



## Half-yearly financial report

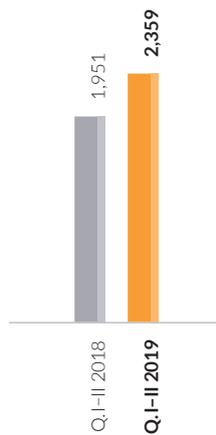
01.01.–30.06.2019



# Profitability significantly improved

## REGISTERED CUSTOMERS

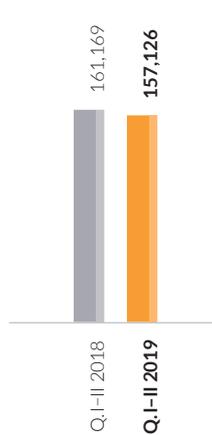
in thousand  
(accumulated, 30.06.)



+21%

## BILLINGS

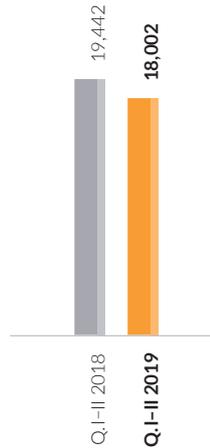
in EUR thousand



-3%

## REVENUES

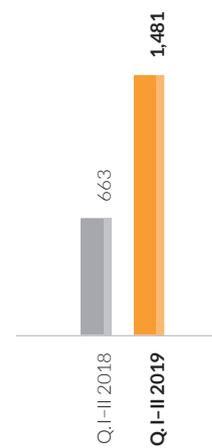
in EUR thousand



-7%

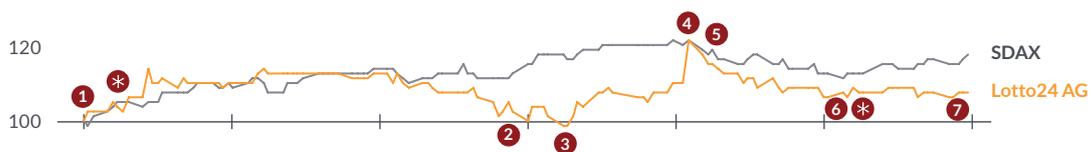
## EBIT

in EUR thousand



+123%

## PERFORMANCE OF THE LOTTO24 SHARE



02.01.2019 = 100

28.06.2019

opening price  
9,569.28 points (SDAX)  
EUR 12.22 (Lotto24 AG)

closing price  
11,377.70 points (SDAX)  
EUR 13.25 (Lotto24 AG)

- ① 02.01. Opening price    ② 28.03. Publication of Annual Report 2018    ③ 09.04. Lowest price
- ④ 03.05. Highest price    ⑤ 09.05. Publication Q. I 2019    ⑥ 04.06. Annual General Meeting
- ⑦ 28.06. Closing price    \* Insider information

## KEY FIGURES OF LOTTO24 AG

in EUR thousand	Q. I-II 2019	Q. I-II 2018
Revenues	<b>18,002</b>	19,442
EBIT	<b>1,481</b>	663
Net profit for the period	<b>1,557</b>	2,301
Cash flow from operating activities	<b>2,270</b>	2,545
Equity as of 30 June 2019 and 31 December 2018	<b>33,883</b>	32,326
Employees as of 30 June <sup>1)</sup>	<b>101</b>	92

<sup>1)</sup> Full-time equivalents, not including members of the Executive Board and student helpers.

Subscribed capital equals the company's capital stock and is fully paid.

## BASIC DATA ON THE LOTTO24 SHARE

(WKN)	LTT024
ISIN <sup>1)</sup>	DE000LTT0243
Ticker symbol	LO24
Reuters code	LO24G.DE
Bloomberg code	LO24:GR
Stock exchange	Frankfurt
Market segment	Regulated Market, Prime Standard
Designated sponsor	ODDO SEYDLER BANK AG

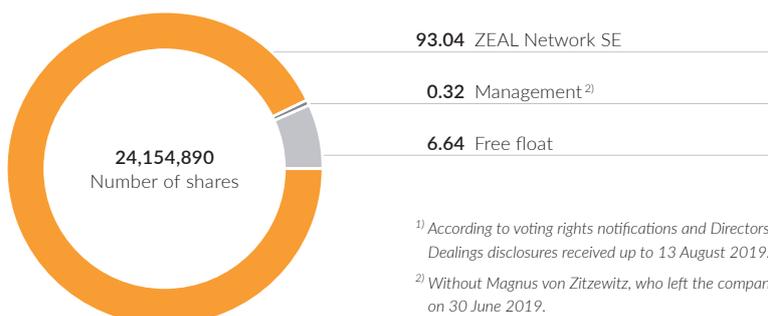
<sup>1)</sup> International Securities Identification Number

## KEY FIGURES FOR THE LOTTO24 SHARE

	Q. I-II 2019	Q. I-II 2018
Number of shares on reporting day	<b>24,154,890</b>	24,154,890
Highest price (in EUR)	<b>14.06</b>	14.30
Lowest price (in EUR)	<b>12.00</b>	9.66
Share price on reporting day (in EUR)	<b>13.25</b>	14.28
Market capitalisation (in EUR million)	<b>320.1</b>	344.9
Average daily Xetra trading (number)	<b>6,265</b>	6,807
Earnings per share (in EUR)	<b>0.06</b>	0.10

## SHAREHOLDER STRUCTURE <sup>1)</sup>

in %



<sup>1)</sup> According to voting rights notifications and Directors' Dealings disclosures received up to 13 August 2019.

