

The logo for ZEAL, consisting of the word "ZEAL" in a bold, white, sans-serif font, positioned on a dark blue horizontal bar that tapers from the left side of the slide.

# ZEAL Network SE

Investor Call  
Q3 2015 Report

London, 13 November 2015

# Highlights Q1-3 2015

- **The Group's underlying business performance remained strong in the first nine months**

- 'Normalised <sup>1</sup>' Revenue increased by 2.2% to €104.5m (2014: €102.2m)
- 'Normalised' EBIT increased by 304.6% to €35.3m (2014: €8.7m)

- **Statutory Numbers**

€k	Q1-3 2015	Q1-3 2014	Change %
Total operating performance (TOP)	91,891	108,847	-15.6
EBIT	20,686	11,134	85.8

- Total operating performance:
  - Two large wins, summing €62.9m drove exceptionally high prize pay-outs and adversely impacted revenue
  - Largely offset by hedging income, favourable jackpot situations and successful Instant Win Games launches in B2C
  - Correspondingly the impact on Total operating performance was reduced to an adverse €17m
- EBIT of €20.7m significant increase compared to previous year (€11.1m)

<sup>1</sup> 'Normalised' revenue is defined as statutory revenue adjusted for statistical fluctuation differences

# Business Unit Update

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- **B2C:**

- Strong quarter boosted by favourable jackpot situation
- Launch of eight Instant Win Games on Tipp24.com
- Well received by our customers
- leading to an increase in revenue per customer

- **B2B/B2G:**

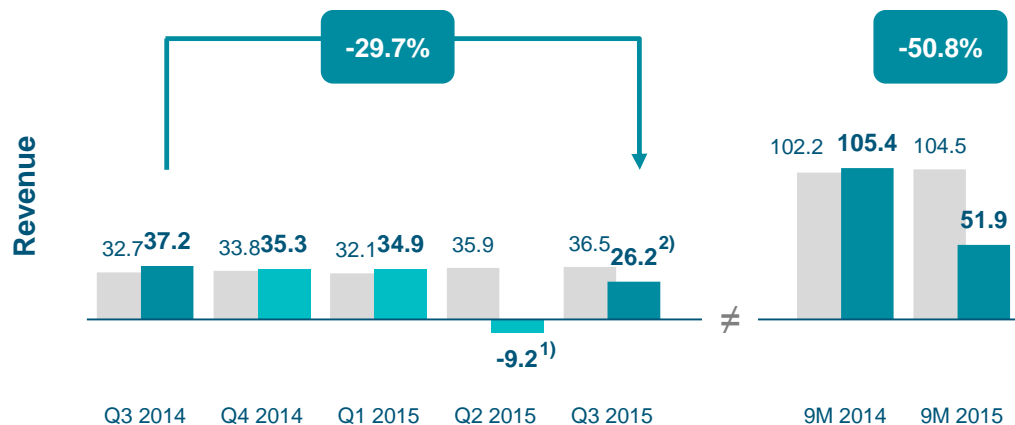
- Plans are on track and we continue to explore further opportunities in this segment

- **GeoLotto**

- Launch of Booty Pirates in August
- Product market fit and marketing optimisation ongoing
- Scaling decision expected in early 2016

# Development of Revenue and Earnings (1/2)

in million €



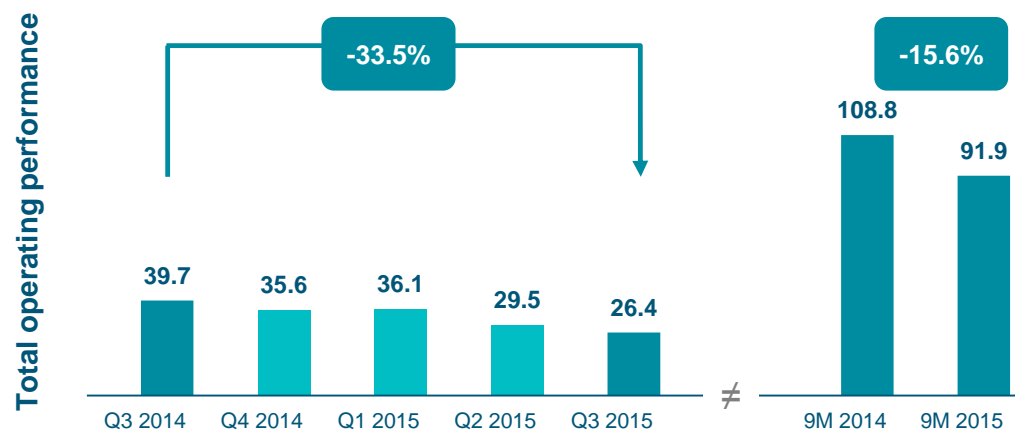
<sup>1)</sup>Negatively impacted by high prize pay-out of €47.9m

