CREATING A BETTER WORLD OF LOTTERY

INTERIM FINANCIAL REPORT
1 JANUARY – 30 JUNE 2018

ZEAL

WHO WE ARE

ZEAL is the world's leading online lottery innovator. Our aim is to create a better world of lottery; positively changing a sector that's been stuck in a time-warp for too long and helping change lives while doing it. Founded in 1999, we are a house of lottery brands operating across: lottery betting (Tipp24 and myLotto24), primary and social lottery operation (Lottovate), and lottery venture capital (ZEAL Ventures). We have more than 3.5million customers globally across the Group. We are headquartered in London and our shares are listed on the Prime Standard of the Frankfurt Stock Exchange. Since our incorporation, we have generated stakes of more than €3billion, and paid out more than €1.5billion in prizes.

ZEAL GROUP[1]

We are a house of lottery brands operating in the lottery betting, primary & social lottery, and lottery venture capital spaces.

CONTENTS

02 H1 2018 at a glance
03 Business Review
04 Financial Review
08 Interim Consolidated Financial Statements
13 Selected Explanatory Notes

[1] *'ZEAL Group' or 'the Group'*

H1 2018 AT A GLANCE

€141.9m
BILLINGS (H1 2017: €136.4M)

€123.7m
STAKES (H1 2017: €118.4M)

€73.0m
REVENUE (H1 2017: €62.4M)

€74.9m
TOTAL OPERATING PERFORMANCE (H1 2017: €65.0M)

€16.4m
EBIT (H1 2017: €7.9M)

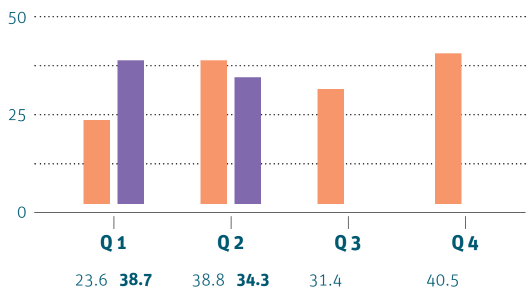
€89.7m
NET CASH (H1 2017: €47.8M)

€1.37
EPS (H1 2017: €0.67)

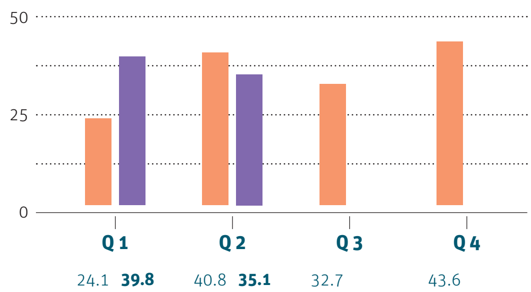
€55.62
Ø BILLINGS PER USER (H1 2017: €55.24)

401.2k
MONTHLY ACTIVE USERS (H1 2017: 386.5K)

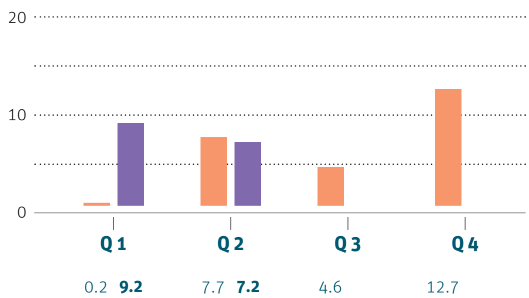
STATUTORY REVENUE[1] in €m



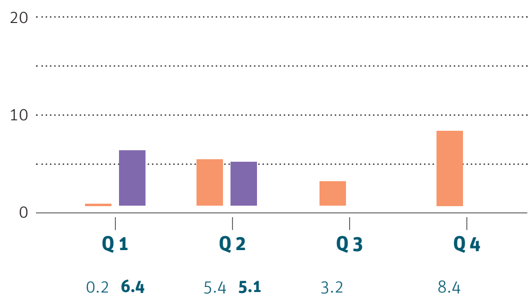
STATUTORY TOTAL OPERATING PERFORMANCE in €m



STATUTORY EBIT in €m



NET PROFIT in €m



2017 2018

[1] *Revenue in Q1 2017 was negatively impacted by high prize pay-outs.*

The definitions concerning the financial measurements disclosed above can be found on page 21-22 of the 2017 Annual Report. There has been no change in definitions since the issue of the 2017 Annual Report on 22 March 2018.

