SUPPORT
CHARITIES

CREATE EXCITING
EXPERIENCES

GROW
INTERNATIONALLY

DISRUPT
THE INDUSTRY

CREATE A BETTER WORLD OF LOTTERY

Annual Report 2015

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 and the provision of business to business lottery solutions, mainly in the charity lottery space. One of our core objectives is to disrupt the online lottery market through innovation. A proven track record in development of online technology and distribution channels, optimum utilisation of our bespoke hedging structure and the benefits of gradual market deregulation have enabled us to retain a leading position in the market. As a result of sustained growth in the global lottery market, we continue to invest in research activities with a view to developing new products in the areas of platform technology and marketing solutions to complement our existing product suite. Our vision is to create a better world of lottery.

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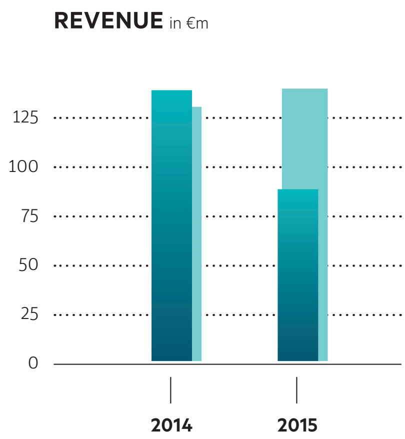
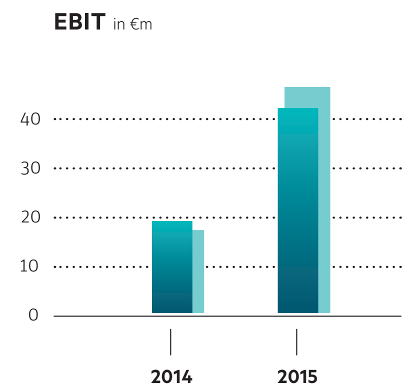
** "ZEAL Network" or "the Company"*
*** "ZEAL Group" or "the Group"*

STRONG PERFORMANCE



€141m
normalised 2015 +7%

€89m
statutory 2015 (37%)



€47m
normalised 2015 +173%

€43m
statutory 2015 +123%

In 2015, ZEAL Group's underlying business performance remained strong. While a statistically high level of prize pay-outs adversely impacted our statutory revenue, the effect on total operating performance was largely mitigated by the Group's hedging structure.

Actual prize pay-out levels will continue to have a varying impact on our statutory results. Consistent with last year, to allow a clearer year-on-year comparison and facilitate understanding of our core business performance, we have disclosed the effect of differences in the expected and actual levels of prize pay-outs on revenue and EBIT. The terms "normalised" revenue and "normalised" EBIT, used throughout this report, are defined as "gross" revenue and EBIT (i.e. revenue and EBIT before actual prize pay-outs) adjusted for statistically calculated pay-out levels. For further information see page 14.

EXECUTIVE REVIEW

Helmut Becker, CEO

DEAR SHAREHOLDERS

2015 was another successful year for the Group. Our consumer facing secondary lottery betting business performed strongly and benefitted from an enhanced product portfolio. Our business to business offering is progressing in line with plan, with the development of a number of strategic alliances, principally with organisations in the charity sector. We continue to evaluate prospective acquisition and partnering opportunities that support our strategic objectives.

STRONG FINANCIAL PERFORMANCE

Statutory results

For 2015, ZEAL reports a "total operating performance" of €141.0m compared to the prior year of €145.7m. The decrease in total operating performance was primarily due to a large jackpot pay-out of €15.0m, which was partially offset by revenue generated by the newly introduced instant win games.

The Group generated consolidated statutory EBIT of €42.9m representing an increase of €23.7m compared to last year (2014: €19.2m). The EBIT increase was driven by a better cost structure, including a decrease in Gaming Duty of €17.5m.

Despite dividends distributions of €23.5m during 2015, the Group's balance sheet position remains strong. At year end the Group had cash, cash equivalents and current financial assets of €108m (2014: €108m).

Normalised results

The primary key performance indicators used by the Group to assess performance are normalised revenue and normalised EBIT. Normalised revenue for 2015 amounted to €141.2m representing an increase of €9.4m compared to 2014. This increase was driven by higher jackpots during 2015 compared to the prior year and the launch of the instant win games products mentioned above. The growth in normalised EBIT from €17.3m in 2014 to €47.1m in 2015 was attributable to increased annual normalised revenue together with a significant decrease in the cost base year on year.

Change in operating segments

The Group's reportable operating segments reflect the management structure of the Group and the way performance is evaluated 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 delegation of management of MyLotto24 Limited and its subsidiaries to the Directors of MyLotto24 Limited, the way that the Group's segments are evaluated by the CODM and the method by which shared costs are allocated to operating segments.

The new reporting segments are Business-to-Consumer ("B2C") and Business-to-Business/Business-to-Government ("B2B/B2G"). The B2C segment is engaged in the provision of secondary lottery betting services, where bets are taken on the outcome of certain European lotteries, and sale of virtual instant win games. The B2B/B2G segment is focussed on developing partnerships with businesses and charities and providing technological platforms to support their lottery product offerings.

IMPAIRMENT OF INVESTMENTS IN ASSOCIATE AND JOINT VENTURE AND ACQUISITION OF REMAINING NON-ZEAL INTERESTS

At 31 December 2015, the Group assessed the viability of the business plans of both Geonomics Global Games Limited and its subsidiary Geo24 UK Limited (together "Geo") and concluded that they no longer support the carrying value of ZEAL's investment in Geo. An impairment charge amounting to €17.1m was recorded against the carrying value of the assets held in our consolidated balance sheet at 31 December 2015 (after accounting for loss pick-ups of €5.3m during 2015). The combination of the loss pick-ups and impairment reduce the carrying value of our investments in Geo to €nil at 31 December 2015.

Following a comprehensive review, we concluded that having the Geo entities as wholly owned subsidiaries of the ZEAL Group was beneficial for both parties. As a result, on 10 March 2016 we signed a share and purchase agreement to acquire the remaining shares, not already owned by the Company, in UK based Geonomics Global Games Limited for a cash consideration of £0.8m (approx. €1m). Subject to the terms of the share purchase agreement, control of Geonomics Global Games Limited and its associated company, Geo24 UK Limited, will pass to ZEAL on 30 March 2016.

Management intends to put the current Geo business model into maintenance mode and leverage the skills of the Geo team, accelerating the development of ZEAL's B2B and B2G products.

CHANGES IN EXECUTIVE BOARD

We continue to consider a structured corporate governance framework imperative to the ongoing success of our business. We firmly believe that our Supervisory Board and Executive Board have the right skillsets and levels of experience to effectively steward the ongoing operations and ambitious growth strategies we have. Timely replacement of outgoing members of management with suitably qualified individuals is key to ensuring that these goals are achieved.

Susan Standiford, CTO

While there were no changes to the composition of the Supervisory Board and its sub-committees during 2015, our Chief Executive Officer ("CEO"), Dr. Hans Cornehl stepped down from the Executive Board in August 2015. He was replaced by our former Chief Marketing Officer ("CMO"), Dr. Helmut Becker. To further strengthen our management team during this period of change, we welcomed Jonas Mattsson as Chief Financial Officer ("CFO") and Susan Standiford as Chief Technology Officer ("CTO") to the Executive Board in February 2015 and May 2015 respectively. Both individuals bring a wealth of relevant experience and expertise in their respective fields.

CUTTING EDGE INFORMATION TECHNOLOGY

Both of our operating businesses are highly competitive – backed by our leading edge product engineering expertise and state-of-the-art online technology. During 2015, we further enhanced our products, software platforms, services and hardware infrastructure. We also added key talent and capabilities to ZEAL and the core technology teams of the operating businesses.

The teams continue to invest in scalable, modular platforms and services that enable fast and efficient product deployments. The teams are committed to and benefit from a strong product delivery culture that provides the ability to react to customer needs quickly in the live environments. Further investments in modern data capabilities, technical architectures and tools as well as cloud deployment infrastructure provide the basis for strong competitive platforms and products.

2015 saw the deployment of several new products – including responsive web-shops and mobile applications – all with positive reaction from consumers and the market.

Jonas Mattsson, CFO

2016 will see additional developments and further investments in technologies that will allow for the operating business to react quickly and efficiently to consumers and changes in the competitive landscape.

2015 has also been the year when significant foundational improvements in technology architecture, product development, marketing and data analytics capabilities have been implemented. Going forward this allows us to focus even more on our key growth initiatives.

ATTAINMENT OF STRATEGIC GOALS AND FUTURE PLANS

During 2015, both the B2C segment and B2B/B2G segment progressed in line with their respective goals.

Revenue and EBIT in the B2C segment benefitted from the successful introduction of nine instant win lottery games which have been well received by our customers. This new product group offers an exciting gaming experience and has led to an increased spend per customer. We continue with our drive to re-activate dormant customer accounts and acquire new customers.

The B2B/B2G activities are primarily still in business development phase, however, costs incurred in project development are in line with previously approved plans and we continue to make significant headway in the development of our charity lottery partnership strategy. That said, the lottery industry is still a highly regulated market with often very restrictive or unclear compliance requirements. Implementation of growth strategies depends heavily on the local regulatory environment in jurisdictions to which we plan to expand. While we observe a general trend towards clearer regulation, a possible consequence of changing regulatory conditions in Europe is the increase of private market participants and suppliers. ZEAL continues to monitor opportunities for non-organic growth through acquisition based on strategic goals and changes in the regulatory environment.

The global penetration of lotteries sold through interactive channels represents less than 5% of global lottery markets, while online penetration in other sectors such as banking is significantly higher. We believe that the market development in interactive lotteries has been held back by regulation and consequent lack of competition. We expect a significant catch-up in the interactive lottery markets in the coming years – which would be a significant growth driver for our business.

Going forward, we are focusing on two main strategic objectives:

- We will continue to develop and grow the B2C businesses of secondary lottery and instant win games. Specifically acquiring new customers by fully exploiting all available marketing opportunities, re-activating dormant customers and increasing player participation in the instant win games.
- We plan to enhance our B2B/B2G activity following the successful partnerships with private and state run organisations. We aim to expand further into other European markets by using our leading edge technological and marketing expertise as a service provider.

ZEAL's vision is to create a better world of lottery. A world that our customers and business partners deserve. We strongly believe that the worldwide lottery market today performs below its potential and we seek to release this potential by creating exciting and innovative products.

OUTLOOK FOR 2016

For 2016, we expect higher consolidated total operating performance in the range of €140m to €150m with an increase in consolidated EBIT to between €40m and €50m.

The Executive Board has proposed, and the Supervisory Board has approved, a dividend policy under which the Company will pay regular interim dividends, which are expected to amount to a total of at least €2.80 per share in 2016. Interim dividends are expected to be paid on a quarterly basis in 2016 and thereafter. An announcement of the amount of each dividend, and the record date for entitlement to the dividend, will be made in advance of payment of the dividend. The record date for this year's first quarterly dividend, amounting to €0.70 per share, will be 30 March 2016 and the payment and ex-dividend date will be 31 March 2016.

The Executive Board

Dr. Helmut Becker
CEO

Jonas Mattsson
CFO

Susan Standiford
CTO

WE CARE FOR CHARITY!

We are delighted to have been able to continue our work with a number of fantastic charitable and non-profit organisations during 2015. Feedback we have received shows that these organisations recognise that lottery and draw-based lotto products are a great way to engage with their supporters. We are very proud of what we have achieved in the CSR space this year and will continue to devote financial and human resources to strengthening these relationships.

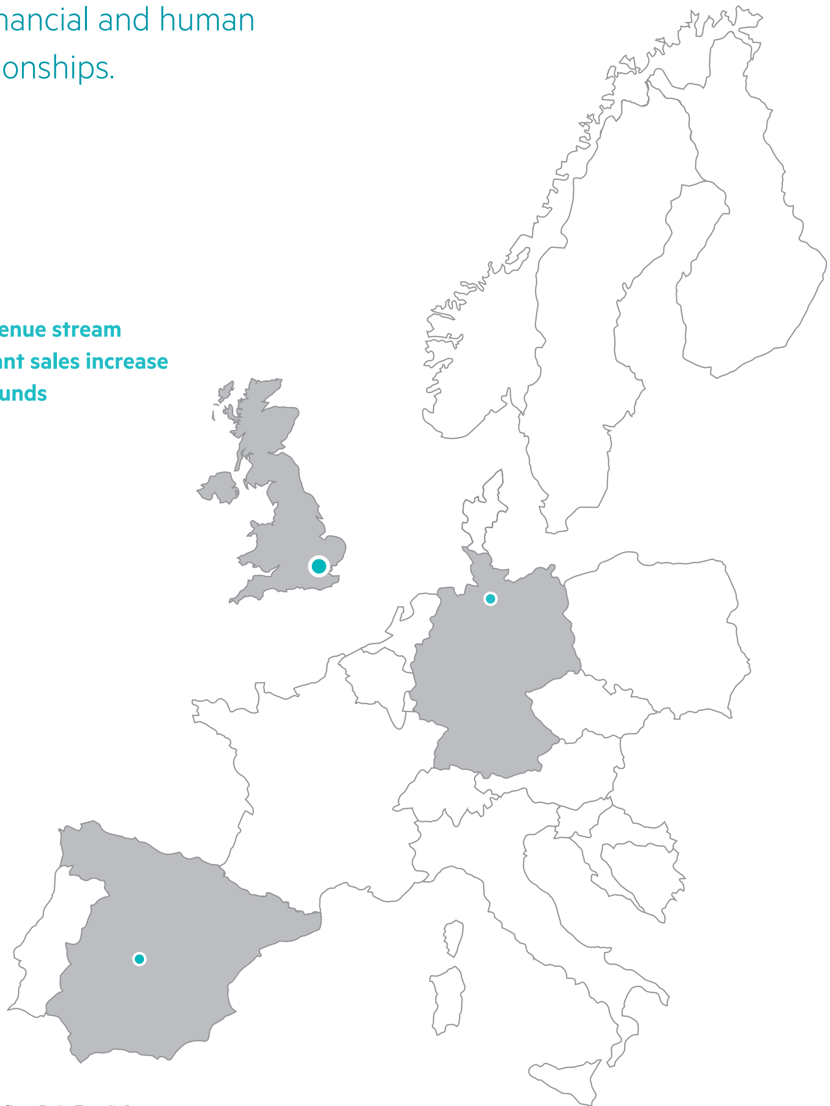
VENTURA24
digital marketing solution

- **product management**
- **player acquisition**
- **player retention**

client

- **new revenue stream**
- **significant sales increase**
- **bigger funds**

Our subsidiary, Ventura24, has been working in partnership with ONCE since 2013. Ventura24 maintains the online platform for ONCE's lottery operations leading to a significant additional income stream for the charity. We are able to leverage the technology developed to make it easier for companies or individuals to raise funds for their chosen cause.



Cruz Roja Española

JUEGOS ONCE

01
02
03
04

ONCE IN SPAIN

Since its establishment in 1938, ONCE (the Spanish National Organisation for the Blind) has built up a system of social benefits for the blind and visually impaired that is unparalled throughout the rest of the world.

Lottery game products are one of ONCE's main income streams. Since Ventura24 partnered with ONCE and took over management of its digital sales channel, product management and marketing activities, significant steps have been made in terms of innovation within their existing suite of lottery products as well as the addition of several new products. These changes have led to a significant increase in the margin earned by ONCE on this income stream allowing it to give more back to the community.

JUEGOS ONCE

CRUZ ROJA ESPANOLA

Ventura24's reputation in the charity sector has also led to collaboration with the Spanish Red Cross. Ventura24 is proud to organise the annual online lottery draw as well as the social lottery club "Peña Super Oro". Ticket sales for these draws raise awareness of the charitable causes the organisation is involved with and allow participants to contribute the cause directly. As well as supporting the charity, in 2015, Ventura24 distributed prizes of €6,900 to each of the 688 participants. The gold value of the prize was 297,856 grams!

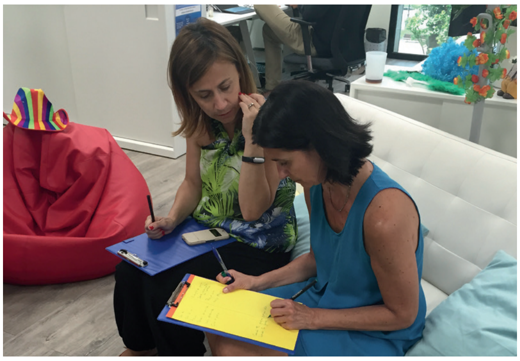
Cruz Roja Española

FURTHER PARTNERSHIPS

We have made significant headway in terms of the development of our charity lottery partnership strategy. We are confident that further partnerships will be forged during 2016 and relevant licences will be granted in the respective countries.

OUR VALUES

Values are the essence of a corporate culture because they determine what really counts in an organisation. Our values underpin the vision "Create A Better World of Lottery", they make our company unique, hold us together and enable a corporate identity across national borders to achieve our targets and objectives. Our values strengthen the international relationships with clients, colleagues and stakeholders and form a common basis to overcome cultural differences.



EXCEED EXPECTATIONS

We strive to meet and exceed the expectations of our customers, of those around us and of ourselves. We push ourselves to achieve outstanding results, with a positive pro-active attitude and a focus on delivery. We are committed to continuous improvement.

THINK LIKE AN OWNER

We are responsible and accountable. We balance risk, reward and resources. We see the bigger picture and know our market. We understand our customers and their needs. With an entrepreneurial spirit and a can-do attitude – we strive to deliver. We prioritise, we focus, we make it happen.

BETTER TOGETHER

Success is a team effort. We support each other to reach our common goals. We make great business partners. Our relationships are based on trust and respect. We celebrate successes and learn from our mistakes together. Our company is what we make of it.

THINK BRAVE

We imagine the impossible and try new things. We are proud to create and deliver innovative solutions, for ourselves and our customers. We challenge the norm. We are positive and passionate. We embrace the new. We surprise ourselves and the people around us.

BUSINESS REVIEW AND STRATEGY

BUSINESS MODEL AND STRUCTURE

NEW SEGMENTAL DISCLOSURE PRESENTATION

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.

The new operating segments are Business-to-Consumer ("B2C") and Business-to-Business/Business-to-Government ("B2B/B2G"). 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.
- To aid understanding of the underlying performance of the segment, B2C performance in the segmental disclosure is shown on the basis of expected prize pay-outs. A reconciliation between the operating segment results and consolidated statutory results is included in the segmental disclosure note.

B2B/B2G Segment

The B2B/B2G 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 B2B/B2G segment together with an allocation of shared costs.

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 (note 3 to the consolidated financial statements) 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 the calculation of adjustments for "normalisation" is set out below. 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.

OUR STRATEGY

ZEAL is focused on two main strategic objectives:

- The first strategic objective is to continue to develop the B2C businesses of secondary lottery and instant win games, specifically re-activation of dormant customers' secondary lottery accounts, acquisition of new customers and growth of player participation in the instant win games – these business activities are independently directed and managed by the Directors of the MyLotto24 sub group (being MyLotto24 Limited and its subsidiary companies).
- The second strategic objective is enhancement of our B2B/B2G activity, operating under the brands Lotto Network and Lottovate respectively. Following successful partnerships with private and state run organisations over the last number of years, we aim to further expand into other European markets by using our leading edge technological and marketing expertise as a service provider.

Strategy is determined independently in the respective business units.

STRATEGY IMPLEMENTATION IN 2015

- The MyLotto24 sub group performed in line with its growth strategy in 2015. During 2015, the MyLotto24 sub group launched nine instant win (lottery-based) games which were extremely well received by our customers. While the secondary lottery revenues remained stable compared to the previous year, revenues generated from instant win games significantly exceeded expectations.
- The B2B/B2G activities are primarily still in business development phase. Despite significant progress, the charity lottery partnership with ONCE has not yet generated EBIT for the Group. That said, we anticipate this partnership to break even in 2016. Costs incurred during 2015 were in line with previously approved plans and relate to investments in IT infrastructure, staff recruitment and consultancy costs.

We have made significant headway in terms of the development of our charity lottery partnership strategy. We are confident that further partnerships will be forged during 2016 and relevant licences will be granted in the respective countries.

LEGAL AND REGULATORY MATTERS

THE REGULATORY ENVIRONMENT

Successful implementation of the Group's planned growth strategies is heavily dependent on the local regulatory environments in the jurisdictions to which we plan to expand. We have recently noted adoption of clearer regulation in the under-developed global online lottery sector as well as the first signs of relaxation of barriers to entry in certain target markets where the Group could expand its operations (primarily in certain Eastern European countries). However, there remain significant regulatory restrictions in larger prospective markets such as the developed countries of the EU and the Americas. Expansion into these jurisdictions is impeded mainly by restrictions imposed by legislation protecting incumbent monopolies or an unclear or ambiguous regulatory framework.

While the Group cannot control regulatory changes in existing and target markets, there is a possibility of further privatisation of the worldwide lottery sector. We continue to actively monitor changes to the regulatory environment and are well placed to capitalise on any such opportunities that may arise.

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 for further detail).

The 2008 German State Treaty on Games of Chance ("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.

INCONSISTENT IMPLEMENTATION OF EU LAW PRIMACY IN GERMANY

Despite the rulings of the European Court of Justice ("ECJ") in 2010 and the introduction of a somewhat revised State Treaty on Games of Chance, the legal situation for lotteries in Germany remains unclear. The First State Treaty to revise the State Treaty on Games of Chance ("GlüStV 2012"), now in effect throughout Germany, updates the former State Treaty on Games of Chance ("GlüStV 2008"), whose gaming monopoly and attendant legal regulations were found to be in breach of EU law by the ECJ rulings of September 2010. GlüStV 2012, which has been in force since mid-2012, has left key regulations regarding lotteries unchanged. We are therefore just as critical of its content.

Under GlüStV 2012, German authorities are now permitted to allow online sports betting and lotteries – but are not obliged to do so. While the operation of jackpot lotteries is still subject to a state monopoly (lotto monopoly), private brokering of such lotteries can be licensed based on unclear legal criteria. Verdicts passed so far concerning the Internet ban for sports betting give no insight into the legality of the new regulation. More recent court decisions, however, assume that online sports betting, also without a permit, is no longer to be treated as forbidden per se as long as no sports betting licenses have been granted based on the terms set out in the new law. All in all, the legal situation has not become any clearer.

Challenges to the application of legal provisions included in GlüStV 2012 continued in 2015 when the Hessian Higher Administrative Court halted an ongoing tender process for sports betting licences. The court decided that the tender process failed the European standards of transparency, non-discrimination and predictability. In its preliminary decision, the court stated that the central committee of the states' authorities (the "Glücksspielkollegium") was incompatible with German democratic and federal structures and infringed on principles of the German constitution. Although this was only a preliminary decision by the court, it is practically impossible to grant any license for sports betting for years, unless the State Treaty is amended by the states and their parliaments.

In February 2016, the ECJ ruled that criminal prosecution authorities were prohibited from penalising the intermediation of bets on sporting competitions carried on without authorisation or licensing from the German authorities ("Ince", C-336/14). The ECJ decided, contrary to the views of several German Administrative Courts including the Federal Administrative Court, that a determined incompatibility between the German monopoly regulation of sports betting and EU law would not only render the monopoly itself invalid, but also the requirement of providers to hold a licence. Hence, according to the ECJ, the provider may not be prosecuted if a company operated without holding a license until such time as a transparent and lawful licensing system was in place. While this decision relates to sports betting, it would apply equally to the operation of lotteries, if a court determined the lotto monopoly was invalid.

The European Commission objected to the provisions of GlüStV 2012 on its introduction in 2012 and continues to carefully monitor new German regulations. In the absence of significant changes in the legislation, the European Commission's concerns remain.

VARYING LEGAL MARKET SITUATIONS

The development of the legal environment in jurisdictions in which we operate or plan to enter vary greatly:

- In the UK, the regulatory environment remains stable despite certain changes observed during the course of 2015. The UK government has revised the national Gambling Act to improve consumer protection by requiring companies based offshore, but seeking to market gaming products in the UK, to be licensed by the UK Gambling Commission. Further licence conditions were introduced by the Gambling Commission during 2015 which serve to enhance player protection. The changes made during 2015 have not had a significant impact on our operations.

  Separately, effective December 2014, gaming duty is now calculated and payable on a point-of-consumption basis. 2015 is the first year to see the full impact of these changes and resulted in a net year-on-year decrease in costs of €17,526k.
- The legal situation in Spain remains unclear. Unequivocal regulations concerning the online brokerage of lotteries – especially product marketing – are not imminent at present. The risk to the legality of our Spanish business is discussed in the risk report on page 25.
- In Q1 2015 the government in Norway adopted new regulations which allow it to grant five additional charity lottery licences. Lottovate Limited entered into a partnership with UNICEF Norway who filed an application for a charity lottery licence on 31 August 2015. In total eight applications were made by various charities in Norway. In December 2015, the Norwegian regulator approved the UNICEF/Lottovate application and that of one other charity lottery. While the formal appeal procedure ended on 1 February 2016, six other applicants appealed the rejection of their licence application. No formal issue of licences will occur until the appeals procedure has been finalised. If more than three appellants manage to overturn the initial rejection of their licence application, there will be a draw to decide on which applicants get a licence. We expect a formal decision and subsequent licensing by August 2016.

MARKET MATTERS

JACKPOTS

ZEAL regularly experiences a strong increase in gaming activity when large jackpots are likely, as a result of roll-overs or guaranteed minimum jackpots for special dates or events. Larger gaming volumes often involve increased hedging costs, depending on the product and the size of the jackpot.

CATCH-UP POTENTIAL FOR INTERACTIVE LOTTERIES

The global penetration of lotteries sold through interactive channels represents less than 5% of global lottery markets. This compares to penetration of other markets which are significantly higher (e.g. bookmakers, banking transactions). We believe that the market development in interactive lotteries has been held back by regulation as well as the lack of competition which would lead to product innovation and market development. With increased regulatory change, we expect a significant catch-up in the interactive lottery markets in the coming years which would be a significant growth driver to our business.

NORMALISATION OF RESULTS

NORMALISED RESULTS

In the lotteries on whose results ZEAL Group rely, 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%. 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. From 1 January 2015, we adjusted the calculation to reflect changes in product mix as certain products have pay-out rates not equal to 50%. This change more accurately reflects the long-term pay-out expectations for the Group's products.

LARGE JACKPOT PAY-OUTS

Total pay-outs for secondary lotteries in 2015 were €52.2m above the expected pay-out value (in 2014, the comparable figure was €8.9m below the expected pay-out value). This effect had a corresponding impact on statutory EBIT, partially offset by hedging income which was €47.9m higher than expected (in 2014 statutory EBIT was €1.9m higher than expected based on "normalised" results).

Revenue

	01/01–31/12/2015	01/01–31/12/2014
in €k		
Actual	88,962	140,702
Expected[1]	141,189	131,799
Deviations[2]	(52,227)	8,903

EBIT

	01/01–31/12/2015	01/01–31/12/2014
in €k		
Actual	42,859	19,156
Expected[1]	47,135	17,253
Deviations[2]	(4,276)	1,903

[1] *Actuals adjusted for normalisation effect*
[2] *Effect for normalisation of results*

FINANCIAL REVIEW

The following table details the consolidated statement of operations of ZEAL Group for the financial year ended 31 December:

in €k	01/01–31/12/2015	01/01–31/12/2014	Change %
Revenue	88,962	140,702	(37)
Other operating income	52,024	4,949	951
Total operating performance	**140,986**	**145,651**	**(3)**
Personnel expenses	(25,434)	(20,701)	23
Exchange rate differences	1,433	1,032	39
Other operating expenses	(66,878)	(99,153)	(33)
Marketing expenses	(9,958)	(10,729)	(7)
Direct cost of operations	(31,362)	(53,906)	(42)
Other costs of operations	(25,558)	(34,518)	(26)
EBITDA	**50,107**	**26,829**	**87**
Amortisation and depreciation	(7,153)	(7,673)	(7)
Loss on liquidation of subsidiary	(95)	–	(100)
EBIT	**42,859**	**19,156**	**123**
Financial result	(23,255)	(6,679)	248
Profit before taxes	**19,604**	**12,477**	**57**
Income taxes	(18,258)	(7,160)	155
Profit for the year	**1,346**	**5,317**	**(75)**

REVENUE AND TOTAL OPERATING PERFORMANCE

Consolidated revenue and total operating performance for the financial year 2015 amounted to €88,962k and €140,986k respectively, representing decreases of €51,740k and €4,665k respectively compared to the same period in 2014.

The decrease in consolidated revenue was driven by high prize pay-outs totalling €62,879k (pay-outs made in 2014: €6,700k) partially offset by the successful roll-out of instant win games in Q1 2015.

