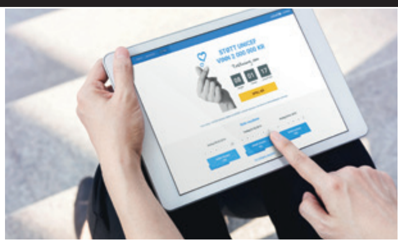
INTERIM FINANCIAL REPORT
1 JANUARY – 30 JUNE 2019

CREATING A BETTER WORLD OF LOTTERY



MORE DIGITAL

MORE EXCITING

MORE SOCIALLY VALUABLE

ZEAL

ZEAL

ZEAL Network SE is a London-based company that creates exciting and entertaining online lottery experiences. Founded in Germany in 1999, as Tipp24 SE, the organisation 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 company changed its focus, from lottery brokerage to lottery betting. In November 2014, it was renamed as ZEAL Network SE.

In May 2019, ZEAL completed the acquisition of Lotto24 AG – Germany's leading digital lottery broker.

CONTENTS

H1 2019 AT A GLANCE

€179.4m
BILLINGS
(H1 2018: €141.9M)

€163.2m
STAKES
(H1 2018: €123.7M)

€77.5m
REVENUE
(H1 2018: €73.0M)

€79.3m
TOTAL OPERATING PERFORMANCE
(H1 2018: €74.9M)

€31.2m
EBITDA
(H1 2018: €17.0M)

€110.5m
NET CASH
(H1 2018: €89.7M)

€1.21
EARNINGS PER SHARE
(H1 2018: €1.32[1])

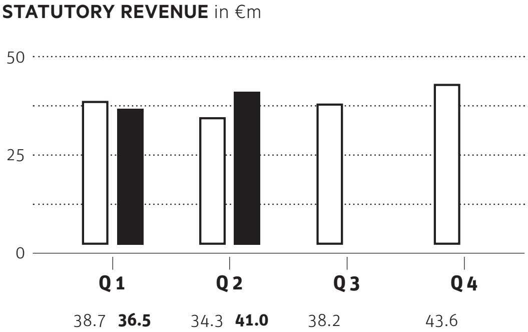
€60.46
AVERAGE BILLINGS PER USER
(H1 2018: €55.62)

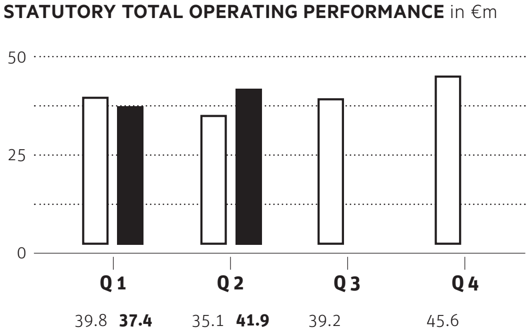
370.0k
MONTHLY ACTIVE USERS
(H1 2018: 401.2K)

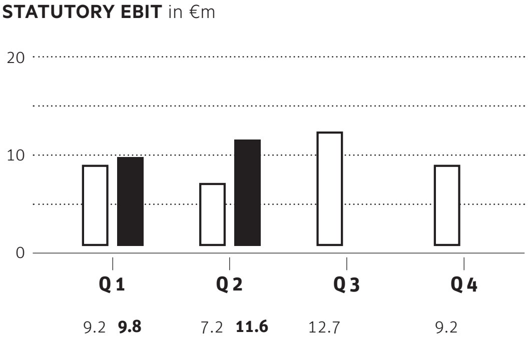
[1] *EPS has been restated as a result of the restatement of the loss on financial assets from other comprehensive income to results from financing and investing activities. Further details can be found on page 18. In line with the requirements of IFRS, the 2018 EPS has also been restated for the impact of the purchase of treasury shares by the Group in July 2018.*

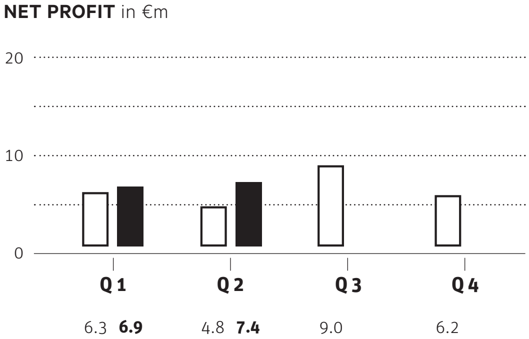
Definitions of the financial measurements disclosed above can be found on page 23 of the 2018 Annual Report. With the exception of net cash and EBITDA, there has been no change in definitions since the issue of the 2018 Annual Report on 20 March 2019. The definition of net cash has been updated to exclude current provisions and current lease liabilities from the net cash number. The definition has been updated to provide readers with a better understanding of the cash available to the Group. EBITDA has replaced adjusted EBIT and is earnings before interest, tax, depreciation, amortisation and exceptional items. An explanation of the change in statutory measure can be found on page 8.

PERFORMANCE









2018 ▭ ▬ 2019

BUSINESS REVIEW

In the first half of 2019, ZEAL Network SE ('ZEAL') successfully completed the acquisition of Lotto24 AG ('Lotto24'), establishing the ZEAL Group as Germany's leading online provider of state-licensed lotteries. As a result, Lotto24's results from the date of acquisition of 14 May 2019 have been included in this half-yearly financial report.

ZEAL produced a strong EBIT performance in the first half, boosted by significant cost savings which we started to achieve even before the Lotto24 acquisition had been completed.

We delivered:

- Billings of €179.4m; up 26% year-on-year (2018: €141.9m); up 2%[1] on a like-for-like basis
- Total Operating Performance ('TOP') of €79.3m; up 6% year-on-year (2018: €74.9m); up 2% on a like-for-like basis
- EBITDA[2] of €31.2m; up 84% year-on-year (2018: €17.0m); up 79% on a like-for-like basis
- Statutory EBIT of €21.3m; up 30% year-on-year (2018: €16.4m); up 78% on a like-for-like basis
- Net cash of €110.5m; up 23% year-on-year (2018: €89.7m)

Our focus on effective marketing saw us deliver 377k (336k on a like-for-like basis) new registered customers for the Group and its partners. Average billings per user (ABPU) in the lottery betting segment increased to €60.46 (2018: €55.62)

The increases in Billings and TOP were mainly driven by the inclusion of Lotto24 since its acquisition. However, the growth was partly offset by reductions following the closure of Lotto Network Limited and the Ventura24 S.L.U. consumer facing brokerage business in November and December 2018, respectively.