BUSINESS REVIEW

ZEAL performed well in the first six months of 2018 as we delivered positive results and continued to build our portfolio; including launching the world's first experience lottery.

Strong demand, coupled with even more efficient marketing, generated growth in new customers, billings, total operating performance (TOP[1]), and earnings before interest and taxes (EBIT).

We delivered:

- Billings of €141.9m (H1 2017: €136.4m), up 4%;
- TOP of €74.9m (H1 2017: €65.0m), up 15%;
- EBIT of €16.4m (H1 2017: €7.9m), in line with guidance.

Our continued focus on driving efficient and effective marketing saw us deliver 293k new registered customers for the Group and our partners; an increase of 69% (2017: 174k).

This significant increase was delivered in spite of a 38% fall in average jackpot size between the first two quarters (Q1 2018: €111m; Q2 2018: €69m)[2].

Average Billings Per User (ABPU) in the lottery betting segment were maintained at €55.62 (2017: €55.24) with our Instant Win Games performing particularly well, while the first half of the year also saw a 45% reduction in exceptional prize pay-outs to €8.3m (2017: €15.0m).

THE WORLD'S FIRST EXPERIENCE LOTTERY

In June 2018 we launched, through our Lottovate brand, the world's first experience lottery. Raffld, the Netherlands' first new lottery in nearly 30 years, is built to match the needs of Dutch millennials (22-36 year-olds); a digital-native customer group that don't yet regularly play the lottery. Raffld, which was developed based on player feedback, is a digital-only charity lottery which gives players the chance to win experiences they can share with their friends, rather than money.

AUSTRALIA

In June 2018, the Australian Parliament voted to ban online lottery betting, choosing to put the interests of the existing primary lottery monopoly ahead of customers and newsagents who, through our pioneering partnership, would have benefited from a vital new income stream. In light of this, myLotto24 quickly took the decision to exit the Australian market and the operation was closed down at the end of July 2018.

This regulatory intervention is disappointing and flies in the face of consumer demand. However, with our UK business performing well and imminently moving into scale-testing, our Norwegian business seeing positive momentum, and having delivered a world first in the Netherlands, we remain very positive about the potential opportunity for ZEAL across the global lottery market.

OUTLOOK

As previously announced in February 2018 and subsequently reiterated for 2018 we expect to deliver EBIT in the range of €33m-€43m, and Total Operating Performance (TOP) of €150m-€160m.

DIVIDEND

We also intend to pay a dividend of at least €1.00 per share in 2018. This position is subject to periodic review and may be amended depending on our future earnings and financial position.

ONGOING LEGAL AND REGULATORY MATTERS

The principal legal and regulatory matters affecting the Group are included in the 2017 Annual Report. There have been no material changes to the status of these matters since the date of approval of the 2017 Annual Report.

TAX MATTERS AND CONTINGENT LIABILITIES

There have been no material changes in the status of the tax matters reported in the 2017 Annual Report. The Directors continue to closely monitor any changes in areas where a contingent liability has been previously disclosed.

[1] TOP is the sum of Revenue and Other Operating Income as disclosed in the interim Consolidated Income Statement.

[2] Based on the average jackpots of: EuroJackpot, Lotto 6aus49, EuroMillions, Powerball and Mega Millions. In Q2 2018, the only lottery which saw an increase in average jackpot size was EuroJackpot.