<sup>2)</sup>Negatively impacted by high prize pay-out of €15.0m

## Comments

- 'Normalised' revenue increased by 2.2% due to favourable jackpot situation and expanded product portfolio
- Revenue negatively impacted by higher pay-outs compared to previous year

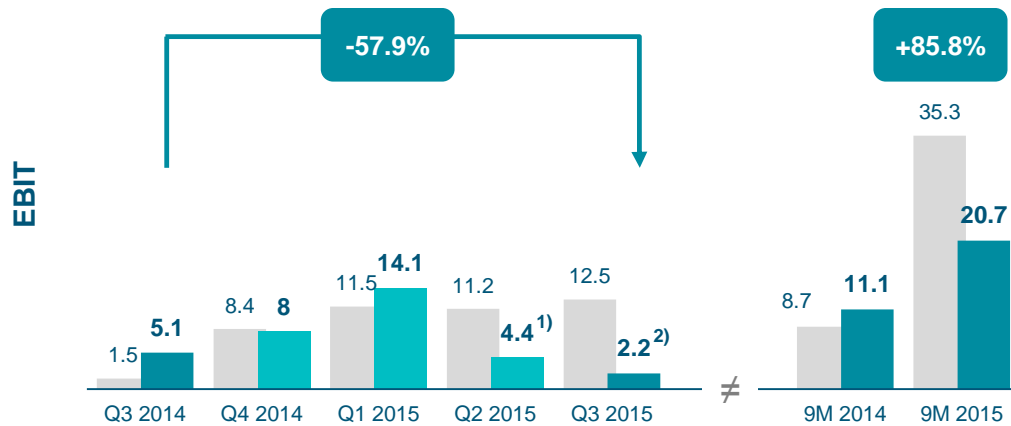
■ Adjusted for random effects from statistical fluctuations



- Total operating performance also impacted by high prize pay-outs compared to previous year
- Impact was largely covered by hedging instrument income of €38.3m

# Development of Revenue and Earnings (2/2)

in million €



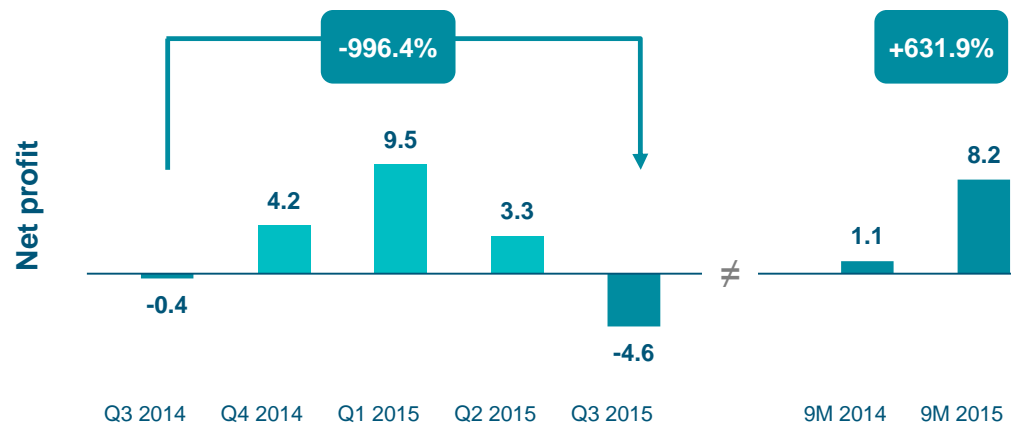
<sup>1)</sup>Negatively impacted by high prize pay-out of €9.6m

