to 13<sup>th</sup> must go draws of €3.0m.
- Savings of €1.2m are mainly attributable to decreases in consulting expenses due to the completion of one-off projects in 2015.

## LOSS ON ACQUISITION

At 31 December 2015, the Group owned 25.7% of the shares issued by Geonomics Global Games Limited ("GGGL"). On 29 January 2016, the Group exercised vested warrants that increased its shareholding to 32.13%.

On 30 March 2016, the Group completed the purchase of the remaining 67.87% of the issued share capital of GGGL in exchange for consideration of £0.8m (€1.0m). At the date of acquisition, the Group recognised a charge of €1.3m driven by the acquisition of the net liabilities of GGGL and its joint venture, Geo24. Further explanation is included in note 7 below.

## FINANCIAL RESULT

Investments in GGGL (associate) and Geo24 UK Limited (joint venture) were written down to €nil at 31 December 2015. No loss pick-ups were therefore accounted for in the nine month period to 30 September 2016.

The net charge recorded within financial result is primarily attributable to the impairment of the draw-downs on the convertible loan facility totalling €1.6m. Amounts drawn were fully provided for at the date of draw-down. The remaining amounts recorded within financial result relate to interest and other income of €0.6m offset by interest expense of €0.2m.

## TAX

At 30%, the consolidated tax rate in the first nine months is lower than the same period in the prior year (53.4%). As the B2C and BBG segments are treated as different tax units, losses of the BBG segment cannot be offset against earnings of the B2C segment. Fluctuations in the mix of losses and earnings between these segments period-on-period have a direct result on the Group's consolidated tax rate and contribute to fluctuations in the rates realised each year.

## EARNINGS PER SHARE (EPS)

The EPS from continuing operations in the first nine months of 2016 increased compared to the same period in the previous year from €0.97 to €1.84 due to an increase in profit after tax to €15,439k.

## DIVIDEND

The third payment of the interim dividends, amounting to €0.70 per share, was made on 30 September 2016. We intend to pay one more instalment of €0.70 per share at the end of Q4 in 2016.

### Dividend periods for 2016

in €	Q 1 2016	Q 2 2016	Q 3 2016	Q 4 2016
Dividend per registered share	0.70	0.70	0.70	0.70
Payment date	31 March 2016	30 June 2016	30 September 2016	End of December (expected)

## CASH FLOW AND CAPITAL MANAGEMENT

in €k	Q 1-3 2016	Q 1-3 2015
<b>Key cash flow positions</b>		
Cash from operating activities	29,299	11,725
Cash used in investing activities	(2,173)	(354)
Cash used in financing activities	(17,609)	(17,609)
<b>Changes in cash and pledged cash and short-term financial assets</b>	<b>9,517</b>	<b>(6,238)</b>
Cash and pledged cash and short-term financial assets at the beginning of the period	107,660	108,140
<b>Cash and pledged cash and short-term financial assets at the end of the period</b>	<b>117,177</b>	<b>101,902</b>

Cash from operating activities in the first nine months of 2016 was €29,299k (€17,574k above the comparable 2015 figure of €11,725k). The movement was attributable to increased operating performance and working capital movements, specifically the receipt of lottery tax previously withheld by the Spanish tax authorities of €9.6m.

In the first nine months of 2016, investing activities resulted in cash outflows of €2,173k (2015: cash outflows of €354k). In 2016, the main components of the cash outflows related to draw-downs made by GGGL on the convertible loan facility (€1,598k). No similar cash payments were made in the same period in the previous year.

Cash used in financing activities of €17,609k (2015: €17,609k) is wholly attributable to dividend payments.

As of 30 September 2016, the ZEAL Group had cash and pledged cash and short-term financial assets of €117,177k (2015: €101,902k). This includes funds that ensure that MyLotto24 is sufficiently financed to effect payments of potential relevant jackpot winnings.

## FORECAST

As announced on 17 May 2016, we expect full year total operating performance to be €125-135m and full year EBIT to be €25-35m.

## OTHER INFORMATION

Information about our risk management approach and our business risks and opportunities are detailed on pages 20 to 25 of our 2015 Annual Report. Compared with the risks and opportunities previously presented, no significant additional risks or opportunities for ZEAL Group have come to light in the first nine months of 2016 other than the impact of Britain's decision to leave the European Union ("Brexit") referred to in the Executive Review.