FINANCIAL REVIEW

Summary financial results and key performance indicators:

	H 1 2018	H 1 2017
in €k		
Summary financial results		
Revenue	72,973	62,351
Total Operating Performance (TOP)	**74,946**	**64,976**
Personnel expenses	(15,246)	(16,027)
Other operating expenses	(43,282)	(40,340)
Marketing expenses	*(9,753)*	*(8,862)*
Direct costs of operations	*(22,331)*	*(19,880)*
Other costs of operations	*(11,198)*	*(11,598)*
EBIT	**16,376**	**7,899**
Key Performance Indicators		
Billings	141,879	136,420
Stakes	123,651	118,362
Normalised revenue	77,825	71,501
Normalised EBIT	21,302	17,658
Earnings per share (€)	1.37	0.67
Net cash position[1]	89,722	47,812
Cash inflow from operating activities	12,378	7,354
Cash used in investing and financing activities	(574)	(1,088)

REVENUE AND TOTAL OPERATING PERFORMANCE

Revenue for the six-month period ended 30 June 2018 increased by €10,622k to €72,973k (H1 2017: €62,351k) and TOP increased by €9,970k to €74,946k (H1 2017: €64,976k).

The increase in both revenue and TOP is largely due to a 4.4% increase in stakes compared to prior year and a reduction in the value of exceptional prize pay-outs, which in H1 2018 was €8,299k (H1 2017: €15,000k).

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

PERSONNEL EXPENSES

Personnel expenses for the six-month period ended 30 June 2018 decreased by €781k to €15,246k (H1 2017: €16,027k). Although the average number of full time equivalent (FTE) employees is in line with H1 2017, the reduction has been achieved through lower average personnel costs per head.

[1] *Due to the implementation of a new ILS structure, the hedging reserve decreased from €50,000k as at 30 June 2017 to €30,000k as at 31 December 2017. It was then further reduced to €21,701k following the €8,299k class 1 winner in May 2018.*

OTHER OPERATING EXPENSES

Other operating expenses for the six-month period ended 30 June 2018 increased by €2,942k to €43,282k (H1 2017: €40,340k). The most significant contributory factors were:

- Increase in marketing expenses of €891k. The increased investment in marketing is consistent with our strategy to drive customer acquisition and internationalisation. This investment has contributed to an additional 293k new registered customers for the Group and our partners; an increase of 68.6% compared to the prior period (H1 2017: 174k).
- Increase in direct costs of operations of €2,451k, which is mainly due to a €2,838k increase in hedging costs (driven by the increased customer numbers and higher EuroJackpot and US jackpots compared to the prior period). We continue to benefit from the flexibility of the new ILS structure which delivered a €10m reduction in self-retention, improving capital efficiency and reducing cash flow volatility.
- Decrease in other costs of operations of €400k, is mainly driven by a €363k decrease in contractor costs. The remaining movement is due to various immaterial increases in other line items.

BILLINGS AND STAKES

Billings for the six-month period ended 30 June 2018 increased by €5,459k to €141,879k (H1 2017: €136,420k). Stakes for the six-month period ended 30 June 2018 increased by €5,289k to €123,651k (H1 2017: €118,362k). The growth in billings and stakes is primarily associated with growth in our Instant Win Games. As well as growth in customer betting on our major US lottery products – Powerball and Mega Millions.

NORMALISATION OF RESULTS

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

Total pay-outs for secondary lotteries in the first half of 2018 were €4,852k above the expected pay-out value (H1 2017: €9,150k). This, combined with the €74k negative impact from the normalisation of hedging income, resulted in a difference between actual and expected statutory EBIT of €4,926k (H1 2017: €9,759k).

In the prior period, the deviation between actual and expected revenue and EBIT was primarily due to an exceptional prize payout in March 2017 of €15,000k.

Revenue

	H1 2018	H1 2017
in €k		
Actual	72,973	62,351
Expected[1]	77,825	71,501
Normalisation effect[2]	**(4,852)**	**(9,150)**

EBIT

	H1 2018	H1 2017
in €k		
Actual	16,376	7,899
Expected[1]	21,302	17,658
Normalisation effect[2]	**(4,926)**	**(9,759)**

[1] *Actuals adjusted for expected pay-outs*
[2] *Difference between actual and expected amounts*

EARNINGS PER SHARE (EPS)

The EPS from continuing operations in the first six months of 2018 increased compared to the same period in the previous year from €0.67 to €1.37 due to an increase in profit after tax of €5,893k.

DIVIDEND

ZEAL confirms its intention of paying a total dividend of at least €1.00 per share in the current year. This position is subject to periodic review and may be amended depending on our future earnings and financial position.