<sup>2)</sup>Negatively impacted by high prize pay-out of €15.0m

## Comments

- Normalised EBIT rose in 9M 2015 by 304.6% from €8.7m to €35.3m
- Strong EBIT growth driven by lower other operating expenses

■ Adjusted for random effects from statistical fluctuations

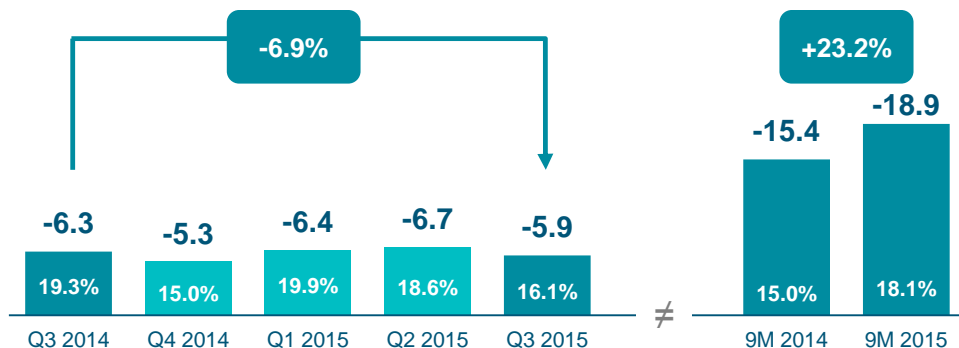


- Net profit growth of €7.1m
- Earnings per share of €0.97 (9M 2014: €0.12)

# Development of Expenses (1/2)

in million €

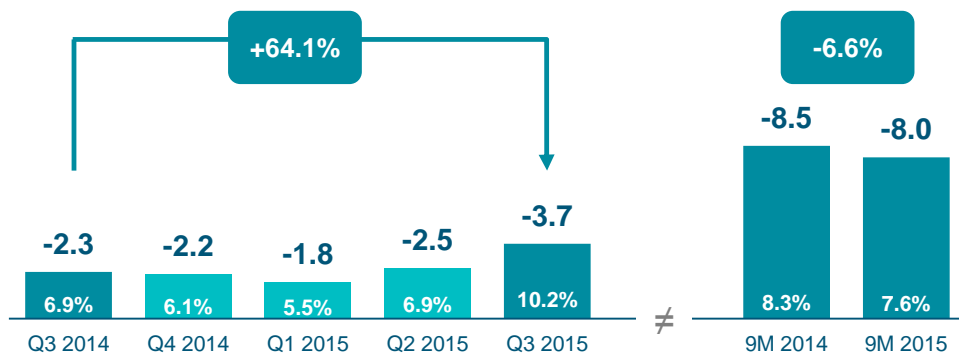
Personnel expenses<sup>1</sup>



## Comments

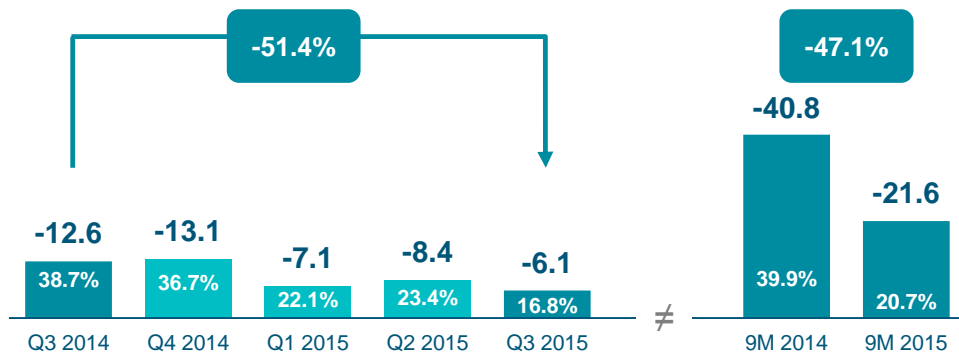
- Cost increase explained by insourcing of technical service provider (€-2.5m personnel costs of former technical service provider in 9M 2015)
- Additional bonus expenses (€-1.0m)