<sup>2)</sup> Without Magnus von Zitzewitz, who left the company on 30 June 2019.

# FOREWORD

Ladies and gentlemen,

The first half of 2019 was once again an exciting period for Lotto24 AG: following the successful conclusion of the takeover by ZEAL Network SE (»ZEAL«), we have been a member of the ZEAL Group since 14 May 2019. Due to the exceptionally strong EuroJackpot trend in the first half of 2018 with a total of eight jackpots of EUR 90 million, we were unable to achieve year-on-year growth for the first time in the first half of 2019. Nevertheless, we succeeded in significantly improving profitability – in spite of the one-off expenses incurred in connection with the takeover.

With just one EUR 90 million EuroJackpot (prior year: six), billings and revenues were down in the second quarter of 2019 in particular – by 7.6% to EUR 81.2 million (prior year: EUR 87.9 million) and by 13.7% to EUR 9.4 million (prior year: EUR 10.9 million), respectively. At 11.6%, our gross margin also fell just short of the prior-year figure (prior year: 12.4%) due to the jackpot-related lower share of lotto clubs. With 104 thousand new customers in the second quarter of 2019 (prior year: 198 thousand), our marketing expenses per registered new customer (cost per lead, CPL) amounted to EUR 29.96 (prior year: EUR 25.55).

In the first six months of 2019, we therefore achieved billings of EUR 157.1 million (prior year: EUR 161.2 million, -2.5%), revenues of EUR 18.0 million (prior year: EUR 19.4 million, -7.4%) and a gross margin of 11.5% (prior year: 12.1%). With 190 thousand new customers in the first six months as a whole (prior year: 378 thousand), the total number of customers registered with Lotto24 grew by 20.9% to 2,359 thousand (prior year: 1,951 thousand). In line with the comparatively weak jackpot trend, marketing expenses were reduced to EUR 5.4 million (prior year: EUR 9.7 million), resulting in a CPL of EUR 28.66 (prior year: EUR 25.54). Due in particular to these lower marketing expenses, EBITDA and EBIT more than doubled to EUR 2.8 million (prior year: EUR 1.3 million) and EUR 1.5 million (prior year: EUR 0.7 million), respectively. Before one-off expenses of EUR 0.6 million, EBIT even reached EUR 2.1 million and thus tripled compared to the prior-year figure (prior year: EUR 0.7 million). Due to a strongly positive technical tax effect in the first six months of 2018, however, net profit of EUR 1.6 million was down on the previous year (prior year: EUR 2.3 million).

In the course of the takeover and the targeted cost synergies, we have worked hard over the past few weeks to merge our respective work forces. We have put together a joint team, which we believe makes us well equipped for the future and the continuation of our success. To our great regret, Magnus von Zitzewitz, member of the Executive Board of Lotto24 AG, left the company by mutual agreement and on amicable terms as of 30 June 2019. After seven years as a member of the company's Executive Board, Magnus von Zitzewitz expressed the wish to pursue a new career challenge. It is planned to largely charge the obligations incurred in this connection to employees and Executive Board members – including severance pay, redundancy plans or bonus payments – to ZEAL.

Dear shareholders, after bringing our employees together and defining the new organisational structure, we have reached another milestone with the agreement of the road map. We will implement the measures outlined therein to leverage the intended synergies in the coming weeks and months. The next steps will be to negotiate the relevant contracts and transfer Tipp24.com's customers to the brokerage business in October 2019. We will of course keep you posted on this matter. We look forward to combining the strengths of both companies – such as a much larger customer base or a common online platform with the opportunity to make our product range even more interesting – in order to be even more attractive not only for our customers and employees, but also for you, our shareholders, in the future.

We therefore thank you for your patience and understanding and look forward to mastering the challenges of the coming months together with you.

Hamburg, 13 August 2019



**Petra von Strombeck**  
Chief Executive Officer



**Jonas Mattsson**  
Chief Financial Officer

# INTERIM MANAGEMENT REPORT

## BUSINESS AND ECONOMIC CONDITIONS

### Compelling business model

Lotto24 AG – a member of the ZEAL Group since May 2019 – is Germany's leading online provider of state-licensed lotteries (Lotto24.de) and is attractively positioned in the value chain of the lottery business: we broker lottery products via the Internet and receive brokerage commissions from the lottery operators. We can therefore generate income without bearing the bookmaking risk ourselves.

We offer our customers the possibility to participate in such lottery products as »Lotto 6aus49«, »Spiel 77«, »Super 6«, »EuroJackpot«, »DuoLotto«, »GlücksSpirale«, »Keno«, »Plus 5«, lotto clubs and »Deutsche Fernsehlotterie«. On behalf of, and in the name of, our customers, we enter into gaming agreements with the respective lottery operator.

Following our foundation in 2010 and IPO in 2012 on the Frankfurt Stock Exchange (Prime Standard), we are now the market leader. As a fast-growing company with a strong service and customer orientation, we aim to provide our customers with the most convenient, secure and modern game experience possible – both online and mobile.

### Promising growth strategy

We want to continue growing in Germany by using targeted marketing measures to win new customers while also expanding our product portfolio. In addition to the lotteries already offered – and depending on the prevailing legal conditions – we plan to introduce other state-licensed games of chance in the medium term, whereby we will continue to focus on the German lottery market.

By merging with ZEAL, we will be able to combine the strengths of both companies – such as a much larger customer base or a common online platform with the opportunity to make our product range even more interesting – in the coming months in order to make the gaming experience even more attractive and convenient for our customers.