Cost reduction activities in advance of the integration with Lotto24, combined with the revenue increase, have led to a pleasing increase in both EBITDA and Statutory EBIT.

We have reduced our cost base excluding exchange rate differences, depreciation, amortisation and exceptional items by €10.5m, even after absorbing Lotto24 costs of €3.9m since 14 May. This is comprised of a €4.1m reduction in personnel expenses and a €6.4m reduction in other operating expenses such as hedging and legal and regulatory. As explained in the 'Synergies' section below, we expect to further implement synergies and reduce our costs before exceptional items as we transform our business.

LOTTO24 ACQUISITION

We are on track to achieve the reunification with Lotto24 and the transformation of our core German business to digital lottery brokerage. We are convinced that reuniting with Lotto24 and transforming ZEAL's core business to online brokerage offers the best path to sustainable future growth and will create significant value for shareholders, customers, the Federal States of Germany and their lottery beneficiaries.

The case for value generation is particularly strong in the light of the lack of liberalisation of the regulatory environment in Germany. Indeed, a publication by the Lower Saxony Ministry of the Interior and Sport in June 2019 prohibited a large international payment service provider from participating in payment transactions in connection with non-regulated gambling in Germany. The Ministry corresponded with a series of companies involved in such payment transactions and the majority of them have now stopped processing these payments. Also in June 2019, the Prepaid Verband Deutschland e.V. expressed its support for reducing its members' involvement with the lottery betting ('secondary lottery') sector in Germany.

We continue to plan for the transformation of our core German business to digital lottery brokerage which is planned to take place early in the fourth quarter of this year. As we anticipated, the integration has been aided by the two companies' shared history and culture, proven management teams and similar operational infrastructure. As a result, we are confident that we remain on track to achieve the stated annual run-rate cost synergies of approximately €57m.

COST SYNERGIES

The €57m run rate cost synergies will be achieved through platform efficiencies and significant reductions in other operational costs.

Around 60% of the savings (as well as the expected dis-synergies) can only take effect when our German business transforms from secondary lottery to digital lottery brokerage. They will be comprised mainly of savings in direct costs of operations, including costs covering the bookmaking risks for Tipp24.com and the reduction of non-deductible VAT within the myLotto24 Sub-Group.

[1] Like-for-like movements exclude the 2019 results of Lotto24 and the 2018 results of Lotto Network Limited and the consumer facing business of Ventura24 in order to provide suitable comparative information.

[2] EBITDA is earnings before interest, tax, depreciation, amortisation and exceptional items. An explanation of the change in statutory measure can be found on page 8.

The remaining 40% of the cost synergies will be generated by reductions in personnel and other operating expenses.

As we have previously stated, approximately 80% of the total cost synergies will be achieved by the end of the first year following the completion of the transaction (in May 2020). 100% will be achieved by the end of the second year (in May 2021).

The expected total costs of achieving these cost synergies remain in the €15m to €20m range which has previously been communicated. €11.7m has been incurred to date.

JACKPOT DEVELOPMENT

The development of jackpots offered in the Lotto and EuroJackpot products have differed significantly this year to date. The average Lotto jackpot in the first six months was €9.5m (2018: €5.7m), and as a result the billings and revenue from this product have held up well. However, EuroJackpot suffered in comparison with 2018 – in the first six months there was only a single €90m jackpot (2018: eight) and the average jackpot amount reduced to €35.3m (2018: €57.5m).

The average EuroMillions jackpot in the first six months increased slightly to €58.7m (2018: €57.5m). Our focus on EuroMillions is reducing in the lead-up to the integration with Lotto24 because it will not be offered following the transformation of our core German business under the terms of the supplement to Lotto24's existing brokerage permit which was granted in February 2019.

OTHER MARKETS

We remain well positioned for international growth opportunities. Here we have learned from our experiences and improved our international business approach. As part of our activities to internationalise secondary lottery in myLotto24, we are now focused entirely on improving and building the UK business before pursuing further international markets where national licences are available.

ZEAL Ventures continues to pursue its lottery-related start-up investment portfolio. We have now made five start-up investments, which we are closely monitoring and supporting where necessary while continuing to pursue additional investment opportunities. Our objective here is to learn from these companies, generate profits and integrate exciting business ideas into the ZEAL Group.

Finally, the Lottovate team continues to test promising ideas and opportunities to become active in the lottery sector including as an operator ourselves.

OUTLOOK AND DIVIDEND

As described in our 2018 Annual Report, in view of the special situation created by the Lotto24 transaction and the transformation of our core German business model later in 2019, we were previously unable to provide any financial guidance for this financial year.

In addition to the future jackpot development for major lottery products, the exact timing of the planned business model change – in connection with the takeover of Lotto24 AG in May 2019 – is of decisive importance for the ZEAL Group's forecast. Since the more profitable secondary lottery business will be converted to the brokerage business permitted in Germany from this date, ZEAL expects negative effects on revenue and profitability in the fourth quarter of 2019.

Based on the expectation of a business model change in October 2019, the effects on the customer base that cannot be conclusively assessed from today's perspective and the big price pay-out on 10 August 2019, ZEAL anticipates TOP for the 2019 financial year significantly below the previous year (2018: €160m) and EBITDA between €18m and €21m (2018: €48m).

Our dividend policy for 2019 remains under review.

ONGOING LEGAL AND REGULATORY MATTERS

The principal legal and regulatory matters affecting the Group are included in the 2018 Annual Report. There have been no material changes to the status of these matters since the date of approval of the 2018 Annual Report.

TAX MATTERS AND CONTINGENT LIABILITIES

There have been no material changes in the status of the tax matters reported in the 2018 Annual Report. The Directors continue to closely monitor any changes in areas where a contingent liability has been previously disclosed. As disclosed on page 117 of the 2018 Annual Report, there is significant uncertainty as to whether VAT is due in respect of certain services provided by the myLotto24 Sub-Group. The potential financial impact at 30 June 2019 is €76.3m (31 December 2018: €64.6m).