Marketing expenses<sup>1</sup>



- Increased marketing activity in Q3 2015 due to favourable jackpot situation

Direct costs<sup>1</sup>

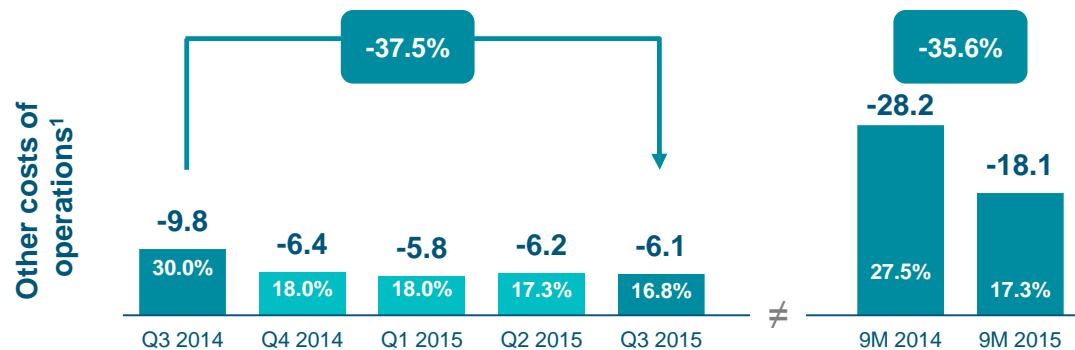


- Gaming tax savings of €14.2m in 9M 2015
- Reduction in hedging costs of €5.2m in 9M 2015

<sup>1</sup> Percentage of adjusted revenue

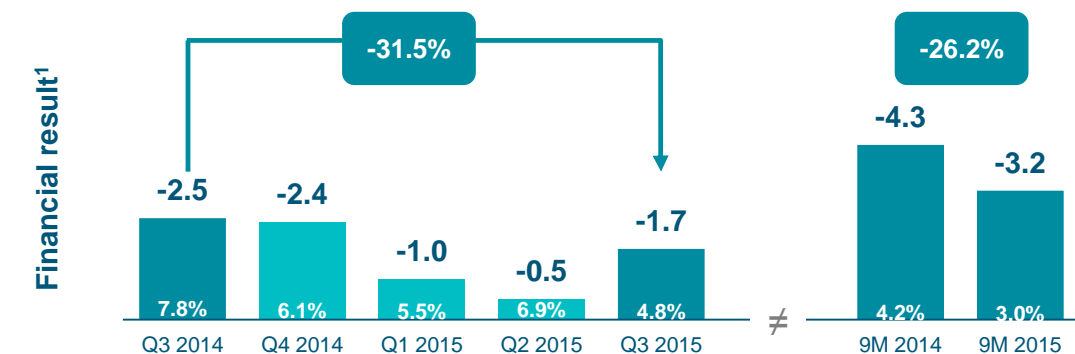
# Development of Expenses (2/2)

in million €

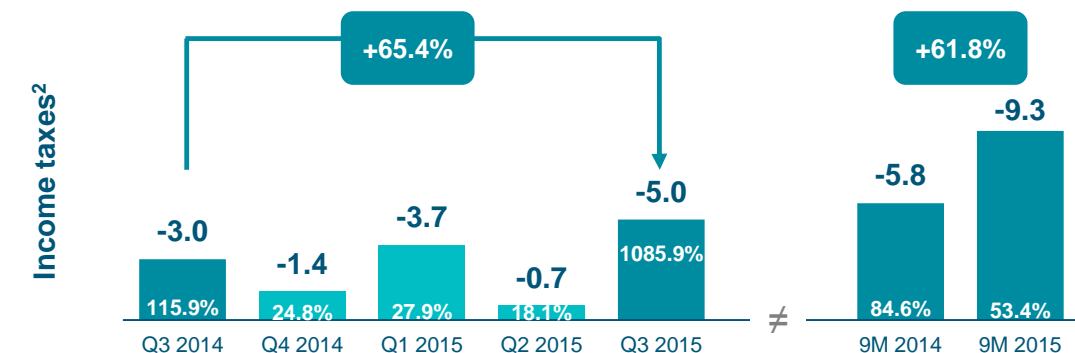


## Comments

- Major impact by cost shift into personnel costs due to acquisition of technical service provider (€-2.5m)
- Decrease of consulting costs (€-3.7m) in 9M 2015 compared to the previous year