### Value-oriented corporate governance

#### Management and control

Until 30 June 2019, Lotto24 AG was headed by Petra von Strombeck (CEO) and Magnus von Zitzewitz (Executive Board member). Magnus von Zitzewitz left the company by mutual agreement and on amicable terms as of 30 June 2019 to seek new professional challenges after seven years as a member of the company's Executive Board. He has been succeeded by the Chief Financial Officer of ZEAL, Jonas Mattsson, who took on the additional responsibility as Chief Financial Officer of Lotto24 as of 1 July 2019.

As a result, Lotto24 AG has been headed by Petra von Strombeck (CEO) and Jonas Mattsson (CFO) since 1 July 2019.

Petra von Strombeck is responsible for Corporate Strategy and Development, Marketing, Sales, Legal Affairs and Regulation, the B2C (Business-to-Customer) and B2B (Business-to-Business) business fields, Investor Relations, Communication, Human Resources, Organisation, IT Strategy, IT Systems, IT Processes and IT Operation, as well as Process and Innovation Management and the B2G (Business-to-Government) business field.

Jonas Mattsson is responsible for Finance, Accounting, Taxes, Controlling, Compliance and Risk Management.

### Key financial figures

The main financial KPIs which we use to steer the company and whose values we aim to improve are:

- **billings** (stakes placed by customers, influenced both by the variety and attractiveness of Lotto24's product portfolio and the efficiency of customer retention measures),
- **revenues** (commission for brokered tickets/stakes to be remitted and additional/ticket fees in connection with the brokerage of stakes),
- **gross margin** (ratio of revenues to billings),
- **EBIT** (earnings before interest and taxes, represents the company's gross earnings over a certain period of time),
- the **number of registered customers** (customers who have successfully completed the registration process on the Lotto24 website. This number is disclosed after adjustment for multiple registrations and deregistrations.) and
- **CPL** (cost per lead, or marketing expenses per registered new customer) which we use to monitor the efficiency of our marketing efforts.

### EMPLOYEES

	<b>30.06.2019</b>	30.06.2018
Marketing	41	35
IT	41	37
Corporate Services	19	20
<b>Total <sup>1)</sup></b>	<b>101</b>	<b>92</b>
Student helpers, mostly in customer service	7	10

<sup>1)</sup> Full-time equivalents: not including members of the Executive Board and student helpers.

## Research & Development

In order to ensure that software is perfectly adapted to our operational processes, we develop and operate the core components of such software ourselves. This applies in particular to our online platform, which covers the entire process chain from the online registration of our customers through the purchase of lottery products to the payment and transmission of the tickets to the lottery companies.

In the first six months 2019, activities focused on expanding our portfolio of online instant lotteries (scratch cards) and ongoing improvements to our platform, as well as to the quality and user-friendliness of our offerings. We aim to use meaningful, up-to-date and proven technologies for each new product and each improvement. For example, container solutions in which subsystems can be replicated or moved flexibly across server systems, leading to better scalability in operation and maintenance.

In addition, we continued to work on optimising our distribution mechanisms in order to deal with peak loads, especially during high jackpot phases. In this way, we continue to keep pace with the latest technologies and remain an attractive employer for technical specialists.

Our own research and development costs are not capitalised.

## ECONOMIC REPORT

### Legal and political conditions

#### State Treaty on Games of Chance

In Germany, the offering of lotteries via the Internet is regulated by the German State Treaty on Games of Chance (»Glücksspielstaatsvertrag – GlüStV«). The current version of the GlüStV came into force on 1 July 2012 and replaced the general Internet ban of the previous State Treaty on Games of Chance (»GlüStV 2008«) from 15 December 2007. The new GlüStV offers private providers the possibility to receive an online brokerage permit. As a result, the business model of the commercial online lottery broker has been legally permissible in Germany again since 2012. However, the GlüStV still contains many important, restrictive regulations – especially with regard to online brokerage and advertising. Amongst other things, the conditions for receiving permits are highly uncertain. In addition, there is no legal claim to the granting of the respective permit, making any enforcement of rights in court much more difficult.

#### Nationwide brokerage permit

Lotto24 AG has held the necessary permit to broker state lotteries via the Internet throughout Germany since 2012. This permit still contains many restrictive and in part uncertain ancillary provisions and conditions. Our entrepreneurial freedom is restricted above all by strict regulations regarding the age verification of players and the duty to divide gaming revenues among all 16 state lottery companies (regionalisation) – based on the player's place of residence.

With a decision dated 29 March 2018, the Ministry of the Interior for Lower Saxony granted us our first permit for the online brokerage of state-operated instant lotteries (scratch cards). The permit initially applies solely to the federal states of Lower Saxony, Saxony and Hesse, as online scratch cards are only allowed in these states. In addition, scratch cards are allowed in Berlin but cannot be brokered via the Internet. We are endeavouring to put an end to this unequal treatment by the local supervisory authority in the medium term. We have been calling for permission to broker scratch cards for several years in order to be able to compete with foreign online providers.

In February 2019, we were also granted permission to broker lotteries via Internet domains of ZEAL subsidiaries. This supplement enables us to also broker lottery tickets to the state lottery companies via the domains Tipp24.de and Tipp24.com in future, following the takeover offer by ZEAL.

All permits are valid until the current GlüStV expires on 30 June 2021.

#### Advertising permit

In February 2019, the German authority responsible for advertising standards, the District Government of Düsseldorf, prolonged our advertising permit for the third time in a row. It also applies until the GlüStV expires on 30 June 2021. The extension must always be requested and is not granted automatically. As a result, we continue to be authorised to advertise the online marketing of state lotteries throughout Germany via the Internet and TV, thus driving the further expansion of Lotto24's customer base. The renewal of the advertising permit and the legal certainty it provides form the basis for the planned expansion of our business and Lotto24's market share.