FINANCIAL REVIEW

Summary financial results and key performance indicators:

	H1 2019	H1 2018
in €k		
Summary financial results		
Revenue	77,461	72,973
Total Operating Performance (TOP)	**79,273**	**74,946**
Personnel expenses	(11,172)	(15,246)
Other operating expenses	(36,834)	(43,282)
Marketing expenses	*(11,037)*	*(9,753)*
Direct costs of operations	*(17,741)*	*(22,331)*
Other costs of operations	*(8,056)*	*(11,198)*
EBITDA	**31,204**	**16,972**
Exceptional items	(7,357)	–
Amortisation and depreciation	(2,500)	(596)
EBIT	**21,347**	**16,376**
Key Performance Indicators		
Billings	179,391	141,879
Stakes	163,194	123,651
Normalised revenue	74,369	77,825
Normalised EBITDA	28,124	21,898
Earnings per share (€)[1]	1.21	1.32
Net cash position	110,455	89,722
Cash inflow from operating activities[2]	11,860	12,592
Cash inflow from/(used in) investing activities	5,781	(574)
Cash used in financing activities	(2,004)	–

[1] EPS has been restated as a result of the restatement of the loss on financial assets from other comprehensive income to results from financing and investing activities. Further details can be found on page 18. In line with the requirements of IFRS, the 2018 EPS has also been restated for the impact of the purchase of treasury shares by the Group in July 2018.
[2] The 2018 comparative has been restated. Further details can be found on page 18.

Following the acquisition of Lotto24 AG ('Lotto24') on 14 May 2019, the summary financial results for H1 2019 include both the trading results of Lotto24 from the date of acquisition and the trading results of the pre-existing ZEAL Group for the full period.

REVENUE AND TOTAL OPERATING PERFORMANCE

Revenue for the six-month period ended 30 June 2019 increased by €4,488k to €77,461k (2018: €72,973k) and TOP increased by €4,327k to €79,273k (2018: €74,946k).

The increase is primarily driven by the €4,769k of revenue contributed by Lotto24 since the acquisition and growth in revenue from Instant Win Games. This was offset by a €1,685k reduction in revenue, following the closure of Lotto Network and the Ventura24 S.L.U consumer facing brokerage business ('V24 B2C') in November and December 2018 respectively.

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

PERSONNEL EXPENSES

Personnel expenses for the six-month period ended 30 June 2019 decreased by €4,074k to €11,172k (2018: €15,246k). The decrease in personnel costs is in line with the fall in the average number of full time equivalent (FTE) employees in the ZEAL Group (excluding Lotto24) from 274 to 179. It is consistent with the Group's announced plan to drive synergies following the acquisition of Lotto24. Lotto24's personnel expense from the date of acquisition to 30 June 2019 were €1,013k.

OTHER OPERATING EXPENSES

Other operating expenses for the six-month period ended 30 June 2019 decreased by €6,448k to €36,834k (2018: €43,282k). The most significant contributory factors were:

- an increase in marketing expenses of €1,284k. The increased investment in marketing is driven by the €1,712k of marketing costs incurred by Lotto24 since acquisition. This is offset by a €363k reduction in costs following the closure of Lotto Network and the V24 B2C business.
- a decrease in direct costs of operations of €4,590k, which is mainly due to a €3,776k decrease in hedging costs (driven by a fall in physical hedging costs on US products) and a €1,169k decrease in non-deductible VAT expense. This was offset by €376k of costs incurred by Lotto24 since acquisition.
- a decrease in other costs of operations of €3,142k, which is mainly driven by a €1,591k decrease in legal and advisory costs, a €570k reduction in outsourced costs, a €679k reduction in rental costs following the adoption of IFRS 16, a €499k decrease in freelancer and recruiting costs, and a €202k reduction in travel costs. This was offset by €758k of costs incurred by Lotto24 since acquisition. The remaining movement is due to various immaterial movements in other line items.

EXCEPTIONAL ITEMS

Exceptional items for the six-month period ended 30 June 2019 were €7,357k (2018: nil). Exceptional items primarily relate to the acquisition of Lotto24 (€1,950k) and the activities underway to restructure the Group and prepared for the business model change (€5,907k). This was offset by the release of €500k of costs in relation to the closure of Ventura24 S.L.U. which were provided for at 31 December 2018 but no longer required.

AMORTISATION AND DEPRECIATION

Amortisation and depreciation for the six-month period ended 30 June 2019 increased by €1,904k to €2,500k (2018: €596k). This was primarily driven by the recognition of intangibles following the acquisition of Lotto24, resulting in additional amortisation of €1,028k. In addition the adoption of IFRS 16 increased the charge by €792k.

BILLINGS AND STAKES

Billings for the six-month period ended 30 June 2019 increased by €37,512k to €179,391k (2018: €141,879k). Stakes for the six-month period ended 30 June 2019 increased by €39,543k to €163,194k (2018: €123,651k). The acquisition of Lotto24 contributed €41,322k and €38,500k to the increase in billings and stakes, respectively. This was offset by the fall in billings and stakes following the closure of Lotto Network and the V24 B2C business.

NORMALISATION OF RESULTS

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

Total pay-outs for secondary lotteries in the first half of 2019 were €3,092k below the expected pay-out value (2018: €4,852k above). This combined with the €12k impact (2018: €74k) from the normalisation of hedging income, resulted in a difference between actual and expected EBITDA of €3,080k (2018: €4,926k above).

In the prior period, the deviation between actual and expected revenue and EBITDA was primarily due to an exceptional prize pay-out in March 2018 of €8,299k.

Revenue

	H 1 2019	H 1 2018
in €k		
Actual	77,461	72,973
Expected[1]	74,369	77,825
Normalisation effect[2]	**3,092**	**(4,852)**

EBITDA

	H 1 2019	H 1 2018
in €k		
Actual	31,204	16,972
Expected[1]	28,124	21,898
Normalisation effect[2]	**3,080**	**(4,926)**

[1] *Actuals adjusted for expected pay-outs*

[2] *In H 1 2018 the Group presented EBIT adjusted for normalisation effect. In Q 4 2018 the Group updated its alternative performance measure to present 'adjusted EBIT' adjusted for normalisation effects where 'adjusted EBIT' excludes exceptional items which could distort the readers' understanding of the financial statements. In H 1 2019 following the acquisition of Lotto24 and the recognition of significant intangible assets, the Group further updated its alternative performance measure to present EBITDA. This excludes amortisation and depreciation charges (in addition to exceptional items) and provides reader with a more appropriate measure of the performance of the underlying business. We believe this alternative performance measure is useful to enable a readers to compare underlying performance excluding the impact of irregular items and variances in pay-out ratios.*

EARNINGS PER SHARE (EPS)

The EPS from continuing operations in the first six months of 2019 decreased compared to the same period in the previous year from €1.32 to € 1.21 due to the issuance of 14,010,982 new shares as part of the acquisition of Lotto24. This was offset by the increase in profit after tax. The 2018 EPS has been restated as a result of the restatement of the loss on financial assets from other comprehensive income to results from financing and investing activities. In line with the requirements of IFRS, the 2018 EPS has also been restated for the impact of the purchase of treasury shares by the Group in July 2018.