## GOING CONCERN

The Directors formed a judgement at the time of approving the interim financial statements that there is a reasonable expectation that ZEAL has adequate resources to continue for the foreseeable future. The Group held €117.2m in cash, pledged cash and short-term financial assets at the period end (31 December 2015: €107.7m). The Group expects to deliver revenue and profit growth in the period ahead. For these reasons, the Directors have adopted the going concern basis in preparing the interim consolidated financial statements.

## DIRECTORS OF THE COMPANY

The directors who held office during the period were:

- Dr. Helmut Becker, CEO (Executive Board)
- Jonas Mattsson, CFO (Executive Board)
- Susan Standiford, CTO (Executive Board)
- Andreas de Maizière (Supervisory Board)
- Thorsten H. Hehl (Supervisory Board)
- Oliver Jaster (Supervisory Board)
- Bernd Schiphorst (Supervisory Board)
- Jens Schumann (Supervisory Board)
- Peter Steiner (Supervisory Board)

## RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit of the Group. The interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, as well as a fair review of information on material transactions with related parties and changes since the last Annual Report.

11 November 2016

Dr. Helmut Becker  
CEO

Jonas Mattsson  
CFO

Susan Standiford  
CTO

## INTERIM CONSOLIDATED INCOME STATEMENT (UNAUDITED) FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2016

		Q1-3 2016	Q1-3 2015	Q3 2016	Q3 2015
in €k	Note				
Revenue	2	75,338	51,869	37,008	26,171
Other operating income	2	25,910	40,022	2,797	178
<b>Total operating performance</b>		<b>101,248</b>	<b>91,891</b>	<b>39,805</b>	<b>26,349</b>
Personnel expenses		(19,729)	(18,930)	(6,367)	(5,873)
Amortisation/depreciation on intangible assets and property, plant and equipment		(1,791)	(5,336)	(416)	(1,777)
Exchange rate differences		(1,576)	762	(89)	(542)
Other operating expenses		(53,557)	(47,701)	(19,944)	(15,991)
Marketing expenses		(9,828)	(7,965)	(4,214)	(3,721)
Direct costs of operations		(26,716)	(21,615)	(11,634)	(6,145)
Other costs of operations		(17,013)	(18,121)	(4,096)	(6,125)
Loss on acquisition	7	(1,340)	-	-	-
<b>Result from operating activities (EBIT)</b>		<b>23,255</b>	<b>20,686</b>	<b>12,989</b>	<b>2,166</b>
Finance and other income		636	134	126	(293)
Finance costs		(237)	(871)	(102)	(781)
Impairment of convertible loan	7	(1,598)	-	-	-
Share of loss of associated companies		-	(921)	-	(291)
Share of profit/(loss) of joint ventures		-	(1,526)	-	(382)
<b>Financial result</b>		<b>(1,199)</b>	<b>(3,184)</b>	<b>24</b>	<b>(1,747)</b>
<b>Profit/(loss) before income tax</b>		<b>22,056</b>	<b>17,502</b>	<b>13,013</b>	<b>419</b>
Income tax (expense)/credit	3	(6,617)	(9,341)	(3,905)	(4,969)
<b>Profit/(loss) for the period<sup>1</sup></b>		<b>15,439</b>	<b>8,161</b>	<b>9,108</b>	<b>(4,550)</b>
<b>Earnings/(loss) per share for profit attributable to ordinary equity holders of the Company</b>		in €	in €	in €	in €
Basic and diluted earnings/(loss) per share		1.84	0.97	1.09	(0.54)

<sup>1</sup>The consolidated profit is attributable to the owners of ZEAL Network SE.

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2016

	Q 1-3 2016	Q 1-3 2015	Q 3 2016	Q 3 2015
in €k				
<b>Profit/(loss) for the period</b>	<b>15,439</b>	<b>8,161</b>	<b>9,109</b>	<b>(4,550)</b>
<b>Other comprehensive income</b>				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	806	-	689	-
(Loss)/gain on available-for-sale financial assets (AFS)	(236)	(433)	142	(290)
Income tax effect	-	-	-	-
<b>Other comprehensive income/(loss), net of tax</b>	<b>570</b>	<b>(433)</b>	<b>831</b>	<b>(290)</b>
<b>Total comprehensive income/(loss) for the period, net of tax</b>	<b>16,009</b>	<b>7,728</b>	<b>9,940</b>	<b>(4,840)</b>

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) AS AT 30 SEPTEMBER 2016 AND 31 DECEMBER 2015