NET CASH POSITION

Net Cash as at 30 June 2018 increased by €41,910k to €89,722k (H1 2017: €47,812k). The increase in net cash is due to a €28,299k decrease in the hedging reserve due to the implementation of the new ILS structure and a €9,879k increase in cash (excluding pledged cash) and short-term deposits, and a €3,731k movement in other working capital balances.

CASH FLOW

	H1 2018	H1 2017
in €k		
Cash from operating activities	12,378	7,354
Cash used in investing activities	(574)	(1,088)
Cash used in financing activities	–	–
Changes in cash and pledged cash and short-term financial assets	**11,804**	**6,266**
Cash and pledged cash and short-term financial assets at the beginning of the period	119,175	114,665
Cash and pledged cash and short-term financial assets at the end of the period	**130,979**	**120,931**

Cash inflow from operating activities in the first six months of 2018 increased by €5,024k to €12,378k (H1 2017: €7,354k). The difference relates to the increase in profit before tax of €8,420k offset by movements in working capital.

In the first six months of 2018, investing activities resulted in cash outflows of €574k (H1 2017: €1,088k). In 2018, the acquisition of intangible and property, plant and equipment assets were €574k (H1 2017: €742k). In addition in 2017, the investment in Omaze resulted in a cash outflow of €1,846k, whilst the Group received a loan payment of €1,500k.

Cash used in financing activities was €nil in the first six months of 2018 (H1 2017: €nil).

As of 30 June 2018, ZEAL had cash and pledged cash and short-term deposits of €130,979k (H1 2017: €120,931k). This includes funds that ensure that myLotto24 Limited is sufficiently well financed to pay jackpot winnings as they fall due.

OTHER INFORMATION

Information about our risk management approach and our business risks and opportunities are detailed on pages 24-28 of our 2017 Annual Report.

GOING CONCERN

The Directors formed a judgement at the time of approving the interim financial statements that there is a reasonable expectation that ZEAL has adequate resources to continue for the foreseeable future. The Group held €130,979k in cash, pledged cash and short-term financial assets at the period end (31 December 2017: €119,175k). The Group expects to deliver revenue and profit growth in the periods ahead. For these reasons, the Directors have adopted the going concern basis in preparing the interim consolidated financial statements.

RESPONSIBILITY STATEMENT

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

2 August 2018

Dr. Helmut Becker	Jonas Mattsson	Susan Standiford
CEO	CFO	CTO

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONSOLIDATED INCOME STATEMENT (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2018

		H 1 2018	H 1 2017	**Q 2 2018**	Q 2 2017
in €k	Note				
Revenue	2	72,973	62,351	34,273	38,777
Other operating income	2	1,973	2,625	843	2,057
Total Operating Performance (TOP)		**74,946**	**64,976**	**35,116**	**40,834**
Personnel expenses		(15,246)	(16,027)	(7,505)	(8,018)
Other operating expenses		(43,282)	(40,340)	(20,801)	(24,789)
Marketing expenses		*(9,753)*	*(8,862)*	*(5,084)*	*(4,884)*
Direct costs of operations		*(22,331)*	*(19,880)*	*(10,730)*	*(12,905)*
Other costs of operations		*(11,198)*	*(11,598)*	*(4,987)*	*(7,000)*
Exchange rate differences		554	(55)	704	(58)
Depreciation and amortisation of non-current assets		(596)	(655)	(297)	(315)
Result from operating activities (EBIT)		**16,376**	**7,899**	**7,217**	**7,654**
Finance income		160	295	140	220
Finance costs		(116)	(194)	(32)	(109)
Results from financing and investing activities		**44**	**101**	**108**	**111**
Profit before income tax		**16,420**	**8,000**	**7,325**	**7,765**
Income tax expense	4	(4,927)	(2,400)	(2,200)	(2,330)
Profit attributable to the equity shareholders of the Company		**11,493**	**5,600**	**5,125**	**5,435**
Earnings per share for profit/attributable to ordinary equity holders of the Company		€	€	€	€
Basic and diluted earnings per share		1.37	0.67	0.61	0.65