OUTLOOK AND DIVIDEND

As described in our 2018 Annual Report, in view of the special situation created by the Lotto24 transaction and the transformation of our core German business model later in 2019, we were previously unable to provide any financial guidance for this financial year.

In addition to the future jackpot development for major lottery products, the exact timing of the planned business model change – in connection with the takeover of Lotto24 AG in May 2019 – is of decisive importance for the ZEAL Group's forecast. Since the more profitable secondary lottery business will be converted to the brokerage business permitted in Germany from this date, ZEAL expects negative effects on revenue and profitability in the fourth quarter of 2019.

Based on the expectation of a business model change in October 2019, the effects on the customer base that cannot be conclusively assessed from today's perspective and the big price pay-out on 10 August 2019, ZEAL anticipates TOP for the 2019 financial year significantly below the previous year (2018: €160m) and EBITDA between €18m and €21m (2018: €48m).

Our dividend policy for 2019 remains under review.

NET CASH POSITION

Net Cash as at 30 June 2019 increased by €20,733k to €110,455k (2018: €89,722k). The increase in net cash is due to a €32,326k increase in cash (excluding pledged cash), offset primarily by a €2,028k increase in short-term lease liabilities and a €11,882k increase in amounts payable to customers and lottery brokers.

CASH FLOW

in €k	H 1 2019	H 1 2018 Restated[1]
Cash inflow from operating activities	11,860	12,592
Cash from/(used) in investing activities	5,781	(574)
Cash used in financing activities	(2,004)	–
Changes in cash and pledged cash and financial assets	**15,637**	**12,018**
Cash and pledged cash and financial assets at the beginning of the period[2]	145,887	112,375
Cash and pledged cash and financial assets at the end of the period[2]	**161,524**	**124,393**

[1] The comparative information has been restated. Further details can be found on page 18.
[2] In line with IFRS, for the purpose of the statement of cash flows, financial assets exclude €2,916k (2018: €6,586k) invested in equity funds at the end of the period. The 2018 comparative excludes €6,800k (2019: nil) invested in equity funds at the beginning of the period.

Cash inflow from operating activities in the first six months of 2019 decreased by €732k to €11,860k (2018: Restated €12,592k). The difference relates to the increase in profit before tax of €5,344k, offset by a €4,789k increase in tax paid and some negative working capital movements.

In the first six months of 2019, investing activities resulted in cash inflows of €5,781k (2018: €574k outflow). This was primarily driven by the €9,348k of cash included in the acquired balance sheet of Lotto24, which was offset by €2,975k paid to acquire investments in equity funds, €350k paid to acquire a further 15% investment in Wshful, a €112k additional investment in Omaze Inc, a €58k investment in Furlong Gaming Ltd and €72k paid to acquire intangible and tangible assets.

Cash used in financing activities for the six months ended 30 June 2019 was €2,004k (2018: nil). Since the adoption of IFRS 16 payments for leases previously classified as operating leases and presented within operating cash flows in 2018 are now presented within financing cash flows. €650k has been paid in connection to the issue of shares associated with the acquisition of Lotto24.

As of 30 June 2019, ZEAL had cash and pledged cash and short-term deposits of €161,524k (2018: Restated €124,393k). This includes funds that ensure that myLotto24 Limited is sufficiently well financed to pay jackpot winnings as they fall due.

OTHER INFORMATION

Information about our risk management approach and our business risks and opportunities are detailed on pages 26–32 of our 2018 Annual Report.

SUBSEQUENT EVENTS

In August 2019, the Group had a €26.3m class 1 winner. Changes to the guidance on TOP and EBITDA published within this document have been updated to reflect this.

There were no other significant events after the statement of financial position date that require separate disclosure.

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 €164,440k in cash, pledged cash and financial assets at the period end (31 December 2018: €145,887k). For this reason, the Directors have adopted the going concern basis in preparing the interim consolidated financial statements.

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.

14 August 2019

Dr. Helmut Becker
CEO

Jonas Mattsson
CFO

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONSOLIDATED INCOME STATEMENT (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2019

		H 1 2019	H 1 2018	**Q 2 2019**	Q 2 2018
in €k	Note		Restated		Restated
Revenue	2	77,461	72,973	40,999	34,273
Other operating income	2	1,812	1,973	901	843
Total Operating Performance (TOP)		**79,273**	**74,946**	**41,900**	**35,116**
Personnel expenses		(11,172)	(15,246)	(5,664)	(7,505)
Other operating expenses		(36,834)	(43,282)	(17,323)	(20,801)
Marketing expenses		*(11,037)*	*(9,753)*	*(5,880)*	*(5,084)*
Direct costs of operations		*(17,741)*	*(22,331)*	*(7,093)*	*(10,730)*
Other costs of operations		*(8,056)*	*(11,198)*	*(4,350)*	*(4,987)*
Exchange rate differences		(63)	554	90	704
Result from operating activities before depreciation, amortisation, and exceptional items (EBITDA)		**31,204**	**16,972**	**19,003**	**7,514**
Depreciation and amortisation of non-current assets		(1,708)	(596)	(1,439)	(297)
Depreciation of right of use assets		(792)	–	(428)	–
Exceptional items		(7,357)	–	(5,565)	–
Result from operating activities (EBIT)		**21,347**	**16,376**	**11,571**	**7,217**
Finance income		119	160	89	140
Finance costs		(310)	(116)	(168)	(32)
Gain/(loss) on financial assets		245	(377)	72	(290)
Results from financing and investing activities		**54**	**(333)**	**(7)**	**(182)**
Share of loss of an associate	4	(14)	–	(14)	–
Profit before income tax		**21,387**	**16,043**	**11,550**	**7,035**
Income tax expense	5	(7,067)	(4,927)	(4,116)	(2,200)
Profit attributable to the equity shareholders of the Company		**14,320**	**11,116**	**7,434**	**4,835**
Attributable to:					
Equity shareholders of the Company		14,296	11,116	7,410	4,835
Non-controlling interest	6	24	–	24	–
Earnings per share for profit/attributable to ordinary equity shareholders of the Company		€	€	€	€
Basic and diluted earnings per share		1.21	1.32	0.46	0.57