	30/09/2016	31/12/2015
<b>ASSETS</b> in €k		
<b>Non-current assets</b>		
Property, plant and equipment	2,041	2,224
Intangible assets	909	1,945
Long-term loans	3,075	3,075
Other assets and prepaid expenses	201	173
Deferred tax assets	773	781
<b>Total non-current assets</b>	<b>6,999</b>	<b>8,198</b>
<b>Current assets</b>		
Trade and other receivables	605	10,005
Income tax receivables	153	2,269
Other current assets and prepaid expenses	10,233	12,222
Financial assets	23,646	12,883
Cash and pledged cash	93,531	94,777
<b>Total current assets</b>	<b>128,168</b>	<b>132,156</b>
<b>TOTAL ASSETS</b>	<b>135,167</b>	<b>140,354</b>

	30/09/2016	31/12/2015
<b>EQUITY &amp; LIABILITIES</b> in €k		
<b>Non-current liabilities</b>		
Other liabilities	2,243	1,474
<b>Total non-current liabilities</b>	<b>2,243</b>	<b>1,474</b>
<b>Current liabilities</b>		
Trade payables	3,785	5,013
Other liabilities	22,723	22,978
Financial liabilities	116	113
Deferred income	3,651	3,977
Income tax liabilities	8,446	10,576
Provisions	634	1,054
<b>Total current liabilities</b>	<b>39,355</b>	<b>43,711</b>
<b>Equity</b>		
Subscribed capital	8,385	8,385
Share premium	21,578	21,578
Other reserves	(794)	(558)
Retained earnings	63,594	65,764
Currency translation adjustment	806	-
<b>Total equity</b>	<b>93,569</b>	<b>95,169</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>135,167</b>	<b>140,354</b>

## INTERIM CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER

	Q1-3 2016	Q1-3 2015
in €k		
<b>Profit from continuing operations before tax</b>	22,056	17,502
Adjustments for		
Depreciation and amortisation of non-current assets	1,791	5,336
Net loss on sale of non-current assets	2	19
Finance income	(398)	(134)
Finance costs	237	871
Impairment of convertible loan	1,598	-
Share of result of associated companies	-	921
Share of result of joint ventures	-	1,526
Loss on acquisition	1,340	-
Acquisition of GGGL and Geo24, net of cash acquired	(623)	-
Profit on dissolution of subsidiary	(238)	-
Other non-cash changes	(138)	(1,949)
Changes in		
Trade and other receivables	9,400	(926)
Financial assets	-	(3,075)
Other assets and prepaid expenses	1,961	(128)
Trade payables and other liabilities	(1,483)	(1,935)
Financial liabilities	3	(368)
Deferred income	(326)	(147)
Short-term provisions	(420)	784
Other non-current liabilities	769	-
Interest and similar income received	636	134
Interest paid	(237)	(871)
Income taxes paid	(6,631)	(5,835)
<b>Cash flow from operating activities</b>	<b>29,299</b>	<b>11,725</b>



	Q1-3 2016	Q1-3 2015
in €k		
<b>Cash flow from investing activities</b>		
Contributions to associated companies	(1,598)	-
Payments for acquisition of intangible assets	(144)	(209)
Payments for acquisition of property, plant and equipment	(431)	(145)
<b>Net cash outflow from investing activities</b>	<b>(2,173)</b>	<b>(354)</b>
<b>Cash flow from financing activities</b>		
Dividends paid to the Company's shareholders	(17,609)	(17,609)
<b>Net cash outflow from financing activities</b>	<b>(17,609)</b>	<b>(17,609)</b>
Net increase in cash, pledged cash and short-term financial assets	9,517	(6,238)
Cash, pledged cash and short-term financial assets at the beginning of the year	107,660	108,140
<b>Cash, pledged cash and short-term financial assets at the end of the period</b>	<b>117,177</b>	<b>101,902</b>
<b>Composition of cash, pledged cash and short-term financial assets at the end of the period</b>		
Cash and pledged cash	93,531	88,164
Short-term financial assets	23,646	13,738

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
(UNAUDITED) FOR THE YEAR ENDED 31 DECEMBER 2015 AND  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016 AND 30 SEPTEMBER 2015