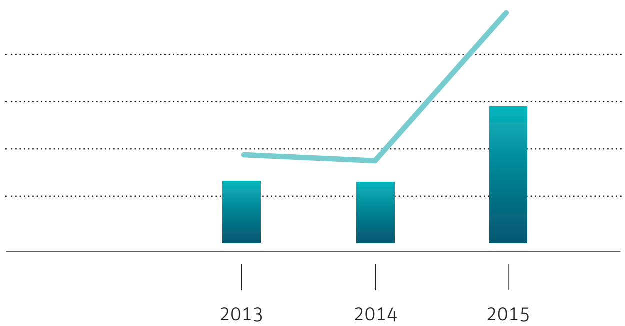
Other operating income increased by €47,075k to €52,024k for the year ended 31 December 2015 (2014: €4,949k). This increase was primarily driven by the income generated from the hedging of the €47.8m jackpot in May 2015.

The decrease in total operating performance (down €4,665k compared to the same period in 2014) was primarily due to large jackpot pay-outs amounting to €15,000k (pay-outs made in 2014: €6,700k) partially offset by revenue generated by the instant win games referred to above.

EBIT

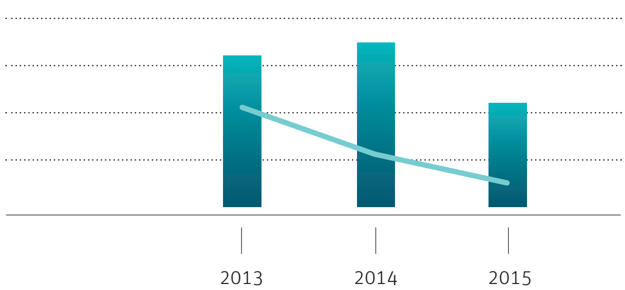
At a consolidated statutory level, EBIT recorded for the year amounted to €42,859k representing an increase of 123% compared to the same period in the previous year (2014: €19,156k). The negative EBIT impact relating to the large jackpot pay-outs (totalling €15,000k) was more than offset by a significant decrease in operating expenses, driven primarily by a decrease in gaming duty, hedging costs and consultancy expenses. In summary, EBIT was above the forecast of €20m to €30m announced on 2 September 2015.

EBIT/EBIT MARGIN



		2013	2014	2015
EBIT in €k	■	19,459	19,156	42,859
EBIT margin in %	—	15.0	13.6	48.2

REVENUE/NET OPERATING MARGIN



		2013	2014	2015
Revenue in €m	■	129.9	140.7	89.0
Net operating margin in %	—	7.8	3.8	1.5

EXPENSES

In 2015, personnel expenses were €25,434k representing an increase of 22.9% compared to 2014 (€20,701k). The year-on-year increase in personnel expenses is primarily attributable to movements in the following cost categories:

- During 2014, ZEAL Group acquired a third party technical service provider. Prior to acquisition, the operating costs of the technical service provider had been recharged to ZEAL Group. As the provider is now part of the ZEAL Group, staff expenses are classified within personnel costs rather than other costs of operations. The personnel costs for the current period amounted to €2,500k with a similar amount classified within other costs of operations in the prior period.
- The Group increased headcount in ZEAL Network and Lottovate to drive the B2B/B2G product offering resulting in a net increase of approximately €1,300k.
- During the current period, a one-off bonus expense of €1,000k was incurred – there was no similar cost in the prior period.

Compared to the same period in the previous year, other operating expenses decreased from €99,153k to €66,878k. The most significant contributory factors were:

- Gaming duty for 2015 amounted to €247k representing a decrease of €17,526k compared to the prior year (2014: €17,773k). This decrease was attributable to the amendment of gaming duty from a place-of-supply basis to a place-of-consumption basis in December 2014. In 2015, the Group was liable to gaming duty based on bets placed by UK players (in 2014, the Group was liable to gaming duty based on bets placed by all players irrespective of their country of residence).
- The cost of hedging transactions decreased from €24,988k in 2014 to €19,604k in 2015, representing a year-on-year decrease of €5,384k. This decrease was driven by a renegotiation of hedging costs and fewer bets hedged through the Spanish re-seller.
- Consulting costs decreased from €15,686k in 2014 to €11,085k in 2015, representing a decrease of €4,601k. This decrease was due to a number of one-off project costs incurred in 2014. No similar costs were incurred during 2015.
- Outsourcing costs decreased from €7,235k in 2014 to €3,289k in 2015, representing a decrease of €3,946k. The decrease related primarily to the acquisition of eSailors GmbH during 2014. Costs recorded in 2014 were classified as salary costs in 2015.
- The remaining movement is attributable to immaterial movements in individual cost categories.

FINANCIAL RESULT

Loss pickup

The share of the losses of the associate and joint venture (Geonomics Global Games Limited and Geo24 UK Limited respectively) resulted in a charge of €5.3m in 2015 (2014 charge: €6.6m). Excluding the impact of the impairment charge, the decrease in loss contributed resulted mainly from marketing expenses incurred in 2014 (significantly reduced marketing expenses in 2015).

Impairment charge

At 31 December 2015, the Group assessed the viability of the business plans of Geo and concluded that they no longer support the residual carrying value of ZEAL's investment in Geo.

An impairment charge of €17.1m was recorded against the carrying value of the investments in Geo bringing the Group's interest in Geo to €nil at 31 December 2015.

TAX

At 93.0%, the consolidated tax rate for the year was higher than the same period in the prior year (57.4%). The expected tax charge based on the blended rate of UK corporation tax of 20.25% (2014: 21.5%) is €4.0m (2014: €2.7m) compared to the actual tax charge recorded of €18.3m (2014: €7.2m). The most significant drivers of a tax charge higher than the effective rate are described below:

- A tax effect of €4.7m (2014: €4m) on tax losses carried forward.
- A tax effect of €4.6m (2014: €1.4m) on non-deductible loss pick-ups and impairment charges in respect of the Group's investment in its associate and joint venture.
- A tax effect of €5.3m (2014: €nil) in respect of settlement of legal cases and uncertain tax positions.

KEY PERFORMANCE INDICATORS

The Executive Board and Supervisory Board use a range of indicators to continually assess performance to ensure performance is delivering on the Group's stated strategy and to ensure continued alignment with shareholder interests. The Group's key performance indicators are set out below.

Performance indicator	Definition and relevance	2015 performance
Statutory EBIT/ Normalised EBIT	Monitoring these trends provide a measure of our ability to increase the economic value of our operating activity over a period of time.	Statutory EBIT in 2015 was €42,859k, 123% higher than in 2014 (€19,156k). Normalised EBIT in 2015 was €47,139k, 173% higher than in 2014 (€17,253k).
Earnings per share (EPS)	Monitoring EPS trend provides a measure of our ability to increase the inherent value of our business for our shareholders over a period of time.	EPS from continuing operations in 2015 of €0.16 versus 2014 (€0.63).
Net cash position	Net cash position defined as: Cash (without pledged cash) + Short-term financial assets + Other current assets and prepaid expenses - Trade payables - Other liabilities - Income tax liabilities - €50m hedging reserve Monitoring this KPI provides a measure of our ability to reinvest profits or to pay dividends to our shareholders.	Net cash position of €31.0m was €3.9m lower than last year (2014: €34.9m).

DIVIDEND POLICY

The Executive Board has proposed, and the Supervisory Board has approved, a dividend policy under which the Company will pay regular interim dividends. Dividends are expected to amount to a total of at least €2.80 per share in 2016. Interim dividends are expected to be paid on a quarterly basis in 2016 and thereafter. An announcement of the amount of each dividend and the record date for entitlement to the dividend, will be made in advance of payment of the dividend. The record date for this year's first quarterly dividend, amounting to €0.70 per share, will be 30 March 2016 and the payment and ex-dividend date will be 31 March 2016.

Dividend periods for 2015

in €	Q.4 2015	Q.3 2015	Q.2 2015	Q.1 2015
Dividend per registered share	0.70	0.70	0.70	0.70
Payment date	30 December 2015	30 September 2015	30 June 2015	31 March 2015

CASH FLOWS AND CAPITAL MANAGEMENT

PRINCIPLES AND OBJECTIVES OF CAPITAL MANAGEMENT

ZEAL operates a decentralised capital management system. While the Executive Board of ZEAL Network takes all major decisions concerning the financial structure of the B2B/B2G segment, capital management activities of the B2C segment are handled by MyLotto24 Limited – with the exception of Tipp24 Services Limited, which operates its own capital management system.

The principles and objectives of ZEAL's capital management are as follows (the risks to which ZEAL is exposed are described in the current risk report on pages 20 to 25):

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

Capital management policies of MyLotto24 Limited and its subsidiaries and Tipp24 Services Limited are disclosed in their stand-alone financial statements which are available for each company's registered office.

ZEAL's equity fell in total by €22,084k to €95,169k in 2015 due mainly to the fact that ZEAL distributed interim dividends to amount to a total of €2.80 per share (totalling €23.5m) in 2015. Over the same period, the equity ratio decreased by 7 percentage points to 68%.

ZEAL did not hold any interest-bearing debt during 2015 or at 31 December 2015.

LIQUIDITY ANALYSIS

	31/12/2015	31/12/2014
in €k		
Key cash flow positions		
Cash from operating activities	27,285	23,838
Cash used in investing activities	(4,287)	(8,938)
Cash used in/from financing activities	(23,478)	(62,888)
Changes in cash and pledged cash and short-term deposits	**(480)**	**(47,988)**
Cash and pledged cash and short-term deposits at the beginning of the year	108,140	156,128
Cash and pledged cash and short-term deposits at the end of the year	**107,660**	**108,140**

Cash from operating activities in 2015 was €27,285k (€3,447k above the comparable 2014 figure of €23,838k). The difference was primarily driven by working capital movements separately identified on the face of the consolidated cash flow and a higher EBIT for the year.

In 2015, investing activities resulted in cash outflows of €4,287k (2014: cash outflows of €8,938k). In 2014, the main components of the 2014 cash outflows were cash injections into the Group's investments in its joint venture and associate (€6,424k). No similar cash payments were made in the current period. Due to the payments of four interim dividends in 2015, cash used in financing activities amounted to €23,478k. In the prior year, the figure amounted to €62,888k due to the payment of the one-off special interim dividend in April 2014.

As of 31 December 2015, ZEAL Group had cash and pledged cash and short-term deposits of €107,660k (2014: €108,140k). This includes funds that ensure that MyLotto24 is sufficiently financed to make payments of potential relevant jackpot winnings.

FINANCIAL POSITION

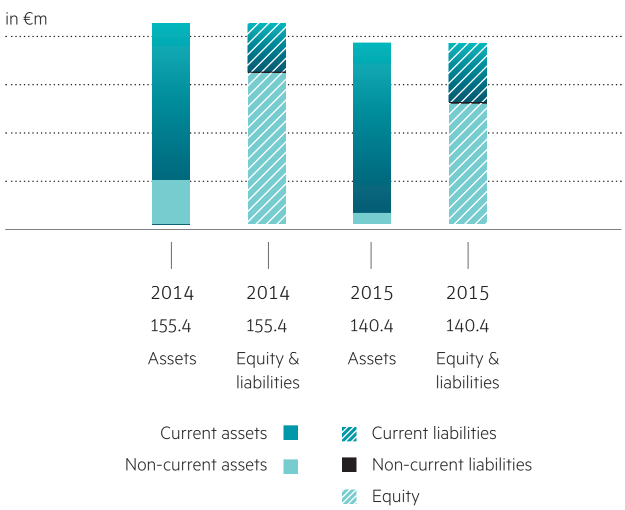
ASSETS NOT RECOGNISED

Other than the Alinghi and KOSMO platforms, ZEAL has not recognised any other internally generated assets such as customer lists, brands or gaming software in its financial statements. Employee costs incurred for development of new gaming software were not capitalised as they did not meet all criteria set out in IAS 38 "Intangible assets".

OFF BALANCE SHEET FINANCIAL INSTRUMENTS

Off balance sheet financial instruments did not play a significant role in financing ZEAL in 2015. A bank guarantee facility in the amount of €357k (2014: €357k) was taken out to secure future obligations under rental agreements for office space. At 31 December 2015, ZEAL had off-balance-sheet future obligations from operating lease agreements for offices and technical equipment in the amount of €12,260k (2014: €10,214k). ZEAL has future obligations of €21,214k (2014: €22,343k) from agreements containing obligations from services, insurance, maintenance and licence agreements.

BALANCE SHEET STRUCTURE



FORECAST AND RISK REPORT

EXPECTED EARNINGS POSITION

For 2016, ZEAL Network expects to generate consolidated statutory total operating performance of between €140m to €50m with consolidated EBIT between €40m and €50m.

RISK REPORT

RISK MANAGEMENT

ZEAL Network has delegated the day-to-day responsibility for risk management to the management teams of the Group's two business segments ("B2C" and "B2B/B2G"). In addition to the risks specific to ZEAL Network and its wholly owned subsidiaries (predominantly companies within the "B2B/B2G" segment), ZEAL's Executive Board also assesses the risk position of the companies included in the B2C segment (which primarily comprises those entities within the MyLotto24 sub group).

As ZEAL Group only holds a minority shareholding in the MyLotto24 sub group, the assessment of risks within the B2C segment is substantively based on risk reports provided by segment management as part of regular and ad-hoc reporting. The risk related reporting mainly focusses on any new risks identified (and their perceived impact on the operating activities of the MyLotto24 sub group and the ZEAL Group as a whole) together with segment management's assessment of any changes in the profile of previously identified specific risks around significant processes, controls and the wider segment governance. The completeness of the segment risk assessment is covered through frequent meetings held between ZEAL Group management and segment management where risk management is a standing agenda point.

ZEAL Group is exposed to the typical sector and market risks associated with the economic activities of an international company operating in the internet sector. In addition, there are market-typical regulatory risks in individual lottery markets resulting from possible changes in the respective legal and political situations. Finally, there are specific risks associated with the organisation of secondary lotteries. This concerns the risk of large pay-outs as well as the increased risk of fraud compared to the pure brokerage of lottery products. All reasonably possible risks identified by Management that could have a material impact on the ongoing business activities of the Group, together with mitigation activities, are detailed in the "Market and Sector Risks" section below.

The management teams of the respective segments take these risks very seriously and consider them in their operating and strategic decision making processes. Both current and potential future risks are regularly monitored by segment and Group management. ZEAL's risk management process operates as follows:

- Operating risks are monitored by regularly reviewing financial and other key ratios. The monitoring frequency, designated controlling responsibility and determined rules of procedure for defined deviations from target values are set out for each ratio. In the case of technology risks, emergency back-up procedures are defined and documented and can be quickly implemented if required. Security standards are regularly monitored and adjustments are regularly made to security systems.
- Legislation changes in those markets in which ZEAL operates are regularly evaluated by the Company's internal legal experts (and with assistance from external legal advisors where necessary). In this way, events which may increase risk to the ongoing operating activities of the Group can be swiftly recognised and suitable measures initiated.
- The statistical risks of organising secondary lotteries, i.e. the expected pay-out ratios over the long-term are monitored by the statistical assessment of the products offered and the corresponding expected stakes. Hedging instruments, such as jackpot insurance-linked securities, are used to ensure sufficient liquidity to pay out jackpots.
- The Executive Board regularly monitors the results and effectiveness of the risk assessment procedures delegated to the business segment management teams. We believe that the early warning and risk management systems which we have implemented are well suited to quickly recognising and mitigating risks that could impact ZEAL's operating activities.
- On a regular basis, a report comprising all identified risks applicable to the Group is presented to the Audit Committee and the Supervisory Board together with commentary around potential preventative measures and mitigating activities performed to respond to identified risks.

The following risks to ZEAL's business have been identified:

MARKET AND SECTOR RISKS

General market risks

Risk

Continued success of the secondary lottery business is heavily dependent on the stability of the lottery markets in countries where MyLotto24 operates. Declines in these lottery markets, due to falling advertising spend, a decrease in the product portfolio offered by primary lottery operators or a sustained period without jackpot pay-outs is likely to have a negative impact on the results of our secondary lottery betting business. Furthermore, entry to the markets of competitors, especially online service providers, may also restrict further growth.

Management of risk

We have no direct control over the operation of the primary lotteries in the countries in which we trade. However, the management of MyLotto24 performs continuous target and competitor analysis as well as reviews of the market conditions in the countries where its products are offered. Staff resources are allocated to markets proportional to the level of activity. The quality of the front end website and product suite offered is reviewed and updated frequently to maintain user interest.

Bookmaking risks of MyLotto24 Limited

Risk

MyLotto24 Limited bears the bookmaking risks for its secondary lottery business based on various European lotteries, whereby the pay-out ratios are based on those offered by the organisers of the primary lotteries. Due to statistical fluctuation differences, these ratios may be greater than the expected value for pay-out ratios determined by the gaming systems of the primary lotteries – for example, approximately 50% in the case of the German Lottery. They may even be temporarily greater than the stakes received by MyLotto24 Limited. Insofar as they are not covered by existing effective hedging arrangements, higher than expected pay-out fluctuations may have a significant negative effect on the financial position and performance of MyLotto24 Limited, and the ZEAL consolidated position and performance.

Management of risk

In 2011, MyLotto24 Limited set up a catastrophe bond (CAT bond) via an insurance-linked-security ("ILS") vehicle to transfer a large amount of its jackpot payment risks to the capital market. In 2015, that structure was amended and renewed to respond to the differing risk profile stemming from an increase in the products provided. As well as the ILS vehicle, traditional insurance policies are taken out based on the continuous exposure assessment. Upon completion of initial verification checks, MyLotto24 Limited informs ZEAL Network immediately about individual pay-outs of €5m or more. ZEAL Network has communication guidelines which generally lead to the publication of such notifications.

Risk from economic downturn

Risk

Since commencement of operating activities in 2000, the gaming behaviour of our online customers has so far been largely unaffected by macroeconomic conditions in the markets in which we operate. There is however a risk that an exceptionally strong economic downturn may adversely affect the gaming behaviour of our customers.

Management of risk

MyLotto24 monitors the macroeconomic environment of the countries where products are sold to ensure that any significant downturn risk is appropriately managed. This review process allows management to anticipate whether a decrease in personnel allocation or level of operations is required.

Currency risks

Risk

As ZEAL conducts a significant proportion of its business in Euro, there is no significant currency risk on its core activities. Since the incorporation of the UK company structure in 2009, the Group is more exposed to currency risk generated by the movement of the British Pound ("GBP") against the Euro. Due to the strengthening of GBP during 2015, profit margins are subject to erosion as the Company incurs significant expenses in GBP and generates a comparatively lower GBP margin on sale of products in the UK.

Management of risk

The Group holds a proportion of its cash balance in GBP which creates a natural hedge of reasonably possible future GBP expenses. ZEAL routinely assesses foreign currency exposure and considers external hedging instruments if significant future cash flows are known.

Risks from the processing of gaming operations

Risk

ZEAL uses a number of automated processes to handle customer transactions. The efficiency and reliability of ZEAL's service provision is therefore highly dependent on the functionality and stability of the underlying IT infrastructure. The functional ability of the servers and the related hardware infrastructure and software architecture – in particular bespoke gaming software – is of considerable significance to ZEAL's business, its reputation and its ability to attract new and retain existing customers.

Management of risk

The risk of IT failure (e.g. database servers, application servers, web servers, firewalls, routers) is mitigated by the Company's use of duplicate servers and the outsourcing of areas of IT technical support impacting critical functions to third party contractors (contractually obliged to provide rapid response in the case of a fault).

Tax risks

The Group engages in significant cross border activity in jurisdictions where the tax environment (specifically in the gambling sector) is subject to relatively frequent change. The recording of certain tax related transactions, balances and disclosures can be complex by their nature and cannot be finally determined until a formal resolution has been reached with the relevant tax authority. Management has considered the treatment of all tax related items with the following items are the most subjective in nature:

Tax audits

2005/2007 German tax audit

As a result of an ongoing tax audit, there was a dispute regarding the validity of the tax treatment of two items included in returns filed during inspection period (business years 2005 to 2007 inclusive). Whilst one of the items was settled in our favour, the second item remains open. After the filing for a stay of execution was denied by the Fiscal Court of Hamburg, an amount of €3.6m was paid during 2015 (€2.3m tax charge and €1.3m interest and penalties). This matter was disclosed as a contingent liability in the 2014 Annual Report. Given the outcome, no contingent liability has been disclosed in the 2015 Annual Report. Furthermore, although the case is ongoing, no contingent asset has been recognised as the Directors are not certain that any appeal will be found in the Company's favour.

Other tax audits

In addition to the ongoing dispute regarding 2005–2007 described above, there are certain other audits that have been initiated by authorities in the jurisdictions in which we operate. These audits are currently in progress and at varying stages of completion. The Group assesses its exposure to future outflows of economic benefits on a case-by-case basis and provisions are recorded or contingent liabilities are disclosed in the financial statements where the criteria of IAS 37 are met.

The Directors have considered a range of reasonably possible outcomes for the ongoing tax audits and have sought independent external legal and tax advice considering the facts and circumstances of each ongoing audit. Any provision recorded represents the Directors' best estimate of the future outflow of economic benefits in accordance with IAS 37. It is possible that any final settlement with the relevant tax authority could be higher than the amount provided and we will continue to monitor these situations closely and ensure that the accounting for any developments is appropriately reflected in future sets of financial statements. Given the sensitivity of the ongoing cases against the Group, the Directors believe that any further disclosure of the detail of these cases would be seriously prejudicial to the outcome of the disputes. In accordance with IAS 37, no further disclosure is therefore included in this report.

VAT risk

Risk

Up to 31 December 2014, VAT liabilities on Electronically Supplied Services ("ESS") to private consumers and non-taxable customers were accounted for based on the governing legislation of the country where the supplier was established. Effective 1 January 2015, amendments made to the German VAT Act (UStG) have been brought into law. These changes implement amendments to the EU Directive on the common system of value added tax (EU VAT Directive) which has now been adopted throughout the European Union. In terms of the Group's operations, ESS provided to private consumers and non-taxable customers (i.e. those that are not deemed to be "in business" for VAT purposes) are now taxable in the Member State in which the recipient is established rather than in the supplier's country of establishment.

Management of risk
As the matter referred to above principally impacts the MyLotto24 sub group, the Directors of MyLotto24 Limited and Tipp24 Services Limited carried out a detailed analysis of the services provided to private and non-taxable consumers. This review specifically considered changes to applicable laws in the European Union member states in which the Group operates and included obtaining several legal and tax opinions from independent sector experts on the impact of the law changes. The Directors are satisfied that sufficient diligence has been undertaken in applying the change of law to its business. The changes to the law have caused considerable uncertainty for companies providing supplies and services into countries where the legal and regulatory position is unclear, particularly in respect of definition of supplies and the base on which taxes may be charged. Based on information currently available, the Group considers that the likelihood of an outflow of economic resources, resulting from a challenge by a tax authority in any European Union member state, cannot be accurately predicted and is dependent on interpretation of this new legislation.

If we are unsuccessful in our defence of any case brought against the Group by the tax authorities, the resultant VAT liability could substantially lower the consolidated results of the Group. However, on the basis of the information provided by MyLotto24 Limited and Tipp24 Services Limited, we believe that this is unlikely. Further information on this matter is included in note 26 to the financial statements.

Risks from payment transactions

Risk
National or international payment transaction restrictions may be introduced in connection with the further regulation of gaming markets. The number of available payment service providers for the gaming market is restricted. As a consequence, there is a risk that such providers may leave this market segment and no suitable replacement may be available for ZEAL. Cost increases for payment transactions would have a negative effect on the profitability of individual ZEAL companies and payment transaction restrictions or a lack of available payment service providers might have a significant adverse effect on the business activities of ZEAL.

Management of risk
Against the backdrop of recent media reports on the subject of payment blocking, the Executive Board has concluded that the risk of payment blocking has decreased from the previous year. The Group maintains very strong relationships with acquiring banks and has contingency acquisition banking relationships (with banks outside Germany) should payment blocking be enacted by local Governments.

Regulatory risks
There is a risk that the still restrictive legal framework in Germany, resulting from adoption of the GlüStV 2012, may continue to be upheld in the medium-term. This has a significant impact on our access to the German gaming market. Consistent with 2014, the ban on internet gaming has been upheld in principle and private gaming can only be conducted by licensed operators. ZEAL Network has continuously sought to obtain a brokerage license so that the Group can resume its operations in Germany (discontinued in 2008). While ZEAL Network's application under GlüStV 2012 was rejected by a discretionary decision of the competent authority, we continue to challenge the reasoning of the rejection through the Administrative Court of Hamburg.

Following repeal of a prohibition order in 2011 regarding the products and services offered by ZEAL Network's minority shareholdings in the MyLotto24 sub group, there have been no further attempts by the German authorities to challenge ZEAL Network about the MyLotto24 sub group's operations. In 2011, the Administrative Court of Wiesbaden ruled that no action could be taken against ZEAL Network regarding the offerings of its legally independent sub group as the Company does not hold the legal power to influence the operating or business decisions of the sub group. However, the possibility that certain authorities will issue prohibition orders against ZEAL Network in the future, or impose coercive payments and regulatory fines which may be upheld in court, cannot be completely excluded.

There is also a risk that German authorities may succeed in their attempts to prevent the MyLotto24 sub group from operating in line with its business model. Even if the legal basis for such action is difficult to understand, it cannot be excluded that certain measures – such as payment blocking measures as discussed in the German media from time to time – would hinder the business activities of the sub group or prevent its ongoing viability. As they have done in the past, it is possible that the state lotteries may claim the sub group is anticompetitive as it allegedly contravenes the provisions of GlüStV 2012. Although the sub group is acting lawfully, and in accordance with licences granted by the UK Gambling Commission, which explicitly permit the operating activities performed, it cannot be ruled out that it will fail to assert its rights in German courts. We also cannot exclude the possibility that the UK regulatory authorities may include restrictions in the licences in the future due to possible competition proceedings or administrative measures in Germany.

Overall, we believe it is probable that the courts will continue to rule that the German monopoly regulations are incoherent, disproportionate and incompatible with EU law. A coherent implementation of restrictions intended to prevent gambling addiction would not ignore the most dangerous games in this respect (commercial gaming machines). Even though some aspects of gaming arcades have been subjected to stricter regulations, the policy regarding casinos has hardly changed. Moreover, the liberalisation of sports betting affects an area of gaming which is far more dangerous than lotteries. Current advertising methods of state-run lotteries still contradict the aim of preventing gambling addiction and are instead aimed at gaining new customers. These actions have been repeatedly criticised by the relevant courts.

These types of inconsistency may result in further rulings which result in the repeal of the legislation. It is unclear to what extent the views held by several courts in the past will be upheld, namely that only the monopoly is ineffective, while the license requirement and Internet ban are effective. The recent ECJ decision ("Ince", C-336/14) seems to favour the view that the license requirement and the Internet ban would also be affected by the inconsistent gambling regulation currently in place. However, it is up to the national courts to decide whether the national law is consistent with the underlying legal framework and whether the legislation in its current form is fit for purpose. Following changes introduced by GlüStV 2012, many German authorities take the view that the monopoly regulations are (or have become) compliant with EU law. It is still unclear how the courts will rule in these cases in the long term. Our reservations in this matter continue.

In summary, it cannot be discounted that the above mentioned risks and the ongoing legal uncertainties arising from regulatory developments in Germany will lead to temporary or sustained restrictions on the existing or future business activities of ZEAL Group. This may have a significant negative impact on the financial position and performance of ZEAL.

Risks from cash and investments

Risk

At the end of the reporting period, ZEAL held cash in Germany, Spain and UK totalling €94,777k (2014: €92,585k) in accounts with various major European banks. Certain financial institutions where ZEAL holds balances may default which could lead to the partial or complete loss of our cash deposits.

Management of risk

Management has concluded that theoretical default risks resulting from the current financial market development are limited due to regular thorough analysis of the relevant credit institutions.

Risk

At 31 December 2015, the Group held short-term financial assets of €12,883k (2014: €15,555k). The collapse of individual issuers of such securities may lead to the partial or complete loss of these financial assets.

Management of risk

To mitigate this risk, cash is invested in a diverse range of funds primarily comprising investments with high credit ratings.

Personnel risks

Risk

Even with careful selection and responsible staff management, it cannot be ruled out that experienced employees may leave ZEAL within a short period of time leading to a business continuity risk. The recruitment of replacement staff might be time-consuming and costly, this could have a material effect on ZEAL's financial position and performance.

Management of risk

To mitigate this risk, new staff are carefully selected, often with the help of personnel consultants. Responsibilities, goals and key success parameters are discussed on a regular basis with each employee. Performance checks are carried out to ascertain whether these goals and parameters have been fulfilled and feedback is given to employees in regular performance reviews. Specific reviews are used to determine employee satisfaction. The results of these reviews are regularly evaluated in order to counter any undesired trends.