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2018

	H 1 2018	H 1 2017	**Q 2 2018**	Q 2 2017
in €k				
Profit for the period	**11,493**	**5,600**	**5,125**	**5,435**
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange gain on translation of foreign operations	18	19	–	22
Loss on available-for-sale financial assets (AFS)	(377)	(9)	(290)	(99)
Other comprehensive (loss)/income net of tax	**(359)**	**10**	**(290)**	**(77)**
Total comprehensive income attributable to the equity shareholders of the Company	**11,134**	**5,610**	**4,835**	**5,358**

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) AS AT 30 JUNE 2018 AND 31 DECEMBER 2017

		30 June 2018	31 December 2017
ASSETS in €k	Note		
Non-current assets			
Property plant and equipment		2,729	2,607
Intangible assets		366	510
Deferred tax assets		38	38
Other investments	3	3,041	3,041
Other assets and prepaid expenses		1,114	438
Total non-current assets		**7,288**	**6,634**
Current assets			
Trade and other receivables		1,357	1,803
Income tax receivables		–	474
Other current assets and prepaid expenses		10,462	13,025
Financial assets		20,705	27,123
Cash and pledged cash		110,274	92,052
Total current assets		**142,798**	**134,477**
TOTAL ASSETS		**150,086**	**141,111**
EQUITY & LIABILITIES in €k			
Non-current liabilities			
Other liabilities		2,375	1,765
Total non-current liabilities		**2,375**	**1,765**
Current liabilities			
Trade payables		3,346	5,510
Other liabilities		21,257	23,098
Financial liabilities		89	106
Deferred income		2,030	2,105
Income tax liabilities		2,402	1,074
Provisions		837	837
Total current liabilities		**29,961**	**32,730**
Equity			
Subscribed capital		8,385	8,385
Share premium		21,578	21,578
Other reserves		(937)	(560)
Foreign currency translation reserve		201	183
Retained earnings		88,523	77,030
Total equity		**117,750**	**106,616**
TOTAL EQUITY & LIABILITIES		**150,086**	**141,111**

INTERIM CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2018

	H1 2018	H1 2017
in €k		
Profit from continuing operations before tax	16,420	8,000
Adjustments for		
Depreciation and amortisation of non-current assets	596	655
Net loss on sale of non-current assets	–	1
Finance income	(160)	(295)
Finance costs	116	194
Other non-cash changes	(358)	27
Changes in		
Trade and other receivables	445	17
Other assets and prepaid expenses	1,887	5,524
Trade payables	(2,164)	(1,126)
Other liabilities	(1,231)	(3,255)
Financial liabilities	(17)	16
Deferred income	(75)	789
Short-term provisions	–	(32)
Interest received	160	295
Interest paid	(116)	(194)
Income taxes paid	(3,125)	(3,262)
Cash flow from operating activities	**12,378**	**7,354**
Cash flow from investing activities		
Payments for acquisition of intangible assets	(16)	(25)
Payments for acquisition of property, plant and equipment	(558)	(717)
Payment for acquisition of investment	–	(1,846)
Loan receipt from other companies	–	1,500
Net cash outflow from investing activities	**(574)**	**(1,088)**
Cash flow from financing activities		
Dividends paid to the Company's shareholders	–	–
Net cash outflow from financing activities	**–**	**–**
Net increase in cash, pledged cash and short-term financial assets	11,804	6,266
Cash, pledged cash and short-term financial assets at the beginning of the financial period	119,175	114,665
Cash, pledged cash and short-term financial assets at the end of the financial period	**130,979**	**120,931**
Composition of cash, pledged cash and short-term financial assets at the end of the financial period		
Cash and pledged cash	110,274	85,580
Short-term financial assets	20,705	35,351

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE YEAR ENDED 31 DECEMBER 2017 AND FOR THE SIX MONTHS ENDED 30 JUNE 2018 AND 30 JUNE 2017