	Subscribed capital	Share premium	Other reserves	Retained earnings	Currency translation adjustments	Total equity
in €k						
<b>As at 1 January 2015</b>	<b>8,385</b>	<b>21,578</b>	<b>(606)</b>	<b>87,896</b>	<b>-</b>	<b>117,253</b>
Profit for the period	-	-	-	8,289	-	8,289
Other comprehensive loss	-	-	(433)	-	-	(433)
<b>Total comprehensive (loss)/ income for the period</b>	<b>-</b>	<b>-</b>	<b>(433)</b>	<b>8,289</b>	<b>-</b>	<b>7,856</b>
<b>Transactions with owners in their capacity as owners</b>						
Dividends paid	-	-	-	(17,609)	-	(17,609)
<b>As at 30 September 2015</b>	<b>8,385</b>	<b>21,578</b>	<b>(1,039)</b>	<b>78,576</b>	<b>-</b>	<b>107,500</b>
Loss for the period	-	-	-	(6,943)	-	(6,943)
Other comprehensive income	-	-	481	-	-	481
<b>Total comprehensive income/ (loss) for the period</b>	<b>-</b>	<b>-</b>	<b>481</b>	<b>(6,943)</b>	<b>-</b>	<b>(6,462)</b>
<b>Transactions with owners in their capacity as owners</b>						
Dividends paid	-	-	-	(5,869)	-	(5,869)
<b>As at 31 December 2015</b>	<b>8,385</b>	<b>21,578</b>	<b>(558)</b>	<b>65,764</b>	<b>-</b>	<b>95,169</b>
<b>As at 1 January 2016</b>	<b>8,385</b>	<b>21,578</b>	<b>(558)</b>	<b>65,764</b>	<b>-</b>	<b>95,169</b>
Profit for the period	-	-	-	15,439	-	15,439
Exchange differences on translation of foreign operations	-	-	-	-	806	806
Other comprehensive loss	-	-	(236)	-	-	(236)
<b>Total comprehensive (loss)/ income for the period</b>	<b>-</b>	<b>-</b>	<b>(236)</b>	<b>15,439</b>	<b>806</b>	<b>16,009</b>
<b>Transactions with owners in their capacity as owners</b>						
Dividends paid	-	-	-	(17,609)	-	(17,609)
<b>As at 30 September 2016</b>	<b>8,385</b>	<b>21,578</b>	<b>(794)</b>	<b>63,594</b>	<b>806</b>	<b>93,569</b>

# SELECTED EXPLANATORY NOTES

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES AND EVENTS DURING THE PERIOD

### GENERAL INFORMATION

The unaudited interim condensed consolidated financial statements (the "interim financial statements") for ZEAL Network SE (the "Company") and its subsidiaries (collectively, "ZEAL Group" or "the Group") for the nine month period ended 30 September 2016 were authorised for issue by the Directors on 11 November 2016.

The Company was founded in Germany in 1999 and transferred its registration to the United Kingdom in February 2014 under the Company Number SE000078. The Company's shares are listed in the Prime Standard segment of the Frankfurt Stock Exchange and are included in the SDAX index in the form of Clearstream Interests (CI) under the ISIN GB00BHD66J44/WKN TIPP024.

The date of the interim condensed consolidated statement of financial position is 30 September 2016. The financial period ended 30 September 2016 covers the period from 1 January 2016 to 30 September 2016.

The interim financial statements are unaudited. The operations of the Group are not subject to seasonality or cyclical trends.

### BASIS OF PREPARATION

The interim financial statements for the nine month period ended 30 September 2016 have been prepared in accordance with IAS 34 "Interim Financial Reporting", as adopted by the European Union. Accordingly, these interim financial statements do not include all of the information and disclosures required to fully comply with IFRS as adopted by the European Union. For this reason, the interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2015.

The interim financial statements include all adjustments of a normal and recurring nature considered necessary for fair presentation of results for interim periods. Results of the period ended 30 September 2016 are not necessarily indicative of future results.

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 interim financial statements.

### PRINCIPAL ACCOUNTING POLICIES

The same accounting policies and calculation methods were used for these interim financial statements as for the consolidated financial statements as at 31 December 2015. During the first nine months of 2016, Tipp24 Services limited, a company that is fully consolidated into the ZEAL group released customer liabilities of €3.4m to the consolidated income statement. As this was the first occasion where this type of transaction had occurred, the Group sets out the following accounting policy.

### DORMANT BALANCES

Funds deposited by our customers are classified as other liabilities in the 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 in the proceeding two months (26 months from last activity), these customer liabilities will be released to other operating income. If the customer contacts us to reactivate their account after their balance has been released we will reactivate the customer's account and either settle the amount owed via transfer or allow them to use their funds to purchase our products. This is consistent with the terms and conditions included on our website.