General business risks

Risk

As the business grows there is a risk that the risk monitoring system particularly in the area of IT does not develop proportionally quickly. Further expansion of business in new markets and new product areas is planned for the years ahead. The challenge will continue to be identifying existing and new risks, and to assess them correctly in a timely manner, as well as to further develop the existing risk monitoring system appropriately and promptly. Failure to do so could lead to an impaired ability to recognise and manage risks, trends and undesirable developments in a timely manner.

Management of risk

The Board is committed to monitoring existing and emerging risks on at least a quarterly basis to ensure that a full risk profile is developed and current.

Risks of non-payment by insurers

Risk

There is a risk that insurers may fail to fulfil their payment obligations in future and that such claims may have to be pursued through the courts. Such refusals to pay could have a significant impact on ZEAL's financial position and performance.

Should one or more of these risks occur, it may materially impact ZEAL's business and have significant adverse effects on its financial position and performance.

Management of risk

All bets taken are submitted to the loss adjuster for verification in advance of any draws. Furthermore, any updates to contracts are reviewed by internal lawyers and external legal advisers before approval to mitigate the non-payment risk.

Challenge to the operations of Ventura24 S.L.U. ("Ventura24")

Risk

Ventura24 is a wholly owned subsidiary of ZEAL Network SE. The Spanish Gambling Commission is currently in the process of challenging the nature of Ventura24's business activities stating that Ventura24 requires a licence to sell lottery tickets in Spain's primary lottery. Ventura24's management disagree with this assessment and contend that Ventura24 purchases tickets on behalf of customers only when they have received instruction to do so. While the case against Ventura24 continues in the Spanish courts, Ventura24 is still permitted to operate.

Management of risk

If the Spanish Gambling Commission is successful in their challenges, the impact of closure of the company would, in itself, not have a significant financial impact on the Group's results, however, it could have an impact on the current hedging strategy. The Group has engaged experienced legal experts to litigate the case in the Spanish courts and continues to actively evaluate alternative options to ensure that our hedging structure will not be interrupted.

CSR REPORT

WE LOVE TO SUPPORT OUR COMMUNITY!

ZEAL believes that giving back to society is not a choice, it is our responsibility. We are a diverse Group with focus on sustainability and progress. This is reflected in our approach to business practices and in the way we give back to society. This approach is continuously developed, whereby we divide our CSR activities into two categories: Helping our community and helping young athletes and their families.

STRONG PARTNERS

ZEAL Group has fostered its work through partnerships, namely with the London Community Foundation and SportsAid. These organisations help us to distribute the funds in a transparent and coherent manner to the most worthy beneficiaries. We want to be known for what we achieve not for what we give!

PROMOTING SPORT WITH SPORTSAID

We strongly believe in supporting young people at those challenging and difficult times of their early careers. We are therefore very proud to be able to report on the progress of the "Winners of Tomorrow Fund" which was set up to enable the next generation of British athletes to achieve their potential by giving them financial support and recognition when they need it most.

The Fund was set up in 2014/2015, and in the first year supported 16 athletes. Building on that success the fund supported a total of 50 athletes in 2015/2016. We organise several annual events to promote out partner charity and the athletes, including an annual welcome event, workshops, parliamentary event, and a collaborative project with the International Journalist Programme.

SportsAid

EMPOWERING NEIGHBOURHOODS

The "Good Neighbourhood Fund" supports grassroots initiatives in London neighbourhoods. The London Community Foundation's expertise in reaching these grassroots initiatives and community organisations, usually below the radar of the general public, ensures the funding reaches those most dedicated and in need. The fund supports a number of local organisations each year. In addition to the financial support, employees volunteer their own skills and time to further benefit the community initiatives.

In 2014, we supported ten organisations with grants of up to £5,000. In 2015, we committed to five organisations with a total grant of nearly £100,000 for support of up to two years projects. We did so on account of our excellent experience in 2014 and our dedication to do as much as we can. We believe in the work our charitable organisations do, this is why we support them monetarily and with our time. Since the project has begun, we have supported hundreds of direct beneficiaries, and hundreds of indirect beneficiaries in turn. ZEAL employees have also volunteered to offer extra support.

50
Athletes supported

£100k
Total grants 2015

30
Organisations

The London Community Foundation

THE GOOD NEIGHBOURHOOD FUND

Winners of Tomorrow

WE CARE FOR OUR RESOURCES

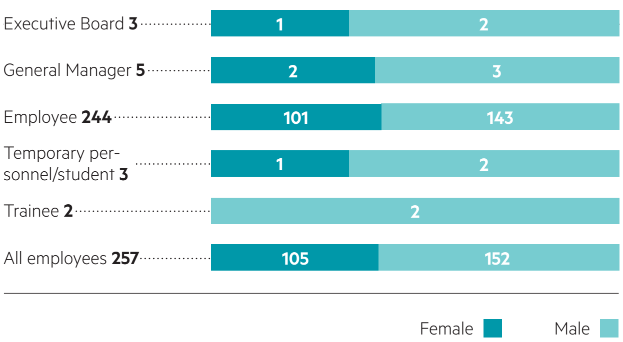
We are committed to promoting the well-being of our employees and have therefore undertaken a number of activities related to work life balance, diversity and continuous learning.

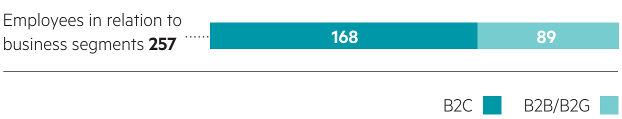
HIGHLY MOTIVATED EMPLOYEES AND TALENT DEVELOPMENT

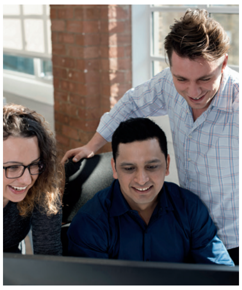
We empower people to take ownership and independently drive developments by promoting a culture that is characterized by agile working methods, regular get-togethers, knowledge sharing and peer coaching. We treat each other with respect and live our company values in our daily work.

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

In the business year 2015, ZEAL invested €799k in training activities. All employees have been offered regular training activities within their respective departments. In 2016, a set of targeted training initiatives aimed at building on our employees' talents have been proposed.







DIVERSITY

ZEAL employees are truly diverse, which makes for an exciting, internationally aware and engaging working environment. Despite the fact that our industry (in general) continues to be predominantly male we manage to foster a culture which embraces and values diversity and encourages equal opportunities. The gender split of our board and 2nd level management to 31 December 2015 can be seen on page 28. To support and enable family life we offer flexible working hours and where possible options to work from home. For us, equality is not intended to be an aspiration but a reality. We recognise that we can always do more in this area and will be ambitiously reviewing possible opportunities to support diversity.

RESOURCE CONSERVATION

In compliance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, the Group is now reporting on greenhouse gas (GHG) emissions for the first time. As an online business, ZEAL's activities have a relatively small impact on the environment. Our carbon footprint currently includes GHG emissions generated from our office buildings in London, Hamburg and Madrid (predominantly through heating fuel, air conditioning and purchased electricity). We have used revenue to calculate our intensity ratio, as this demonstrates the best comparative measure over time and it provides the most relevant indication of our growth.

257
Employees

645.5
CO_2 (metric tonnes)*

€89.0m
Group revenue

7.25%
Intensity ratio

**Includes electricity purchased by direct use or proportional charge by landlord. Emissions calculated using UK Government and international GHG conversion factors and building emission rates according to energy performance certificates.*

Dr. Helmut Becker
Chief Executive Officer
29 March 2016

ZEAL SHARES

SIGNIFICANT SHAREHOLDERS

The provisions of the UK Disclosure Rules and Transparency Rules ("DTR") require that any person or fund acquiring a direct or indirect interest of 3% or more of any class of shares issued by the Company that give voting rights at the Company's Annual General Meeting must inform the Company of its interest within two working days. If the shareholding subsequently changes from 3% through purchase of additional shares or sale of shares held, the shareholder must inform the Company of any increase or decrease leading to a change of one percentage point in its interest.

In accordance with DTR 5.1.5, scheme operators and investment companies with variable capital ("ICVCs") ("investment companies") who hold voting shares in the Company are required to notify the Company when certain thresholds are met as follows:

- When an investment company holds 5% of shares issued by the Company.
- When the investment company reaches a shareholding of 10%.
- For every percentage point above 10% of the issued shares of the Company.

Once the Company is notified, it must then notify the German Federal Financial Supervisory Authority (BaFin) and the Frankfurt Stock Exchange.

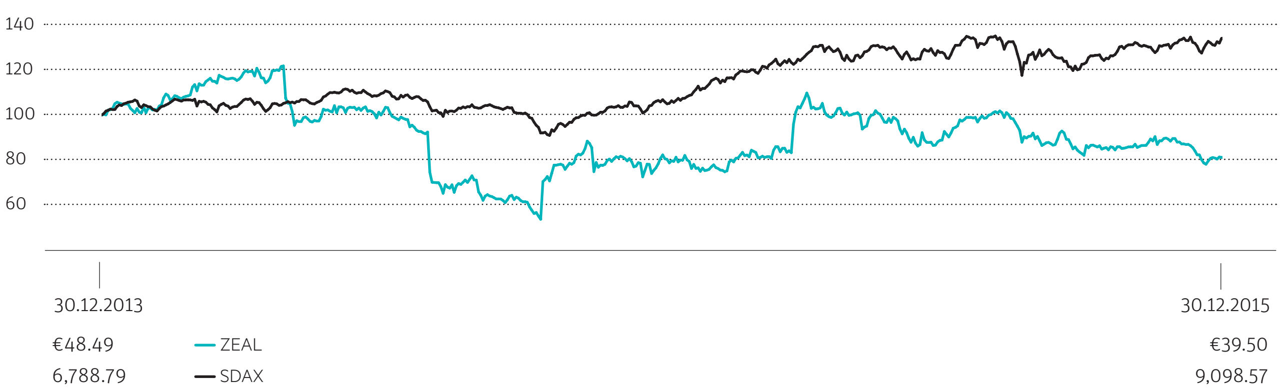
Under Section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz), transactions in the Company's shares executed by Members of the Executive Board and Supervisory Board and their family members (directors' dealings) are reported and published immediately after the Company is made aware.

Clearstream Banking AG is classified as the legal owner of the Company's listed shares. Based on information received by the Company at 31 December 2015 (including TR-1 notifications, notifications of directors' dealings and other notifications pursuant to Section 21 of the German Securities Trading Act (prior to the transfer of the Company's corporate seat to the UK), as far as the Company is aware, persons or funds holding a significant beneficial interest in the Company (i.e. greater than 3%) as at 31 December 2015 and as at the date of this report are set out below:

10.22%[1]	Oliver Jaster (held indirectly through a chain of controlled undertakings: Günther GmbH, Günther Holding GmbH, Othello Drei Beteiligungs-Management GmbH, Othello Drei Beteiligungs GmbH & Co. KG)
7.43%	Schroders plc (held through a chain of controlled undertakings: Schroder Investment Management Limited, Schroder Investment Management North America Limited)
4.82%	Marc Peters
4.48%	Farringdon Capital Management
4.41%	LRI Investment S.A.
4.17%[1]	Jens Schumann
3.90%	BNP Paribas Investment Partners S.A.
3.40%	Credit Suisse Group AG
3.16%	Vanguard International Explorer Fund

[1] *Percentage of interest calculated taking into account directors' dealings notifications received*

PERFORMANCE OF ZEAL SHARE (INDEX 30.12.2013 = 100)



01
02
03
04

Key share figures

Day of initial listing	**12/10/2005**
Year-opening price	**€40.00**
Market capitalisation (year-opening)	**€335m**
Year-end price	**€39.50**
Market capitalisation (year-end)	**€331m**
Highest price (07/04/2015)	**€53.22**
Lowest price (11/02/2015)	**€36.39**
Number of outstanding shares (31/12/2015)	**8,385,088**
Average daily trading	**€1.0m**
Dividend (per share)	**€2.80**

Shareholder information

WKN	**TPP024**
ISIN	**GB00BHD66J44**
Ticker symbol	**TIM.DE**
Stock exchange	**Frankfurt Stock Exchange**
Market segment	**Regulated Market, Prime Standard**
Designated sponsor	**ODDO SEYDLER BANK AG**
Coverage	**Berenberg Bank** **Deutsche Bank** **Kepler Cheuvreux** **M.M.Warburg**
Reuters	**TIMGn.DE**
Bloomberg	**TIM GR**

WHY INVEST?

- **Sustainable cash generating core business.**
- **Strong financial position to finance growth.**
- **Leading expertise in online lottery-based products.**

GOVERNANCE

EXECUTIVE BOARD AND SUPERVISORY BOARD

The Executive Board and Supervisory Board currently comprise a total of nine Directors. This includes three Executive Directors and six Supervisory Directors. The Executive Board and Supervisory Board comprise the required mix of necessary skills, knowledge and experience to provide leadership, control and oversight of the management of the Company and to contribute to the development and implementation of the Company's strategy. Director biographies are set out below and further details on the composition of the Board, and the Board's various sub-committees are detailed on pages 34 to 36.

1. DR. HANS CORNEHL

Executive Director (CEO) [1 January 2015 to 31 August 2015; resigned from the Executive Board and as a director of the Company on 31 August 2015]

Hans Cornehl was a Member of the Executive Board of ZEAL from June 2002 and was appointed Chairman of the Executive Board in July 2011. Dr. Cornehl stepped down from the Executive Board (and as a director) on 31 August 2015 and resigned as an employee of the Company on 31 December 2015.

Before joining ZEAL, Hans Cornehl was Senior Investment Manager at the venture capital company Earlybird, where he specialised in investments in the media and telecommunications sector. He had previously gained management experience as a turnaround manager at a hospital. Hans Cornehl started his career as a consultant at McKinsey with a focus on advising start-up, high-tech and spin-off companies. Hans Cornehl studied chemistry at the Technical University of Munich and gained his doctorate at the Technical University of Berlin.

2. DR. HELMUT BECKER

Executive Director (CMO) [CMO from 1 January 2015 to 31 August 2015; appointed as CEO on 1 September 2015]

Helmut Becker was Chief Marketing Officer of ZEAL from 1 June 2013 to 31 August 2015 when he was appointed CEO. He served as CEO for the remainder of 2015. Dr. Becker was a Member of the Supervisory Board of ZEAL from mid-2011 to 31 May 2013 and concurrently served as Chief Commercial Officer ("CCO") of XING AG from September 2009 to 31 May 2013. In this capacity as CCO at XING AG, he was responsible for Product, Marketing and Revenue divisions. Before taking up this position at XING AG, Helmut Becker was Senior Director Advertising and Internet Marketing of eBay Germany and Managing Director of eBay Advertising AG. Prior to these posts he was Managing Director of the eBay subsidiary Shopping.com Deutschland and Director Strategy and Corporate Development for eBay. He began his career as a consultant at McKinsey. Helmut Becker studied physics at the University of Hamburg and the University of Cambridge, where he gained his PhD.

3. JONAS MATTSSON

Executive Director (CFO)

Jonas Mattsson has been Chief Financial Officer of ZEAL since 1 February 2015. He has more than a decade of senior management experience with particular focus on the telecommunications and technology sectors. Prior to joining ZEAL, he was CFO and Executive Vice President of the network communications company O3b Networks, where he played a key role in raising $1.3 billion for the company and in establishing a global organisation. Previously, he served as CFO of various entities of SES, a world-leading satellite operator. Before that, Jonas Mattsson worked within the management teams of different parts of Ericsson, including an international assignment in Japan, as well as in the start-up company Ericsson Microsoft Mobile Venture.

4. SUSAN STANDIFORD

Executive Director (CTO)
Susan Standiford has been Chief Technology Officer since 18 May 2015. With over 20 years of experience in the software development and information technology sectors, she has developed vast expertise in delivering innovative, value-based solutions in B2C and B2B businesses. Prior to joining ZEAL, she was the CTO of Rue La La, a leading private shopping portal in the US, and she previously worked as Vice President of Technology at both Travelocity and Disney Online. Mrs Standiford is a US citizen and holds a Bachelor of Arts in Anthropology/Mathematics from the University of Illinois at Urbana-Champaign.

5. ANDREAS DE MAIZIÈRE

Supervisory Director (Chairman)
Business graduate Andreas de Maizière has been Chairman of the Supervisory Board of ZEAL since 2011. He worked for 30 years for Commerzbank AG: from 1999–2005 as Member of the Executive Board and in his last position as Chief Operating Officer ("COO"). He is a self-employed Partner of the investment company Doertenbach & Co. GmbH, Frankfurt. Andreas de Maizière holds numerous seats on supervisory boards and councils of various companies and institutions. He studied business administration at Cologne University.

Committee Membership: Chairman's Committee, Audit Committee

6. THORSTEN H. HEHL

Supervisory Director
Business graduate Thorsten H. Hehl has been a Member of the Supervisory Board of ZEAL since June 2013. He has been an investment manager at Günther Holding GmbH since 2008. Prior to this, he worked for Bankhaus Metzler and HSH Nordbank in the field of corporate finance. After completing his vocational bank training, Thorsten H. Hehl studied business administration in Giessen and Atlanta (USA) as well as at Handelshochschule Leipzig (HHL).

Committee Membership: Audit Committee

7. OLIVER JASTER

Supervisory Director
Business graduate Oliver Jaster has been a Member of the Supervisory Board of ZEAL since 2008. He has been a managing director of the Günther Group since 2004. He previously held various positions in the banking sector for several years. Oliver Jaster studied banking and business administration at the Hochschule für Bankwirtschaft in Frankfurt and in Edinburgh.

Committee Membership: Chairman's Committee

8. BERND SCHIPHORST

Supervisory Director
Economics graduate Bernd Schiphorst has been a Member of the Supervisory Board of ZEAL since June 2013. He was previously an Executive Board Member and Senior Consultant of WMP EuroCom AG in Berlin. From 1979 onwards, he spent over two decades working for Bertelsmann, initially as Head of the Executive Affairs Office and Press Spokesperson of the magazine subsidiary Gruner + Jahr AG & Co, was then heavily involved as head of Ufa Film- und Fernseh GmbH with the establishment of commercial television (including RTL, Vox, Sky, Sportfive) and radio (Antenne Bayern, Radio Hamburg) and as President and CEO of AOL Europe and Bertelsmann New Media with the introduction of digital media. In 2000, he briefly entered the world of politics as Media Advisor for the states of Berlin and Brandenburg. After completing his studies in economics, politics and publishing in Berlin, Bernd Schiphorst began his career as Managing Director and Member of the Executive Board of märkte & medien Verlag.

9. JENS SCHUMANN

Supervisory Director
Law school graduate Jens Schumann, has been a Member of the Supervisory Board of ZEAL since July 2011. He is one of the two founders of today's ZEAL and was Managing Director and an Executive Board Member from 1999 to 2009. In March 2008, he was appointed Chairman of the Executive Board. From December 1998 to the formation of ZEAL, he worked as a business consultant at Icon Medialab AG. Mr. Schumann studied law at the University of Münster from 1993 to 1998 and finished his studies with the first State Exam.

Committee Membership: Chairman's Committee

10. PETER STEINER

Supervisory Director
Business graduate Peter Steiner has held a seat on the Supervisory Board of ZEAL since June 2013. He is a self-employed auditor and advises company owners, large corporations and financial investors. He was previously a partner of the investment company One Equity Partners LLC. He worked for MG Technologies AG as CFO. At Dyckerhoff AG, he was successively CFO, COO and finally CEO. Following his many years as an auditor for Arthur Andersen & Co., he was appointed CFO of Süba Bau AG. Peter Steiner studied business administration in Mannheim and Cologne.

Committee Membership: Audit Committee

CORPORATE GOVERNANCE REPORT

COMPLIANCE

Neither the German Corporate Governance Code nor the UK Corporate Governance Code is directly applicable to the Company. Furthermore, the Company will not publish any further declarations of conformity pursuant to section 161 of the German Stock Corporation Act since this provision is no longer applicable following the transfer of the Company's registered office to the UK.

Although Corporate Governance Regulations are not directly applicable to the Company, both the Executive Board and Supervisory Board of the Company are committed to maintaining the highest levels of Corporate Governance Standards to protect the interests of all stakeholders. Consequently, the Company has voluntarily adopted its own Corporate Governance Principles. These principles are available on the Company's website and primarily reflect the principles of the German Corporate Governance Code ("GCGC") which was applicable before the transfer of the Company's registered office to the UK. Since the transfer of the Company's Corporate Seat to the UK, amendments to these principles have been made in order to ensure compliance with UK law. Certain principles have also been removed where the provisions are no longer applicable to the Company.

Although the Company is now registered as a UK company it has chosen to maintain the existing Board structure. The Board of Directors is split into an Executive Board and a Supervisory Board. The Company believes that this structure is best suited to the management and oversight of the operations of the Company, conforms to the skillset of the incumbent directors and provides overseas shareholders with an understanding of the governance framework adhered to by the Company.

THE EXECUTIVE BOARD

ROLE

The Executive Board is responsible for running the day-to-day operations of the Company, setting the short-term and long-term strategic objectives and ensuring that these objectives are implemented and proposing investment decisions for ratification by the Supervisory Board. The Executive Board's key objective is to create sustainable value for the Company's shareholders and other stakeholders.

COMPOSITION

The Executive Board currently comprises three members. Its members can only be appointed and removed by the Supervisory Board. The Supervisory Board is responsible for setting out the scope of the roles and responsibilities of each Executive Board member together with items that must be authorised by all members of the Executive Board ("reserved matters"). For these reserved matters, the Supervisory Board determines the required majority of Executive Board resolutions (requirement of either unanimous approval of a majority).

Dr. Helmut Becker succeeded Dr. Hans Cornehl as Chairman of the Executive Board on 1 September 2015. Dr. Becker has been a Member of the Executive Board since 2013. He is specifically responsible for corporate strategy, communication, HR, legal affairs and compliance. He is also responsible for setting the Executive Board's agenda.

Jonas Mattsson was appointed as a Member of the Executive Board with effect from 1 February 2015. As Chief Financial Officer, he is responsible for finance, accounting, taxes, business controlling, risk management, asset management, banking relations, external auditing, financial reporting to the Supervisory Board and investor relations.

Susan Standiford was appointed as a Member of the Executive Board with effect from 18 May 2015. As Chief Technology Officer, she is responsible for all aspects of information technology within the Group.

THE SUPERVISORY BOARD

ROLE

The Supervisory Board is responsible for advising on and overseeing the work of the Executive Board together with ratification of transactions that are of fundamental importance to the Company (as set out in the Statutes of the Company). Transactions of fundamental importance are defined as actions proposed by the Executive Board that materially change the ongoing activities, assets or financing of the Company.

COMPOSITION

The Supervisory Board currently comprises six members. Its members are appointed and removed at Annual General Meetings of the Company by the shareholders. The Members of the Supervisory Board have the appropriate balance of skills, experience, independence and knowledge of the Company to enable the Supervisory Board to discharge its duties and responsibilities effectively. The Supervisory Board has concluded that it comprises an adequate number of independent members.

Andreas de Maizière is the current Chairman of the Supervisory Board and has held this position since 2011. He is responsible for organising and coordinating the work of Supervisory Board, chairing its meetings and attending to the affairs of the Supervisory Board externally. He is also responsible for maintaining regular contact with the Chairman of the Executive Board and informing the Supervisory Board of important events in relation to the management of the Company and, if required, convening extraordinary meetings of the Supervisory Board. The other Members of the Supervisory Board are: Peter Steiner (Deputy Chairman), Thorsten Hehl, Oliver Jaster, Bernd Schiphorst and Jens Schumann.

DIVERSITY

The Company recognises the value that diversity brings to its management. The Executive Board, when filling managerial positions in the Company, and the Supervisory Board, when appointing Members of the Executive Board, will always give consideration to diversity including the aim for an appropriate degree of female representation.

BOARD MEETINGS 2015

The Executive Board held weekly meetings throughout the year (except for bank holidays and planned annual leave) which were attended by all board members and ad-hoc meetings where required.

The Supervisory Board held a total of seven meetings in 2015, which were attended by all members with the exception of the meeting held on 15 September 2015 where Oliver Jaster was unable to attend due to a pre-agreed commitment.

BOARD SUPPORT

Both the Executive Board and the Supervisory Board (the "Boards") are committed to appropriate and timely exchange of information both between the Boards and their relevant subcommittees. Members of both Boards have access to independent professional advice at the Company's expense whenever they judge such advice necessary to discharge their responsibilities as members of those Boards.

As a European public limited-liability company (an "SE") with registered office in England and Wales, there is no requirement within UK company law or the Statutes of the Company to appoint a Company Secretary. The Executive and Supervisory Boards are further of the opinion that the appointment of a Company Secretary is not necessary to assist the Boards in ensuring that board procedures and Corporate Governance Principles are complied with.

BOARD EVALUATION

The performance of the Executive Board and its individual members is regularly reviewed by the full Supervisory Board.

BOARD COMMITTEES

The Supervisory Board has established a Chairman's Committee and an Audit Committee (the "Committees"), each consisting of three members of the Supervisory Board. The respective committee chairmen report regularly to the Supervisory Board on the work of the Committees. The Supervisory Board periodically reviews the adequacy of the committee structure with a view to setting up additional committees if the need arises.

CHAIRMAN'S COMMITTEE

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

The Committee meets as required. It held two meetings in 2015, which were attended by all members.

Details of the Group's internal control and risk management systems are included in the Audit Committee Report on pages 36 to 38 and disclosures required in relation to the takeover directive are included in the Directors' Report on pages 55 to 58.

Approval of the Corporate Governance Report
By order of the Executive Board and the Supervisory Board

Dr. Helmut Becker
Chief Executive Officer
29 March 2016

AUDIT COMMITTEE REPORT

The Audit Committee's overarching responsibility is to oversee internal and external audits and to monitor the effectiveness of the Company's framework of internal control.

More specifically, the Audit Committee oversees the monitoring of the Company's financial reporting process, the effectiveness of its internal control system, risk management system and internal audit process and the audit of the Group's financial statements.

In addition, the Audit committee is responsible for ensuring that the external auditor maintains independence by approving any additional services proposed by the external auditor, reviewing the areas of increased audit focus proposed by the auditors and agreeing the audit fee. The external auditor can only be replaced and reappointed by the Audit Committee.

The members of the Committee that served during the year were:

Name	Appointment Date	Committee Role
Peter Steiner	28 June 2013	Chairman
Andreas de Maizière	28 June 2013	Member
Thorsten Hehl	28 June 2013	Member

Peter Steiner serves as chairman of the Audit Committee. The chairman has the required specialist knowledge and experience in both the application of accounting principles and internal control procedures to ensure that the Company's Corporate Governance Principles are complied with. He is independent and has not been a Member of the Executive Board in the last two years.

The Supervisory Board has satisfied itself that the members of the Committee have recent and relevant financial experience.

The Committee meets as required. The Audit Committee held a total of 14 meetings in the course of 2015 which were attended by all members except the meeting of 11 August 2015 where Thorsten Hehl was unavailable due to a pre-agreed engagement. The Chief Financial Officer attends the Audit Committee's meetings. Members of the Supervisory Board and Executive Board or senior executives may attend meetings upon invitation from the Committee. The meetings in which the Committee reviewed and discussed the annual accounts for the year 2014 and the audit plan for 2015 were also attended by the external auditor, Ernst & Young LLP.

AUDIT COMMITTEE'S WORK IN 2015

The Audit Committee discharged its obligations in the year 2015 as follows:

- review of the Annual Report and financial statements – including the report of the external auditor – for the year ended 31 December 2014 issued in March 2015,
- review of the quarterly financial statements issued in May, August and November 2015,
- deliberation about whether or not to recommend the reappointment of the external auditor,
- review of the external audit plan and review of internal audit in advance of the audit for the year ended 31 December 2015,
- approval of the external audit fee and the effectiveness of the external auditor, and
- review and monitoring of the effectiveness of the Group's risk management process.

EXTERNAL AUDITOR AND NON-AUDIT WORK

The external auditor has committed to immediately inform the Audit Committee of any threats to its independence or objectivity, unless such grounds are eliminated immediately. Additionally, the external auditor has committed to report to the Audit Committee on all facts and events of importance that should be brought to the attention of the Executive Board and Supervisory Board – this includes any impact on the Company's financial performance and compliance with the Company's Corporate Governance Principles.

The external auditor takes part in Audit Committee meetings on the annual consolidated financial statements and reports on the results of its audit.

Prior to submitting a proposal for election of an external auditor, the Supervisory Board or the Audit Committee will obtain a statement from the proposed auditor stating whether there are any business, financial, personal and other relationships that exist between the auditor, the Company and the members of its Board of Directors. This statement will be verified by the Audit Committee or Supervisory Board. These procedures are necessary to ensure that the independence of the external auditor is not called into question. This statement will include the extent to which other services were performed for the Company in the past year, especially in the field of consultancy, or which are contracted for the following year.