	Subscribed capital	Share premium	Other reserves	Retained earnings	Currency translation adjustments	**Total equity**
in €k						
As at 1 January 2017	**8,385**	**21,578**	**(785)**	**68,237**	**143**	**97,558**
Profit for the period	–	–	–	5,600	–	5,600
Other comprehensive income/(loss)	–	–	(9)	–	19	10
Total comprehensive income/(loss) for the period	**–**	**–**	**(9)**	**5,600**	**19**	**5,610**
As at 30 June 2017	**8,385**	**21,578**	**(794)**	**73,837**	**162**	**103,168**
Profit for the period	–	–	–	11,578	–	11,578
Other comprehensive income	–	–	234	–	21	255
Total comprehensive income for the period	**–**	**–**	**234**	**11,578**	**21**	**11,833**
Transactions with owners in their capacity as owners						
Dividends paid	–	–	–	(8,385)	–	(8,385)
As at 31 December 2017	**8,385**	**21,578**	**(560)**	**77,030**	**183**	**106,616**
Profit for the period	–	–	–	11,493	–	11,493
Other comprehensive (loss)/income	–	–	(377)	–	18	(359)
Total comprehensive income/(loss) for the period	**–**	**–**	**(377)**	**11,493**	**18**	**11,134**
As at 30 June 2018	**8,385**	**21,578**	**(937)**	**88,523**	**201**	**117,750**

SELECTED EXPLANATORY NOTES

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

GENERAL INFORMATION

The unaudited interim condensed consolidated financial statements (the 'interim financial statements') for ZEAL Network SE (the 'Company') and its subsidiaries (collectively, 'ZEAL' or 'the Group') for the six-month period ended 30 June 2018 were authorised for issue by the Directors on 2 August 2018.

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

The date of the interim consolidated statement of financial position is 30 June 2018. The financial period ended 30 June 2018 covers the period from 1 January 2018 to 30 June 2018.

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

BASIS OF PREPARATION

The interim financial statements for the six-month period ended 30 June 2018 have been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union. Accordingly, these interim financial statements do not include all of the information and disclosures required to fully comply with IFRS as adopted by the European Union. For this reason, the interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2017.

The interim financial statements include all adjustments of a normal and recurring nature considered necessary for fair presentation of results for interim periods. Results of the period ended 30 June 2018 are not necessarily indicative of future results.

The Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period no less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the interim financial statements.

PRINCIPAL ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements for the year ended 31 December 2017.

IFRS 15 Revenue from Contracts with Customers

The Group has initially adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018.

Prior to the adoption of IFRS 15 the Group performed a full impact assessment and it was concluded that there is no change in the quantum or timing of revenue recognised under IFRS 15 as opposed to IAS 8. The Group has continued to monitor the impact of the adoption of IFRS 15 and there have been no impacts on the financial results for the six-month period ended 30 June 2018. As a result, no changes have been made to the Group accounting policy for revenue recognition.

The results of the assessment for each revenue stream are detailed on page 78 of our 2017 Annual Report.

IFRS 9 Financial Instruments

The Group has initially adopted IFRS 9 Financial Instruments from 1 January 2018.

The Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

Details of the significant changes and quantitative impact of the changes are set out below:

1. Other investments

The Group previously held one of its investments at historical cost. Under IFRS 9, all the Group's investments are required to be measured at fair value in accordance with IFRS 13. The fair value of each investment is calculated by determining the higher of the value in use and the amount that could be obtained on disposal of the asset.

The Group has calculated the fair value of the investment at the date of transition and the date of these financial statements and determined that no transition adjustments are required.

2. Available for sale financial assets

On adoption of IFRS 9, the Group has elected to present gains and losses on financial assets previously held as availble-for-sale, in OCI. Under IAS 39, all gains and losses on disposal of available for sale financial assets were recycled to the income statement. Further under IFRS 9, there is no requirement to consider whether or not there is a significant or prolonged decline in the value of these assets.

For the six-month period ended 30 June 2018 losses on disposed available for sale assets were €27k (H1 2017: gain: €9k).

3. Expected credit losses

IFRS 9 requires the Group to record expected credit losses on all its debt securities, loans and trade receivables, either on a 12 month or lifetime basis. The Group has applied a combination of the simplified and general approach to determine the expected life time losses on all its financial assets.

The Group has performed an assessment at the date of transition and the date of these financial statements and has not adjusted the loss allowance for any financial assets held at amortised cost.

ESTIMATES

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017, with the exception of changes in estimates that occurred on the adoption of IFRS 9.