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2019

in €k	Note	**H 1 2019**	H 1 2018 Restated	**Q 2 2019**	Q 2 2018 Restated
Profit for the period		**14,320**	**11,116**	**7,434**	**4,835**
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		626	–	492	–
Items that may be reclassified to profit or loss in subsequent periods					
Exchange gain on translation of foreign operations		–	18	–	–
Other comprehensive income net of tax		**626**	**18**	**492**	**–**
Total comprehensive income attributable to the equity shareholders of the Company		**14,946**	**11,134**	**7,926**	**4,835**
Attributable to:					
Equity shareholders of the Company		14,922	11,134	7,902	4,835
Non-controlling interest	6	24	–	24	–

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 JUNE 2019 AND 31 DECEMBER 2018

		As at 30 June 2019	As at 31 December 2018
ASSETS in €k	Note		
Non-current assets			
Property, plant and equipment		3,032	2,425
Right of use asset		9,356	–
Goodwill	6	160,886	–
Intangible assets		156,191	301
Deferred tax assets		17,082	627
Other investments	3	4,116	3,433
Shares in associated companies	4	450	–
Other assets and prepaid expenses		147	146
Total non-current assets		**351,260**	**6,932**
Current assets			
Income tax receivable		39	39
Trade receivables and other current assets		20,461	16,354
Financial assets		33,993	12,894
Cash and pledged cash		130,447	132,993
Total current assets		**184,940**	**162,280**
TOTAL ASSETS		**536,200**	**169,212**

EQUITY & LIABILITIES in €k	As at 30 June 2019	As at 31 December 2018
Non-current liabilities		
Deferred tax liabilities	54,048	–
Other liabilities	1,703	1,758
Provisions	2,196	2,160
Lease liability	8,757	–
Total non-current liabilities	**66,704**	**3,918**
Current liabilities		
Trade payables	4,705	3,425
Other liabilities	30,854	25,424
Financial liabilities	89	106
Deferred income	1,963	3,098
Income tax liabilities	5,454	5,702
Provisions	5,866	4,341
Lease liability	2,028	–
Total current liabilities	**50,959**	**42,096**
Equity		
Subscribed capital	22,396	8,385
Share premium	280,132	21,578
Non-controlling interest	8,259	–
Treasury shares	(1,903)	(1,903)
Other reserves	853	227
Foreign currency translation reserve	201	201
Retained earnings	108,599	94,710
Total equity	**418,537**	**123,198**
TOTAL EQUITY & LIABILITIES	**536,200**	**169,212**

INTERIM CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2019

	H 1 2019	H 1 2018
in €k		Restated
Profit from continuing operations before tax	21,387	16,043
Adjustments for		
Depreciation and amortisation of non-current assets	1,708	596
Depreciation of right of use assets	792	–
Finance income	(119)	(160)
Finance costs	135	116
Finance costs – lease liability	175	–
Other non-cash changes	(362)	233
Changes in		
Trade receivables and other assets	3,111	2,332
Trade payables	(2,179)	(2,164)
Other liabilities	(1,773)	(1,231)
Financial liabilities	(17)	(17)
Deferred income	(1,135)	(75)
Provisions	(1,758)	–
Interest received	119	160
Interest paid	(135)	(116)
Interest paid on lease liability	(175)	–
Income taxes paid	(7,914)	(3,125)
Cash inflow from operating activities	**11,860**	**12,592**

in €k	**H 1 2019**	H 1 2018 Restated
Cash flow from investing activities		
Payments for acquisition of intangible assets	(13)	(16)
Payments for acquisition of property, plant and equipment	(59)	(558)
Payment for acquisition of an associate	(350)	–
Payments for investment in external investments	(170)	–
Payments for investment in equity funds	(2,975)	–
Acquisition of a subsidiary, net of cash acquired	9,348	–
Net cash inflow/(outflow) from investing activities	**5,781**	**(574)**
Cash flow from financing activities		
Payments to issue shares	(650)	
Payments for lease liability	(1,354)	–
Net cash outflow from financing activities	**(2,004)**	**–**
Net increase in cash, pledged cash and financial assets	15,637	12,018
Cash, pledged cash and financial assets at the beginning of the financial period	145,887	112,375
Cash, pledged cash and financial assets at the end of the financial period	**161,524**	**124,393**
Composition of cash, pledged cash and financial assets at the end of the financial period		
Cash and pledged cash	130,447	110,274
Financial assets	31,077	14,119

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE YEAR ENDED 31 DECEMBER 2018 AND FOR THE SIX MONTHS ENDED 30 JUNE 2019 AND 30 JUNE 2018

	Subscribed capital	Share premium	Non-controlling interest	Treasury shares	Other reserves	Retained earnings	Currency translation adjustments	**Total equity**
in €k								
As at 1 January 2018	**8,385**	**21,578**	**–**	**–**	**(560)**	**77,030**	**183**	**106,616**
Reclassification on adoption of IFRS 9	–	–	–	–	642	(642)	–	–
Profit for the period[1]	–	–	–	–	–	11,116	–	11,116
Other comprehensive income[1]	–	–	–	–	–	–	18	18
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**11,116**	**18**	**11,134**
As at 30 June 2018	**8,385**	**21,578**	**–**	**–**	**82**	**87,504**	**201**	**117,750**
Profit for the period	–	–	–	–	–	15,547	–	15,547
Other comprehensive income	–	–	–	–	145	–	–	145
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**145**	**15,547**	**–**	**15,692**
Transactions with owners in their capacity as owners								
Treasury shares acquired	–	–	–	(1,903)	–	–	–	(1,903)
Dividends paid	–	–	–	–	–	(8,341)	–	(8,341)
As at 31 December 2018	**8,385**	**21,578**	**–**	**(1,903)**	**227**	**94,710**	**201**	**123,198**
Reclassification on adoption of IFRS 16	–	–	–	–	–	(292)	–	(292)
Transactions with owners in their capacity as owners								
Capital increase	14,011	258,554	8,403	–	–	–	–	280,968
Purchase of Non-controlling interest	–	–	(168)	–	–	(115)	–	(283)
Profit for the period	–	–	24	–	–	14,296	–	14,320
Other comprehensive income	–	–	–	–	626	–	–	626
Total comprehensive income for the period	**–**	**–**	**24**	**–**	**626**	**14,296**	**–**	**14,946**
As at 30 June 2019	**22,396**	**280,132**	**8,259**	**(1,903)**	**853**	**108,599**	**201**	**418,537**

[1] *The comparative information has been restated. Further details can be found on page 18..*

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' or 'the Group') for the six-month period ended 30 June 2019 were authorised for issue by the Directors on 14 August 2019.