### **Legal uncertainties due to the GlüStV**

In our opinion, there are still significant legal uncertainties under the current GlüStV: it is still not finally settled whether individual prohibitions and restrictions, or the GlüStV as a whole, are appropriate and thus legally valid. In the medium to long term, it is also uncertain which regulatory targets will be maintained and which objectives the regulatory framework in Germany will pursue. Regulation of online lottery brokerage in Germany is still based primarily on the hypocritical aim of preventing addiction. Much more dangerous games of chance, such as gaming machines, are subject to less restrictive regulations. In the case of sports betting – which is also more dangerous in terms of the potential danger of addiction – the GlüStV plans to break up the monopoly and transfer it to a liberal concession model. An experimentation clause, by means of which licences for private sports betting offerings were to be granted initially for a limited period of time, did not lead to a single licence being granted over the years; the experiment has not yet been carried out due to a lack of permitted offerings. By contrast, the online brokerage of lotteries with low risk potential is significantly restricted. There is no rational justification for the severe restrictions placed on lotteries based on the prevention of addiction. For the reasons stated above, we continue to regard significant provisions of the GlüStV and their implementation as contradictory and unsystematic.

### **Legal proceedings on the GlüStV**

The incoherency of the actual situation at present was highlighted in particular by a ruling of the Administrative Court of Munich on 25 July 2017. A state monopoly whose main aims include preventing addiction risks for the population should not at the same time be allowed to extensively promote the products offered by this monopoly. Only modest advertising should be allowed, aimed solely at channelling existing interest among the population towards those games which are permitted. Excessive incentives which are likely to awake an interest in gaming are inadmissible. Compliance with this consistency requirement would result in a de facto advertising ban for the lottery products offered by the monopoly.

These ongoing inconsistent basic structures of the GlüStV – especially the licensing procedure for private sports betting providers which has still not been implemented after more than six years – have led to numerous legal proceedings, the majority of which have criticised the licensing procedure in their verdicts.

In addition to numerous German courts, the European Court of Justice (»ECJ«) last expressed its criticism of the permit requirement for the brokering of sports betting included in the GlüStV in 2016. In its ruling of 4 February 2016 in the matter »Ince«, the ECJ declared the permit requirement for sports betting products – a core element of German gaming regulation – to be inapplicable until further notice.

German authorities are not allowed to negatively sanction sports betting products permitted in other EU countries, as long as the licensing procedure for sports betting – which is included in the GlüStV but has failed in practice – does not comply with the EU's legal principles of equal treatment and transparency. As a consequence, non-licensed sports betting can be operated, brokered and advertised in Germany until further notice – in sports betting shops or via machines. On the other hand, the Federal Administrative Court confirmed the Internet ban and the associated prohibition options for online casinos. The permit requirement for the organisation and brokerage of games of chance was confirmed. Various courts have also confirmed advertising bans for unauthorised online offerings of so-called secondary lotteries. However, gambling of all kinds is still very much present on the Internet and there has been a repeated lack of enforcement in relation to these offerings. By contrast, lotteries are still subject to extensive restrictions. This demonstrates the incoherency and inconsistency of the GlüStV and should prompt the legislature to make amendments which may lead to a gradual lifting of restrictions for permitted state lotteries in the medium term.

### Legal disputes and regulatory proceedings Lotto24

Lotto24 is conducting various court proceedings to review the legality of the restrictions contained in the permits it has been granted. The first lawsuit, which related to ancillary provisions of the previous brokerage permit for Lotto24 which expired in 2017, did not result in a ruling of the highest court by the Federal Administrative Court (Bundesverwaltungsgericht). Before the hearing on 14 November 2018, we decided on careful analysis of the opportunities and risks to withdraw our appeal. We wanted to use this signal to also unburden the talks about a politically sensible, legally acceptable new regulation for German lotteries and lottery brokerage of the legal dispute and hope in this respect for a new and appropriate regulation in the new State Treaty. However, Lotto24 continues to conduct administrative proceedings aimed at removing the restrictions of the current brokerage permit and the current online advertising permit, as we continue to regard some of these restrictions as disproportionate and unlawful. A final clarification of the underlying fundamental questions is not expected in the foreseeable future. We also challenged the advertising permit granted in 2019 before the Administrative Court of Hamburg (VG Hamburg) due to the continued and identical restrictions it contains.

### Political developments on reforming the GlStV

At the moment, a clear position of the federal states is not yet discernible: some of the states are striving for liberalisation – even of online casino offerings. The others vehemently advocate maintaining the strict regulations and the limited scope of gaming offerings in Germany. There is agreement to maintain the lottery monopoly. In addition, the federal states want to relax marketing restrictions for lottery products.