2 SEGMENT REPORTING

SEGMENTAL DISCLOSURE PRESENTATION

The Group's operating segments are Lottery Betting, Lottovate and ZEAL Ventures. This is consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM), being the Executive Board of Directors.

The costs attributable to the operating activities of ZEAL Ventures are not separately disclosed. These costs do not meet the quantitative threshold requirements for separately identifiable segment reporting and are instead proportionally allocated to the Lottery Betting and Lottovate segments.

There has been no change in the activities of the individual segments since the issue of the 2017 Annual Report on 22 March 2018.

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

- 'Normalisation' adjustments – these adjustments bridge the quantum of statistically expected pay-outs included within the business unit column to consolidated statutory results which include actual cash outflows.
- Other items impacting revenue and other operating income mainly relate to external revenue and other operating income generated by Schumann e.K. (which does not form part of either the Lottery Betting or Lottovate segments).

Business unit segment reporting

H1 2018	Lottery Betting	Lottovate	**Business unit total**	Normalisation adjustments	Other adjustments	**Statutory**
in €k						
Revenue	73,744	3,984	**77,728**	(4,852)	97	**72,973**
Other operating income	1,693	353	**2,046**	(74)	1	**1,973**
Total operating performance (TOP)	75,437	4,337	**79,774**	(4,926)	98	**74,946**
EBITDA	25,949	(3,653)	**22,296**	(4,926)	(398)	**16,972**
Depreciation/amortisation	(451)	(145)	**(596)**	–	–	**(596)**
EBIT	25,498	(3,798)	**21,700**	(4,926)	(398)	**16,376**
Financing and investing result	–	–	**–**	–	44	**44**
EBT	–	–	**21,700**	(4,926)	(354)	**16,420**
Income tax	–	–	**–**	–	(4,927)	**(4,927)**
Net profit/(loss)	–	–	**21,700**	(4,926)	(5,281)	**11,493**

Business unit segment reporting

H1 2017	Lottery Betting	Lottovate	**Business unit total**	Normalisation adjustments	Other adjustments	**Statutory**
in €k						
Revenue	67,817	3,572	**71,389**	(9,150)	112	**62,351**
Other operating income	3,049	167	**3,216**	(609)	18	**2,625**
Total operating performance (TOP)	70,866	3,739	**74,605**	(9,759)	130	**64,976**
EBITDA	23,466	(5,114)	**18,352**	(9,759)	(39)	**8,554**
Depreciation/amortisation	(501)	(154)	**(655)**	–	–	**(655)**
EBIT	22,965	(5,268)	**17,697**	(9,759)	(39)	**7,899**
Financing and investing result	–	–	**–**	–	101	**101**
EBT	–	–	**17,697**	(9,759)	62	**8,000**
Income tax	–	–	**–**	–	(2,400)	**(2,400)**
Net profit/(loss)	–	–	**17,697**	(9,759)	(2,338)	**5,600**

3 OTHER INVESTMENTS

The Group holds investments in Omaze Inc. and Pick My Postcode (formerly the Free Postcode Lottery).

On 1 May 2017, ZEAL secured a cash investment of €1,846k (USD $2,000k) in Los Angeles based start-up Omaze Inc. Omaze is disrupting charitable giving by offering once-in-a-lifetime experiences and exclusive merchandise in support of critical causes. ZEAL received preferred shares representing a 2.5% interest, a Board Observer seat and various rights to protect and extend its shareholding.

The Group holds a 10% interest in Pick My Postcode and an anti-dilution call option to purchase an extra 20% of the shares at any time within five years from the date of the investment.

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

	2018
in €k	
Balance as at 1 January 2018	3,041
Additions	–
Balance as at 30 June 2018	**3,041**

4 TAXES

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

	H1 2018	H1 2017	**Q2 2018**	Q2 2017
in €k				
Current income tax (expense)/credit	(4,927)	(2,400)	(2,200)	(2,330)
Deferred tax (expense)	–	–	–	–
Total income tax	**(4,927)**	**(2,400)**	**(2,200)**	**(2,330)**

5 DIVIDENDS

ZEAL confirms its communicated intention of paying a total dividend of at least €1.00 per share in the current year. This position is subject to periodic review and may be amended depending on our future earnings and financial position.