The Company was founded in Germany in 1999 and transferred its registration to the UK in February 2014 under the Company Number SE000078. The Company's shares are listed in the Prime Standard segment of the Frankfurt Stock Exchange.

The date of the interim consolidated statement of financial position is 30 June 2019. The financial period ended 30 June 2019 covers the period from 1 January 2019 to 30 June 2019.

On 14 May 2019, the Company completed the acquisition of 93% of the share capital of Lotto24 AG ('Lotto24'). These are the first interim financial statements which include the results of Lotto24.

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

BASIS OF PREPARATION

The interim financial statements for the six-month period ended 30 June 2019 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 2018.

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 June 2019 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

Except for the changes described below, the Group has consistently applied the accounting policies to all periods presented in this interim financial report.

Associated companies

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

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

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

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

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

IFRS 16

The Group has applied IFRS 16 with a date of initial application of 1 January 2019. As a result, the Group has changed its accounting policy for lease contracts as detailed below. The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right of use assets and lease liabilities for most leases. The Group has applied the recognition exemption to short term leases of IT equipment and low value assets.

At transition, lease liabilities were measured at the present value of the remaining lease payment, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right of use assets have been measured at their carrying amount as if IFRS 16 had been applied since the lease commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

The Group has applied the following practical expedients when applying IFRS 16 to leases previously classified as operating under IAS 17 and IFRIC 4:

- applying a single discount rate to a portfolio of leases with similar characteristics;
- applying the exemption not to recognise right of use assets and liabilities for leases with less than 12 months of lease term remaining at date of initial application;
- excluding initial direct costs from measuring the right of use asset at the date of initial application;
- using hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

On transition to IFRS 16, the Group recognised €6,924k of right of use assets and €8,333k of lease liabilities, recognising the difference in retained earnings. In line with the requirements of IFRS 16, the deferred rent accruals for the London and Hamburg offices have been released to retained earnings, resulting in a net impact of €292k on retained earnings at 1 January 2019.

PRIOR PERIOD RESTATEMENT

Cash and cash equivalents

In preparing the 2018 Annual Report, it was determined that the financial asset balance reported in the comparative periods contained investments in both fixed income funds and equity instruments, such as equity funds. Under IAS 7, equity instruments cannot be classified as cash and cash equivalents. As a result the H1 2018 comparative information has been restated. This has resulted in the cash flow statement for the period ended 30 June 2018 being restated. The Group held €6,586k and €6,800k of equity funds at 30 June 2018 and 31 December 2017, respectively.

The opening cash and cash equivalents balance in the H1 2018 statement of cash flows has been reduced from €119,175k to €112,375k to reflect the removal of the 31 December 2017 equity funds. The financial assets balance in the H1 2018 statement of cash flows has been reduced from €20,705k to €14,119k to reflect the removal of the 30 June 2018 equity funds. Other non-cash charges have been restated from a loss of €358k to a gain of €233k to remove the fair value movement in equity funds in the period.

There is no impact on the classification of financial assets in the interim consolidated statement of financial position or the interim consolidated income statement as a result of this restatement.

Financial assets

On adoption of IFRS 9 on 1 January 2018, the Group classified financial assets (investments in fixed income funds and equity funds) previously held as available-for-sale, as investments held at fair value through profit or loss (FVPL). Under IAS 39, all gains and losses on disposal of financial assets were recognised in OCI and recycled to the income statement on disposal.

The loss of €377k for the six-month period ended 30 June 2018 which was previously recognised in OCI has been reclassified to results from financing and investing activities in the interim consolidated income statement. The result from financing and investing activities has been restated from a gain of €44k to a loss of €333k. Profit before income tax has been restated from €16,420k to €16,043k and profit attributable to the equity shareholders of the Company has been restated from €11,493k to €11,116k.

Following the reduction to profit attributable to the equity shareholders of the Company, earnings per share has been restated from €1.37 to €1.32.

The loss of €290k for the three-month period ended 30 June 2018 which was previously recognised in OCI has been reclassified to results from financing and investing activities in the interim consolidated income statement. The result from financing and investing activities has been restated from a gain of €108k to a loss of €182k. Profit before income tax has been restated from €7,325k to €7,035k and profit attributable to the equity shareholders of the Company has been restated from €5,125k to €4,835k.

Following the reduction to profit attributable to the equity shareholders of the Company, earnings per share has been restated from €0.61 to €0.57.

ESTIMATES

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018, with the exception of changes in estimates that occurred on the acquisition of Lotto24.

Acquisition of Lotto24

The circumstances of the acquisition of Lotto24 means that judgement is required in correctly applying the provisions of IFRS 10, 'Consolidated Financial Statements', to ensure that the most appropriate accounting acquirer is identified. In determining the most appropriate accounting acquirer, consideration was given to:

- the relative voting rights held by the legacy shareholders of ZEAL and Lotto24 in the new combined group;
- the composition of the governing body of the combined group;
- the composition of the senior management of the combined group;
- the relative size of the ZEAL and Lotto24 businesses prior to the combination; and
- the commercial and strategic rational for the transaction.

Following analysis of the above factors, the Directors concluded that, while some factors did indicate the accounting acquirer to be Lotto24, the majority of factors indicated ZEAL. Therefore, the Directors consider ZEAL to be the accounting acquirer and the acquisition accounting in note 6 has been performed on this basis.

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 Executive Board of Directors. Following the acquisition of Lotto24 on 14 May 2019, the Group has reviewed its reportable operating segments and determined that Lotto24 meets the definition of a reportable operating segment. This segment has therefore been included in the 2019 disclosure.

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

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

Lottery Betting Segment

The Lottery Betting segment comprises our secondary lottery betting business (secondary lottery), and sales of Instant Win Games products. Its cost base includes direct costs and an allocation of the shared cost base.