### EVENTS DURING THE PERIOD

On 10 March 2016, the Group signed a share purchase agreement ("SPA") with the shareholders of Geonomics Global Games Limited ("GGGL"). The transaction was completed on 30 March 2016 and full control of GGGL and its joint venture, Geo24 UK Limited ("Geo24") passed to the Group on that date. Further details are included in note 7 below.

## 2 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 Board of Directors. For the period to 31 March 2015, the performance of the Group was evaluated based on its pre-existing reportable segments, being the "Abroad" segment and the "Germany" segment. Effective 1 April 2015, the composition and presentation of financial information regularly reported to the CODM was modified to better align with the evolution of the Group's management structure, the way that the Group's segments are evaluated by the CODM and the method by which shared costs are allocated to operating segments. Results for the period to 31 March 2016 presented under the former segmental reporting structure are included in the report to 31 March 2016.

We monitor the performance of our operating segments based on "normalised" revenue and EBIT (statutory revenue and EBIT adjusted for statistical fluctuations relating to expected prize pay-outs). The disclosures included in the operating segment note below are consistent with our internal reporting and "normalised" performance is given due prominence in the disclosure as this is the way in which we analyse our business. A fuller description of "normalisation" is included in the business review section of this report. Included within the note below is a reconciliation between the segmental results used to assess the lines of business and our consolidated statutory performance where statistically expected pay-outs are replaced with actual cash outflows. Inter-segment transactions are also eliminated within this reconciliation. Descriptions of the significant reconciling items are also included below the relevant tables.

The operating segments are Business-to-Consumer ("B2C") and Business-to-Business/Business-to-Government ("BBG"). We have described the composition of the segments in more detail below:

### B2C Segment

B2C's operating results comprise the secondary lottery betting business ("secondary lottery"), where bets are taken on the outcome of certain European lotteries, sales of "instant win games" products, direct costs and an allocation of the shared cost base.

### BBG Segment

The BBG segment comprises the remainder of the Group's core operating activities including:

- The lottery brokerage business in Spain.
- The international services business for lottery operators including online operation of the lottery games of the Spanish lottery operator ONCE (a national organisation for blind and disabled people).
- The international business that offers digital services to private business partners or state lotteries.
- Segmental results presented are attributable to the operating activities of the BBG segment together with an allocation of shared costs.

**Business unit  
segment reporting**

<b>Q 1-3 2016</b>	B2C <sup>1</sup>	BBG	Business unit total	Reconci- liation to stats	- thereof nor- malisation adjustments	- thereof other	Statutory
in €k	A	B	A+B=C	D+E=F	D	E	C+F
Revenue	101,532	4,635	106,167	(30,829)	(31,006)	177	75,338
Other operating income	2,137	248	2,385	23,525	19,754	3,771	25,910
<b>Total operating performance</b>	<b>103,669</b>	<b>4,883</b>	<b>108,552</b>	<b>(7,304)</b>	<b>(11,252)</b>	<b>3,948</b>	<b>101,248</b>
<b>EBITDA</b>	<b>45,085</b>	<b>(7,188)</b>	<b>37,897</b>	<b>(12,851)</b>	<b>(11,252)</b>	<b>(1,599)</b>	<b>25,046</b>
Depreciation/amortisation	(1,304)	(487)	(1,791)	0	0	0	(1,791)
<b>EBIT</b>	<b>43,781</b>	<b>(7,675)</b>	<b>36,106</b>	<b>(12,851)</b>	<b>(11,252)</b>	<b>(1,599)</b>	<b>23,255</b>
Financial result	-	-	0	(1,199)	0	(1,199)	(1,199)
<b>EBT</b>	<b>-</b>	<b>-</b>	<b>36,106</b>	<b>(14,050)</b>	<b>(11,252)</b>	<b>(2,798)</b>	<b>22,056</b>
Income tax	-	-	0	(6,617)	0	(6,617)	(6,617)
<b>Net profit/(loss)</b>	<b>-</b>	<b>-</b>	<b>36,106</b>	<b>(20,667)</b>	<b>(11,252)</b>	<b>(9,415)</b>	<b>15,439</b>