Details of the amounts paid to the external auditor during the year for audit and other services are set out on page 84 of this Annual Report.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

The Executive Board is responsible for ensuring appropriate risk management control procedures are in place. The Executive Board regularly conducts a review of the effectiveness of the Company's risk management and internal control systems. This review covers all material controls designed to respond to financial, operational and compliance risks. The Executive Board is satisfied that the Company had appropriate risk management and risk control procedures in place throughout the year and up to the date of approval of this Annual Report to prevent or detect any material exposures.

The internal control framework introduced by the management of the Company comprises principles, procedures and measures which are geared towards the organisational implementation of controlled management decisions and:

- to ensure the effectiveness and efficiency of business activities (including the protection of assets, including the prevention and disclosure of asset impairment),
- to ensure the quality and reliability of internal and external accounting, and
- to ensure compliance with the legal frameworks that the Company must adhere to, and
- to ensure that measures are in place that safeguard proper IT-based processing and data.

The following structures and processes have been implemented by ZEAL to respond to any risks in the accounting function:

- The Executive Board bears full responsibility for the internal control and risk management framework with regard to the accounting and consolidation processes.
- The reporting structure relating to all the companies included in the consolidated financial statements requires that significant risks are to be reported immediately to the Executive Board by the individual businesses on identification.
- The principles, structure and process organisation, and procedures of the accounting-related internal control and risk management system are documented in guidelines and organisational directives. These are regularly adapted to current external and internal developments for the respective segments.
- Certain accounting-related processes – in particular payroll accounting – are outsourced.

We consider the following items to be significant to the effectiveness of the internal control and risk management framework in the accounting and consolidation processes:

- identification of significant risk and control areas of relevance to the Group-wide accounting process,
- controls to monitor the consolidation process and its results at the level of the Executive Board and at the level of the companies included in the consolidated financial statements,
- preventative control measures in the accounting system of the Group and in the processes that generate significant information used to prepare the consolidated financial statements – areas include the Group management report, segmental analysis and commitment disclosures,
- reporting information of the foreign companies which enable the parent company to prepare consolidated financial statements including the Group management report.

The Group has no formal internal audit department but the Executive Committee keeps under review the need for such a function.

Reviews of segmental results are performed by the Business Controlling team. The Business Controlling team is responsible for preparation of all monthly, quarterly and annual internal reporting packages. These reporting packages contain detailed analysis and review of operating results, balance sheet positions and cash related movements compared to budgeted, forecasted and comparative results. The end users of the reporting packages are the Audit Committee and Board of Directors. These stakeholders require detailed narrative containing explanation of all movements based on benchmarks set out above.

Peter Steiner
Member of the Supervisory Board and
Chairman of the Audit Committee
29 March 2016

DIRECTORS' REMUNERATION REPORT

CHAIRMAN OF THE REMUNERATION COMMITTEE'S ANNUAL STATEMENT

Dear Shareholder,

I act as the Chairman of the Chairman's Committee of the Board of Directors. The Chairman's Committee is equivalent to a Remuneration Committee as defined in the UK Corporate Governance Code. The Board of Directors (comprising all Executive Directors and the Supervisory Board) has delegated responsibility for ensuring that remuneration arrangements for all key management personnel support the strategic aims of the Company and enable the recruitment, motivation and retention of senior executives to the Chairman's Committee. Remuneration for all senior executives is set by the Chairman's Committee every three years and is approved by the shareholders of the Company at the Annual General Meeting (which takes place in June of the following year).

I am pleased to present below the Directors' remuneration report for the financial year ended 31 December 2015. I have summarised the Company's performance for the year ended 31 December 2015, the impact that this performance has had on the remuneration of the Company's Directors and changes to the remuneration policy that will be effective from 1 January 2016, subject to approval of the Company's shareholders on 22 June 2016.

Remuneration policy

We submitted our remuneration policy for shareholder approval for the first time at the AGM on 18 June 2015. This remuneration policy, covering Executive Directors' remuneration for 2014 and 2015, was strongly supported by our shareholders and ratified at that time.

As noted in the introductory paragraph above, we plan to submit our remuneration policy for shareholder approval every three years unless a change in the policy is proposed. While the remuneration policy remained unchanged throughout 2015, due to changes in the composition of the Company's Executive Directors, we took this opportunity to perform a benchmarking exercise to ensure consistency of remuneration with comparator companies and standardisation of the remuneration rationale among Executive Directors. Subject to approval by the Company's shareholders on 22 June 2016, proposed changes in remuneration will become effective for periods commencing 1 January 2016. Further details on expected changes are included in the Remuneration Policy below.

Performance and outcome

For the year ended 31 December 2015, the Company delivered strong year-on-year normalised revenue, normalised EBIT and statutory EBIT growth. For the purposes of calculation of variable compensation for 2015, the Executive Directors achieved between 125% and 140% on their short-term incentive ("STI") bonus targets. Mid-term incentives ("MTI") for all Executive Directors (including the former CEO) and long-term incentives ("LTI") for the newly appointed CEO and former CEO also vested during the year. Payments for STIs and MTIs were made to the Directors during March 2016. LTI payments were made to the former CEO in September 2015. LTI payments for current CEO will be made after the 2015 AGM is held in June 2016.

Executive Director changes

Dr. Hans Cornehl stepped down from his role as Chief Executive Officer ("CEO") of the Board of Directors on 31 August 2015. As part of his resignation agreement, he was entitled to receive a payment equivalent to his gross salary pro-rated for the period 1 September 2015 to 31 December 2015 on departure. Furthermore, in advance of 31 August 2015 and in accordance with the remuneration policy, the Committee considered Dr. Cornehl's performance during the year and determined that he should be entitled to STI, MTI and LTI with a total combined value of €1.3m (split €200k, €200k and €900k respectively). As required by the remuneration reporting regulations, we have shown the amounts Dr. Cornehl received in his capacity as an Executive Director and the amounts received as part of his resignation agreement separately. These are shown in the table immediately below. His full remuneration for 2015 is therefore disclosed.

Dr. Helmut Becker was appointed CEO of the Company with effect from 1 September 2015. From 1 January 2015 to 31 August 2015, Dr. Becker was the Chief Marketing Officer of the Company and was an Executive Director and member of the Board of Directors throughout 2015.

Jonas Mattsson was appointed as Chief Financial Officer ("CFO") of the Company, an Executive Director and member of the Board of Directors with effect from 1 February 2015.

Susan Standiford was appointed as Chief Technology Officer ("CTO") of the Company, an Executive Director and member of the Board of Directors with effect from 18 May 2015.

Chairman's Committee changes and attendance at meetings during 2015

There have been no changes to the Chairman's Committee since 31 December 2014. The Committee comprises Oliver Jaster and Jens Schumann and is chaired by Andreas De Maizière. All Committee members attended all meetings during the course of the year. Meetings in the current financial year were held on 17 March 2015 and 14 September 2015.

Andreas de Maizière
Chairman of the Chairman's Committee
29 March 2016

REMUNERATION AT A GLANCE

The table below sets out details of the remuneration paid to the Executive Directors of the Company:

in €k	Fixed Pay			Variable pay			Total compensation		
Name	Base Pay	Retirement and other benefits	Other payments (non-recurring)	Short-term incentives	Mid-term incentives	Long-term incentives	**2015**	2014	Change %
Dr. Helmut Becker (Chief Executive – 1 September 2015 to 31 December 2015; Chief Marketing Officer 1 January 2015 to 31 August 2015)	447 [1]	–	–	223	64	272	1,006	517	95
Jonas Mattsson (Chief Financial Officer – 1 February 2015 to 31 December 2015)	326	–	28 [2]	354	274	–	982	–	N/A
Susan Standiford (Chief Technology Officer – 18 May 2015 to 31 December 2015)	247	–	115 [3]	135	216	–	713	–	N/A
Dr. Hans Cornehl (Chief Executive – 1 January 2015 to 31 August 2015)	267	–	166 [4]	200	200	900	1,733	798	117

[1] *Dr. Becker's base salary was €350k between 1 January 2015 until 31 August 2015 and €550k between 1 September 2015 and 31 December 2015 (on his ascension to role of CEO).*
[2] *Mr Mattsson's other payments relate to relocation costs and a sign-on bonus.*
[3] *Ms Standiford's other payments relate to relocation costs and a sign-on bonus.*
[4] *Dr. Cornehl's other payments relate to statutory redundancy pay together with payment of his pre-existing gross salary (€400k) between the date of his departure (31 August 2015) and 31 December 2015.*

REMUNERATION POLICY

This report complies with the requirements of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) (the "regulations") and the provisions of the UK Corporate Governance Code relating to remuneration. The format and content take into account the Directors' Remuneration Reporting Guidance of the GC100 and the Investor Group, together with other guidance issued by institutional investor and governmental bodies. This is the second year that the Directors' Remuneration Report has been prepared in accordance with these guidelines.

DIRECTORS' REMUNERATION REPORT

REMUNERATION POLICY

It is intended that the remuneration policy will be put to shareholder vote every three years unless there are changes in the policy which require separate approval. The policy described in the 2014 Annual Report took effect from the date of shareholder approval at the AGM on 18 June 2015 when it was approved with 81.08% share of the votes (votes for: 1,481,238; votes against: 345,658; abstentions: 1,821). No changes have been made to this report since that time that are effective for 2015. There have however been changes made to the policy that impact periods commencing 1 January 2016 onwards which are set out below. These changes were approved by the Supervisory Board during December 2015 and will be put to shareholder vote for ratification at the 2015 AGM (scheduled to take place on 22 June 2016).

ROLE OF THE REMUNERATION COMMITTEE

In accordance with section 4.3 of the Company's Corporate Governance principles (available on the Company's website), the Chairman's Committee is responsible for recommending the compensation each Executive Director receives for their services to the Company. The Committee is also responsible for setting the Company's remuneration strategy together with the structure of Executive Directors' remuneration including the split of compensation between fixed and variable elements. Up to 31 December 2015, the Chairman's Committee reviewed the remuneration package of the Executive Board on at least an annual basis. From 1 January 2016, the remuneration of the Executive Board will be reviewed every two years. In reviewing the pay arrangements of the Executive Board, the Chairman's Committee takes into account:

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

The Company's remuneration policy is in no way designed to reward inappropriate outcomes or excessive risk.

For the avoidance of doubt, it is the Company's intention to honour in full any pre-existing obligations that have been entered into prior to the effective date of this statement. Therefore, the Chairman's Committee reserves the right to make any reasonable remuneration payments and payments for loss of office so long as these have been approved by the Supervisory Board.

REMUNERATION PHILOSOPHY

The Company's remuneration philosophy is to ensure that all employees are rewarded fairly based on the contribution they make to the Company's success. The Chairman's Committee believes that setting remuneration levels based on employees' performance is the most effective method of fulfilling the Company's objective of attracting, retaining and motivating its individuals. The key elements of executive remuneration are fixed pay – including base salary and certain benefits – and short-term (one year performance period), mid-term (three year performance period) and long-term incentives (three year performance period).

Base pay and benefits are generally fixed costs for the Company. These elements of executive remuneration are set at the market median and are not subject to in-year fluctuation resulting from employee or Company performance. Short-term incentives are paid following each financial year end and are designed to reward achievement of pre-determined financial and other performance targets including achievement of each individual's personal performance targets (which are normally linked to delivery of the Company's strategic aims). Mid-term incentives are paid following each financial year-end and are designed to reward achievement of sales and EBIT targets achieved over the preceding three-year period. Long term incentives are paid at the end of each three-year interval and are based on the achievement of a pre-determined average share price over a pre-defined period.

The mid-term and long-term incentives offered to Executive Directors make up between 25% and 30% of their total compensation. This provides a direct link between the remuneration of Executive Directors, the performance of the Company and value created for the Company's shareholders.

As certain elements of Executive Director variable compensation are based on adjusted key performance indicators (such as normalised revenue and normalised EBIT), extensive diligence is performed on the financial results in advance of any pay-out to ensure that compensation is accurately computed. Results of this diligence is compared to expected levels of pay to ensure that payments are appropriate when compared to business performance and expected shareholder returns.

ALIGNMENT OF STRATEGY, PAY AND PERFORMANCE

One of the Company's key strategic aims is to deliver a high return to its shareholders. This strategic aim is embodied in the determination of Executive Director reward under the short-term, mid-term and long-term incentive plans. Typical measures of achievement of our strategic priorities include normalised revenue and normalised EBIT growth (STI and MTI incentive plans) and pre-defined share price targets (LTI incentive plan).

CHANGES TO REMUNERATION POLICY FROM 1 JANUARY 2016

Changes to the remuneration policy effective 1 January 2016 are set out below. While the changes to the Company's remuneration policy were approved by the Company's Supervisory Board in December 2015, these changes will only become effective if they are approved at the 2015 AGM scheduled to take place on 22 June 2016.

Contracts representing acceptance of these changes were signed by all Executive Directors in advance of 31 December 2015. The revised remuneration policy will be laid before the shareholders for ratification at the 2015 AGM (scheduled for 22 June 2016).

During 2015, the Supervisory Board engaged Towers Watson to perform a benchmarking review of Executive Compensation against other companies within the same or a similar industry. Base salaries and benefits have been amended in line with this benchmarking review performed on similar companies within the Company's industry and will now represent 50% of the overall remuneration package for all Executive Directors (based on 100% achievement of short-term and long term-incentive targets). Base salaries will be reviewed every two years. Separately, the Chairman's Committee has authorised an automatic 10% increase in base salary to all Executive Directors if 10% of the Director's base salary is invested in the Company's shares (see shareholding recommendations below).

From 1 January 2016, short-term incentives will represent 25% of the overall remuneration package for all Executive Directors (based on 100% achievement of short-term and long term-incentive targets). Target achievement will be measured based on pre-determined financial and non-financial targets. Assessment of target achievement will be reviewed on an annual basis (January or February of the following period) and equal weighting will be given to the targets noted above. Over-achievement of targets is permitted under the policy but any short term incentive will be capped at the total base salary level (if 200% STI target incentive is obtained).

Long-term incentives for the CFO and CTO for the period 2015 to 2017 will be computed under the remuneration policy existing at 31 December 2015. Thereafter, long-term incentives for all Executive Directors will be computed based on the revised policy as follows. Long-term incentives have been designed to represent 25% of the overall remuneration package for all Executive Directors (based on 100% achievement of short-term and long term-incentive targets). Target achievement will be measured based on pre-determined Earnings per Share ("EPS") and Total Shareholder Returns ("TSR") levels. Assessment of target achievement will be reviewed at the end of every three-year cycle (January or February of the following period) and equal weighting will be placed on the targets noted above. A monetary value will be computed based on average achievement of the pre-defined LTI targets over the three year performance period. This monetary value will be converted into an associated number of shares based on the average share price during a pre-determined period (generally a three month period immediately preceding the commencement of the three year performance period). The LTI payment made to each Executive Director following completion of the three year performance period will amount to the cash equivalent of the number of notional shares granted multiplied by an average share price during a separate pre-defined time period towards the end of the performance period. This method of remuneration allows each Executive Director to be fairly compensated based on the performance of the Group over the performance period. Over-achievement of targets is permitted under the policy and the quantum of LTI payment will be based on the performance of the Group as a whole over the three year period.

As part of the new remuneration policy, the mid-term incentive scheme for Executive Directors has been discontinued. Any benefits accruing to Executive Directors as part of their mid-term performance will be split between the revised STI and LTI schemes. MTI payments accruing to the date of termination of this incentive scheme are detailed in the detailed remuneration breakdown below. The amounts will be paid out in March 2016.

In addition to the remuneration earned, from 1 January 2016, the revised remuneration policy recommends Executive Directors to invest 10% of their gross salary in the Company's listed shares. This recommendation ensures that Executive Director's compensation is aligned with shareholder returns. While this requirement is not mandatory, all Executive Directors have committed to such an investment from 1 January 2016 onwards.

TRANSITION TO THE NEW REMUNERATION POLICY

As noted above, the MTI incentive policy has been discontinued as part of the new remuneration arrangements. Transition payments for 2016 and 2017 were authorised by the Chairman's Committee for both the CFO and CTO during 2015 to compensate them for the discontinuance of the scheme (CFO: £232,400 (£116,200 per annum) for 2016 and 2017; CTO: £180,526 (£90,263 per annum) for 2016 and 2017). Under the same arrangements, the CEO is entitled to transition payments of £456,500 (2016: £163,036; 2017: £163,036; 2018: £130,429). Payments will be made in January of the following year. The above amounts are based on 100% target achievement and could change based on outturn for each financial year in question. As payments will be made in GBP (or a combination of GBP and Euro in the case of the CEO), the Euro amounts have not been disclosed here but will be disclosed in future reports when the Euro/GBP exchange rate at the date of payment is known.

REMUNERATION POLICY TABLE

While there have been changes to the Executive Directors' remuneration policy (changes will take effect from 1 January 2016 subject to approval at the 2015 AGM scheduled for 22 June 2016), there have been no changes to the Company's view of the necessity to align pay to performance, business strategy and the overarching goal to create value for the Company's shareholders.

Base salary	Executive Directors
Purpose and link to strategy	Facilitate recruitment and retention of the best executive talent globally. Executives with the experience and expertise to deliver our strategic objectives at an appropriate level of cost.
Maximum opportunity	Base salary increases will not ordinarily exceed those for other UK-based ZEAL employees with comparable levels of individual performance and potential. In cases where an Executive Director's base salary lies materially below the appropriate market competitive level, and where such positioning is not sustainable in the view of the Supervisory Board, annual increases may exceed those for other employees described above. The rationale for any such increase will be described in the Annual Report on remuneration for the relevant year.
Operation	From 1 January 2016, base salary levels of Executive Directors will be reviewed every two years. A number of factors are considered including, but not limited to, market pay levels among international industry peers, and base salary increases for other ZEAL employees. Additionally, an increase of 10% of base salary will be automatically applied if the Executive Director purchases shares in the Company totalling at least 10% of base salary.
Performance measures	None

Retirement and other benefits	Executive Directors
Purpose and link to strategy	Provide market competitive benefits at an appropriate cost which help foster loyalty and retention. Relocation benefits and sign-on bonuses may also be provided based on business need, individual circumstances and location of employment.
Maximum opportunity	The Supervisory Board retains discretion to approve a higher cost in exceptional circumstances or where factors outside the Company's control have changed materially. In the case of relocation, additional benefits may be provided, including but not limited to, cost of relocation expenses, real estate fees, tax equalisation to home country and tax return filing assistance. The Supervisory Board has discretion to determine the value of such benefits and details of any such benefits provided will be disclosed in the Annual Report on remuneration covering the year in which they were provided.
Operation	Executive Directors are eligible to receive benefits in line with those for other UK employees, including, but not limited to, services to assist with preparation of tax returns where necessary due to the international nature of work completed.
Performance measures	None

Short-term, mid-term and long-term incentive plans	Executive Directors
Purpose and link to strategy	Motivate Executive Directors to achieve stretched financial and commercial objectives consistent with and supportive of the Company's growth plans. Create a tangible link between annual performance and individual pay opportunity.
Maximum opportunity	The Supervisory Board retains discretion to adjust the overall incentives to take account of performance over and above expectations. Awards of up to 200% can be granted (based on pre-defined criteria and ratification of successful completion by the Supervisory Board) in respect of any financial year. **Short-term incentive** In 2015, the Short-Term Incentive (STI) Bonus was limited in total to a maximum gross annual amount of €357k in the case of Dr. Helmut Becker, £365k (€506k) in the case of Jonas Mattsson (amount payable pro-rated for eleven months performance since date of appointment) and £156k (€216k) in the case of Susan Standiford (amount payable pro-rated for eight months performance since date of appointment). For periods commencing 1 January 2016, the annual STI bonus will be limited to a maximum equal to each Executive Director's annual base salary. **Mid-term incentive** In 2015, the Mid-Term Incentive (MTI) Bonus was limited in total to a maximum gross annual amount of €357k in the case of Dr. Helmut Becker, £198k (€274k) in the case of Jonas Mattsson (amount payable pro-rated for eleven months performance since date of appointment) and £156k (€216k) in the case of Susan Standiford (amount payable pro-rated for eight months performance since date of appointment). For periods commencing 1 January 2016, the MTI bonus will be discontinued. **Long-term incentive** In 2015, the Long-Term Incentive (LTI) Bonus was limited in total to a maximum gross annual amount of €277k in the case of Dr. Helmut Becker, £76k (€105k) in the case of Jonas Mattsson (amount payable pro-rated for eleven months performance since date of appointment) and £73k (€101k) in the case of Susan Standiford (amount payable pro-rated for eight months performance since date of appointment). For periods commencing 1 January 2016, the annual LTI bonus entitlement has been designed to be limited to a maximum equal to each Executive Director's annual base salary. Where the share price at vesting is greater than 100% of the base salary divided by the number of shares granted under the LTI scheme, the amount paid to each Executive could exceed 100% of base salary. As such, the LTI bonus pay-out at the end of each three year period has been designed to not exceed three times the Executive Director's base salary at date of grant apart from the circumstances described above. Further detail of the computation of LTIs is included in section "Changes to remuneration policy from 1 January 2016" above. **Supplementary bonus** In addition, a "supplementary bonus" may be paid if specific commercial goals are achieved. The payment of any such bonus is at the discretion of the Chairman's Committee and Supervisory Board. This supplementary bonus arrangement has been discontinued from 1 January 2016.
Operation	Awards in respect of performance up to 100% above target are paid in cash.
Performance measures	Performance metrics include: ▪ financial goals (which determine a significant portion of the bonus each year), ▪ commercial goals, and ▪ organisational goals. The annual bonus performance measures are chosen to provide an appropriate balance between incentivising Executive Directors to meet financial targets for the year and to deliver specific strategic, operational and individual goals. This balance allows the Chairman's Committee to effectively reward performance against key elements of our strategy. The precise bonus targets are set by the Supervisory Board each year in the case of the STI scheme to ensure that Executive Directors are appropriately focused on the key objectives for the next twelve months. For the MTI and LTI schemes, targets are set by the Supervisory Board for at least the following three years (note that from 1 January 2016, the MTI scheme will be discontinued). In doing so, the Supervisory Board takes into account a number of internal and external reference points, including the Company's business plan. For financial metrics, performance is set in line with the annual budget. Full details of performance measures and targets are disclosed in the Annual Report on remuneration following expiration of the relevant performance period, except where the Supervisory Board considers them to be commercially sensitive. In cases where details are commercially sensitive, the Supervisory Board will explain its rationale and commit to disclosure in the future where appropriate.

Termination arrangements	Executive Directors
Purpose and link to strategy	To limit the Company's liability for payments in cases of termination, and to provide a fair and equitable settlement where appropriate.
Maximum opportunity	The Company will provide twelve months' notice of termination or payment in lieu of notice. Payment in lieu of notice will be limited to the pro rata value of base salary and the other benefits described in the "Retirement and Other Benefits" sections above. In the event that the service contract of an Executive Director is terminated during a financial year, his/her entitlement to an annual bonus award in respect of that year will be limited as follows: In the case of the CEO and former CEO, the Company will make a payment in lieu to him/her in the amount of 90% of his/her gross compensation (salary and annual bonus calculated on the basis that the bonus targets STI/MTI/LTI have been 100% achieved), which the Company would have had to pay to her/him at the time of the expiry date, provided that the compensation payment is limited to a maximum amount of 90% of two years gross compensation. The amount of the compensation is due and payable by the termination date. In the case of the CFO and CTO, the Company will make a payment of the outstanding salary, accrued holiday or other bonus or commission payments accrued up to the date of termination of employment. From 1 January 2016, termination payments will be limited to base salary that would have been received during the twelve month notice period, any STI bonus that the Director would have received during or in respect of the notice period of twelve months, any transition payments that would have been payable during the notice period, any LTI bonuses that would have matured during the notice period, any LTI bonuses that would have been awarded but had not yet matured making the assumption that the targets thereunder would have been achieved 100%. In addition to the payments above, each Director is entitled to a further severance payment of two times his/her annual salary if a settlement agreement agreeable to the Company is entered into by both parties. Helmut Becker had the right to claim compensation limited to 90% of gross remuneration for 18 months in the event that another enterprise gained control over the Company and his membership of the Executive Board was revoked within one year. Effective 1 January 2016, change of control clauses have been removed from all Executive Directors' contracts.

	Supervisory Board (Chairman's Fee)
Purpose and link to strategy	The Chairman of the Supervisory Board has the appropriate balance of skills, experience, independence and knowledge of the Company to discharge his respective duties and responsibilities effectively.
Maximum opportunity	The Chairman of the Supervisory Board receives for every full financial year a fixed annual remuneration of €136.5k and for membership of one or several committees of the Supervisory Board, the Chairman of the Supervisory Board receives an additional annual remuneration up to €35k.
Operation	Fees are provided entirely in cash. The Supervisory Board remuneration is set in the Statutes of the Company and is subject to amendment by shareholder resolution.
Performance measures	None

	Supervisory Board
Purpose and link to strategy	The Supervisory Board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively.
Maximum opportunity	The Members of the Supervisory Board receive for every full financial year a fixed annual remuneration of €45.5k. The remuneration is multiplied by 2 in respect of the deputy chairman of the Supervisory Board. For their membership of one or several committees of the Supervisory Board, Members of the Supervisory Board receive an additional annual remuneration of €17.5k. The remuneration is multiplied by 2 in respect of a chairman of a committee.
Operation	Fees are provided entirely in cash. The Supervisory Board remuneration is set in the Statutes of the Company and is subject to amendment by shareholder resolution.
Performance measures	None

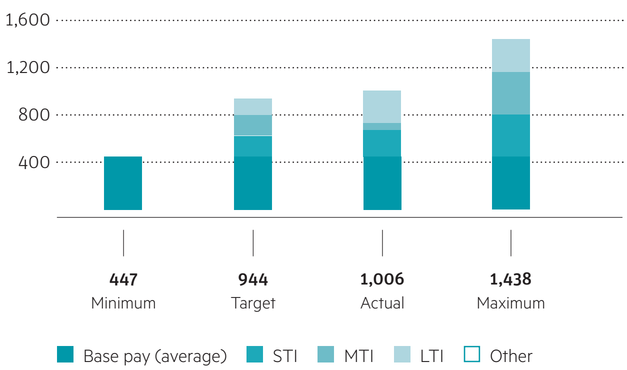
INDICATIVE REMUNERATION LEVELS RESULTING FROM POLICY

The graphs below represent the pay mix between the different elements of remuneration for the CEO, CFO and CTO[1], assuming minimum, target, actual and maximum performance. The scenarios shown below are based on the following assumptions:

- minimum performance fixed pay only (base salary),
- target performance: fixed pay and annual bonus of half maximum opportunity (100%), and
- maximum performance: fixed pay, maximum annual bonus of 200%. Note that this scenario assumes maximum performance is achieved under both the annual bonus and the long-term incentive plans.

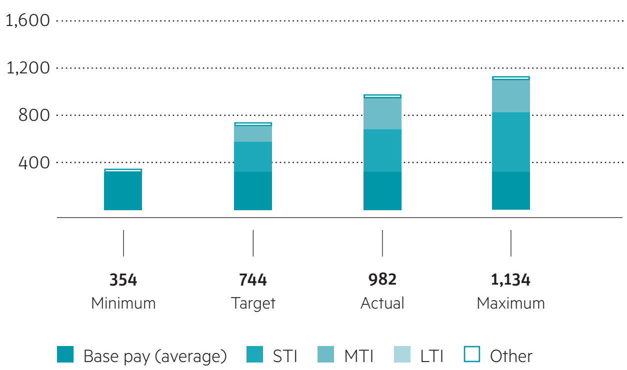
DR. HELMUT BECKER

in €k



JONAS MATTSSON

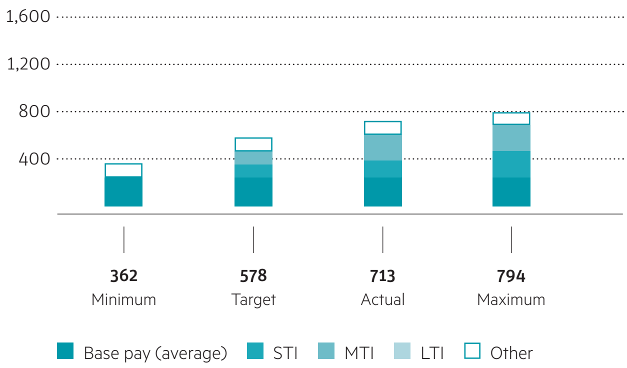
in €k



[1] *Dr. Hans Cornehl resigned during the year and a separate graph of his remuneration has not been separately disclosed. As noted in the Executive Directors' Emoluments section below, Dr. Cornehl's STI, MTI and LTI incentives vested at the date of his resignation and he was paid €200k, €200k and €900k respectively. The incentives paid represented target achievements of 100%, 100% and 200% for STI, MTI and LTI incentives respectively.*

SUSAN STANDIFORD

in €k

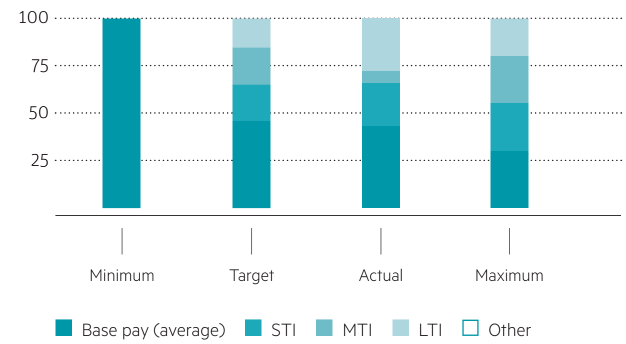


Percentage of total remuneration

The percentage of total remuneration by each compensation line based on minimum, target, actual and maximum performance (as described above) is included below.