We monitor the performance of the Lottery Betting segment based on 'normalised' revenue and EBITDA (statutory revenue and EBITDA adjusted for statistically expected prize pay-outs). The disclosures included in the operating segment note are consistent with our internal reporting. 'Normalised' performance is given due prominence in the disclosure as this is the way we analyse our business internally. Included within our note on operating segments 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 as part of this process.

Brokerage Segment

The Brokerage segment comprises the results of Lotto24, the Group's brokerage business in Germany. Its cost base includes direct costs and an allocation of the shared cost base. We monitor the performance of the Brokerage segment based on actual results.

Lottovate Segment

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

Following the acquisition of Lotto24 and the restructure of the Group, the results of ZEAL Ventures are reported to the CODM as part of the Lottovate segment. From 14 May 2019 the results of ZEAL Ventures are included within the Lottovate segment.

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

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

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

ZEAL Ventures

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

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

- '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 items impacting revenue and other operating income mainly relate to external revenue and other operating income generated by Schumann e.K. (which does not form part of either the Lottery Betting or Lottovate segments).

Business unit segment reporting

H 1 2019	Lottery Betting	Lottovate	Brokerage	**Business unit total**	Normalisation adjustments	Other adjustments	**Statutory total**
in €k							
Revenue from secondary lottery	52,906	–	–	**52,906**	1,055	88	**54,049**
Revenue from Instant Win Games	5,956	–	–	**5,956**	2,037	–	**7,993**
Revenue from ticket sales and commission	7,945	2,705	4,769	**15,419**	–	–	**15,419**
Other operating income	1,681	169	18	**1,868**	(12)	(44)	**1,812**
Total Operating Performance (TOP)	68,488	2,874	4,787	**76,149**	3,080	44	**79,273**
EBITDA	29,056	(2,285)	928	**27,699**	3,080	425	**31,204**
Depreciation/amortisation	–	–	–	**(2,500)**	–	–	**(2,500)**
Exceptional items	–	–	–	**(7,357)**	–	–	**(7,357)**
EBIT	–	–	–	**17,842**	3,080	425	**21,347**
Financing and investing result	–	–	–	**–**	–	54	**54**
Share in loss in associate	–	–	–	**–**	–	(14)	**(14)**
EBT	–	–	–	**17,842**	3,080	465	**21,387**
Income tax	–	–	–	**–**	–	(7,067)	**(7,067)**
Net profit/(loss)	–	–	–	**17,842**	3,080	(6,602)	**14,320**

Business unit segment reporting **H1 2018**	Lottery Betting	Lottovate	**Business unit total**	Normalisation adjustments	Other adjustments	**Statutory total**
in €k						
Revenue from secondary lottery	66,926	–	**66,926**	(5,719)	97	**61,304**
Revenue from Instant Win Games	2,994	–	**2,994**	867	–	**3,861**
Revenue from ticket sales and commission	3,824	3,984	**7,808**	–	–	**7,808**
Other operating income	1,693	353	**2,046**	(74)	1	**1,973**
Total Operating Performance (TOP)	75,437	4,337	**79,774**	(4,926)	98	**74,946**
EBITDA	25,949	(3,653)	**22,296**	(4,926)	(398)	**16,972**
Depreciation and amortisation	(451)	(145)	**(596)**	–	–	**(596)**
EBIT	25,498	(3,798)	**21,700**	(4,926)	(398)	**16,376**
Financing and investing result	–	–	**–**	–	(333)	**(333)**
EBT	–	–	**21,700**	(4,926)	(731)	**16,043**
Income tax	–	–	**–**	–	(4,927)	**(4,927)**
Net profit/(loss)	–	–	**21,700**	(4,926)	(5,658)	**11,116**

The table has been restated to separately disclose the revenue earned from different revenue streams, in accordance with IFRS 15, and for the impact of the restatement of the €377k loss on financial assets from other comprehensive income to financing and investing results in the income statement.

3 OTHER INVESTMENTS

ZEAL holds investments in Omaze Inc ('Omaze'), Pick Media Limited ('Pick my Postcode' or 'PMP'), De Integro Limited ('The Dream Makers') and Furlong Gaming Limited ('Furlong'). In March 2019, ZEAL increased its investment in Cloud Canyon Limited ('Wshful') and this this resulted in it being reclassified from an external investment to an investment in an associate.

Omaze

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

Pick My Postcode

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

The Dream Makers

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

Furlong

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

Other investments are recognised at fair value with gains and losses being recognised in comprehensive income.

	2019
in €k	
Balance as at 1 January 2019	**3,433**
Additions	170
Transfers	(113)
Fair value adjustment through OCI	626
Balance as at 30 June 2019	**4,116**

4 SHARES IN ASSOCIATED COMPANIES

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

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

in €k	2019
Current assets	264
Current liabilities	(28)
Equity	**236**
Group's share in equity – 20%	**47**
Goodwill	403
Carrying amount of the Group's investment	**450**

in €k	2019
Revenue	96
Cost of sales	(111)
Other expenses	(56)
Loss before tax	**(71)**
Tax	–
Loss for the period	**(71)**
Group's share of loss for the period	**(14)**

The associate had no material contingent liabilities or capital commitments as at 30 June 2019.

5 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.

	H 1 2019	H 1 2018	**Q 2 2019**	Q 2 2018
in €k				
Current income tax expense	(7,666)	(4,927)	(4,715)	(2,200)
Deferred tax income	599	–	599	–
Total income tax	**(7,067)**	**(4,927)**	**(4,116)**	**(2,200)**

6 BUSINESS COMBINATION

Acquisition of Lotto24

On 14 May, the Group acquired 93% of the shares of Lotto24, a listed German lottery brokerage business, in exchange for ZEAL shares. The Group acquired Lotto24 in order to significantly de-risk its business model and become a licenced broker in Germany.

Consideration paid and the costs of acquisition

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

Transaction costs of €5,802k were expensed and included in exceptional items. The attributable costs of the issuance of the shares of €650k have been charged directly to equity as a reduction in share premium.