**Business unit  
segment reporting**

<b>Q 1-3 2015</b>	B2C <sup>1</sup>	BBG	Business unit total	Reconci- liation to stats	- thereof nor- malisation adjustments	- thereof other	Statutory
in €k	A	B	A+B=C	D+E=F	D	E	C+F
Revenue	98,102	4,303	102,405	(50,536)	(52,652)	2,116	51,869
Other operating income	1,837	134	1,971	38,051	38,085	(34)	40,022
<b>Total operating performance</b>	<b>99,939</b>	<b>4,437</b>	<b>104,376</b>	<b>(12,485)</b>	<b>(14,567)</b>	<b>2,082</b>	<b>91,891</b>
<b>EBITDA</b>	<b>46,060</b>	<b>(5,710)</b>	<b>40,350</b>	<b>(14,328)</b>	<b>(14,567)</b>	<b>239</b>	<b>26,022</b>
Depreciation/amortisation	(4,772)	(413)	(5,185)	(151)	0	(151)	(5,336)
<b>EBIT</b>	<b>41,288</b>	<b>(6,123)</b>	<b>35,165</b>	<b>(14,479)</b>	<b>(14,567)</b>	<b>88</b>	<b>20,686</b>
Financial result	-	-	-	(3,184)	0	(3,184)	(3,184)
<b>EBT</b>	<b>-</b>	<b>-</b>	<b>35,165</b>	<b>(17,663)</b>	<b>(14,567)</b>	<b>(3,096)</b>	<b>17,502</b>
Income tax	-	-	0	(9,341)	0	(9,341)	(9,341)
<b>Net profit/loss</b>	<b>-</b>	<b>-</b>	<b>35,165</b>	<b>(27,004)</b>	<b>(14,567)</b>	<b>(12,437)</b>	<b>8,161</b>

<sup>1</sup> B2C performance in the segmental disclosure is shown on the basis of expected pay-out ratio, thereby removing the impact of "statistical fluctuation differences".

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

- "Normalisation" adjustments (column "thereof normalisation adjustments") – these adjustments bridge the quantum of statistically expected pay-outs included within the business unit column to consolidated statutory results which include actual cash outflows.
- "Other" adjustments (column "thereof other") – the most significant adjustments relate to the following items:

- A charge associated with the acquisition of GGGL and Geo24 amounting to approximately €1,340k recorded within EBITDA and EBIT described in detail in note 7 below.
- An impairment charge on amounts drawn by GGGL on the convertible loan facility of €1,598k recorded within financial result (described in the business review section above). The remaining gain of €375k included within this category relates to net income receivable accrued in the normal course of business.

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- Other items impacting revenue and other operating income relate to external revenue and other operating income generated by Schumann e.K. This company does not form part of either the B2C or BBG segments.
- Remaining reconciling items do not warrant further commentary.

### 3 TAXES

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

	Q 1-3 2016	Q 1-3 2015
in €k		
Current income tax expense	6,617	9,339
Deferred tax expense	-	2
<b>Total income tax</b>	<b>6,617</b>	<b>9,341</b>

### 4 DIVIDENDS PAID

In accordance with our dividend policy, ZEAL Network paid three interim dividends of 2016 amounting to €0.70 per share at the end of Q1 2016, Q2 2016 and Q3 2016 respectively. We intend to pay one more instalment of €0.70 per share at the end of 2016. ZEAL Network's dividend policy is subject to periodic review and possible amendments depending on future earnings and financial position.

### 5 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

#### 5.1 FAIR VALUE

All assets and liabilities for which fair value is measured or disclosed in the interim 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.

All financial instruments held by the Group at 30 September 2016 are classified as level 1. For all financial instruments the carrying amount approximates to fair value with the exception of the loan receivable balance of €3,075k (reported on the consolidated balance sheet under "long-term loans") whose fair value approximates to €2,730k. Of the short-term financial assets held at 30 September 2016 amounting to €23,646k (31 December 2015: €12,883k), €17,582k were available-for-sale financial assets (31 December 2015: €7,766k) and €6,064k were held-to-maturity financial assets (31 December 2015: €5,117k).

Assets and liabilities are reviewed at the end of each reporting period to determine whether any transfers between the levels of fair value hierarchy are deemed to have occurred. Given the nature of the assets and liabilities held, transfers between levels of fair value hierarchy are not expected. During 2016, there were no transfers between level 1 and level 2 fair value measurements and no transfers into or out of level 3 fair value measurements.

## 5.2 CREDIT RISK

The scope of the credit risk of ZEAL equals the sum of cash, short-term financial assets, trade receivables and other receivables.

### Cash and other financial assets

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

Due to the high total amount of cash and short-term financial assets 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 and short-term financial assets 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.

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 sight and 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. Following regular monitoring, there were no specific default risks in the portfolio as of the balance sheet date.

### Trade and other receivables

The Company mainly collects the amounts owed by customers directly, via direct debit or credit card. On the basis of many years of collected data, the risk of returned direct debits or credit card charges is regarded as limited. Missing amounts from such cancellations are charged directly to "Other operating expenses".