- Share of losses of at-equity consolidated associated companies and joint ventures (Geonomics, Geo24) contributed €-2.4m (H1 2014: €-4.4m)
- Majority of the balance is made up of an interest payment relating to a historical tax case



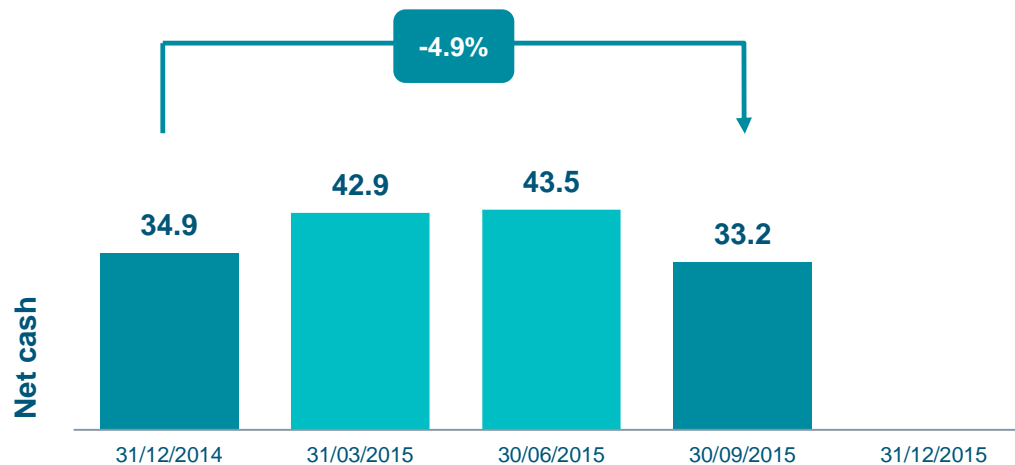
- Consolidated tax rate of 53.4% lower than 9M 2014 (84.7%) due to strong result in the B2C Segment
- Including additional €2.3m tax payment related to a historical tax case (Underlying tax rate 40%)