Assets acquired and liabilities assumed

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

	Carrying value on acquisition	Fair value adjustments – acquired intangibles	Fair value adjustments – goodwill	Fair value adjustment – deferred tax liability	Fair value recognised on acquisition
Assets in €k					
Non-current assets					
Property, plant and equipment	1,244	–	–	–	1,244
Intangible assets	19,294	156,584	(18,850)	–	157,028
Deferred tax assets	16,223	–	–	–	16,223
Right of use asset	3,159	–	–	–	3,159
Total non-current assets	**39,920**	**156,584**	**(18,850)**	**–**	**177,654**
Current assets					
Trade and other receivables	315	–	–	–	315
Other current assets and prepaid expenses	7,098	–	–	–	7,098
Cash and pledged cash	9,348	–	–	–	9,348
Total current assets	**16,761**	**–**	**–**	**–**	**16,761**
Total assets	**56,681**	**156,584**	**(18,850)**	**–**	**194,415**

Liabilities in €k	Carrying value on acquisition	Fair value adjustments – acquired intangibles	Fair value adjustments – goodwill	Fair value adjustment – deferred tax liability	Fair value recognised on acquisition
Non-current liabilities					
Lease liability non-current	(2,810)	–	–	–	(2,810)
Deferred tax liabilities	(3,808)	–	–	(50,537)	(54,345)
Other financial liabilities (long term)	(1,791)	–	–	–	(1,791)
Total non-current liabilities	**(8,409)**	**–**	**–**	**(50,537)**	**(58,946)**
Lease liability	(326)	–	–	–	(326)
Trade payables	(3,459)	–	–	–	(3,459)
Other liabilities	(10,551)	–	–	–	(10,551)
Income tax liabilities	(58)	–	–	–	(58)
Provisions	(344)	–	–	–	(344)
Total current liabilities	**(14,738)**	**–**	**–**	**–**	**(14,738)**
Total identifiable net assets at fair value	**33,534**	**156,584**	**(18,850)**	**(50,537)**	**120,731**
Non-controlling interest					(8,403)
Goodwill arising on acquisition					160,886
Purchase consideration transferred					**273,214**

The goodwill of €160,886k comprises the expected synergies arising from the acquisition and has been allocated entirely to the Brokerage segment. None of the goodwill recognised is expected to be deductible for income tax purposes.

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

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

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

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

Non-controlling interest

ZEAL has elected to measure its non-controlling interest in the acquiree using the proportionate share method. The net assets of Lotto24 at the date of acquisition were €120,731k, resulting in a non-controlling interest of €8,403k. In June 2019 ZEAL acquired an additional 21,300 shares in Lotto24 for consideration of €283k. The increase in investment in Lotto24 has reduced the value of the Group's non-controlling interest by €168k and reduced retained earnings by €115k. In line with the requirements of IFRS there has been no impact on the value of goodwill recognised on the acquisition of Lotto24.

Income statement

From the date of acquisition, Lotto24 has contributed €4,769k of revenue and €158k of profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue for the Group from continuing operations would have been €95,135k and profit before tax from continuing operations for the Group would have been €23,374k.

Analysis of cash flows on acquisition

Transaction costs of the acquisition (included in cash flows from operating activities)	(5,802)
Net cash acquired with the subsidiary (included in cash flows from investing activities)	9,348
Transaction costs attributable to issuance of shares (included in cash flows from financing activities)	(650)
Net cash flow on acquisition	**2,896**

7 DIVIDENDS

As described in our 2018 Annual Report, in view of the special situation created by the Lotto24 transaction and the transformation of the core German business model later in 2019, we are currently reviewing our dividend policy for 2019.

8 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

8.1 FAIR VALUE

All financial instruments held by the Group at 30 June 2019 are classified as level 1, with the exception of other investments which are classified as level 3. A description of the fair value hierarchy can be found on page 118 of our 2018 Annual Report. Financial assets held at 30 June 2019 amounting to €2,916k (31 December 2018: €12,894k) were classified as fair value through other comprehensive income.

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 currently held, transfers between levels of fair value hierarchy are not expected. On adoption of IFRS 9, the Pick My Postcode investment has been classified as a level 3. There were no other transfers between level 1 and level 2 fair value measurements and no transfers into or out of level 3 fair value measurements during the period.

8.2 CREDIT RISK

The scope of the credit risk of ZEAL equals the sum of cash, financial assets, trade receivables, other receivables and short term loans. There are no specific default risks in the cash and other financial assets portfolio as of the statement of financial position date. Details of the credit risk for each asset can be found on page 119 of our 2018 Annual Report.

No contingent assets were recognised at 30 June 2019 (31 December 2018: no contingent assets recognised). As disclosed on page 117 of the 2018 Annual Report, there is significant uncertainty as to whether VAT is due in respect of certain services provided by the myLotto24 Sub-Group. The potential financial impact at 30 June 2019 is €76.3m (31 December 2018: €70.3m).

8.3 LIQUIDITY RISK

Due to the sufficiency of its liquid assets, ZEAL is not exposed to any significant liquidity risk. Even in the case of significant restrictions of business against the backdrop of regulatory developments, ZEAL has sufficient liquidity to service its liabilities at any time. Financial liabilities are mainly due immediately and do not accrue interest.

In order to limit the particular risk of high jackpot pay-outs in the Lottery Betting segment, myLotto24 Limited conducts hedging transactions – such as the transfer of payment obligation risks to reinsurance via an ILS vehicle.

Financial liabilities and trade payables presented on the face of the statement of financial position are payable within one year.

8.4 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.

8.5 CURRENCY RISK

The Company is exposed to a currency risk as a result of the GBP and USD exchange rates compared to the euro. The risk arises from payments received and made in foreign currency, which differ from each 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 and USD to Euro exchange rates.

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

9 CAPITAL MANAGEMENT

ZEAL operates a decentralised capital management system. Information about our capital management system is detailed on page 118 of our 2018 Annual Report.

10 RELATED PARTIES

The Members of the Executive Board and Supervisory Board of ZEAL Network SE, as well as their immediate relatives, are regarded as related parties in accordance with IAS 24 'Related Party Disclosures'. There were no other significant transactions with related parties in the period under review. Further information about our related parties are detailed on page 117 of our 2018 Annual Report.

11 SUBSEQUENT EVENTS

In August 2019, the Group had a €26.3m class 1 winner. Changes to the guidance on TOP and EBITDA published within this document have been updated to reflect this.

There were no other significant events after the statement of financial position date that require separate disclosure.

12 STATUTORY ACCOUNTS

The financial information shown in this publication, which was approved by the Executive Board of Directors on 14 August 2019, is unaudited and does not constitute statutory financial statements. The Annual Report of ZEAL Network SE for the year ended 31 December 2018 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.

FINANCIAL CALENDAR

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