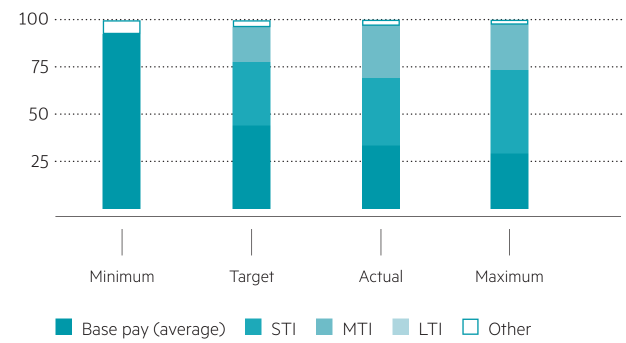
DR. HELMUT BECKER

in %



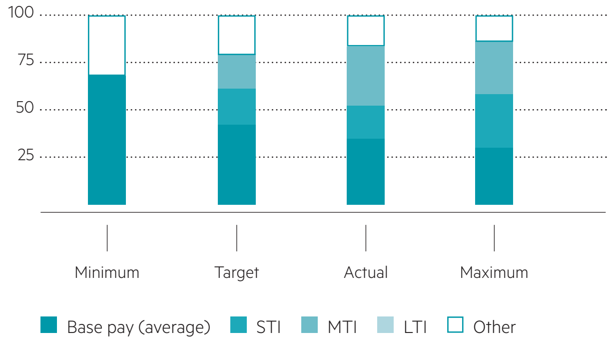
JONAS MATTSSON

in %



SUSAN STANDIFORD

in %



The scenarios above assume fixed values for base pay, retirement and other benefits. Variable pay elements are based on current bonus opportunities. Assumptions for each scenario are included in the table below.

Dr. Helmut Becker	Base Pay	Other payments (non-recurring)	Short-term incentives	Mid-term incentives	Long-term incentives	**Total**
in €k						
Minimum	447	–	–	–	–	**447**
Target	447	–	179	179	139	**944**
Actual	447	–	223	64	272	**1,006**
Maximum	447	–	357	357	277	**1,438**

Jonas Mattsson	Base Pay	Other payments (non-recurring)	Short-term incentives	Mid-term incentives	Long-term incentives	**Total**
in €k						
Minimum	326	28	–	–	–	**354**
Target	326	28	253	137	–	**744**
Actual	326	28	354	274	–	**982**
Maximum	326	28	506	274	–	**1,134**

Susan Standiford	Base Pay	Other payments (non-recurring)	Short-term incentives	Mid-term incentives	Long-term incentives	**Total**
in €k						
Minimum	247	115	–	–	–	**362**
Target	247	115	108	108	–	**578**
Actual	247	115	135	216	–	**713**
Maximum	247	115	216	216	–	**794**

RECRUITMENT OF DIRECTORS

ZEAL Network SE is an international company and competes for executive talent on a global basis. In order to recruit and retain Directors of the calibre needed to execute the Company's growth objectives it is necessary to provide remuneration and benefits consistent with that provided by other internet-based companies. The following principles apply to the external recruitment of Directors and the appointment of internal candidates who may be promoted to the Executive Board or Supervisory Board:

- As far as possible, the remuneration of new Directors will be set in accordance with the existing Directors' remuneration principles described in the table above.
- The Supervisory Board will seek to pay no more than is necessary while ensuring that it can attract the best candidates.
- The remuneration package provided will take account of a range of factors including but not limited to the calibre of a candidate, the level of existing remuneration, the jurisdiction the candidate is recruited from, and the individual's skills and experience.
- The remuneration package will take account of comparable internal remuneration and appropriate international market comparisons.
- The Supervisory Board has the discretion to determine the fixed elements of a remuneration package (comprising base salary, retirement and other benefits) as it deems necessary in the interests of the shareholders. Exercise of such discretion may be necessary for example in the event of a new appointment to the Executive Board following an acquisition or where commitments have been made as part of a transaction. The Supervisory Board will in all cases be guided by reasonable market practice and will take appropriate advice where necessary.

SERVICE CONTRACTS

Service contracts govern the Company's relationship with the Executive Directors. Supervisory Board Members are appointed by shareholder resolution and their compensation is set by the Statutes.

All Executive Directors' service contracts (effective throughout 2015 and effective from 1 January 2016) are available for inspection at the Company's registered office during normal hours of business, and at the place of the Company's 2015 Annual General Meeting.

EXECUTIVE BOARD

As at 31 December 2015, only Dr. Becker's service contract contained special termination rights in the case of a change of control of ZEAL Network SE. Within a period of twelve months after a change of control, Dr. Becker could have terminated his service agreement with a notice period of three months. Dr. Becker's new service contract, which takes effect from 1 January 2016, includes no such termination right provision.

In addition, as noted in the 2014 Directors' Remuneration Report, the service contract of Dr. Hans Cornehl expired on 31 December 2015. The previous service contract of Dr. Helmut Becker would have expired on 31 May 2016. His revised contract, effective 1 January 2016, together with those contracts of Jonas Mattsson and Susan Standiford have indefinite terms.

01 02 03 04

SUPERVISORY BOARD

Details of the service contracts held between the Company and the Supervisory Board, including date of commencement, date of expiry and the term of each contract are detailed below:

Supervisory Board	Commencement of service	Expiry of service	Contract term
Andreas de Maizière	28 June 2013	22 June 2016	3 years
Peter Steiner	28 June 2013	22 June 2016	3 years
Oliver Jaster	28 June 2013	22 June 2016	3 years
Thorsten Hehl	28 June 2013	22 June 2016	3 years
Bernd Schiphorst	28 June 2013	22 June 2016	3 years
Jens Schumann	28 June 2013	22 June 2016	3 years

REMUNERATION OF SUPERVISORY BOARD MEMBERS

In addition to the reimbursement of their expenses, the Members of the Supervisory Board receive a fixed annual remuneration of €45.5k for every full financial year served in that capacity (€136.5k for the chairman and €91k for the deputy chairman).

For every membership of a committee of the Supervisory Board, Members of the Supervisory Board shall receive an additional annual remuneration of €17.5k (or €35k for the chairman).

This represents the end of the report on the Company's remuneration policy.

AUDITED INFORMATION

EXECUTIVE DIRECTORS' EMOLUMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

The following table sets out the total remuneration for Executive Directors for the year ended 31 December 2015:

Executive Directors	Year	Total salary (a)	Other payments – non-recurring	LTI award (b)	MTI award (c)	STI award (d)	Additional bonus (e)	Total
in €k								
Dr. Helmut Becker	2015	447 [1]	–	272	64	223	–	**1,006**
Dr. Helmut Becker [1]	2014	350	–	–	29	138	–	**517**
Jonas Mattsson	2015	326	28 [2]	–	274	354	–	**982**
Jonas Mattsson	2014	–	–	–	–	–	–	**–**
Susan Standiford	2015	247	115 [3]	–	216	135	–	**713**
Susan Standiford	2014	–	–	–	–	–	–	**–**
Dr. Hans Cornehl [4]	2015	267	166 [5]	900	200	200	–	**1,733**
Dr. Hans Cornehl	2014	400	–	0	38	160	200	**798**

[1] Dr. Becker's base salary was €350k between 1 January 2015 until 31 August 2015 and €550k between 1 September 2015 and 31 December 2015 (on his ascension to role of CEO).
[2] Mr Mattsson's other payments relate to relocation costs and a sign-on bonus.
[3] Ms Standiford's other payments relate to relocation costs and a sign-on bonus.
[4] Dr. Cornehl resigned from the Company during 2015. His departure date was 31 August 2015.
[5] Dr. Cornehl's other payments relate to statutory redundancy pay together with payment of his pre-existing gross salary (€400k) between the date of his departure (31 August 2015) and 31 December 2015.

METHODOLOGY

There have been no changes in the constituent components of Directors' remuneration compared to 2014. From 1 January 2016, changes outlined in the remuneration policy above will be effective.

(a) Total salary – this represents the base salary for the relevant financial year (basic gross fixed remuneration). No sums were paid to third parties in respect of any Executive Board Member's services.

(b) Long-term incentives – this figure represents the value of long-term incentive plans with a performance period ending in the relevant year. LTI plans cover a three year cycle. The LTI is based on the following figures: If the stock has reached a final price of €47.50 (the "Target Price") on the calculation date, the eligible Executive Board Members are entitled to a gross pay-out based on the number of full years of service (1 January – 31 December). The amount payable to the Executive fluctuates based on the following criteria:

- If the stock has a value of less than or equal to €39.00 (the "Floor") on the calculation date, the Executive is not entitled to an LTI Bonus.
- If the stock has a value greater than or equal to €53.20 on the calculation date (the "Ceiling"), the Executive is entitled to the maximum pay-out amount agreed at the time the measure were originally set (the "Cap").
- If the price falls between the minimum and maximum levels agreed at the start of the cycle, the pay-out will be determined using a linear interpolation between the above mentioned final stock prices (€39.00 to €53.20).

(c) Mid-term incentives – this figure represents the value of mid-term incentive plans with a performance period ending in the relevant year. The MTI plan will be discontinued for periods commencing 1 January 2016 and thereafter. For the CEO and former CEO, the value of the MTI Bonus is calculated based on a retrospective, three year assessment of revenue and EBIT growth targets agreed by the Supervisory Board. MTI Bonus Component 1 relates to achievement of revenue targets and MTI Bonus Component 2 is based on achievement of EBIT (Earnings before Interest and Tax) targets.

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The value of MTI Bonus Component 1 is based on "normalised" revenue generated in the preceding three financial years. Target achievement is based on the following thresholds. The minimum value for the MTI Bonus Component 1 is 50%. Any targets reached between 50% and 200% are pro-rated.

MTI Table 1	2013	2014	**2015**
Sales in €m			
Thresholds			
200%	145	150	**165**
100%	140	145	**150**
50%	135	140	**140**

The value of MTI Bonus Component 2 is based on EBIT generated in the preceding three financial years. Target achievement is based on the following thresholds. The minimum value for the MTI Bonus Component 1 is 50%. Any targets reached between 50% and 200% are pro-rated.

MTI Table 2	2013	2014	**2015**
EBIT in €m			
Thresholds			
200%	40	40	**40**
100%	30	30	**30**
0%	20	20	**20**

For the CFO and CTO, targets for 2015 (date of appointment until the termination of the MTI plan on 31 December 2015) are detailed below:

MTI Table 1	**2015**
Sales in €m	
Thresholds	
200%	**145**
100%	**138**
0%	**130**

MTI Table2	**2015**
EBIT in €m	
Thresholds	
200%	**49**
100%	**44**
0%	**38**

(d) Short-term incentives – this figure represents the value of short-term incentive plans with a performance period ending in the relevant year. The Executive Board Members are entitled to an annual performance related bonus, the amount of which is based on achieving short-term financial and non-financial targets. The financial targets are economically focused objectives such as quantum of sales generated, profit generated by a newly acquired company or securing financing for the Company. The non-financial targets are strategically focused objectives such as implementation of an appropriate organisational setup to reflect the corporate strategy or implementation of growth initiatives. The Supervisory Board is responsible for assessing achievement of targets at the end of each financial year and computation of STI payable to the Executive.

(e) Supplementary bonus – this reflects a bonus awarded for an outstanding individual performance on a discrete task or project.

PAYMENTS TO PAST DIRECTORS AND PAYMENTS FOR LOSS OF OFFICE

There were no termination payments or payments for loss of office during the year. Shortly after ceasing to be a director and employee of the Company (resignation date of 31 August 2015), Dr. Hans Cornehl received payments representing his gross salary from 1 September 2015 to 31 December and redundancy payments totalling €166k.

None of the payments above constitute termination payments or payments for loss of office. They do however constitute payments to past directors as payments were made following Dr. Cornehl's departure. All other payments set out in the Directors' Emoluments table above were paid to Dr. Cornehl in advance of 31 August 2015.

NON-EXECUTIVE DIRECTORS' EMOLUMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

The following table sets out the total remuneration for non-executive directors (members of the Supervisory Board) for the year ended 31 December 2015:

Supervisory Board	Year	Total fees	Other remuneration	**Total**
in €k				
Andreas de Maizière	2015	172	19	**191**
Andreas de Maizière	2014	172	10	**182**
Peter Steiner	2015	126	13	**139**
Peter Steiner	2014	126	13	**139**
Oliver Jaster	2015	63	3	**66**
Oliver Jaster	2014	63	2	**65**
Thorsten Hehl	2015	63	5	**68**
Thorsten Hehl	2014	63	1	**64**
Bernd Schiphorst	2015	46	1	**47**
Bernd Schiphorst	2014	46	3	**49**
Jens Schumann	2015	63	4	**67**
Jens Schumann	2014	63	8	**71**

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BASE PAY AND NON-EXECUTIVE DIRECTORS' FEES

Expected base pay of the Executive Directors and fees of the Non-Executive Directors (Members of the Supervisory Board) for the year ended 31 December 2015 and the year ending 31 December 2016 (annualised for ease of comparison) are as follows:

	Executive Board/ Supervisory Board	2016 base salary/ fees (expected)	2015 base salary/ fees (annualised)
in €k			
Dr. Helmut Becker (CEO)	Executive Board	550	550
Jonas Mattsson (CFO)	Executive Board	436	391
Susan Standiford (CTO)	Executive Board	413	397
Andreas de Maizière	Supervisory Board	172	172
Peter Steiner	Supervisory Board	126	126
Oliver Jaster	Supervisory Board	63	63
Thorsten Hehl	Supervisory Board	63	63
Bernd Schiphorst	Supervisory Board	46	46
Jens Schumann	Supervisory Board	63	63

DIRECTORS' INTERESTS IN SHARES

Details of the Directors' share interests as at 31 December 2015, or at date of cessation of Directorship, are as follows:

Beneficially owned		2014	Changes	**2015**
Shares				
Dr. Hans Cornehl	Former CEO and Executive Board Member	70,902[1]	–	**70,902[2]**
Dr. Helmut Becker	CEO	–	1,392	**1,392**
Oliver Jaster indirect	Member of the Supervisory Board	1,695,842	–	**1,695,842**
Jens Schumann	Member of the Supervisory Board	350,000	–	**350,000**

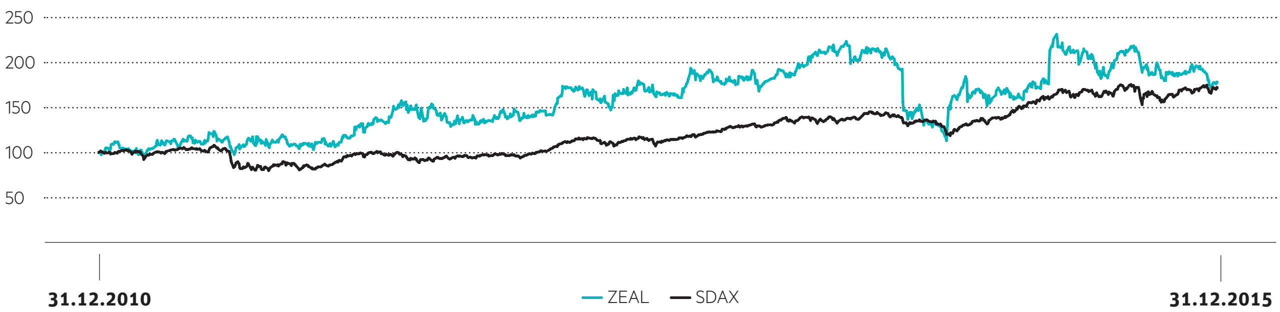
[1] Shares owned by Dr. Hans Cornehl (57,389) and his spouse (13,513)
[2] Dr. Cornehl and his spouse's shareholding at date of cessation of employment (31 August 2015).

This represents the end of the audited section of the report.

HISTORICAL TSR PERFORMANCE AND CEO REMUNERATION OUTCOMES

As the Company's shares are listed in the German SDAX index, the SDAX provides an appropriate indication of market movements against which to benchmark the Company's performance. The chart below summarises the Company's total shareholder return ("TSR") performance against the SDAX index over the five-year period to 31 December 2015.

5-YEAR TSR PERFORMANCE



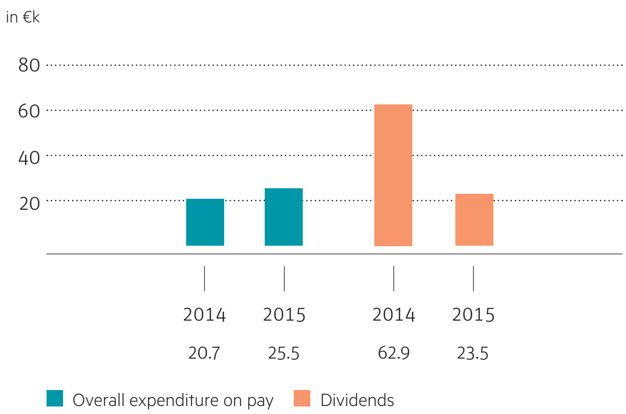
We also present in the table below the annual change in the single figure total remuneration provided to the Company's CEO over the same period.

	2011	2012	2013	2014	**2015**
in €k	Dr. Cornehl	Dr. Cornehl	Dr. Cornehl	Dr. Cornehl	Dr. Becker
Total remuneration	1,016	993	919	798	**1,006**
Short-term incentives (% of maximum)	65.6%	64.8%	65.5%	40.0%	**63%**
Mid-term incentives (% of maximum)	N/A	N/A	25.3%	9.6%	**18%**
Long-term incentives (% of maximum)	N/A	N/A	N/A	N/A	**98%**

RELATIVE IMPORTANCE OF THE SPEND ON PAY

The chart below illustrates the current-year and prior-year overall expenditure on pay and dividends paid. The figures presented have been calculated on the following bases:

- Overall expenditure on pay – represents total staff costs.
- Dividends – dividends paid (or declared to be paid) in respect of the year.



PERCENTAGE CHANGE IN REMUNERATION OF THE CHIEF EXECUTIVE OFFICER

The following table shows the percentage change in remuneration comprising basic salary, benefits and bonus between the financial year ended 31 December 2014 and the financial year ended 31 December 2015 for the CEO compared to the average of all UK ZEAL Group employees. Given the global nature of ZEAL's operations, and the diverse pay markets in which our employees operate, the UK employees were deemed to provide the most appropriate comparator to the Chief Executive.

	% change in base salary 2015/2014 [1]	% change in annual bonus 2015/2014
CEO	0	25
All colleagues	3.7	3.7

[1] *The comparator figures used are from Dr. Hans Cornehl's remuneration before he resigned from the Company. This is the most appropriate comparator since Dr. Helmut Becker only started the role of CEO in September 2015. There has been no development in his remuneration as CEO since that date and therefore comparative information is not available.*

Andreas de Maizière
Chairman of the Supervisory Board and
Chairman of the Chairman's Committee

DIRECTORS' REPORT

The Directors of ZEAL Network SE present their Annual Report and audited financial statements for the year ended 31 December 2015. These financial statements have been prepared under IFRS (as adopted by the EU) and are available on the Company's website: www.zeal-network.co.uk.

GENERAL COMPANY INFORMATION

The Company was incorporated in Germany in 1999 and transferred its registration to the United Kingdom in February 2014. The Company is a European public limited-liability company (a "Societas Europaea" or "SE") and is registered in England and Wales under the company number SE000078. Until November 2014, the Company operated under the name Tipp24 SE.

The Company is listed on the Frankfurt (FSE: TIM.DE) Stock Exchange (Regulated Market, Prime Standard, ISIN GB00BHD66J44) and is a member of the German SDAX index. Further information on the principal activities of the business and the factors affecting future developments are detailed in the Group's Strategic Report set out on pages pages 1 to 29.

BRANCHES OUTSIDE THE UK

The Company does not have any branches registered overseas.

FUTURE DEVELOPMENTS

The Company's objective is to create a better world of lottery. A world that our customers, business partners and employees deserve. The key aspects of the Group's strategy are set out in the Strategic Report on pages 1 to 29.

DIVIDENDS

During 2015, dividends of €2.80 per share were paid on a quarterly basis (€0.70 per share at the end of each quarter).

For proceeding periods, the Executive Board has proposed, and the Supervisory Board has approved, a dividend policy under which the Company will pay dividends on a quarterly basis which are expected to amount to a total of at least €2.80 per share in 2016 and thereafter.

An announcement of the amount of each dividend, and the record date for entitlement to the dividend, will be made in advance of payment of the dividend. The record date for the first quarterly dividend of 2016 (amounting to €0.70 per share) will be 30 March 2016 and the payment and ex-dividend date will be 31 March 2016.

RESEARCH AND DEVELOPMENT

The Company engaged in research and development activity during 2015 with a view to expanding its existing product offering. None of the costs incurred met the definition of development costs under IAS 38 "Intangible assets". Consequently, none of these costs were capitalised.

POLITICAL DONATIONS AND POLITICAL EXPENDITURE

No political donations or political expenditure was incurred during 2015.

POST BALANCE SHEET EVENTS

In March 2016, the Group acquired the remaining issued share capital of GGGL that was not owned by ZEAL Group at 31 December 2015. This transaction allowed ZEAL Group to take full control of GGGL and its joint venture, Geo24. The acquisition was effected through the following transactions:

- ZEAL Group exercised 37,738 warrants in January 2016 and was granted 37,738 new ordinary shares in exchange for £377.
- The remaining shares that were in issue but not owned or beneficially owned by ZEAL Group (301,378 ordinary shares) were purchased from the non-ZEAL shareholders in March 2016 for consideration of £0.8m (representing a value of £2.70 per share). The excess of the purchase consideration over the fair value of assets acquired will be written off in the period when the acquisition completes.
- By taking control of GGGL, ZEAL Group automatically gained control over all shares issued by Geo24

DIRECTORS

The Directors that served during the year and were in office at 31 December 2015, together with their biographies, are listed on pages 32 to 33 of this report.

POWERS OF DIRECTORS

The Executive Board is authorised, subject to the approval of the Supervisory Board, to allot ordinary shares. It is also duly authorised to grant rights to subscribe for, or to convert any security into, ordinary shares ("Subscription or Conversion Rights") up to an aggregate nominal amount of €1,197,017. This authority will expire on 28 June 2016 unless the Company enters into offers or agreements before this date which would require ordinary shares to be allotted or Subscription or Conversion Rights to be granted after the expiry date. In this case, the Directors are unconditionally authorised to allot, subscribe or convert shares in accordance with the terms of any such agreement entered into.

DIRECTORS' REMUNERATION AND INTERESTS

Directors' remuneration and interests are detailed in the Directors' Remuneration Report on pages 38 to 55 of this report. Material interests in any contract of significance with any Group company during the year ended 31 December 2015 are set out in note 27 to the consolidated financial statements.

DIRECTORS' THIRD-PARTY INDEMNITY PROVISIONS

Each of the Members of the Executive Board and Supervisory Board and majority of the Directors of the subsidiary companies have been provided with a qualifying third-party indemnity from the Company. The Company maintains Directors' and officers' liability insurance.

ELECTION AND RE-ELECTION OF DIRECTORS

In accordance with the Corporate Governance Principles, all Members of the Supervisory Board will be re-elected at regular intervals, subject to continued satisfactory performance.

EMPLOYMENT, ENVIRONMENTAL AND SOCIAL POLICIES

The Group's employment, environmental and social policies are set out on pages 26 to 29.

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FINANCIAL INSTRUMENTS

The Group's financial risk management policies, and exposures to risk – especially credit risk, liquidity risk and cash flow risk – can be found in note 29 of this report.

PURCHASE OF OWN SHARES

ZEAL is currently not authorised to acquire its own shares.

MAJOR SHAREHOLDINGS

Details of major shareholdings are provided on page 30 of this Annual Report.

SHARE CAPITAL

Details of the movements in the authorised and issued share capital are set out in note 21 to the consolidated financial statements. The rights and obligations attaching to the Company's ordinary registered shares of the Company are set out in the Company's Statutes.

VOTING RIGHTS AND RESTRICTIONS ON THE TRANSFER OF SHARES

There are no ordinary registered shares that carry special rights in relation to the control of the Company. A shareholder register (electronic register of CI Holders) is established and maintained by the Company.

CORPORATE SOCIAL RESPONSIBILITY

ZEAL is a socially responsible company committed to its stakeholders. We adopt a holistic approach to our decision-making process, ensuring that we give due consideration to the social and ecological impact of our business. Further details on our CSR activities are set out on pages 26 to 29.

GOING CONCERN

The Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that ZEAL has adequate resources to continue for the foreseeable future. The Group holds €94.8m in cash at the year end (2014: €92.6m). 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 financial statements.

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CORPORATE GOVERNANCE

The Company's Corporate Governance Report is set out on pages 34 to 36 of this report.

PRINCIPAL RISKS AND UNCERTAINTIES

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The Company is exposed to a number of risks and uncertainties that could affect the performance of the Company and its prospects. The Executive Board and specifically the Supervisory Board's Audit Committee are responsible for the Company's process of internal control and risk management and for reviewing its continuing effectiveness. They ensure, to the greatest extent possible, that the system of internal procedures and controls is appropriate to the nature and scale of the Company's activities and that appropriate processes and controls are in place to effectively manage and mitigate strategic, operational, financial and other risks facing the Company. A detailed list of risks and their management are set out on pages 20 to 25 of this report.

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TAKEOVERS DIRECTIVE

As at 31 December 2015, the Company's issued share capital comprised a single class of share referred to as ordinary shares. Details of the share capital can be found in note 21 to the consolidated financial statements. On a show of hands at a General Meeting of the Company, every holder of shares present in person and entitled to vote shall have one vote, and on a poll every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. The notice of the General Meeting specifies deadlines for exercising voting rights either by proxy notice or by presence in person or by proxy in relation to resolutions to be passed at a General Meeting. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced at the Annual General Meeting and published on the Company's website after the meeting. There are no securities carrying special rights, nor are there any restrictions on voting rights attached to the ordinary shares. There are no restrictions on the transfer of shares in the Company other than:

- certain restrictions may be imposed from time to time by laws and regulations (for example, insider trading laws), and
- employees of the Company are not allowed to trade in shares or exercise options in certain quiet periods (such close periods normally start from the end of each quarter to the beginning of the second day of trading following publication of the results for the respective reporting quarter/year).

Details of changes in share capital can be found in note 21 to the consolidated financial statements. The Company did not purchase its own shares during 2015. Furthermore, the Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and for voting rights. In the case of a change in control of the Company, only the contract of Dr. Helmut Becker has a change of control clause.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occur because of a takeover bid. The agreement between the Company and its Directors for compensation for loss of office are given in the Directors' Remuneration Report on pages 38 to 55 of this report. The Statutes may only be amended by a special resolution at a General Meeting of shareholders.

ANNUAL GENERAL MEETING

The notice convening the Annual General Meeting will be published separately and posted on the Company's website. The meeting is planned to be held in London on 22 June 2016 at 9.00 am.

AUDITOR

In accordance with Section 384 of the Companies Act 2006, a resolution for the reappointment of Ernst & Young LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

AUDITOR AND DISCLOSURE OF INFORMATION TO THE AUDITOR

Each of the Directors in office as of the date of approval of this report confirms that, so far as he or she is aware, there is no relevant audit information (being information needed by the auditor in connection with preparing its report) of which the auditor is unaware and that he or she has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the auditor is aware of that information.

The Annual Report was approved by the Executive Board and Supervisory Board and authorised for issue on 29 March 2016 and signed on behalf of the Executive Board and the Supervisory Board:

By order of the Executive Board and the Supervisory Board

Dr. Helmut Becker
Chief Executive Officer
29 March 2016
ZEAL Network SE
5th Floor – One New Change, London EC4M 9AF, United Kingdom
Registered number SE000078

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with the applicable law and regulations. Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law the Directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the parent company and of the profit or loss of the Group for that period.

In preparing the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group and parent company financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Having taken advice from the Audit Committee, the Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the performance, business model and strategy of the Group and the parent company.

DIRECTORS' STATEMENT PURSUANT TO THE DISCLOSURE AND TRANSPARENCY RULES

The Directors confirm, to the best of their knowledge and belief, that:

- the financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties associated with the expected development of the Company and the Group.