<sup>1</sup> Percentage of adjusted revenue

<sup>2</sup> Tax rate in %

# Development of net cash

in million €



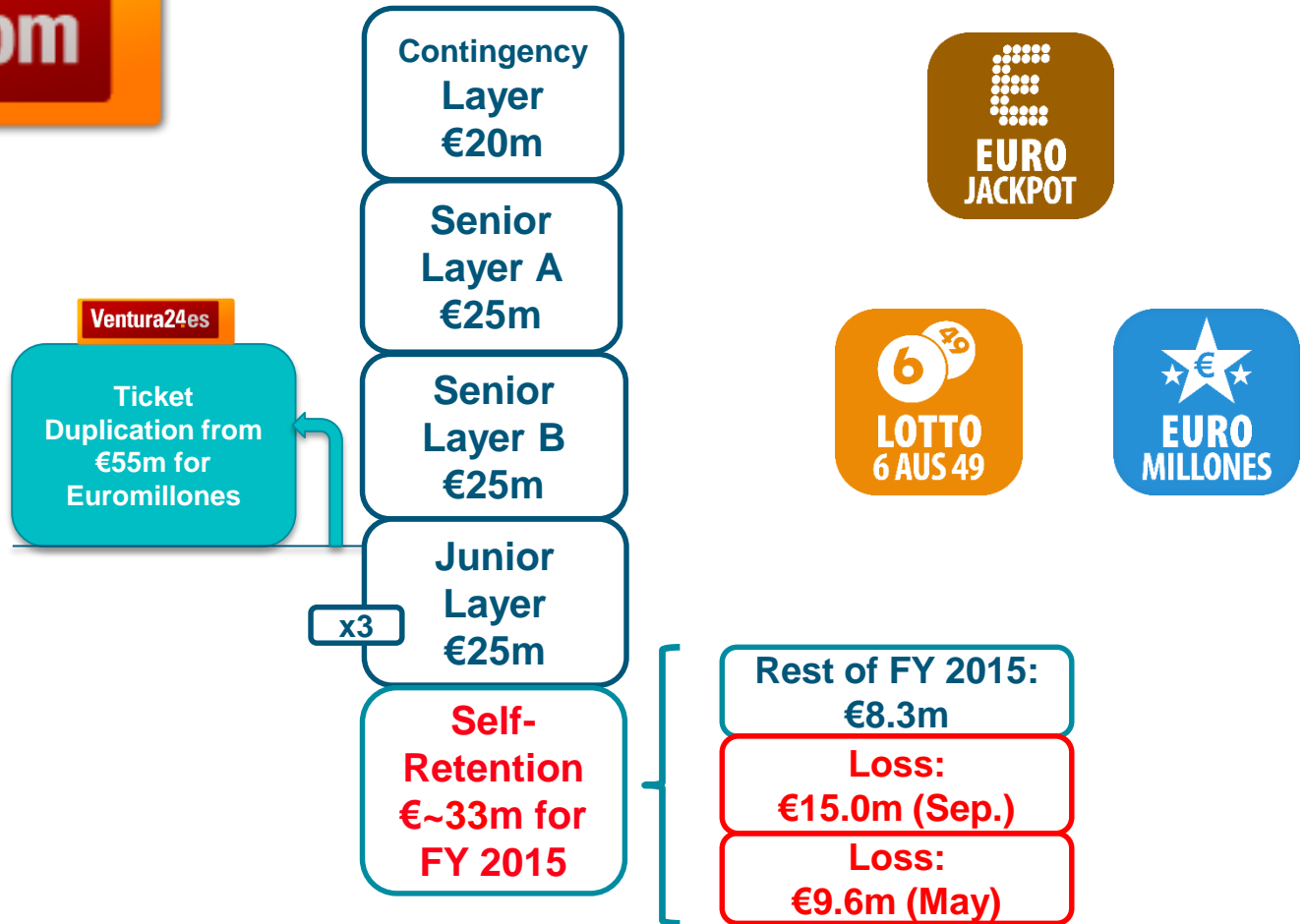
## Comments

- €17.6m dividends paid in 2015
- Definition of net cash:
  - Cash (without pledged cash)
  - + Short-term financial assets
  - + Other current assets and prepaid expenses
  - Trade payables
  - Other liabilities
  - Income tax liabilities
  - €50 million hedging reserve

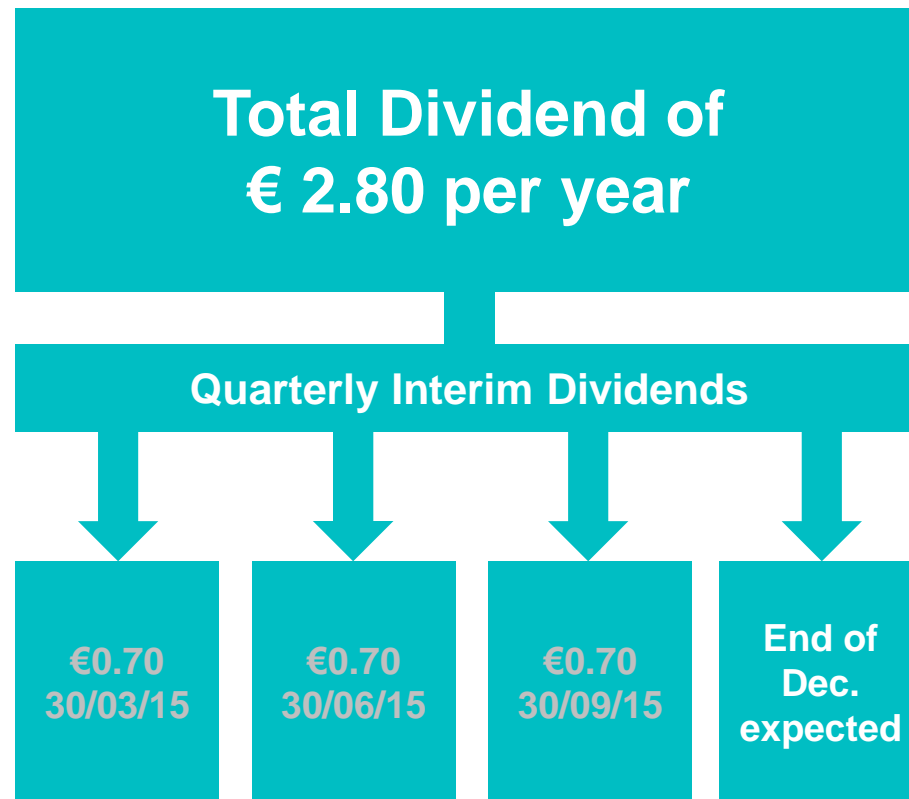
**ZEAL's Net Cash position broadly flat compared to December 2014 despite dividend payments of €17.6m and high prize pay-outs**