The Group generates receivables from lottery organisers for the winnings of its customers, which are passed on directly to the winners upon receipt. Due to the credit standing of the lottery organisers, 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 risk is recognised directly in profit or loss in the event of payment default by a customer.

### Contingent assets

No contingent assets were recognised at 30 September 2016 (31 December 2015: no contingent assets recognised).

## 5.3 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 the Company's 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 "B2C" segment, MyLotto24 Limited conducts hedging transactions – such as the transfer of payment obligation risks to a so-called catastrophe bond ("CAT bond") via an ILS vehicle.

Financial liabilities and trade payables presented on the face of the balance sheet are mainly payable within one year.

## 5.4 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. Sensitivity analyses performed yielded no material movement in interest income based on an increase or decrease of 10 basis points.

## 5.5 CURRENCY RISK

The Company is exposed to a currency risk as a result of the GBP 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. Sensitivity analyses performed yielded no material movement in foreign exchange gains or losses based on an increase or decrease of 10% GBP to Euro exchange rates.

The financial assets currently held do not bear any material currency risk.

## 6 CAPITAL MANAGEMENT

ZEAL operates a decentralised capital management system. All major decisions concerning the financial structure of the BBG segment are taken by the Executive Board of ZEAL Network. Capital management activities of the B2C segment are handled by MyLotto24 Limited, with the exception of Tipp24 Services which operates its own capital management system.

Neither the segments nor the Group as a whole has any externally imposed capital requirements other than the minimum capitalisation rules that apply to subsidiaries in Germany and Spain.

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 BBG segment, the B2C segment and Tipp24 Services Limited (together "the segments") consist of shareholders' equity as none of these segments hold 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 hold external debt, in the medium-term, ZEAL Network may also leverage its financial position to secure funding to finance growth or future acquisitions.

The capital capacity and requirements of each segment is reviewed on at least a quarterly basis by the Executive 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.

## 7 GEONOMICS GLOBAL GAMES LIMITED AND GEO24 UK LIMITED

During Q1 2016, ZEAL Group entered into a number of separate transactions with GGGL and Geo24 in advance of and as part of the purchase of the non-ZEAL owned shareholdings. The nature of these transactions together with the accounting impact for each is set out below:

### 7.1 IMPAIRMENT OF LOANS ADVANCED TO GGGL UNDER THE CONVERTIBLE LOAN FACILITY

As noted in the 2015 Annual Report, in July 2015, Tipp24 Investment 1 Limited entered into an agreement with GGGL to provide a convertible loan facility amounting to £2.6m (with a further £0.4m available if certain targets were met) to fund the working capital of GGGL. The loan facility bears an interest rate of 50% per annum if KPIs included in the facility are met and 70% per annum if the KPIs are not met.

At 31 December 2015, the loan facility remained undrawn and the required KPIs had not been met. There was therefore no impact on the consolidated financial statements for the year ended 31 December 2015. The first draw-downs totalling £1.25m occurred in January 2016 and February 2016. The Group provided against these amounts in full on the date of each draw-down as the Group believed that there was significant uncertainty over whether the funds would be repaid. All draw-downs were effected well in advance of the completion date and, as such, do not form part of the cost of acquisition of GGGL and Geo24 (set out at 7.2 below). A charge of €1.6m relating to the amounts drawn on the facility has been separately recorded within the consolidated income statement as an impairment of convertible loan. No interest income was recognised on the loan draw-downs as there was insufficient uncertainty that any interest income accrued would be recovered.



## 7.2 ACQUISITION OF NON-ZEAL OWNED SHARES IN GGGL AND GEO24

At 31 December 2015, Tipp24 Investment 1 Limited, a wholly owned subsidiary of ZEAL Network SE, held 104,965 ordinary shares in GGGL. GGGL is a software licensing and development company incorporated in the UK. On 29 January 2016, ZEAL Group exercised 37,738 warrants and was granted 37,738 new ordinary shares in exchange for consideration of €377. Post warrant exercise, ZEAL Group owned 142,703 shares in GGGL or 32.13% of the total shares in issue at that date (444,081 ordinary shares).

As noted in the 2015 Annual Report, the Directors made the decision to purchase the non-ZEAL owned shares of GGGL during Q1 2016 as both parties believed that the technical know-how and expertise of the personnel employed by GGGL and its joint venture Geo24 would fit well with ZEAL Group's wider growth aspirations. On 10 March 2016, the Group signed a share purchase agreement ("SPA") with the shareholders of GGGL to acquire the remaining issued share capital of GGGL that was not owned by ZEAL Group at 29 January 2016. As GGGL owned the non-ZEAL owned shares of Geo24 at the acquisition date, ownership of 100% of the issued share capital of GGGL lead to full control of Geo24 passing to the ZEAL Group.