The Directors are responsible for the maintenance and integrity of the Group's website www.zeal-network.co.uk. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Executive Board and the Supervisory Board

Dr. Helmut Becker
Chief Executive Officer
29 March 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZEAL NETWORK SE

We have audited the financial statements of ZEAL Network SE (the "Company") for the year ended 31 December 2015 which comprise the Consolidated and Company Statements of financial position, the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Company statement of cash flows and the Consolidated and Company statements of changes in equity, the related notes to Consolidated financial statements, 1 to 30 and the related notes to the Company financial statements, A to G. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities set out on page 59, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2015 and of the Group's profit for the year then ended; and
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance statement set out on pages 37 and 38 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance statement has not been prepared by the Company.

Cameron Cartmell
(Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
London
29 March 2016

Notes:
1. The maintenance and integrity of the Zeal Network SE website is the responsibility of the directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2015

in €k	Note	**2015**	2014
Revenue	3	88,962	140,702
Other operating income	4	52,024	4,949
Total operating performance		**140,986**	**145,651**
Personnel expenses		(25,434)	(20,701)
Amortisation/depreciation on intangible assets and property, plant and equipment		(7,153)	(7,673)
Exchange rate differences		1,433	1,032
Other operating expenses	5	(66,878)	(99,153)
Marketing expenses		(9,958)	(10,729)
Direct costs of operations		(31,362)	(53,906)
Other costs of operations		(25,558)	(34,518)
Loss on liquidation of subsidiary	6	(95)	–
Result from operating activities (EBIT)		**42,859**	**19,156**
Finance income	7	258	172
Finance costs	7	(1,120)	(209)
Share of loss of associated companies	12	(14,965)	(2,573)
Share of loss of joint ventures	13	(7,428)	(4,069)
Financial result		**(23,255)**	**(6,679)**
Profit before income tax		**19,604**	**12,477**
Income tax expense	8	(18,258)	(7,160)
Profit for the year[1]		**1,346**	**5,317**
Earnings per share for profit attributable to ordinary equity holders of the Company		Cents	Cents
Basic and diluted earnings per share (in €/share)	21	16	63

[1] *The consolidated profit is attributable to the owners of ZEAL Network SE.*

The above consolidated income statement should be read in conjunction with the accompanying notes 1 to 30.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2015

	2015	2014
in €k		
Profit for the year	**1,346**	**5,317**
Other comprehensive income		
Items that may be reclassified to profit or loss		
Changes in the fair value of available-for-sale financial assets	48	(412)
Income tax relating to these items	–	(103)
Other comprehensive income/(loss) for the year, net of tax	**48**	**(515)**
Total comprehensive income for the year	**1,394**	**4,802**

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes 1 to 30.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

ASSETS in €k	Note	**2015**	2014
Non-current assets			
Property, plant and equipment	9	2,224	2,942
Intangible assets	10	1,945	7,614
Deferred tax assets	11	781	1,140
Investments in associated companies	12	–	14,965
Investments in joint ventures	13	–	7,428
Long-term loans	14	3,075	–
Other assets and prepaid expenses		173	20
Total non-current assets		**8,198**	**34,109**
Current assets			
Trade and other receivables	15	10,005	1,810
Income tax receivables		2,269	710
Other current assets and prepaid expenses	16	12,222	10,637
Financial assets	17	12,883	15,555
Cash and pledged cash	17	94,777	92,585
Total current assets		**132,156**	**121,297**
TOTAL ASSETS		**140,354**	**155,406**

EQUITY & LIABILITIES in €k	Note	2015	2014
Non-current liabilities			
Other liabilities	18	1,474	682
Total non-current liabilites		**1,474**	**682**
Current liabilities			
Trade payables		5,013	7,505
Other liabilities	18	22,978	21,406
Financial liabilities		113	109
Deferred income	19	3,977	2,895
Income tax liabilities		10,576	4,862
Provisions	20	1,054	694
Total current liabilities		**43,711**	**37,471**
Equity			
Subscribed capital	21	8,385	8,385
Share premium	21	21,578	21,578
Other reserves	21	(558)	(606)
Retained earnings	21	65,764	87,896
Total equity		**95,169**	**117,253**
TOTAL EQUITY & LIABILITIES		**140,354**	**155,406**

The above consolidated balance sheet should be read in conjunction with the accompanying notes 1 to 30. These financial statements were approved by the Board of Directors on 29 March 2016 and were signed on its behalf by:

Dr. Helmut Becker
Member of Executive Board

Jonas Mattsson
Member of Executive Board

Susan Standiford
Member of Executive Board

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2015

	2015	2014
in €k		
Profit from continuing operations before tax	19,604	12,477
Adjustments for		
Depreciation and amortisation of non-current assets	7,153	7,673
Net loss on sale of non-current assets	137	–
Finance income	(258)	(172)
Finance costs	1,120	209
Share of result of associated companies	14,965	2,573
Share of result of joint ventures	7,428	4,069
Loss on liquidation of subsidiary	95	–
Other non-cash changes	262	(202)
Changes in		
Trade and other receivables	(8,195)	412
Other assets and prepaid expenses	(1,738)	415
Trade payables and other liabilities	(920)	1,128
Financial assets	–	4,511
Financial liabilities	4	–
Deferred income	1,082	(888)
Short-term provisions	360	(846)
Other non-current liabilities	792	–
Interest received	258	172
Interest paid	(1,120)	(209)
Income taxes paid	(13,744)	(7,484)
Cash flow from operating activities	**27,285**	**23,838**

	2015	2014
in €k		
Cash flow from investing activities		
Contributions to associated companies	–	(6,424)
Payments for acquisition of intangible assets	(331)	(1,008)
Payments for acquisition of property, plant and equipment	(650)	(2,195)
Payments on liquidation of subsidiary	(231)	–
Long-term loan advanced to other companies	(3,075)	–
Acquisition of subsidiary, net of cash acquired	–	689
Net cash outflow from investing activities	**(4,287)**	**(8,938)**
Cash flow from financing activities		
Dividends paid to the Company's shareholders	(23,478)	(62,888)
Net cash outflow from financing activities	**(23,478)**	**(62,888)**
Net decrease in cash, pledged cash and short-term financial assets	(480)	(47,988)
Cash, pledged cash and short-term financial assets at the beginning of the year	108,140	156,128
Cash, pledged cash and short-term financial assets at the end of the financial year	**107,660**	**108,140**
Composition of cash, pledged cash and short-term financial assets at the end of the year		
Cash and pledged cash	94,777	92,585
Short-term financial assets	12,883	15,555

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes 1 to 30.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2015

in €k	Subscribed capital	Share premium	Other reserves	Retained earnings	**Total equity**
Balance at 1 January 2014	**8,385**	**22,741**	**(209)**	**144,639**	**175,556**
Profit for the year	–	–	–	5,317	5,317
Other comprehensive income	–	(1,163)	(397)	828	(732)
Total comprehensive income for the year	**–**	**(1,163)**	**(397)**	**6,145**	**4,585**
Transactions with owners in their capacity as owners					
Dividends paid	–	–	–	(62,888)	(62,888)
As at 31 December 2014	**8,385**	**21,578**	**(606)**	**87,896**	**117,253**
As at 1 January 2015	**8,385**	**21,578**	**(606)**	**87,896**	**117,253**
Profit for the year	–	–	–	1,346	1,346
Other comprehensive income	–	–	48	–	48
Total comprehensive income for the year	**–**	**–**	**48**	**1,346**	**1,394**
Transactions with owners in their capacity as owners					
Dividends paid	–	–	–	(23,478)	(23,478)
As at 31 December 2015	**8,385**	**21,578**	**(558)**	**65,764**	**95,169**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes 1 to 30.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

ZEAL Network SE ("the Company" or "ZEAL Network") (formerly Tipp24 SE) was founded in Germany in 1999. It subsequently 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 GB00BHD66J/WKN TIPP024.

The consolidated financial statements of ZEAL Network SE (collectively "ZEAL Group" or "the Group") for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Executive Board and subsequently forwarded to the Supervisory Board for examination and adoption on 29 March 2016.

The date of the statement of financial position is 31 December 2015. The financial year ended 31 December 2015 covers the period from 1 January 2015 to 31 December 2015.

2 ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of ZEAL Group's consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

The consolidated financial statements of ZEAL Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation to fair value of the available for sale financial assets as described in the accounting policies below.

The financial statements are prepared on a going concern basis. The Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that ZEAL Group has adequate resources to continue in operation for the foreseeable future. This assessment is based on the fact that the Group holds approximately €95m in cash and approximately €13m in short-term financial assets at the year-end (2014: €93m and €16m in cash and short-term deposits respectively). As the Group expects to deliver revenue and profit growth in the years ahead, the Directors have adopted the going concern basis in preparing the consolidated financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Actual results could differ from those estimates.

Under licence conditions and codes of practice published by the UK Gambling Commission in February 2015 (subsequently updated in April 2015), the financial statements must disclose the quantum of balances held in customer accounts representing funds not owned by the ZEAL Group. This information is included in note 17 to the financial statements.

Unless otherwise stated monetary amounts are denominated in Euros rounded to the nearest thousand.

2.2 RECENT ACCOUNTING DEVELOPMENTS

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

There were no new accounting standards issued during 2015, only amendments to existing standards. The following standards, interpretations and amendments have been adopted by the Group for the first time as of 1 January 2015:

- Amendment to IAS 32, "Offsetting financial assets and financial liabilities" has had no material impact on the consolidated results of operations or financial position of the Group.

- Amendment to IAS 39, "Financial instruments: recognition and measurement", on novation of derivatives and hedge accounting has had no material impact on the consolidated results of operations or financial position of the Group.
- Amendment to IAS 19, "Defined benefit plans: employee contributions", has no impact on the consolidated financial statements as the Group does not operate any defined benefit plans.
- Amendment to IAS 36, "Impairment of assets: recoverable amount disclosures for non-financial assets", has no impact on the consolidated financial statements as the Group does not have any cash generating units where the indefinite lived goodwill or intangible asset balances are significant.
- IFRIC 21, "Levies", has no impact on the consolidated financial statements as the Group is not subject to any levies.
- Annual improvements to IFRS 2012, were effective from 1 February 2015 and do not have a material impact on the consolidated financial statements of the Group.
- Annual improvements to IFRS 2013, were effective from 1 January 2015 and do not have a material impact on the consolidated financial statements of the Group.

New standards, amendments and interpretations of existing standards that are not yet effective and have not been early adopted by the Group

The following standards, interpretations and amendments to existing standards mandatory for the Group's accounting periods beginning on or after 1 January 2016 are not expected to have a material impact on the consolidated results of operations or financial position of the Group.

- Amendment to IAS 1, "Presentation of financial statements" on the disclosure initiative, is effective from 1 January 2016.
- Amendments to IFRS 10, "Consolidated financial statements", and IAS 28, "Investments in associates and joint ventures", on sale or contribution of assets, are effective from 1 January 2016.
- Amendments to IFRS 10, "Consolidated financial statements", IFRS 12, "Disclosure of interests in other entities" and IAS 28, "Investments in associates and joint ventures", on investment entities applying the consolidation exemption, are effective from 1 January 2016.
- Amendment to IFRS 11, "Joint arrangements", on acquisition of an interest in a joint operation, is effective from 1 January 2016.
- Amendments to IAS 16, "Property, plant and equipment", and IAS 38, "Intangible assets", on methods of depreciation and amortisation, are effective from 1 January 2016.
- Amendments to IAS 16, "Property, plant and equipment", and IAS 41, "Agriculture", regarding bearer plants, are effective from 1 January 2016.
- Amendment to IAS 27, "Separate financial statements", is effective from 1 January 2016.
- IFRS 14, "Regulatory deferral accounts", is effective from 1 January 2016.
- Annual improvements to IFRS 2014, are effective from 1 January 2016.

The Group has yet to assess the full impact of the following standards and amendments to existing standards mandatory for the Group's accounting periods beginning on or after 1 January 2017 or later periods, which have not been early adopted.

- IFRS 9, "Financial Instruments", is effective from 1 January 2018.
- IFRS 15, "Revenue from contracts with customers", is effective from 1 January 2018.
- IFRS 16, "Leases" is effective from 1 January 2019.

2.3 SIGNIFICANT JUDGEMENTS AND ESTIMATES

In determining and applying accounting policies, judgement is often required where the choice of specific policy, assumption or accounting estimate to be followed could materially affect the reported results or net position of the Group, should it later be determined that a different choice be more appropriate.

Management considers the following to be areas of significant judgement and estimation for the Group due to greater complexity and/or particularly subject to the exercise of judgement.

Basis of consolidation

The relative complexity of the group structure means that judgement is required in correctly applying the provisions of IFRS 10 "Consolidated financial statements", to ensure that all companies over which ZEAL Network SE has control are included and presented appropriately in the consolidated financial statements. The nature of these relationships including the power that the Company exercises over its subsidiary companies together with the Company's exposure or rights to variable returns of those companies is reviewed at least at each reporting period date to ensure that the companies included in the consolidation are appropriate (and are de-recognised where required). The basis of consolidation is described in detail in section 2.4 below.

Impairment considerations for investments in associate companies and joint ventures

Impairment reviews in respect of the Company's investments in associates and joint ventures are performed at least annually or more regularly if events indicate that this is necessary. Impairment reviews are based on future cash flows discounted using the weighted average cost of capital with terminal values calculated applying a long-term growth rate. The future cash flows which are based on business forecasts, the long-term growth rates and the discount rates used are dependent on management estimates and judgements. Future events could cause the assumptions used in these impairment reviews to change with a consequent adverse impact on the results and net position of the Group.

The Company performs impairment reviews on its non-current assets on 31 December each year. As part of the 2015 annual impairment review process, the recoverable amounts of the Company's investments in its associate company ("Geonomics Global Games Limited" or "GGGL") and its joint venture ("Geo24 UK Limited" or "Geo24") were computed. Based on forecasts prepared by the Directors of GGGL and Geo24, including the committed cost burden and forecasted growth rates, the Directors of the Company concluded that the recoverable amount of both GGGL and Geo24 was €nil. After the Group's share of losses generated by GGGL and Geo24 in 2015 had been accounted for (€2,141k and €3,201k respectively), the residual value of both investments (€12,824k and €4,227k respectively) was impaired to €nil at 31 December 2015 leading to a cumulative charge of approximately €22,400k in the consolidated income statement. Further detail is included in notes 12 and 13 of the financial statements.

Taxation

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

The significant majority of tax positions taken by the Group are routine and not subjective. However, judgement has been exercised by the Directors in certain specific tax related areas. These matters have been disclosed in the notes to the consolidated financial statements in accordance with the governing financial reporting standards and relate to the following areas:

Value added tax ("VAT")

Due to the changes in EU VAT legislation introduced on 1 January 2015, there is significant uncertainty around whether certain services provided by the MyLotto24 sub group are subject to VAT and the tax base on which any VAT payable would be calculated. At this stage, the Directors of the MyLotto24 sub group consider that the likelihood of the outflow of economic benefits is not probable and, as such, no provision has been recorded in the consolidated financial statements. The Directors will continue to closely monitor any changes in this area and ensure that the accounting for VAT continues to comply with governing legislation. The Directors have reported a contingent liability on this matter and a separate disclosure is included in note 26. In accordance with IAS 37 "Provisions, contingent assets and contingent liabilities", the Directors believe that any attempt to either estimate or quantify the range of the amounts which may reasonably be in dispute would potentially be misleading and may be prejudicial to the Group's position in defending any claims for VAT. As such, no such quantification has been included in the notes to the financial statements.

Tax audits

As a result of an ongoing tax audit, there was a dispute regarding the validity of the tax treatment of two items included in returns filed during inspection period (business years 2005 to 2007 inclusive). Whilst one of the items was settled in our favour, the second item remains open. After the filing for a stay of execution was denied by the Fiscal Court of Hamburg, an amount of €3.6m was paid during 2015 (€2.3m tax charge and €1.3m interest and penalties). This matter was disclosed as a contingent liability in the 2014 Annual Report. Given the outcome, no contingent liability has been disclosed in the 2015 Annual Report. Furthermore, although the case is ongoing, no contingent asset has been recognised as the Directors are not certain that any appeal will be found in the Company's favour.

In addition to the ongoing dispute regarding 2005–2007 described above, there are certain other audits that have been initiated by authorities in the jurisdictions in which we operate. These audits are currently in progress and at varying stages of completion. The Group assesses its exposure to future outflows of economic benefits on a case-by-case basis and provisions are recorded or contingent liabilities are disclosed in the financial statements where the criteria of IAS 37 are met.

The Directors have considered a range of reasonably possible outcomes for the ongoing tax audits and have sought independent external legal and tax advice considering the facts and circumstances of each ongoing audit. Any provision recorded represents the Directors' best estimate of the future outflow of economic benefits in accordance with IAS 37. It is possible that any final settlement with the relevant tax authority could be higher than the amount provided and we will continue to monitor these situations closely and ensure that the accounting for any developments is appropriately reflected in future sets of financial statements. Given the sensitivity of the ongoing cases against the Group, the Directors believe that any further disclosure of the detail of these cases would be seriously prejudicial to the outcome of the disputes. In accordance with IAS 37, no further disclosure is therefore included in this report.

2.4 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial information of the subsidiary, associate and joint venture interests owned by the Company:

(I) Subsidiaries

Initial consolidation of subsidiary companies

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

The equity interests of all subsidiary companies included in the consolidated financial statements are 100% owned by ZEAL Network with the exception of the Company's interests in MyLotto24 Limited and its subsidiary and associated companies (full details are set out within the Subsidiaries, Associates and Joint Ventures section (note 22 to the consolidated financial statements).

ZEAL Network holds 40% of the voting shares in MyLotto24 Limited. MyLotto24 Limited is the parent of a group of companies in which it itself holds the majority of the voting shares except for Tipp24 Services Limited in which it holds 40% of the voting shares (the MyLotto24 sub group).

On 30 April 2009, ZEAL Network sold 60% of the voting shares in both MyLotto24 Limited and Tipp24 Services Limited to a Swiss foundation set up by ZEAL Network in the form of preference shares stripped of their main economic rights. As a consequence, ZEAL Network owns no more than half the voting rights in MyLotto24 Limited, while MyLotto24 Limited owns no more than half the voting rights in Tipp24 Services Limited. The affiliate companies and their respective subsidiaries are consolidated in the ZEAL Network SE group financial statements because the relevant criteria of IFRS 10 are met:

- ZEAL Network has a right to repurchase the majority of voting rights for an amount of £30k for each company. ZEAL Network has veto rights with regard to changes in the articles of MyLotto24 and Tipp24 Services.
- The owner of the majority of voting rights receives a preliminary annual dividend of up to £15k for each company. In the case of liquidation, the owner of the majority of voting rights is entitled to receive previously agreed liquidation proceeds of £30k. ZEAL Network alone is entitled to the entire remaining profits and any remaining liquidation proceeds.

The annual dividend is therefore treated as an expense in the consolidated financial statements of ZEAL Group and the results of all entities within the MyLotto24 sub group are fully consolidated into the ZEAL Group consolidated financial statements. As a result of the substance of the relationship, no non-controlling interest is recorded.

Subsequent disposal of subsidiary companies

On the subsequent disposal or termination of a business, the results of the business are included in the Group's results up to the effective date of disposal. The profit or loss on disposal or termination is calculated after charging the amount of any related goodwill to the extent that it has not previously been taken to the income statement. Dividends received on liquidation of subsidiaries, representing the residual value attributable to the owner, are recorded in the period in which the liquidation is finalised. Refer to note 6 to the financial statements for further information in respect of transactions in 2015.

Transactions, balances and vehicles not included in the consolidated results

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

The Group manages its risk exposure to large jackpots through the use of an insurance-linked-security ("ILS") vehicle set up specifically to provide insurance cover to the MyLotto24 sub group. The ILS vehicle is not consolidated as the relevant criteria around control under IFRS 10 are not met.

(II) Associates and joint ventures

Associates are entities in which the Group has a long-term interest and over which the Group has, directly or indirectly, significant influence, where significant influence is the ability to influence the financial and operating policies of the entity. The Group has assessed its relationship with Geonomics Global Games Limited ("GGGL") as an associate relationship.

The Group has assessed the nature of its joint arrangement with Geo24 UK Limited ("Geo24") and has determined that it is a joint venture. Joint ventures are contractual arrangements which the Group has entered into with one or more parties to undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when decisions relating to the relevant activities require the unanimous consent of the parties sharing the control.

The Group's share of the recognised income and expenses of associates and joint ventures are accounted for using the equity method, from the date significant influence or joint control commences to the date it ceases, based on present ownership interests. The Group recognises its share of the associate's and joint venture's post-tax results as a one line entry before profit before taxation in the income statement and, to the extent relevant, its share of associate's and joint venture's equity movements as one line entries under each of items of other comprehensive income that will not be reclassified to profit or loss (no such entries in the current or prior year), and items of other comprehensive income that may be reclassified to profit or loss, in the statement of comprehensive income.

Unrealised gains and losses resulting from transactions between ZEAL Group and the associated company or joint venture are eliminated to the extent of ZEAL Group's interest in the associated company or joint venture.

When the Group's interest in an associate or joint venture has been reduced to nil because the Group's share of losses exceeds its interest in the associate or joint venture, the Group only provides for additional losses to the extent that it has incurred legal or constructive obligations to fund such losses, or make payments on behalf of the associate or joint venture. Where the investment in an associate or joint venture is disposed, the investment ceases to be equity accounted.

2.5 CLASSIFICATION OF CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

ZEAL Group presents assets and liabilities in the statement of financial position based on the Company's assessment of whether they meet the classification as current or non-current balances.

An asset is a current asset when:

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

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities in accordance with IAS 1 "Presentation of financial statements", paragraph 56.

2.6 REVENUE

Revenue represents the fair value of consideration received or receivable for goods and services provided to third parties and is recognised when the risks and rewards of ownership are substantially transferred. Revenue is disclosed net of VAT, free bets, winnings pay-outs, discounts, customer bonuses and rebates.

(I) Secondary lottery revenue

Revenue which MyLotto24 Limited generates as the organiser of secondary lotteries, where MyLotto24 Limited bears the bookmaking risk, is recognised at the moment the draw results of the respective lotteries are announced. Stakes received as of the balance sheet date, but which are intended for games whose draw results are not available until after the balance sheet date, are deferred.

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

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

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

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

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

(II) Revenue generated from instant win games

Revenue which MyLotto24 Limited generates from the sale of instant win game products is recognised in the same way as revenue generated on secondary lottery activities. Revenue on instant win games is recorded at the point which the game is purchased. The quantum of revenue recorded represents the difference between the amounts of bets placed by the customers less amounts won.

(III) Revenue generated from commissions and fees

Revenue also results from commissions and fees which ZEAL receives for placing bets on behalf of customers. Revenue is recognised when the bets have been made, the lottery ticket information passed on to the lottery organiser and confirmation of receipt of the information has been received. Ventura24 S.L. receives advance payments from some of its customers for subscriptions. Payments received are deferred and the related revenue is only recognised when the lottery ticket information has been passed on to the lottery organiser and confirmation of receipt of the information has been obtained (pursuant to IAS 18 "Revenue").

Revenue generated by ZEAL from purchasing "Klassenlotterie" tickets on behalf of customers (a single raffle lottery played over a number of months where players' tickets are entered into monthly draws with winnings increasing over time) is recognised at the time the draw takes place.

(IV) Other revenue

ZEAL receives revenue from servicing lottery operators. Insofar as this revenue is related to end consumer wagers, it is recognised when the bets are made.

2.7 OTHER INCOME

(I) Interest income

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

When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount by discounting the estimated future cash flows at the original effective interest rate and continuing to unwind the discount as interest income.

(II) Other operating income

Other operating income represents the fair value of consideration received or receivable from winning tickets purchased by MyLotto24 Limited on Spanish Euromilliones draws.

2.8 INCOME TAXES

(I) Current and deferred taxes

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

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

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

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

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

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

(II) Withholding and similar taxes

Withholding taxes suffered relate specifically to amounts withheld from gross pay-outs on winning tickets purchased from the Spanish National Lottery ("SELAE") by MyLotto24 Limited. As a result of lottery tax legislation brought in by the Spanish Government in 2013, SELAE is required to withhold 20% of gross winnings and transfer this directly to the Spanish Tax Authorities on behalf of the winner. Until 30 September 2015, taxes on winnings were treated as deductions from other operating income. The Directors of MyLotto24 Limited reviewed their position on this treatment in December 2015 and concluded that, due to their nature, tax withheld should be classified within income taxes. A receivable for taxes withheld at source will be recorded only when there is persuasive evidence to confirm that a refund will be received.

2.9 OPERATING EXPENSES

Operating expenses are recognised when goods and services have been provided to the Group. Any goods or services that have been provided during the period where no invoice has been received from the supplier are accrued for.

2.10 FOREIGN EXCHANGE

(I) Foreign exchange translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Euros which is the Group's presentational currency. The average exchange rates have been calculated based on the average of the exchange rates during the financial year.

(II) Transactions and balances

The financial statements for each Group company have been prepared on the basis that transactions in foreign currencies are recorded in their functional currency at the rate of exchange ruling at the date of the transaction. Monetary items denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date with the resultant translation differences being included in operating profit in the income statement other than those arising on financial assets and liabilities which are recorded within financial income or expense. Translation differences on non-monetary assets such as equity investments classified as available for sale assets are included in other comprehensive income.

2.11 INTANGIBLE ASSETS

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

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

The Directors' assessment of the useful life of intangible assets is based on the nature of the asset acquired, the durability of the products to which the asset attaches and the expected future impact of competition on the business.

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

(I) Computer software and licences

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

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

Internally generated costs associated with maintaining computer software programmes are expensed as incurred.

(II) Research and development

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

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

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

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

2.12 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

(I) Assets in the course of construction

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

(II) Depreciation

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

	years
Technical equipment/hardware	2–14
Office equipment	3–25

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

2.13 IMPAIRMENT

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

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

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

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

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

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

2.14 LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating leases

Lease payments under an operating lease in which all main risks associated with the leasing object are retained by the lessor, are recognised as an expense on a straight-line basis over the lease term.

Finance leases

ZEAL does not have any finance leases.

2.15 BUSINESS COMBINATIONS

(I) Subsidiaries

The acquisition method is used to account for business combinations.

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

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

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

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

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

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

(II) Associates and joint ventures
On acquisition the investment in associates and joint ventures is recorded initially at cost. Subsequently, the carrying amount is increased or decreased to recognise the Group's share of the associates' and joint ventures' income and expenses after the date of acquisition.

Fair values reflecting conditions at the date of acquisition are attributed to the Group's share of identifiable assets (including intangibles), liabilities and contingent liabilities acquired. The consideration transferred is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of the acquisition, and also includes the Group's estimate of the fair value of any deferred consideration payable.

The date significant influence or joint control commences is not necessarily the same as the closing date or any other date named in the contract.

Investments in associates and joint ventures are reviewed for impairment if an impairment trigger is identified. Refer to 2.13 for further detail.

2.16 FINANCIAL ASSETS AND LIABILITIES

Financial assets and financial liabilities are initially recorded at fair value (plus any directly attributable transaction costs, except in the case of those classified at fair value through profit or loss). For those financial instruments that are not subsequently held at fair value, the Group assesses whether there is any objective evidence of impairment at each balance sheet date.

Financial assets are recognised when the Group has rights or other access to economic benefits. Such assets consist of cash, equity instruments, a contractual right to receive cash or another financial asset, or a contractual right to exchange financial instruments with another entity on potentially favourable terms. Financial assets are derecognised when the right to receive cash flows from the asset have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. Financial liabilities are derecognised when they are extinguished, that is discharged, cancelled or expired.

If a legally enforceable right exists to set off recognised amounts of financial assets and liabilities, which are in determinable monetary amounts, and there is the intention to settle net, the relevant financial assets and liabilities are offset.

Interest costs are charged to the income statement in the year in which they accrue. Premiums or discounts arising from the difference between the net proceeds of financial instruments purchased or issued and the amounts receivable or repayable at maturity are included in the effective interest calculation and taken to net finance costs over the life of the instrument.

There are four categories of financial assets and financial liabilities. These are described as follows:

(I) Financial assets and financial liabilities at fair value through profit or loss
Financial assets and financial liabilities at fair value through profit or loss include derivative assets and derivative liabilities not designated as effective hedging instruments. All gains or losses arising from changes in the fair value of financial assets or financial liabilities within this category are recognised in the income statement.

Derivative financial assets and financial liabilities
Derivative financial assets and financial liabilities are financial instruments whose value changes in response to an underlying variable, require little or no initial investment and are settled in the future.

These include derivatives embedded in host contracts. Such embedded derivatives need not be accounted for separately if the host contract is already fair valued; if it is not considered as a derivative if it was freestanding; or if it can be demonstrated that it is closely related to the host contract. There are certain currency exemptions which the Group has applied to these rules which limit the need to account for certain potential embedded foreign exchange derivatives. These are:

- if a contract is denominated in the functional currency of either party;
- where that currency is commonly used in international trade of the good traded; or if it is commonly used for local transactions in an economic environment.