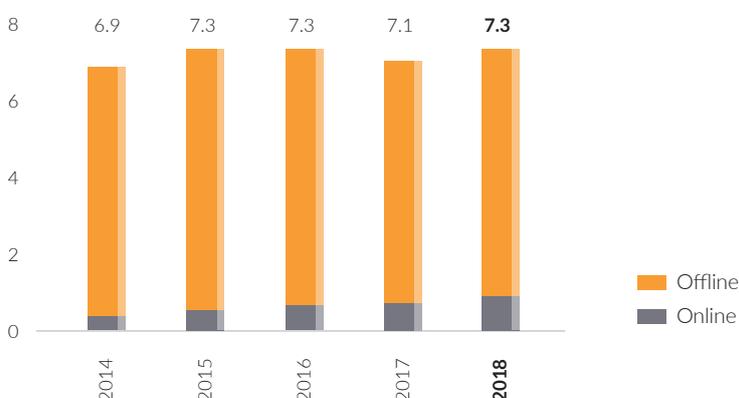
## Economic conditions

### Slight growth of German lottery market in fiscal year 2018

According to its own figures and including terrestrial lottery ticket retailers, revenues of the German Association of State Lottery Companies (»Deutscher Lotto- und Totoblock – DLTB«) grew by around 4% to more than EUR 7.3 billion in the fiscal year 2018 (prior year: EUR 7.1 billion). Despite a decline of over 6%, the lottery »Lotto 6aus49« remained Germany's most popular lottery with revenues of just under EUR 3.5 billion (prior year: EUR 3.7 billion) and nearly 50% of total stakes. With growth of over 61% to EUR 1.5 billion (prior year: EUR 0.9 billion), the European lottery EuroJackpot was the second most popular lottery product in 2018. This was due to the exceptionally strong jackpot trend with a total of 13 draws at the EUR 90 million mark. Other DLTB products include »Spiel 77«, »Sofortlotterien«, »Super 6«, »GlücksSpirale«, »Oddset«, »Keno«, »Bingo«, »Toto«, »Plus 5« and »Sieger Chance«.

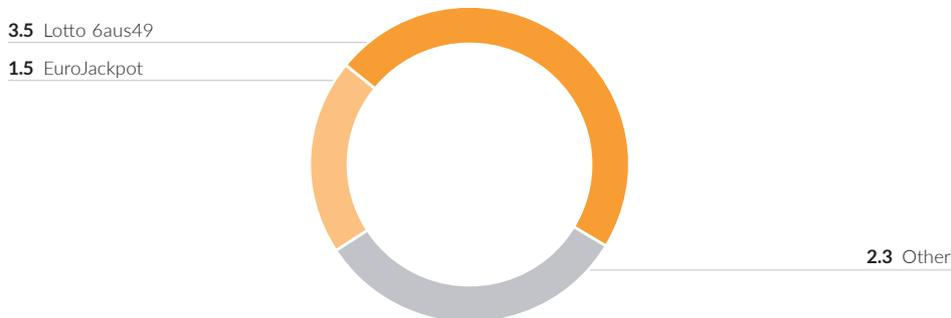
#### TOTAL LOTTERY MARKET DEVELOPMENT

in EUR billion



## REVENUE SHARES OF »DEUTSCHER LOTTO- UND TOTOBLOCK« 2018

in EUR billion



### Huge potential of online segment

67.5 million adults live in Germany, of whom 22.2 million play lotto (source: »Nielsen PanelViews September 2015«). Since the beginning of 2014, we have been commissioning representative online surveys to collect all key brand performance data. Our most recent survey in January 2019 of 1,040 Internet users with an affinity for lotto once again confirmed the huge market potential of the online lottery segment: 85% of Internet users polled could imagine playing lotto online in future (prior year: 83%) and 74% had specific plans to do so (prior year: 76%). Translated to 22.2 million lotto players, this 74% represents a market potential of 16.4 million potential online lotto players. Based on total lottery revenues of around EUR 7.3 billion, this corresponds to potential online lottery revenues of EUR 5.4 billion.

Although the German lottery market has not yet reached the level of other European countries or comparable industries in the e-commerce sector, the development of recent years shows a consistent upward trend – we are catching up. We believe that this growth is likely to continue in the coming years. This opinion is supported in particular by the following two factors:

- As online lottery offerings were completely forbidden until mid 2012, we expect further strong revenue growth.
- Compared with foreign online lottery markets, which were less strictly regulated in the past few years, we expect above-average growth for Germany in the medium term.

The growing importance of e-commerce as a sales channel, as well as mobile offerings, are also strengthening this trend: in 2018, 50% of all banking was done online (source: Bankenverband, »Jeder zweite Bundesbürger nutzt Online-Banking«, June 2018), 47% of music was sold online in 2017 (source: Bundesverband Musikindustrie, »Musikindustrie in Zahlen 2017«) and 40% of trips were booked online in 2017 (source: DRV, »Der deutsche Reisemarkt Zahlen und Fakten 2017«, July 2018). Our assessment is confirmed by the current growth rates of the online segment: according to information of DLTB and the German Lottery Association (»Deutscher Lottoverband – DLV«), online revenues of state lottery companies and private brokers with permits have been steadily rising: from EUR 35 million in 2012, revenues already reached EUR 700 million in 2017 and rose by a further 34% to EUR 937 million in fiscal year 2018. Online sales thus accounted for approximately 13% of total German lottery sales in 2018 (prior year: 10%) – a share which is still far below the comparative figures of other countries and that of other German online markets. Even including the secondary lotteries, our calculations show that the online proportion was only 18% in 2018 (prior year: 15%) – there is still therefore plenty of room for growth.

As DLTB only provides online market figures once at the beginning of each fiscal year, we did not receive any new information on this matter during the reporting period.

### **Lotto24 extends its market leadership**

Whereas stakes generated online by all state-owned companies together grew by 26.6% to around EUR 583 million in fiscal year 2018 (prior year: EUR 461 million), we grew almost twice as fast by 45.8% to EUR 322 million (prior year: EUR 221 million). Consequently, we once again expanded our online market leadership with a market share of 34% (prior year: 32%).

The other lottery brokers achieved around EUR 32 million in total (prior year: EUR 18 million).