The remaining shares in GGGL that were in issue at the SPA signing date, but not owned or beneficially owned by ZEAL Group (301,378 ordinary shares), were acquired from the non-ZEAL shareholders on 30 March 2016 for consideration of €0.8m (€1.0m) (representing a value of £2.70 (€3.45) per share).

The excess of the purchase consideration over the fair value of net liabilities acquired in GGGL and Geo24, resulting in a charge of €1.3m, was written off to the consolidated income statement in March 2016. This charge, effectively representing recruitment costs, was recorded as a loss on acquisition.

Immediately following the acquisition ZEAL management implemented the decisions made prior to the acquisition in relation to the technical staff and the Geo24 websites. The technical staff employed by GGGL were assigned to existing BBG projects developed by the ZEAL Group. Furthermore, before the end of Q1 2016, the websites run by Geo24 prior to acquisition were shut down. As neither the business of GGGL nor the business of Geo24 were capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors, the Directors of the Company concluded that neither GGGL nor Geo24 constituted "businesses" as defined in IFRS 3 "Business Combinations". Although neither GGGL nor Geo24 constituted businesses as defined by IFRS 3 "Business Combinations" and the related disclosure requirements are therefore not required, the Directors believe that details of the assets and liabilities acquired and consideration transferred would be informative to users of the interim financial statements. The following table summarises the consideration transferred for control of GGGL and details of the assets acquired and liabilities assumed at the acquisition date in GGGL and Geo24. No goodwill was recorded on acquisition.

<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	GGGL	Geo24	<b>Total</b>
in €k			
Cash and cash equivalents	278	140	418
Trade receivables	3	-	3
Other current assets and prepaid expenses	231	3	234
Trade payables	(8)	-	(8)
Other liabilities and short-term provisions	(752)	(56)	(808)
Income tax liabilities	(138)	-	(138)
<b>Total identifiable net liabilities</b>			<b>(299)</b>
Consideration transferred for 67.87% of GGGL (301,378 shares) <sup>1</sup>	(1,041)		
<b>Consideration transferred</b>			<b>(1,041)</b>
<b>Total loss on acquisition</b>			<b>(1,340)</b>

<sup>1</sup> Consideration transferred on acquisition of Geo24 UK Limited was €nil.

**Net cash outflow arising on acquisition**

in €k

Cash consideration	(1,041)
Less: cash and cash equivalents balances acquired	418
<b>Acquisition, net of cash</b>	<b>(623)</b>

No contingent consideration is payable in relation to the acquisition.

**8 RELATED PARTIES**

The Members of Executive 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".

At the Annual General Meeting for the year ended 31 December 2010, held on 29 June 2011, Jens Schumann was elected Member of the Supervisory Board with effect from 1 July 2011. 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 licenses at present to natural persons or companies in which neither the liability of the company or its direct and indirect partners is limited. A cooperation agreement is in place between ZEAL and Schumann e.K., which governs 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 brokerage fees collected in this context to ZEAL. ZEAL provides Schumann e.K. with services in the field of controlling, bookkeeping, marketing and technical services and bears 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 business year.

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 €94k in the period under review (2015: €102k). An amount of €17k was owed to Günther Direct Services GmbH as at 30 September 2016 which was paid in full in October 2016.

The Swiss foundation "Fondation enfance sans frontières", Zurich, owner of the preference shares of MyLotto24 Limited and Tipp24 Services Limited, has been identified as a related party. A dividend of €15k and donations of €35k were paid by the Group to the Swiss foundation during the nine month period (2015: €15k & €57k respectively).

There were no other significant transactions with related parties in the period under review.

**9 SUBSEQUENT EVENTS**

There were no significant events after the balance sheet date that require separate disclosure.

**10 STATUTORY ACCOUNTS**

The financial information shown in this publication, which was approved by the Board of Directors on 11 November 2016, is unaudited and does not constitute statutory financial statements. The Annual Report of ZEAL Network SE for the year ended 31 December 2015 has been filed with the Registrar of Companies in England and Wales. The report of the auditor on those accounts was unqualified and did not contain a statement under section 498 (2) or section 498 (3) of the UK Companies Act 2006.

**Published by**

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