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

6.1 FAIR VALUE

All financial instruments held by the Group at 30 June 2018 are classified as level 1, with the exception of other investments which are classified as level 3. A description of the fair value hierarchy can be found on page 113 of our 2017 Annual Report. Short-term financial assets held at 30 June 2018 amounting to €20,705k (31 December 2017: €27,123k) were classified as fair value through other comprehensive income.

Assets and liabilities are reviewed at the end of each reporting period to determine whether any transfers between the levels of fair value hierarchy are deemed to have occurred. Given the nature of the assets and liabilities currently held, transfers between levels of fair value hierarchy are not expected. On adoption of IFRS 9, the Pick My Postcode investment has been classified as a level 3. There were no other transfers between level 1 and level 2 fair value measurements and no other transfers into or out of level 3 fair value measurements during the period.

6.2 CREDIT RISK

The scope of the credit risk of ZEAL equals the sum of cash, short-term financial assets, trade receivables, other receivables and short term loans. There are no specific default risks in the cash and other financial assets portfolio as of the balance sheet date. Details of the credit risk for each asset can be found on page 113 of our 2017 Annual Report.

No contingent assets were recognised at 30 June 2018 (31 December 2017: no contingent assets recognised).

6.3 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 'Lottery Betting' segment, myLotto24 Limited conducts hedging transactions – such as the transfer of payment obligation risks to reinsurance via an ILS vehicle.

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

6.4 INTEREST RATE RISK

ZEAL invests the majority of its funds in a combination of fixed term deposits. For these funds, which are mainly held in liquid or short-term investments, there is a general risk from changing interest rates. Sensitivity analyses performed yielded no material movement in interest income based on an increase or decrease of 10 basis points.

6.5 CURRENCY RISK

The Company is exposed to a currency risk as a result of the GBP and USD exchange rates. The risk arises from payments received and made in foreign currency, which differ from the Company's functional currency and are not always offset by payments in the same currency of the same amount and with the same maturities. Sensitivity analyses performed yielded no material movement in foreign exchange gains or losses based on an increase or decrease of 10% GBP and USD to Euro exchange rates.

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

7 CAPITAL MANAGEMENT

ZEAL operates a decentralised capital management system. Information about our capital management system are detailed on page 112 of our 2017 Annual Report.

8 RELATED PARTIES

The Members of Executive Board and Supervisory Board of ZEAL Network SE, as well as their immediate relatives, are regarded as related parties in accordance with IAS 24 'Related Party Disclosures'. There were no other significant transactions with related parties in the period under review. Further information about our related parties are detailed on page 111 of our 2017 Annual Report.

9 SUBSEQUENT EVENTS

In March 2018, a final judgement was handed down by the Hamburg Regional Court in relation to a dispute originally raised in 2015 regarding the transfer of the registered office of ZEAL from Hamburg, Germany, to London. As a result, qualifying shareholders who held (and still hold) shares in ZEAL on the date that the transfer was resolved became entitled to sell their shares back to ZEAL at a price which has been set at €43.34 per share. A resolution to approve the purchase of these shared by ZEAL was passed at a General Meeting on 27 July 2018. Once the purchase has been completed, treasury shares valued at €1,903k will be recognised.

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

10 STATUTORY ACCOUNTS

The financial information shown in this publication, which was approved by the Executive Board of Directors on 2 August 2018, is unaudited and does not constitute statutory financial statements. The Annual Report of ZEAL Network SE for the year ended 31 December 2017 has been filed with the Registrar of Companies in England and Wales. The report of the auditor on those accounts was unqualified and did not contain a statement under section 498(2) or section 498(3) of the UK Companies Act 2006.

FINANCIAL CALENDAR

1 November 2018	Publication of Q3 Report

Published by
ZEAL Network SE
5th Floor – One New Change
London EC4M 9AF

Phone: +44 (0) 203 739 - 7000
Fax: +44 (0) 203 739 - 7099

zeal-network.co.uk

Concept & design
Impacct Communication GmbH

impacct.de