### **Advertising and competition**

Our success is largely determined by the scope and efficiency of our marketing measures – especially new customer acquisition. In addition to the regulatory conditions, our key performance indicators (KPIs) are also influenced by the number of competitors aggressively advertising their online lottery services. Our main competitors are the state lottery companies, with their joint platform Lotto.de and the unlicensed foreign secondary lotto companies. In this context, however, it should be noted that we were acquired on 14 May 2019 by the secondary lottery provider ZEAL, which intends to discontinue its secondary lottery business in Germany in the course of this year in order to focus on the licensed brokerage business. According to information of the relevant Ministry of the Interior for Lower Saxony, 16 private commercial gaming brokers had valid brokerage permits at the end of the reporting period – in addition to the state-owned companies. Once again, however, the advertising activities of our private competitors with permits in Germany as a whole remained modest in the first six months of 2019.

### **Ban on television advertising for lottery offerings without permits**

The ban on television advertising for lottery offerings without permits imposed by the state media authorities in August 2018 and implemented for television broadcasters and a secondary lottery provider is taking effect. The courts in Berlin and Munich which the broadcaster and the provider appealed to, confirmed the bans in interim legal protection proceedings. As of September 2018, there has therefore been a significant decline in the advertising spend of lottery providers without permits.

### **Support from the media regulatory bodies of the federal states**

In February 2019, the media regulatory bodies of the federal states issued a joint letter to put pressure on Germany's private television and radio stations to stop broadcasting commercials for illegal online casinos. The state media authorities are thus taking targeted action against numerous broadcasters which are ignoring the advertising ban for illegal gambling enshrined in the State Treaty on Games of Chance and broadcasting commercials for online casino sites without German licences.

### **Initial success in the prohibition of payment services in connection with gaming offerings not permitted**

In June 2019, the Ministry of the Interior for Lower Saxony, as the relevant gaming supervisory authority, prohibited for the first time a major, internationally operating payment service provider from participating in payment transactions in connection with non-permitted gaming in Germany. The GlüStV contains a general prohibition of cooperation which directly targets all parties involved in payment transactions involving non-permitted gaming and obliges them to take appropriate measures on their own responsibility. Should the payment service providers fail to comply with the cooperation ban, they can be officially prohibited from participating in payment transactions after prior notification of non-permitted gaming offerings. The Ministry of the Interior and Sport for Lower Saxony is thus responsible for the whole of Germany. According to its own information, the Ministry is currently in correspondence with a large number of mainly foreign companies found to be involved in payment transactions with illegal gaming. The majority of these companies have already reacted and stopped the corresponding payments. In June 2019, the members of the German Prepaid Association (»Prepaid Verband Deutschland e.V. – PVD«) also announced their intention not to participate in payments connected with gaming in the field of secondary lotteries. PVD thus aims to support the objective of a new regulation and the channelling of existing providers into those games of chance permitted in Germany.

By issuing this prohibition order, the Ministry is reacting to the lack of measures taken by the company concerned – despite the corresponding warnings. The prohibition order was preceded by a decision of the Gambling Council, in which the supreme supervisory authorities for gambling of all 16 federal states are represented. Further prohibition orders are expected to follow.

### Much weaker jackpot trend than in the previous year

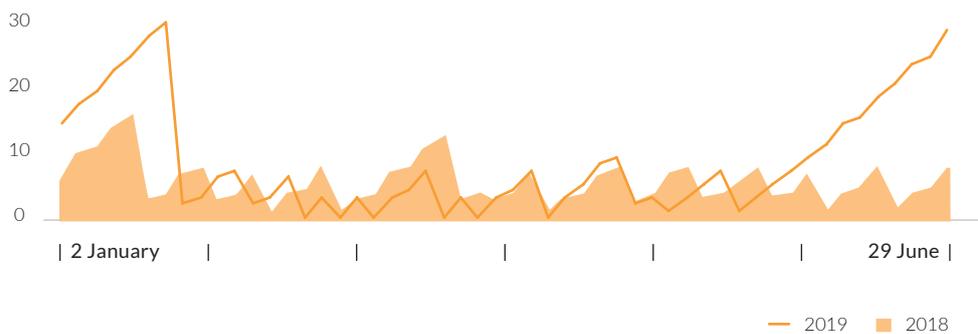
We expect particularly strong increases in the activity rate and number of registered customers when potential players have greater expectations of exceptional winnings, in other words whenever there are large jackpots. Such jackpots are comprised of stakes submitted by players who did not meet the conditions for winning prizes and which are then paid out to the winners on top of regular prizes in a subsequent draw. In the German »6aus49« lottery, this relates in particular to the combination of six correct numbers and the super number.

In the first six months of 2019, the German lottery »6aus49« reported two jackpots of over EUR 20 million (prior year: none) which twice led directly to a guaranteed jackpot payout after the 13th draw (prior year: none). However, the increasingly popular European lottery EuroJackpot only reached the EUR 90 million mark in one of its draws in the first six months of 2019 and thus performed far worse than in the prior-year period when the EUR 90 million mark was reached in eight draws.

On the basis of statistical probability, we therefore continue to expect lower jackpots in 2019 than in 2018.