Derivative financial assets and liabilities are analysed between current and non-current assets and liabilities on the face of the balance sheet, depending on when they are expected to mature.

(II) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities of greater than twelve months after the balance sheet date which are classified as non-current assets. Loans and receivables are initially recognised at fair value including originating fees and transaction costs, and subsequently measured at amortised cost using the effective interest method less any provision for impairment.

Loans and receivables include trade receivables, amounts owed by associates, amounts owed by joint ventures, accrued income and cash and cash equivalents.

a. Trade receivables

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

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the terms of the receivables. The amount of the provision is the difference between the asset's carrying value and the present value of the estimated future cash flows discounted at the original effective interest rate. This provision is recognised in the income statement.

b. Cash, cash equivalents and pledged cash

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

(III) Available for sale investments

Available for sale investments are non-derivative financial assets that are either designated in this category or not classified as financial assets at fair value through profit or loss, or loans and receivables. Investments in this category are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date. They are initially recognised at fair value plus transaction costs and are subsequently remeasured at fair value and tested for impairment. Gains and losses arising from changes in fair value including any related foreign exchange movements are recognised in other comprehensive income. On disposal or impairment of available for sale investments, any gains or losses in other comprehensive income are reclassified to the income statement.

Purchases and sales of investments are recognised on the date on which the Group commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(IV) Financial liabilities held at amortised cost

Financial liabilities held at amortised cost include trade payables, accruals, amounts owed to associates, amounts owed to joint ventures and other payables, and borrowings.

Trade payables

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Trade payables are analysed between current and non-current liabilities on the face of the balance sheet, depending on when the obligation to settle will be realised.

2.17 EQUITY AND DISTRIBUTIONS

(I) Share capital, debt and equity instruments issued

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

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

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

(II) Dividend distributions

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

2.18 PROVISIONS

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

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

2.19 CONTINGENT LIABILITIES

Contingent liabilities are not recognised in the consolidated financial statements. Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Details of contingent liabilities recorded at 31 December 2015 are included in note 26 to the financial statements.

2.20 EMPLOYEE BENEFITS

ZEAL operates various post-employment schemes, including termination benefits, profit-sharing and bonus plans and operates defined contribution pension plans.

(I) Termination benefits

Termination benefits are payable when employment is terminated by ZEAL before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. ZEAL recognises termination benefits at the earlier of the following dates: (a) when ZEAL can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for restructuring within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of months employees worked for ZEAL. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

(II) Profit sharing and bonus plans

ZEAL recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. ZEAL recognises a provision contractually obliged or where there is a past practice that has created a constructive obligation.

(III) Defined contribution pension plans

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

2.21 CONSISTENCY ALIGNMENT OF DISCLOSURES IN THE PRIMARY STATEMENTS

The labelling of items within the consolidated statement of financial position, consolidated income statement, consolidated statement of cash flows and consolidated statement of changes in equity for the current year has been revised to align with the primary statement formats set out in IAS 1 "presentation of financial statements". Comparative figures have been brought in line with the new labelling format. Furthermore, changes in trade payables and other liabilities included in the consolidated statement of cash flows have been aggregated in the current year with comparative figures also accumulated. Neither the changes to the labelling nor the aggregation of the figures above in the consolidated statement of cash flows have a significant impact on the understanding of the consolidated financial statements or note disclosures as a whole.

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3 SEGMENT REPORTING

NEW 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.

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 as part of this process. 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 ("B2B/B2G"). 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.

B2B/B2G Segment

The B2B/B2G 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 B2B/B2G segment together with an allocation of shared costs.

Business unit segment reporting

2015	B2C	B2B/B2G	Business unit total	Reconciliation to stats	– thereof normalisation adjustments	– thereof other	Statutory
in €k	A	B	A+B=C	D+E=F	D	E	C+F
Revenue	132,521	6,277	138,798	(49,836)	(52,227)	2,391	88,962
Other operating income	3,607	307	3,914	48,110	47,951	159	52,024
Total operating performance	**136,128**	**6,584**	**142,712**	**(1,726)**	**(4,276)**	**2,550**	**140,986**
EBITDA	**62,357**	**(8,134)**	**54,223**	**(4,211)**	**(4,276)**	**65**	**50,012**
Depreciation/amortisation	(6,380)	(575)	(6,955)	(198)	–	(198)	(7,153)
EBIT	**55,977**	**(8,709)**	**47,268**	**(4,409)**	**(4,276)**	**133**	**42,859**
Financial result	–	–	–	(23,255)	–	(23,255)	(23,255)
EBT	**–**	**–**	**47,268**	**(27,664)**	**(4,276)**	**(23,388)**	**19,604**
Income tax	–	–	–	(18,258)	–	(18,258)	(18,258)
Net profit/loss	**–**	**–**	**47,268**	**(45,922)**	**(4,276)**	**(41,646)**	**1,346**

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 inclusion of the results from the investments in joint venture and associate (financial result line item) and the consolidated tax charge which are not allocated to specific business units. Furthermore, items impacting revenue relate to external revenue generated by Schumann e.K. This company does not form part of either the B2C or B2B/B2G segments. Remaining reconciling items do not warrant further commentary.

FORMER SEGMENTAL DISCLOSURE PRESENTATION

As stated in our interim report for the period ended 30 June 2015, to aid understanding and provide comparative information in accordance with the requirements of IFRS 8 "Operating segments", we have provided reporting under the previous segment structure. For reference, descriptions of the previous segments are included below.

The former segmental disclosures are not comparable with the new form segmental disclosures due to the change in methodology for shared cost allocation first presented in Q.2 2015. Furthermore, the new form segmental disclosures include "normalised" revenue and EBIT measures whereas the former segmental disclosure model includes statutory revenue and EBIT measures.

"Abroad" segment

The "Abroad" segment comprises the activities of MyLotto24 and the MyLotto24 sub group. MyLotto24 organises the lottery betting business (secondary lotteries) based on various European lotteries and bears the bookmaking risk itself. MyLotto24 sells its products through its own website as well as through various national and international sales partners.

"Germany" segment

The "Germany" segment comprises:

- 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.
- The business of marketing the German class lotteries NKL and SKL in Germany.
- Our investments in associates and joint ventures.

No segments were pooled together to form the above reportable business segments. The identification of each segment is evaluated on the basis of revenue and EBIT. Finance income and expenses and income taxes are controlled separately within the segments ("Germany" and "Abroad") and recorded in the individual business segments. Transfer prices between segments were calculated on an arm's length basis.

Segment reporting	"Germany"		"Abroad"		Consolidation eliminations		Consolidated	
	01/01–31/12		01/01–31/12		01/01–31/12		01/01–31/12	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
in €k								
Revenue	**6,085**	**2,159**	**83,696**	**139,466**	**(819)**	**(923)**	**88,962**	**140,702**
Depreciation/amortisation	278	125	6,875	14,462	–	(6,914)	7,153	7,673
EBIT	**(18,933)**	**(15,374)**	**61,701**	**32,371**	**91**	**2,159**	**42,859**	**19,156**
Financial result	109,964	80,142	(885)	649	(109,941)	(80,828)	(862)	(37)
Share of result from associated companies	(14,965)	(2,573)	–	–	–	–	(14,965)	(2,573)
Share of result from joint ventures	(7,428)	(4,069)	–	–	–	–	(7,428)	(4,069)
Income tax	(5,469)	(1,083)	(12,789)	(6,192)	–	115	(18,258)	(7,160)
Profit from continuing operations	**63,169**	**57,043**	**48,027**	**26,828**	**(109,850)**	**(78,554)**	**1,346**	**5,317**
Assets	**72,930**	**66,215**	**106,817**	**139,215**	**(55,326)**	**(67,429)**	**124,421**	**138,001**
Reconciliation to balance sheet								
Deferred taxes	–	–	–	–	–	–	781	1,140
Income tax receivables	–	–	–	–	–	–	2,269	710
Short-term financial assets	–	–	–	–	–	–	12,883	15,555
Total assets	**–**	**–**	**–**	**–**	**–**	**–**	**140,354**	**155,406**
Debts	**17,432**	**45,194**	**61,053**	**24,597**	**(43,876)**	**(36,500)**	**34,609**	**33,291**
Reconciliation to balance sheet								
Deferred taxes	–	–	–	–	–	–	–	–
Tax liabilities	–	–	–	–	–	–	10,576	4,862
Total debts	**–**	**–**	**–**	**–**	**–**	**–**	**45,185**	**38,153**

The principal reconciling items between the aggregated business unit results and the consolidated statutory results are attributable to the elimination of dividend payments made by the "Abroad" segment to the "Germany" segment. There are no other material adjustments that warrant further explanation.

Segment assets do not include deferred taxes, income tax receivables or short-term financial assets as it is not possible to allocate these asset classes to individual segments. Segment liabilities do not include deferred taxes, tax liabilities or interest-bearing liabilities as it is not possible to allocate these liability classes to individual segments.

4 OTHER OPERATING INCOME

in €k	2015	2014
Income from hedging transactions	50,788	3,526
Other	1,236	1,423
Other operating income	**52,024**	**4,949**

Income from hedging activities relates to income generated from tickets hedged through the Group's wholly owned subsidiary Ventura24 S.L.U ("Ventura24"). The most significant component of this balance relates to a jackpot pay-out of approximately €48m in May 2015.

As set out in the accounting policies section above (section 2.8), the withholding tax deducted at source by SELAE was originally charged against operating income. At 31 December 2015, based on evaluation of the nature of the tax withheld, the Directors of MyLotto24 Limited reviewed their position on this treatment in December 2015 and concluded that, due to its nature, tax withheld should be classified within income taxes. A receivable for taxes withheld at source should be recorded only when there is persuasive evidence to confirm that a refund will be received. As the refund was received in March 2016, a lottery tax receivable balance has been recorded within trade and other receivables at 31 December 2015.

5 OTHER OPERATING EXPENSES

in €k	2015	2014
Marketing expenses	9,958	10,729
Direct costs of operations	31,362	53,906
Other costs of operations	25,558	34,518
Other operating expenses	**66,878**	**99,153**

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

- Current year investment in marketing activity remained broadly consistent with 2014.
- The main drivers of the decrease in direct cost of operations are as follows:
  - Gaming duty for 2015 amounted to €247k representing a decrease of €17,526k compared to the prior year (2014: €17,773k). This decrease was attributable to the amendment of gaming duty from a place-of-supply basis to a place-of-consumption basis in December 2014. In 2015, the Group was liable to gaming duty based on bets placed by UK players (in 2014, the Group was liable to gaming duty based on bets placed by all players irrespective of their country of residence).
  - The cost of hedging transactions decreased from €24,988k in 2014 to €19,604k in 2015, representing a year-on-year decrease of €5,384k. This decrease was driven by a renegotiation of hedging costs and fewer bets hedged through the Spanish re-seller.
  - The remaining movement is attributable to individually other movements that are immaterial both individually and cumulatively.

- The main drivers of the decrease in other costs of operations are as follows:
  - Consulting costs decreased from €15,686k in 2014 to €11,085k in 2015 representing a decrease of €4,601k. This decrease was due to a number of one-off project costs incurred in 2014. No similar costs were incurred during 2015.
  - Outsourcing costs decreased from €7,235k in 2014 to €3,289k in 2015 representing a decrease of €3,946k. The decrease related primarily to the acquisition of eSailors GmbH during 2014. Costs recorded in 2014 were classified as salary costs in 2015.
- The remaining movement is attributable to immaterial movements in individual cost categories.

Other costs of operations include total fees of €562k charged by the auditors, Ernst & Young LLP, and its affiliates. €494k relates to the statutory audit of the consolidated financial statements and the Group's subsidiary companies. €69k related to non-audit services of which €50k related to tax advisory and €19k related to tax compliance.

6 LOSS ON LIQUIDATION OF SUBSIDIARY

The liquidation of Lotto Network S.R.L., a subsidiary of the Group and a company incorporated in Italy, was finalised in 2015. The proceeds of the liquidation after all assets had been realised and liabilities had been settled amounted to €1,764k. These proceeds were paid to MyLotto24 Limited in December 2015. The value of net assets transferred to the liquidator amounted to €1,859k resulting in a loss on liquidation of €95k. The cash outflow from the liquidation of LN SRL amounted to €231k. Lotto Network S.R.L. generated no material revenue and incurred no material costs during 2015.

7 FINANCE INCOME AND COSTS

	2015	2014
in €k		
Finance income		
Other interest and similar income	5	67
Income from other long-term securities and loans	253	105
	258	**172**
Finance costs		
Interest expense and similar charges	(1,120)	(209)
	(1,120)	**(209)**

8 INCOME TAX EXPENSE

Income taxes paid or payable as well as deferred taxes and withholding taxes are recognised within the income taxes line item. The blended corporate income tax rate in the UK amounts to 20.25% (2014: 21.5%).

In the case of foreign companies, the respective country-specific regulations and tax rates are used for the calculation of current income taxes.

Deferred taxes under IAS 12 are calculated at the anticipated average tax rate at the time the differences are reversed. For the calculation of deferred taxes, the total tax rate for domestic UK tax registered companies amounted to 20% (2014: 20%). In the case of foreign companies, the respective country-specific regulations and tax rates were used to calculate deferred taxes.

The Group is subject of certain ongoing tax audits at 31 December 2015. Commentary in respect of ongoing tax audits is included in section 2.3 of the accounting policies section above.

Income statement	**2015**	2014
in €k		
Current taxation:		
Charge for the year	18,406	8,148
Adjustments in respect of prior periods	(507)	(558)
Withholding taxes and other remittance taxes	–	–
Total current taxation	**17,899**	**7,590**
Deferred taxation:		
Charge for the year	278	62
Adjustments in respect of prior years	81	(492)
Total deferred taxation	**359**	**430**
Total taxation expense (income statement)	**18,258**	**7,160**

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No taxation was charged or credited through other comprehensive income during 2015.

Tax rate reconciliation	**2015**	2014
in €k		
Profit before taxation	**19,604**	**12,477**
Expected tax charge at standard UK rate of 20.25% (2014: 21.5%)	3,969	2,682
Exempt income	(189)	–
Share of results of associates and joint ventures	1,091	1,427
Non-deductible expenses:		
Impairment charges	3,453	–
Other non-deductible expenses	430	153
Adjustments in foreign tax rates	34	(21)
Adjustments in respect of prior periods	(507)	(1,137)
Tax loss utilisation	(50)	(13)
Tax losses carried forward	4,703	3,971
Deferred tax asset no longer recognised	–	81
Other tax items	5,324	17
Total taxation expense	**18,258**	**7,160**

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03

9 PROPERTY, PLANT AND EQUIPMENT

04

Cost	Office equipment	Hardware	Office equipment under construction	**Total**
in €k				
Balance as at 1 January 2014	**992**	**4,693**	**595**	**6,280**
Additions	2,102	340	515	2,957[1]
Disposals	(390)	(592)	(596)	(1,578)
Transfers within this category	351	4	(355)	–
Balance as at 31 December 2014	**3,055**	**4,445**	**159**	**7,659**
Additions	440	169	15	624
Disposals	(32)	(8)	(163)	(203)
Balance as at 31 December 2015	**3,463**	**4,606**	**11**	**8,080**

[1] *This includes €626k acquired in a business combination (note 23).*

Accumulated depreciation	Office equipment	Hardware	Office equipment under construction	Total
in €k				
Accumulated depreciation as at 1 January 2014	**(968)**	**(3,168)**	**–**	**(4,136)**
Provided during the year	(485)	(1,037)	–	(1,522)
Disposals	432	504	–	936
Depreciation as at 31 December 2014	**(1,021)**	**(3,702)**	**–**	**(4,723)**
Provided during the year	(646)	(506)	–	(1,152)
Disposals	11	8	–	19
Depreciation as at 31 December 2015	**(1,656)**	**(4,200)**	**–**	**(5,856)**

Book value	Office equipment	Hardware	Office equipment under construction	Total
in €k				
As at 31 December 2014	**2,034**	**749**	**159**	**2,942**
As at 31 December 2015	**1,807**	**406**	**11**	**2,224**

There are no assets held under finance leases (2014: none).

10 INTANGIBLE ASSETS

Cost	Software	Other software	Licences	Total
in €k				
Balance as at 1 January 2014	**23,792**	**7,137**	**184**	**31,113**
Additions	–	1,039	–	1,039
Disposals	–	(227)	–	(227)
Balance as at 31 December 2014	**23,792**	**7,949**	**184**	**31,925**
Additions	–	332	–	332
Balance as at 31 December 2015	**23,792**	**8,281**	**184**	**32,257**

Accumulated amortisation	Software	Other software	Licences	Total
in €k				
Accumulated amortisation as at 1 January 2014	**(13,829)**	**(4,365)**	**(14)**	**(18,208)**
Provided during the year	(4,765)	(1,359)	(18)	(6,142)
Disposals	–	39	–	39
Accumulated amortisation as at 31 December 2014	**(18,594)**	**(5,685)**	**(32)**	**(24,311)**
Provided during the year	(4,798)	(1,185)	(18)	(6,001)
Accumulated amortisation as at 31 December 2015	**(23,392)**	**(6,870)**	**(50)**	**(30,312)**

Book value	Software	Other software	Licences	Total
in €k				
As at 31 December 2014	**5,198**	**2,264**	**152**	**7,614**
As at 31 December 2015	**400**	**1,411**	**134**	**1,945**

The item "Software" refers to the value of gaming software. The item "Other software" contains all other software products including gaming platforms.

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

11 DEFERRED TAXATION

Deferred taxation movement schedule	2015	2014
in €k		
At 1 January	**1,140**	**1,992**
(Charged)/credited to income statement	(359)	(749)
Deferred tax on items charged to other comprehensive income	–	(103)
At 31 December	**781**	**1,140**

Deferred tax assets	Fixed asset allowances	Other temporary differences	Tax losses and credits	Total
in €k				
At 1 January 2014	**1,951**	**–**	**41**	**1,992**
(Charged)/credited to income statement	(1,325)	536	40	(749)
Deferred tax on items charged to OCI	(103)	–	–	(103)
At 31 December 2014	**523**	**536**	**81**	**1,140**
(Charged) to income statement	(88)	(190)	(81)	(359)
At 31 December 2015	**435**	**346**	**–**	**781**

The Summer Budget, announced on 8 July 2015, included a decrease in the rate of corporation tax to 19% and 18%, effective from 1 April 2017 and 1 April 2020 respectively. These rates were substantively enacted in October 2015, with the Bill receiving Royal Assent in November 2015. All deferred tax assets have been recognised at rate of 20% as this is the rate of tax at which they are expected to unwind. The potential impact of falling tax rates is a reduction in the deferred tax asset, as at the balance sheet date, of £42,700.

Of the deferred tax assets carried by ZEAL, an amount of €nil (2014: €81k) refers to tax loss carryforwards, and an amount of €781k (2014: €1,059k) to temporary differences. Deferred tax assets recognised will be utilised over the useful life of each asset – useful lives are set out in the accounting policy above. The utilisation of deferred tax assets recorded is not dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences.

Of total tax loss carryforwards amounting to €46,178k as of 31 December 2015 (2014: €26,377k), ZEAL did not recognise related deferred tax assets amounting to €10,475k (2014: €5,830k). A significant part of the tax losses arise in Germany and Spain and the value of the unrecognised deferred tax asset has been calculated at the substantively enacted rates of these countries. The tax losses do not expire.

Deferred tax assets have not been recognised in respect of these losses as there is currently uncertainty as to whether the related entities will generate sufficient taxable profit in the future against which any deferred tax asset created could be reversed.

Deferred tax assets in respect of tax credits arising which are carried forward for offset against future profits are not recognised unless it is probable that future profits will arise. The tax credits do not expire.

At 31 December 2014, there were no recognised or unrecognised deferred tax liabilities (2014: €nil) for taxes that would be payable on the unremitted earnings of certain of ZEAL's subsidiaries, associates or joint ventures. ZEAL has determined that undistributed profits of its subsidiaries, joint ventures or associates will not be distributed in the foreseeable future.

There are no income tax consequences attached to the payment of dividends by the Group to its shareholders in 2015 and 2014.

12 INVESTMENT IN AN ASSOCIATE

The Group has a 25.7% interest in Geonomics Global Games Limited ("GGGL"). GGGL developed the intellectual property behind "GeoLotto" – a lottery-based game that uses a virtual map. By virtue of its shareholding and representation of the Company's Directors on GGGL's Supervisory Board, the Company has significant influence over GGGL's operations. The Directors have determined that this constitutes an associate relationship and, in accordance with IAS 28, GGGL's results are brought into the Company's consolidated financial statements using the equity method of accounting. GGGL's financial year end is the same as that of the Group, being 31 December.

WARRANT AGREEMENT

In December 2012, one of the Company's wholly owned subsidiaries, Tipp24 Investment 1 Limited, entered into a warrant agreement with GGGL. This agreement would allowTipp24 Investment 1 Limited to subscribe to up to 37,738 ordinary shares if GGGL did not meet certain pre-defined targets over an aggregated 3 year period ended 31 December 2015. As none of the targets had been met at the end of 2014, the warrant agreement was revised during April 2015 refining the conditions of the original agreement. At 31 December 2015, the targets included in the revised warrant agreement had also not been met. As such, the conditions required for the warrants to vest were satisfied effective 1 January 2016. These warrants were exercised in January 2016 for consideration of £0.01 per share (for 37,738 shares).

CONVERTIBLE LOAN NOTE

In July 2015, Tipp24 Investment 1 Limited entered into an agreement with GGGL to provide a convertible loan facility amounting to £2.4m (with a further £0.6m 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 is therefore no impact on the consolidated financial statements for the year ended 31 December 2015. The first drawdowns totalling £1m occurred in January 2016 and February 2016 accruing interest at a rate of 70% per annum. The receivable will be written off as part of the Group's acquisition of GGGL on 30 March 2016.

IMPAIRMENT OF INVESTMENT

The Group's impairment policy is included in section 2.13 above. Due to the continued under-performance of GGGL and the fact that neither GGGL's revised targets nor the KPIs included in the warrant agreement had been met at 31 December 2015, the Directors determined that the carrying value of the investment in GGGL was greater than its recoverable amount. The recoverable amount was computed as €nil. As such, an impairment was recorded against the carrying value of the asset at 31 December 2015. After accounting for the Group's share of GGGL's 2015 losses (€2,141k), the impairment charged against the Group's investment in associate was €12,824k. The residual value of the investment at year end 2015 was €nil.

SUMMARISED FINANCIAL INFORMATION

Summarised financial information of GGGL is as follows:

	2015	2014
in €k		
Summary of the assets and liabilities of the associated company		
Current assets including cash and cash equivalents	432	3,561
Non-current assets [1]	55,276	55,349
Current liabilities	(5,809)	(681)
Net assets	**49,899**	**58,229**
25.7% share of the net assets	12,824	14,965
Group's carrying amount of the investment	12,824	14,965
Impairment to carrying amount of investment	(12,824)	–
Group's carrying value of investment post impairment	**–**	**14,965**

[1] Non-current assets includes intangible assets (predominantly goodwill of €13,964k) arising on the Group's investment in Geonomics.

	2015	2014
in €k		
Summary of profit or loss of the associated company		
Revenue	1,798	1,569
Loss from continuing operations	(6,842)	(9,031)
Total comprehensive loss	(6,842)	(9,031)
Group's share of loss (25.7%)	(1,758)	(2,320)
Group's share of amortisation of fair value adjustments on initial acquisition	(383)	(253)
Result from associated company recorded	**(2,141)**	**(2,573)**

13 INTEREST IN A JOINT VENTURE

The Group has a 50% interest in Geo24 UK Limited ("Geo24"). Geo24 holds the licence (granted by GGGL) to exploit the GeoLotto rights in the UK. It is also the platform for BootyPirates. The Directors have determined that Geo24 is a joint venture between one of the Group's wholly owned subsidiaries, Tipp24 Investment 2 Limited, and GGGL. In accordance with IAS 28, Geo24's results are brought into the Company's consolidated financial statements using the equity method of accounting. Geo24's financial year end is the same as that of the Group, being 31 December.

IMPAIRMENT OF INVESTMENT

The Group's impairment policy is included in section 2.13 above. Due to the continued under-performance of Geo24, the Directors determined that the carrying value of the investment in Geo24 was greater than its recoverable amount. The recoverable amount was computed as €nil. As such, an impairment was recorded against the carrying value of the asset at 31 December 2015. After accounting for the Group's share of GGGL's 2015 losses (€3,201k), the impairment charged against the Group's investment in associate was €4,227k. The residual value of the investment at year end 2015 was €nil.

	2015	2014
in €k		
Summary of the assets and liabilities of the joint venture		
Cash and cash equivalents	128	3,802
Other current assets	244	–
Non-current assets [1]	8,681	11,838
Trade payables	(67)	–
Other current liabilities (including accruals)	(532)	(784)
Net assets	**8,454**	**14,856**
50% share of the net assets	4,227	7,428
Impairment to carrying value of investment	(4,227)	–
Group's carrying amount of the investment	**–**	**7,428**

[1] Non-current assets includes goodwill arising on the Group's investment in Geo24 Limited (amounting to €4,341k).

	2015	2014
in €k		
Summary of profit or loss of the associated company		
Revenue	324	234
Loss from continuing operations [1]	(6,402)	(8,137)
Total comprehensive loss	(6,402)	(8,137)
Group's share of loss (50%)	(3,201)	(4,069)
Result from joint venture recorded	**(3,201)**	**(4,069)**

[1] The loss from continuing operations includes depreciation, amortisation and impairment charges of €3,487k (2014: €493k), interest income of €10k (2014: €17k), interest expense of €nil (2014: €nil) and an income tax charge of €nil (2014: €nil).

14 LONG-TERM LOANS

The long-term loan balance of €3,075k (2014: €nil) relates to an amount advanced to a third party as part of a pre-existing platform separation agreement. The loan bears an interest rate of 10% per annum and is repayable in 2017. The fair value of this loan at 31 December 2015 was €2,541k (2014: €nil).

15 TRADE AND OTHER RECEIVABLES

At 31 December 2015, trade and other receivables comprised trade receivables of €430k (2014: €1,810k) and a receivable balance receivable from the Spanish Tax Authorities of €9,575k (2014: €nil). The amount receivable from the Spanish Tax Authorities was received in March 2016.

16 OTHER CURRENT ASSETS AND PREPAID EXPENSES

	2015	2014
in €k		
Receivables from lottery companies, payment systems and players	3,395	1,999
Security retainers	39	101
Receivables from gaming operations	**3,434**	**2,100**
Receivables from associated undertakings	24	–
Receivables from employees	61	16
Other debtors	1,803	3,027
Prepayments and accrued income	5,068	5,494
Payroll taxes and social security receivable	846	–
VAT receivable	986	–
Other receivables	8,788	8,537
Other current and prepaid expenses	**12,222**	**10,637**

All other assets and prepaid expenses are due in less than one year. As at the balance sheet date, none of the receivable balances were past due and no impairment against the balances has therefore been recorded.

17 CASH AND SHORT-TERM FINANCIAL ASSETS

	2015	2014
in €k		
Bank balances	94,412	92,219
Cash on hand	8	9
Pledged cash	357	357
Cash and pledged cash	**94,777**	**92,585**
Short-term financial assets	12,883	15,555
Cash and cash equivalents	**107,660**	**108,140**

Bank balances mainly comprise term deposits on short-term call and with variable interest rates held at various major European banks. At 31 December 2015, ZEAL held available-for-sale short-term financial assets amounting to €7,766k (2014: €2,357k). These deposits comprised fixed-income funds and are broadly spread and of high quality. A change in equity of €48k (2014: €397k) was recognised after consideration of deferred taxes.

The Group also recorded financial assets classified as held-to-maturity of €5,117k as of the balance sheet date (2014: €6,297k). The available-for-sale short-term financial assets and held-to-maturity financial assets are included as "short-term financial assets" above.

Included within the bank balances of €94,412k (2014: €92,219k) is an amount of €10,778k to cover customer liabilities.

18 OTHER LIABILITIES

Current	2015	2014
in €k		
Accrued liabilities	5,926	5,513
Accrued liabilities	**5,926**	**5,513**
Liabilities to players and game brokers	14,024	13,844
Liabilities from gaming duty	141	20
Liabilities from gaming operations	**14,165**	**13,864**
VAT	2,510	1,508
Payroll related taxes and social security payable	377	521
Tax and social security payable	**2,887**	**2,029**
Total other liabilities – current	**22,978**	**21,406**

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

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Non-current	2015	2014
in €k		
Accrued rent	1,474	682
Total other liabilities – non-current	**1,474**	**682**

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

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19 DEFERRED INCOME

Deferred income of €3,977k (2014: €2,895k) relates to payments for gaming orders and stakes received prior to 31 December 2015. In accordance with the Group's accounting policies, revenue can only be recognised on these stakes on the date of the respective draw. The Directors expect that all deferred revenue will be released to the consolidated income statement during 2016.