# Hedging structure (CAT Bond) for secondary lottery



# Dividend Policy



# Guidance 2015

Guidance 2015	2 <sup>nd</sup> Sep. in € million	Previous in € million
Total operating performance	120 - 130	135 - 145
EBIT	20 - 30	35 - 45

- Reiterate guidance
- Underlying business performance is solid

# Financial calendar

<b>Publication of Q1 Report</b>	<b>13 May 2015</b>
<b>Annual General Meeting</b>	<b>18 June 2015</b>
<b>Publication of Q2 Report</b>	<b>13 August 2015</b>
<b>Publication of Q3 Report</b>	<b>13 November 2015</b>
<b>Annual report 2015</b>	<b>30 March 2016</b>



**ZEAL**

**Appendix**

# Consolidated Income Statement and Balance Sheet

in €k

Income Statement		9M 2015	9M 2014	Change in %
	Revenue	51,869	105,414	-50.8
	Total operating performance	91,891	108,847	-15.6
	Other operating expenses	-47,701	-77,503	-38.5
	EBITDA	26,022	16,920	+53.8
	EBIT	20,686	11,134	+85.8
	Earnings before taxes	17,502	6,821	+156.6
	<b>Profit</b>	<b>8,161</b>	<b>1,115</b>	<b>+631.9</b>

Balance Sheet		30.09.2015	31.12.2014	Change in %
	Current assets	115,389	121,297	-4.9
	Non-current assets	29,916	34,109	-12.3
	<b>ASSETS</b>	<b>145,305</b>	<b>155,406</b>	<b>-6.5</b>
	Current liabilities	37,048	37,471	-1.1
	Non-current liabilities	757	682	+11.0
	Equity	107,500	117,253	-8.3
	<b>EQUITY &amp; LIABILITIES</b>	<b>145,305</b>	<b>155,406</b>	<b>-6.5</b>

# Business unit segment reporting 9M 2015

in €k

	B2C	B2B/B2G	Business unit total	Reconciliation to statutory accounts	- thereof statistical fluctuation differences	- thereof other	Statutory
Revenue	98,102	4,303	102,405	-50,536	-52,652	2,116	51,869
Other operating income	1,837	134	1,971	38,051	38,085	-34	40,022
<b>Total operating performance</b>	<b>99,939</b>	<b>4,437</b>	<b>104,376</b>	<b>-12,485</b>	<b>-14,567</b>	<b>2,082</b>	<b>91,891</b>
<b>EBITDA</b>	<b>46,060</b>	<b>-5,710</b>	<b>40,350</b>	<b>-14,328</b>	<b>-14,566</b>	<b>238</b>	<b>26,022</b>
Depreciation/amortisation	-4,772	-413	-5,185	-151	-	-151	-5,336
<b>EBIT</b>	<b>41,288</b>	<b>-6,123</b>	<b>35,165</b>	<b>-14,479</b>	<b>-14,566</b>	<b>87</b>	<b>20,686</b>
Financial result	-	-	-	-3,184	-	-3,184	-3,184
<b>EBT</b>	<b>-</b>	<b>-</b>	<b>35,165</b>	<b>-17,663</b>	<b>-14,566</b>	<b>-3,097</b>	<b>17,502</b>
Income tax	-	-	-	-9,341	-	-9,341	-9,341
<b>Profit</b>	<b>-</b>	<b>-</b>	<b>35,165</b>	<b>-27,004</b>	<b>-14,566</b>	<b>-12,438</b>	<b>8,161</b>

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**Thank you!**

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## **Frank Hoffmann**

Investor Relations Manager

## **ZEAL**

5<sup>th</sup> Floor - One New Change  
London EC4M 9AF

T +44 (0) 203 739 7123

M +49 (0) 175 2673420

F +44 (0) 203 739 7099

[frank.hoffmann@zeal-network.co.uk](mailto:frank.hoffmann@zeal-network.co.uk)

[www.zeal-network.co.uk](http://www.zeal-network.co.uk)