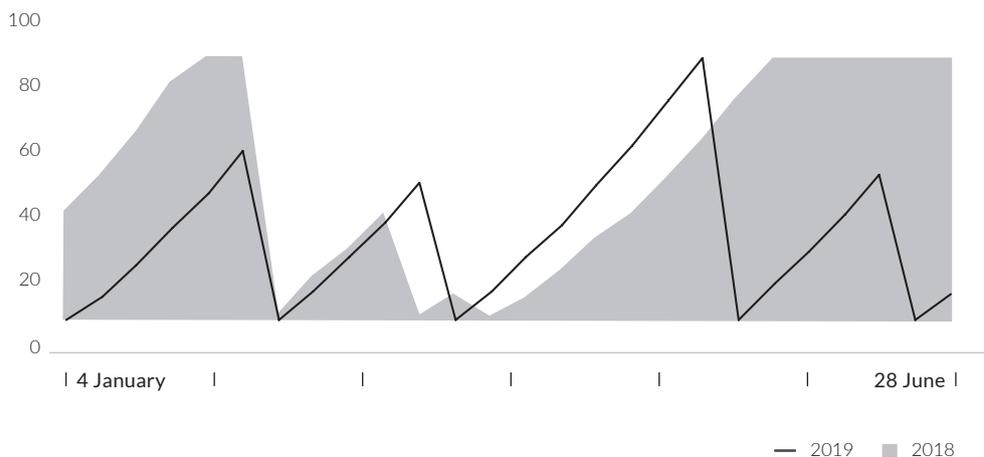
#### Lotto 6aus49

in EUR million



#### EuroJackpot

in EUR million



## Business development

### **Lotto24 takeover completed**

On 14 May 2019, ZEAL successfully completed its acquisition of Lotto24 by means of a public takeover offer.

The transaction was supported from the start by the major shareholders holding around 65% of Lotto24 shares and was approved by the Extraordinary General Meeting of ZEAL on 18 January 2019. The broad support for the transaction was also confirmed by the fact that the takeover offer announced on 31 January 2019 had been accepted by 93% of Lotto24 shares by the end of the acceptance period on 29 April 2019.

In the course of the current year, ZEAL intends to transform its German secondary lottery business into a locally licensed online lottery brokerage which will expand the strong position of Lotto24 on the German lottery market. In addition, ZEAL plans to relocate its head office back to Germany.

### **Annual General Meeting**

Our Annual General Meeting was held in Hamburg on 4 June 2019. With a total presence of around 96% of voting capital, all items on the agenda were adopted with large majorities. The agenda included the usual items, such as approving the actions of the Executive Board and Supervisory Board, the appointment of auditors, and the cancellation of the former »Authorised Capital 2015« and creation of the new »Authorised Capital 2019«. By means of a supplementary item on the agenda, Prof. Willi Berchtold was also dismissed as a member of the Supervisory Board; in this connection, Peter Steiner was elected as a new member of the Supervisory Board. At the constituent meeting of the Supervisory Board, Peter Steiner was subsequently elected as the new Chairman of the Supervisory Board of Lotto24 AG.

### **Executive Board member Magnus von Zitzewitz left Lotto24 on 30 June 2019**

Magnus von Zitzewitz, Executive Board member of Lotto24 AG left the company by mutual agreement and on amicable terms on 30 June 2019. It was with regret that the Supervisory Board, which was newly constituted after the Annual General Meeting of 4 June 2019, complied with his request to prematurely terminate the current service agreement, which runs until 30 April 2020. After seven years as a member of the company's Executive Board, Magnus von Zitzewitz expressed the wish to pursue a new career challenge. He will therefore also not be joining the Executive Board of ZEAL as originally planned. Following the completion of its takeover in May 2019, ZEAL is the majority shareholder of Lotto24 AG.

In addition to his duties as CFO of ZEAL, Jonas Mattsson, succeeded Magnus von Zitzewitz as of 1 July 2019 and assumed responsibility for the financial division of Lotto24.

### **New Apple guideline as of 3 September 2019**

For the respective app stores of the two relevant mobile operating systems, »Android« (Google) and »iOS« (Apple), we developed apps some years ago which are specially designed to meet the needs of users and their devices – whether smartphone or tablet. After already removing our light version for Android listed in the »Google Play Store« in 2017 due to a restrictive Google guideline for all gambling apps, Apple has now also issued a guideline which will come into force on 3 September 2019. It stipulates that in future only so-called native apps without code that Apple cannot verify may be used for games of chance, lotteries and charities. As our current app is a hybrid development with a non-native component for the provision of the shopping basket and payment processes, it must be adapted accordingly. However, we expect to be able to make the necessary adjustments in time to ensure our continuous presence in the App Store while maintaining our position as the number one hit for the search term »lotto«.

## POSITION

Unless otherwise stated, all key performance indicators (KPIs) are stated in thousands of euros (EUR thousand), which may lead to rounding differences in certain cases.