20 PROVISIONS

03

	Opening balance 01/01/2015	Utilisation/release	Additions	Closing balance 31/12/2015
in €k				
Provisions for litigation	694	–	360	1,054
Total	**694**	**–**	**360**	**1,054**

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Provisions for litigation amounting to €1,054k at 31 December 2015 (2014: €694k) represent management's best estimate of the probable eventual cash outflow that will result from resolution of ongoing legal cases at 31 December 2015. Individual provisions included in provisions for litigation above relate to cases that have been in progress for a number of years. It is difficult to predict the timing of any cash outflow that might result from cases awarded against the Group. As such, provisions for litigation have been classified as current liabilities as there is no certainty that any judgement against the Group (leading to an outflow of cash) would take place in annual periods commencing after 2016. No further information has been disclosed on the grounds that this would be seriously prejudicial to the outcome of the disputes.

21 EQUITY

21.1 SHARE CAPITAL

The Company's share capital consists of 8,385,088 (2014: 8,385,088) no-par value registered shares issued for €8,385,088.

21.2 AUTHORISED CAPITAL

On 16 April 2013, the Statutes of the Company were amended such that the Executive Board of ZEAL Network – with the approval of the Supervisory Board – can approve allotment of additional share capital up to a value of €1,197k. This increase in share capital can be effected by issuing, on one or more occasions, in whole or in part, new no-par value shares in return for cash or contribution in kind (allotment of shares). The approval to issue additional share capital expires on 28 June 2016.

21.3 SHARE PREMIUM

Share premium amounted to €21,578k at 31 December 2015 (2014: €21,578k).

21.4 EARNINGS PER SHARE

Earnings per share (basic and diluted) decreased from €0.63 per share for the year ended 31 December 2014 to €0.16 for the year ended 31 December 2015. The weighted average number of shares in issue remained equal during 2014 and 2015 at a number of 8,385,088.

Basic earnings per share are calculated by dividing loss or profit for the year attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing loss or profit for the year attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year (increased to account for the diluting effects from stock options, warrant agreement or any other plans in place at the balance sheet date which may lead to the issuance of an additional number of shares in the future). In fiscal year 2015, there was no dilutive effect as there were no such programs (2014: no dilutive effect).

21.5 OTHER RESERVES

Other reserves amount to €558k (2014: €606k) and represent cumulative gains and losses (including any related foreign exchange movements) arising from changes in the fair value of available for sale financial assets. On disposal or impairment of available for sale investments, any gains or losses in other comprehensive income are reclassified to the income statement.

21.6 RETAINED EARNINGS

Retained earnings represent the cumulative income and expenses recorded by the Group since inception. Cumulative net income generated since inception has been derived from transactions settled with qualifying consideration. The full retained earnings balance is therefore available for distribution.

22 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The list below includes all subsidiary, associate and joint venture undertakings. The principal country in which each of the above subsidiary undertakings operates is the same as the country in which each is incorporated. Effective interest is the Group's interest in the equity of the associated entity.

Name and registered office	Country	Principal activities	Nature of relationship with ZEAL Network	% effective interest	
				2015	2014
MyLotto24 Limited[1] 20–22 Bedford Row London WC1R 4JS	United Kingdom	Bookmaker	Subsidiary	40	40
Tipp24 Services Limited 49 Clerkenwell Green London EC1R 0EB	United Kingdom	Lottery	Subsidiary	16	16
Tipp24 Deutschland GmbH[1] Kurze Muehren 1 20095 Hamburg	Germany	Lottery	Subsidiary	100	100
Ventura 24 S.L.[1] Leganitos 47 28013 Madrid	Spain	Lottery	Subsidiary	100	100
Ventura24 Games S.A.[1] Leganitos 47 28013 Madrid	Spain	Lottery	Subsidiary	100	100
Smartgames Technologies Limited 20–22 Bedford Row London WC1R 4JS	United Kingdom	Technology services	Subsidiary	40	40
Lottovate Limited[1] One New Change London EC4M 9AF	United Kingdom	B2B business	Subsidiary	100	100

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

Name and registered office	Country	Principal activities	Nature of relationship with ZEAL Network	% effective interest	
				2015	2014
Lottovate Nederland B.V. Herengracht 124 1015 BT Amsterdam	Netherland	B2B business	Subsidiary	100	100
Lottovate United States Inc 2711 Centerville Road, Suite 400 Wilmington, County of New Castle 19808 Delaware	United States of America	B2B business	Subsidiary	100	100
Tipp24 Investment 1 Limited[1] One New Change London EC4M 9AF	United Kingdom	Holding company	Subsidiary	100	85
Tipp24 Investment 2 Limited[1] One New Change London EC4M 9AF	United Kingdom	Holding company	Subsidiary	100	85
Lotto Network Limited[1] 20–22 Bedford Row London WC1R 4JS	United Kingdom	B2B business	Subsidiary	100	100
Lotto Network Services S.r.L.[2] Via Italia 46 Monza	Italy	Technology services – dissolved in 2015	Subsidiary	40	40
Tipp24 Limited[1] One New Change London EC4M 9AF	United Kingdom	Dormant company – dissolved in 2015	Subsidiary	0	100
eSailors IT Solutions GmbH Kurze Muehren 1 20095 Hamburg	Germany	Technology services	Subsidiary	40	40
eSailors IT Solutions Limited 20–22 Bedford Row London WC1R 4JS	United Kingdom	Holding company	Subsidiary	40	40
Schumann e.K. Strassenbahnring 11 20251 Hamburg	Germany	Lottery	Subsidiary	0	0
Geonomics Global Games Limited 175 High Holborn London WC1V 7AA	United Kingdom	Holding company	Associate	25.70	21.83
Geo24 UK Limited 175 High Holborn London WC1V 7AA	United Kingdom	Lottery	Joint venture	50	53.42

[1] *These subsidiaries are held directly by ZEAL Network.*
[2] *Liquidated during 2015*

On 21 January 2015, Smartgames Technologies Limited transferred 10,000 ordinary shares held in Tipp24 Investment 1 Limited and 10,000 ordinary shares in Tipp24 Investment 2 Limited to ZEAL Network SE for nominal consideration. No further ownership changes occurred in the period 22 January 2015 to 31 December 2015. As a result, ZEAL Network SE owned all ordinary shares issued by both Tipp24 Investment 1 Limited and Tipp24 Investment 2 Limited at 31 December 2015.

Section 479A audit exemption

Tipp24 Investment 1 Limited, Tipp24 Investment 2 Limited and Lotto Network Limited will take the exemption available by virtue of section 479A of the Companies Act 2006 which exempts them of the requirements of an audit for the individual accounts.

23 BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS

ACQUISITIONS IN 2015

The Group made no acquisitions in 2015.

ACQUISITIONS IN 2014

On 10 April 2014 Smartgames Technologies Limited, based in London, acquired 100% of eSailors Limited, an unlisted company based in London, which provides IT and accounting services. ZEAL acquired eSailors Limited in order to improve the technical know-how of ZEAL. The acquisition was accounted for using the acquisition method.

The fair values of the identifiable assets and liabilities of eSailors Limited at the date of acquisition were:

in €k	Fair value recognised on acquisition
Assets	
Property, plant and equipment	626
Intangible assets	31
Trade receivables	60
Cash and cash equivalents	1,669
Other assets	723
	3,109
Liabilities	
Income tax liabilities	319
Trade payables	64
Other liabilities	577
Provision for bonuses	431
Other provisions	738
	2,129
Total identifiable net assets at fair value	**980**
Purchase consideration transferred	**980**

Prior to the acquisition, a loan from Smartgames Technologies Limited to eSailors Limited of €1,700k was forgiven.

The fair value of trade receivables acquired was €60k. The gross amount of trade receivables was €60k. None of the trade receivables have been impaired and it is expected that the full contractual amounts will be collected.

The fair value of cash and cash equivalents was €1,669k. There was also a security deposit amounting to €245k. As the fixed deposit was a security deposit for rent and therefore restricted from being used to settle a liability ("pledged cash") we do not consider this amount (€245k) as "cash and cash equivalents acquired".

ANALYSIS OF CASH FLOW ON ACQUISITION

in €k	Fair value recognised on acquisition
Cash and cash equivalents acquired	1,669
Consideration payable	(980)
Net cash flow on acquisition	689

From the date of acquisition to 31 December 2014, eSailors contributed €1,117k of revenue and €2k profit before tax to the continuing operations of ZEAL. If the acquisition had taken place at the beginning of 2014, revenue from continuing operations would have been €141,944k and profit before tax would have been €13,091k. Transaction costs of €5k have been expensed and are included in administrative expenses in the statement of profit and loss and are part of operating cash flows in the statement of cash flows.

01
02
03
04

24 PERSONNEL EXPENSES

As stated in the note 3, the method by which financial information is reported to the CODM was modified during the year. We have therefore disclosed average director and employee numbers for 2015 split by the former segmental disclosure method and the new segmental disclosure method:

NEW SEGMENTAL ANALYSIS

Director and employee numbers	B2C	B2B/B2G	**Total**
2015			
Executive Board	3	–	3
General Managers	3	2	5
Employees	158	86	244
Trainees	2	–	2
Temporary personnel	2	1	3
Total	**168**	**89**	**257**

FORMER SEGMENTAL ANALYSIS

Director and employee numbers	Abroad	Germany	**Total**
2015			
Executive Board	–	3	3
General Managers	3	2	5
Employees	149	95	244
Trainees	2	–	2
Temporary personnel	2	1	3
Total	**156**	**101**	**257**

The prior year note disclosure is detailed below:

Director and employee numbers	Abroad	Germany	**Total**
2014			
Executive Board	–	2	2
General Managers	7	2	9
Employees	176	42	218
Trainees	4	–	4
Temporary personnel	–	1	1
Total	**187**	**47**	**234**

Director and employee numbers	Abroad	Germany	Total
2014			
Executive Board	–	2	2
General Managers	6	1	7
Employees	165	95	260
Trainees	4	2	6
Temporary personnel	–	1	1
Total	**175**	**101**	**276**

Personnel expenses incurred during 2015 are included in the table below:

	2015	2014
in €k		
Wages and salaries	22,103	17,829
Social security costs	3,331	2,872
Total employee benefit expense	**25,434**	**20,701**

These figures include remuneration for the Executive Board, further details of which are in included in the Directors' Remuneration Report on pages 38 to 55.

25 DIVIDENDS

During 2014, the Executive Board proposed, and the Supervisory Board approved, a revised dividend policy under which the Company would pay regular interim dividends. These were expected to amount to at least €2.80 per share in 2015 and be paid in four instalments (at the end of each quarter). This policy will continue for 2016 and into perpetuity until a further announcement is made. The Company's dividend policy is subject to periodic review and may be amended in the future depending on the earnings and financial position of the Company as well as other relevant factors.

During 2015, dividends totalling €2.80 per share were declared and paid (€23,478k). Cash flows from dividends paid are classified under financing activities in the cash flow statement and the dividends paid are deducted from retained earnings in the statement of changes in equity.

26 COMMITMENTS AND CONTINGENCIES

OPERATING LEASES

During 2015, ZEAL expensed rental payments for offices amounting to €2,522k (2014: €2,365k). The future minimum lease payments for the above non-cancellable operating leases are as follows:

Minimum lease payment	**2015**	2014
in €k		
Within 1 year	1,338	718
>1–5 years	6,305	3,855
>5 years	4,617	5,641
Minimum lease obligations	**12,260**	**10,214**

OTHER FINANCIAL COMMITMENTS

In addition, the Group had significant financial commitments arising from other contracts, including cooperation agreements, insurance contracts, licence agreements and maintenance agreements. These commitments do not meet the definition of provisions in accordance with IAS 37 "Provisions, contingent assets and contingent liabilities" and have therefore been disclosed as a note to the financial statements. Detail of the commitments together with estimated maturity dates are as follows:

	2016	2017	2018	2019	2020 and beyond	**Total**
in €k						
Other contracts	**11,728**	**9,513**	**–**	**–**	**–**	**21,241**

CONTINGENT LIABILITIES

There is significant uncertainty as to whether VAT is due in respect of certain services provided by the MyLotto24 sub group to customers in certain European Union Member States from 1 January 2015. Furthermore, there is uncertainty in respect of the tax base to be applied in the event that it is ultimately determined that VAT is due on any relevant services. Based on a thorough legal assessment, which included review of the existing legal framework of relevant Member States and existing case law, the Directors consider, at this stage, that the likelihood of outflow of economic resources is not probable and has, therefore, not recorded any liability in the Group financial statements. Additionally, given the uncertainties surrounding the quantification of any VAT which may be payable, the Board of Directors believes that any attempt to either estimate or quantify the range of the amounts which may reasonably be in dispute would potentially be misleading and may be prejudicial to the Group's position in defending any claims for VAT. In respect of other taxes and duties, other than as provided in the Group financial statements, the Board considers it unlikely that any further liability will arise from the final settlement of any such assessments. The Board of Directors will continue to closely monitor any changes in this area.

27 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".

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 €110k in the period under review (2014: €131k).

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.

The charitable 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. It did not receive any remuneration from ZEAL in the reporting period.

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

Please refer to Remuneration Report for details on Executive Board and Supervisory Board remuneration.

28 CAPITAL MANAGEMENT

ZEAL operates a decentralised capital management system. All major decisions concerning the financial structure of the "B2B/B2G" segment (2014: "Germany" segment) are taken by the Executive Board of ZEAL Network. Capital management activities of the "B2C" segment (2014: "Abroad" 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 B2B/B2G 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.

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

29 DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

29.1 FAIR VALUE

All assets and liabilities for which fair value is measured or disclosed in the 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 31 December 2015 are classified as level 1. For all financial instruments the carrying amount approximates to fair value with the exception of the loan receivable balance detailed in note 14. Of the short-term financial assets held at 31 December 2015 amounting to €12,883k (2014: €15,555k), €7,766k were available-for-sale financial assets (2014: €9,258k) and €5,117k were held-to-maturity financial assets (€6,297k).

During 2015, 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.

29.2 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

There are no contingent assets.

29.3 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 (2014: "Abroad" 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.

29.4 INTEREST RATE RISK

ZEAL invests the majority of its funds in a combination of fixed term deposits. For these funds, which are mainly held in liquid or short-term investments, there is a general risk from changing interest rates. A sensitivity analysis was conducted for the portfolio of cash and short-term financial assets held on 31 December 2015 with an interest rate increase of 10 basis points. Assuming no changes are made to the portfolio in response to the interest rate increase, there would be a rise in interest income of €1,076k (in a simplified calculation). Under consideration of the duration of those investments currently in the portfolio, there would be an expected reduction of this interest income of €2k. The overall effect, therefore, would be an increase in interest income of €1,074k (2014: €56k).

29.5 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.

For the presentation of currency risks, IFRS 7 requires sensitivity analyses which display the effects of hypothetical changes of the relevant risk variables on earnings and equity. In order to determine the currency risk, a fluctuation of the Euro to British Pound exchange rate of 10% was assumed as of 31 December 2015.

On the basis of this assumption, a 10% increase in the value of the Euro against the British Pound would result in a positive effect of €943k (2014: €7,412k) on earnings. A devaluation of the Euro against the British Pound of 10% would result in a negative effect of €1,921k (2014: €7,588k) on earnings.

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

30 EVENTS AFTER THE BALANCE SHEET DATE

On 10 March 2015, 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 31 December 2015. Completion of this transaction is expected to occur on 30 March 2016 and will allow ZEAL Group to take full control of GGGL and its joint venture, Geo24. The acquisition is expected to be effected through the following transactions:

- ZEAL Group exercised 37,738 warrants in January 2016 and was granted 37,738 new ordinary shares in exchange for £377.
- The remaining shares that were in issue at the SPA signing date, but not owned or beneficially owned by ZEAL Group (301,378 ordinary shares), will be acquired from the non-ZEAL shareholders on 30 March 2016 for consideration of £0.8m (representing a value of £2.70 per share). The excess of the purchase consideration over the fair value of assets acquired will be written off in the period when the acquisition completes.
- By taking control of GGGL, ZEAL Group will automatically gain control over all shares issued by Geo24.

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

		2015	2014
ASSETS in €k	Note		
Non-current assets			
Property, plant and equipment		13	7
Deferred tax assets		–	6
Investments in associated companies	A	28,649	27,423
Loans to Group undertakings	C	36,751	–
Total non-current assets		**65,413**	**27,436**
Current assets			
Trade and other receivables	B	2,172	1,124
Intercompany receivables		1,060	330
Other current assets and prepaid expenses		81	140
Short-term financial assets		–	2,357
Cash and pledged cash		3,645	7,935
Total current assets		**6,958**	**11,886**
TOTAL ASSETS		**72,371**	**39,322**

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

EQUITY & LIABILITIES in €k	Note	2015	2014
Non-current liabilities			
Long-term provisions		75	–
Total non-current liabilites		**75**	**–**
Current liabilities			
Trade payables and other liabilities		**6,753**	**2,965**
Short-term provisions		667	273
Total current liabilities		**7,420**	**3,238**
Total liabilities		**7,495**	**3,238**
Equity			
Subscribed capital	E	8,385	8,385
Share premium	E	21,578	21,578
Other reserves	E	–	(22)
Retained earnings	E	34,913	6,143
Total equity		**64,876**	**36,084**
TOTAL EQUITY & LIABILITIES		**72,371**	**39,322**

PROFIT FOR THE FINANCIAL YEAR

As permitted by Section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements. The parent company's profit after taxation was €52,249k (2014: €67,096k).

These financial statements were approved by the Executive Board on 29 March 2016 and were signed on its behalf by:

Dr. Helmut Becker
Member of Executive Board

Jonas Mattsson
Member of Executive Board

Susan Standiford
Member of Executive Board

COMPANY STATEMENT OF CASH FLOWS
FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2015

	2015	2014
in €k		
Profit from continuing operations before tax	57,576	67,140
Adjustments for		
Depreciation and amortisation of non-current assets	4	28
Impairment of investments	99	4,586
Net gain on sale of non-current assets	–	(74)
Net foreign exchange differences	(10)	–
Finance income	(1,781)	(72)
Finance costs	861	4
Income from shares in Group undertakings	(109,900)	(80,000)
Other non-cash changes	38	117
Changes in		
Trade and other receivables and prepaid expenses	(1,719)	(1,118)
Trade payables and other liabilities	1,257	(3,687)
Interest received	1,781	72
Interest paid	(861)	(4)
Income taxes paid	(2,327)	(925)
Cash outflow from operating activities	**(54,982)**	**(13,933)**

in €k	**2015**	2014
Cash flow from investing activities		
Income received from Group undertakings	109,900	80,000
Payments for acquisition of subsidiaries	–	(4,700)
Payments for property, plant and equipment	(11)	(8)
Payments for intangible assets	–	(2)
Loans to affiliated companies	(36,751)	–
Investments in Group companies	(1,325)	–
Net cash inflow from investing activities	**71,813**	**75,290**
Cash flow from financing activities		
Dividends paid to the Company's shareholders	(23,478)	(62,888)
Repayment of intercompany loan	–	500
Net cash outflow from financing activities	**(23,478)**	**(62,388)**
Net decrease in cash, pledged cash and short-term financial assets	(6,647)	(1,031)
Cash, pledged cash and short-term financial assets at the beginning of the year	10,292	11,323
Cash, pledged cash and short-term financial assets at the end of the financial year	**3,645**	**10,292**
Composition of cash, pledged cash and short-term financial assets at the end of the financial year		
Cash and pledged cash	3,645	7,935
Short-term financial assets	–	2,357

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2015

	Subscribed capital	Share premium	Other reserves	Retained earnings	**Total equity**
in €k					
Balance at 1 January 2014	**8,385**	**22,741**	**(163)**	**947**	**31,910**
Profit for the year	–	–	–	67,096	67,096
Other comprehensive income	–	(1,163)	141	987	(35)
Total comprehensive income for the year	**–**	**(1,163)**	**141**	**68,083**	**67,061**
Transactions with owners in their capacity as owners					
Dividends paid	–	–	–	(62,888)	(62,888)
As at 31 December 2014	**8,385**	**21,578**	**(22)**	**6,142**	**36,083**
As at 1 January 2015	**8,385**	**21,578**	**(22)**	**6,142**	**36,083**
Profit for the year	–	–	–	52,249	52,249
Other comprehensive income	–	–	22	–	22
Total comprehensive income for the year	**–**	**–**	**22**	**52,249**	**52,271**
Transactions with owners in their capacity as owners					
Dividends paid	–	–	–	(23,478)	(23,478)
As at 31 December 2015	**8,385**	**21,578**	**–**	**34,913**	**64,876**

A INVESTMENT IN SUBSIDIARIES

A full list of the Company's direct and indirect subsidiaries is shown in note 22 to the consolidated financial statements.

in €k	
Opening balance	27,423
Additions	1,325
Impairment	(99)
Closing balance	28,649

The impairment charge is attributable to the Company's investments in Tipp24 Investment 1 Limited and Tipp24 Investment 2 Limited. These companies hold investments in GGGL and Geo24 only and have no other sources of income. In line with the impairment recorded against the Group's investments in GGGL and Geo24 (refer to notes 12 and 13 to the consolidated financial statements), the investment held by the Company must also be fully impaired.

The Directors confirm that, following the impairment charge above, the investments in subsidiaries are stated at their recoverable amount.

B TRADE AND OTHER RECEIVABLES

All trade and other receivables are due in less than one year. As of the balance sheet date, there were no indications of impairment which would have entailed the recognition of an impairment loss.

C LOANS TO GROUP UNDERTAKINGS AND INTERCOMPANY RECEIVABLES

The loans to Group undertakings balance included on the face of the Company statement of financial position (amounting to €36,751k) represents an amount advanced by the Company to MyLotto24 Limited during the year. The loan attracts interest at 2.65% per annum and is repayable in 2020. It has therefore been classified as a non-current loan to Group undertakings. The accrued interest payable on this loan balance amounting to €1,010k is included within current intercompany receivables.

D DEFERRED TAX

The utilisation of tax loss carryforwards and temporary differences of the holding company is subject to the achievement of taxable profits in periods which are beyond the Company's current business plan and therefore the utilisation is uncertain. Consequently no deferred tax assets were recognised for these losses and temporary differences. Tax losses on which no deferred tax assets was recorded at 31 December 2015 amounted to €28,721k (2014: €10,729k). There were no material temporary differences at 31 December 2014 or 31 December 2015.

E SHARE CAPITAL AND RESERVES

Details of the Company's share capital and reserves are set out in note 21.

F HEADCOUNT AND COSTS

During 2015, the Company had an average of 11 employees and 3 Directors (2014: 6 employees and 3 Directors). The personnel costs for the year ended 31 December 2015 amounted to €5,499k (2014: €3,090k).

G EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period that require separate disclosure in addition to those already included in note 30 to the consolidated financial statements.

FINANCIAL CALENDAR

13 May 2016	Publication of Q.1 Report
22 June 2016	Annual General Meeting
12 August 2016	Publication of Q.2 Report
11 November 2016	Publication of Q.3 Report

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KEY CONSOLIDATED FIGURES OF ZEAL NETWORK

		2015	2014	2013	2012	2011
Customers						
Number of registered customers (at year-end)	No. k	N/A	N/A	N/A	N/A	N/A
Number of registered new customers (at year-end)	No. k	N/A	N/A	N/A	N/A	N/A
Customer activity rate	%	N/A	N/A	N/A	N/A	N/A
Average billings/customer	€	N/A	N/A	N/A	N/A	N/A
Acquisition costs per new customer	€	N/A	N/A	N/A	N/A	N/A
Income statement	€k					
Billings		N/A	N/A	N/A	N/A	N/A
Revenue		88,962	140,702[2]	129,933[2]	142,731[2]	139,316[2]
EBIT		42,859	19,156[2]	19,459[2]	56,464[2]	51,905[2]
EBT		19,604	12,477[2]	18,831[2]	56,782[2]	52,770[2]
Net profit		1,346	5,317	10,187	40,891	36,339
Balance sheet	€k					
Cash, cash equivalents and securities (incl. pledged cash, cash equivalents and securities)		94,777	92,585	85,822	78,303	64,123
Other current assets		37,379	28,712	83,166	64,033	65,433
Total non-current assets		8,198	34,109	44,593	48,881	36,215
ASSETS		140,354	155,406	213,581	191,217	173,043
Current liabilities		43,711	37,471	36,821	39,414	42,848
Non-current liabilities		1,474	682	1,204	1,427	904
Equity		95,169	117,253	175,556	150,375	129,291
EQUITY AND LIABILITIES		140,354	155,406	213,581	191,217	173,043
Cash flow	€k					
Cash flow from operating activities		27,054	23,838	16,751	22,546	44,323
Cash flow from investing activities		(4,056)	(8,938)	(8,038)	(8,098)	(24,157)
Cash flow from financing activities		(23,478)	(62,888)	15,337	0	0
Personnel						
Number of employees	No.	274	274	140	104	128
Personnel expenses	€k	(25,434)	(20,701)[2]	11,090[2]	10,760[2]	12,026[2]
Expenses per employee	€k	93	76[2]	79[2]	103[2]	94[2]
R&D expenses	€k	N/A	1,124	568	999	1,461
Share (from 2004)						
Average number of shares (undiluted)	No.	8,385,088	8,385,088	8,268,421	7,985,088	7,985,088
Earnings per share (undiluted)	€	0.16	0.63[2]	1.30[2]	4.99[2]	4.80[2]
Operating cash flow per share (undiluted)	€	3.25	2.84	2.03	2.82	5.55
Ratios	%					
Gross margin		N/A	N/A	N/A	N/A	N/A
EBIT margin		48.2	13.6[2]	15.0[2]	39.6[2]	37.3[2]
Net operating margin		1.5	3.8[2]	7.8[2]	28.6[2]	26.1[2]
Return-on-equity (ROE)		1.4	4.5[2]	5.8	27.2	28.1

[1] 2002–2003: unaudited [2] from continuing operations

2010	2009	2008	2007	2006	2005	2004	2003[1]	2002[1]
N/A	N/A	2,526	2,344	1,770	1,322	1,031	675	441
N/A	N/A	203	574	448	291	356	234	118
N/A	N/A	24.7%	28.7%	28.6%	28.6%	30.9%	30.3%	31.4%
N/A	N/A	566	588	598	609	584	620	591
N/A	N/A	46.44	20.11	18.81	20.12	17.01	17.52	14.21
N/A	N/A	335,947	346,776	264,235	204,696	154,094	104,812	70,926
101,882[2]	89,551	45,838	44,974	34,575	26,119	19,504	14,085	8,284
32,681[2]	23,052	8,897	8,949	7,244	6,048	3,207	1,000	1,019
33,167[2]	25,076	10,720	11,192	8,365	6,490	3,324	1,070	1,055
19,551	17,482	6,606	6,272	7,445	3,318	1,575	2,994	1,752
43,957	69,361	21,261	66,121	60,764	57,174	13,202	8,251	4,217
56,613	20,466	59,586	18,405	16,290	7,666	3,092	3,940	2,440
29,444	18,296	12,304	7,213	5,740	7,296	2,602	3,845	2,104
130,013	108,123	93,151	91,739	82,794	72,135	18,896	16,036	8,761
36,911	42,971	35,623	35,774	22,128	18,854	10,955	9,872	5,797
181	752	2,607	335	14	96	124	99	150
92,921	64,399	54,922	55,630	60,652	53,185	7,817	6,065	2,814
130,013	108,123	93,151	91,739	82,794	72,135	18,896	16,036	8,761
14,081	30,217	9,651	17,886	8,360	10,308	5,375	4,570	2,546
-48,446	25,579	(47,040)	(1,200)	(4,769)	(6,371)	(600)	(506)	(399)
8,950	(7,723)	(7,386)	(11,335)	–	40,035	175	(30)	(30)
121	132	185	154	144	114	95	72	47
10,110[2]	12,524	12,667	10,324	8,277	6,990	5,522	4,285	3,021
84[2]	72	69	67	58	61	58	60	64
1,579	1,396	3,374	3,051	2,767	2,151	1,938	1,420	N/A
7,715,614	7,730,961	8,032,265	8,524,199	8,872,319	7,191,100	6,451,928	N/A	N/A
2.85[2]	2.26	0.82	0.74	0.84	0.46	0.24	N/A	N/A
1.82	3.91	1.20	2.10	0.94	1.43	0.83	N/A	N/A
N/A	N/A	13.6	13.0	13.1	12.8	12.7	13.4	11.4
32.1[2]	25.7	19.4	19.9	21.0	23.2	16.4	7.1	12.6
19.2[2]	19.5	14.4	13.9	21.5	12.7	8.1	21.3	21.6
21.0	27.1	12.0	11.3	12.3	6.2	20.1	49.4	62.3

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