### INCOME STATEMENT

in EUR thousand	Q. I-II 2019	Q. I-II 2018	Change %	Q. II 2019	Q. II 2018	Change %
Billings	157,126	161,169	-2.5	81,249	87,894	-7.6
Stakes to be remitted (less revenues)	-139,124	-141,728	-1.8	-71,863	-77,013	-6.7
<b>Revenues</b>	<b>18,002</b>	<b>19,442</b>	<b>-7.4</b>	<b>9,386</b>	<b>10,881</b>	<b>-13.7</b>
Personnel expenses	-4,365	-4,154	5.1	-2,202	-2,230	-1.3
Impairment loss for financial assets	-288	-313	-8.0	-108	-223	-51.6
Other operating expenses	-10,542	-13,877	-24.0	-5,534	-7,279	-24.0
less other operating income	41	159	-74.2	15	82	-81.7
<b>Operating expenses</b>	<b>-15,154</b>	<b>-18,185</b>	<b>-16.7</b>	<b>-7,829</b>	<b>-9,651</b>	<b>-18.9</b>
<b>EBITDA</b>	<b>2,848</b>	<b>1,257</b>	<b>126.7</b>	<b>1,557</b>	<b>1,231</b>	<b>26.5</b>
Amortisation and depreciation	-797	-593	34.4	-402	-291	38.1
<b>EBIT before one-off expenses</b>	<b>2,051</b>	<b>663</b>	<b>209.3</b>	<b>1,155</b>	<b>940</b>	<b>22.9</b>
One-off expenses	-570	-	-	-570	-	-
<b>EBIT</b>	<b>1,481</b>	<b>663</b>	<b>123.4</b>	<b>585</b>	<b>940</b>	<b>-37.8</b>
Financial result	-65	-66	1.5	-32	-37	-13.5
<b>Earnings before taxes</b>	<b>1,416</b>	<b>597</b>	<b>137.2</b>	<b>553</b>	<b>903</b>	<b>-38.8</b>
Income taxes	141	1,704	-91.7	28	2,727	-99.0
<b>Net profit</b>	<b>1,557</b>	<b>2,301</b>	<b>-32.3</b>	<b>581</b>	<b>3,630</b>	<b>-84.0</b>
<b>Breakdown of other operating expenses</b>						
Marketing expenses	-5,445	-9,651	-43.6	-3,113	-5,069	-38.6
Direct operating expenses	-1,314	-1,521	-13.6	-683	-818	-16.5
Indirect operating expenses	-3,783	-2,706	39.8	-1,738	-1,393	24.8
<b>Other operating expenses</b>	<b>-10,542</b>	<b>-13,877</b>	<b>-24.0</b>	<b>-5,534</b>	<b>-7,279</b>	<b>-24.0</b>

## KEY FINANCIAL FIGURES

	30.06.2019	30.06.2018
Billings (in EUR thousand)	157,126	161,169
Revenues (in EUR thousand)	18,002	19,442
Gross margin (%)	11.5	12.1
EBIT (in EUR thousand)	1,481	663
Number of registered customers as of 30 June 2019 (in thousand)	2,359	1,951
Number of new customer registrations (in thousand)	190	378
Cost per lead (CPL, in EUR)	28.66	25.54

## Earnings position

### Growth pause due to strong jackpot trend in previous year

Due to the exceptionally strong EuroJackpot trend in the first half of 2018 with a total of eight jackpots of EUR 90 million, we were unable to achieve year-on-year growth for the first time: with just one EUR 90 million EuroJackpot (prior year: six), billings and revenues were down in the second quarter of 2019 in particular – by 7.6% to EUR 81,249 thousand (prior year: EUR 87,894 thousand) and by 13.7% to EUR 9,386 thousand (prior year: EUR 10,881 thousand), respectively. In the first six months of 2019 as whole, we therefore achieved billings of EUR 157,126 thousand (prior year: EUR 161,169 thousand, -2.5%) and revenues of EUR 18,002 thousand (prior year: EUR 19,442 thousand, -7.4%).

Revenues resulted mainly from

- commissions received from the state lottery companies for the brokerage of lottery products,
- additional fees and ticket fees incurred in connection with the brokerage of stakes.

We offer IT and marketing services to major online portals for the operation of their own online lottery services (B2B and business services). Already in 2012, we recruited two major partners as multipliers for these services with WEB.de and GMX.net. The billings from these cooperations and the corresponding revenues are included in our figures, but not disclosed separately for contractual reasons. Customers generated via these partners are also not included in the »Number of registered customers«.

Due to the jackpot-related lower share of lotto clubs, our gross margin also fell just short of the prior-year level, both in the second quarter of 2019 at 11.6% (prior year: 12.4%) and in the first six months of 2019 at 11.5% (prior year: 12.1%).

With 104 thousand new customers in the second quarter of 2019 (prior year: 198 thousand) and 190 thousand new customers in the first six months (prior year: 378 thousand), the total number of customers registered with Lotto24 grew by 20.9% to 2,359 thousand (prior year: 1,951 thousand).

Our marketing expenses per registered new customer (CPL) amounted to EUR 29.96 in the second quarter (prior year: EUR 25.55) and EUR 28.66 Euro for the first six months 2019 (prior year: EUR 25.54).

Depending on the jackpot situation, the size of our marketing expenses and the behaviour of our competitors, CPL will continue to fluctuate on a quarterly basis in future.

### **EBITDA and EBIT doubled**

Due in particular to the lower marketing expenses, EBITDA and EBIT more than doubled to EUR 2,848 thousand (prior year: EUR 1,257 thousand) and EUR 1,481 thousand (prior year: EUR 663 thousand), respectively. Before one-off expenses of EUR 570 thousand relating to the ZEAL takeover, EBIT even reached EUR 2,051 thousand and thus tripled compared to the prior-year figure (EUR 663 thousand). Due to a strongly positive technical tax effect in the previous year, however, our net profit of EUR 1,557 thousand was down on the previous year (EUR 2,301 thousand).

The financial result amounted to EUR -65 thousand (prior year: EUR -66 thousand). This figure mainly includes interest expenses for lease liabilities on rights of use.

Earnings per share amounted to EUR 0.06 (prior year: EUR 0.10).

### **Development of key income statement items**

As of 30 June 2019, Lotto24 AG employed 101 people (full-time equivalents, excluding the two Executive Board members and student helpers, prior year: 92). 41% (prior year: 38%) of our employees and 7 student helpers (prior year: 10) were employed in Marketing (including customer service). 41% (prior year: 40%) of staff were employed in the IT department.

Despite the year-on-year decrease in expenses for long-term, multi-year variable remuneration components for Executive Board members (EUR 252 thousand; prior year: EUR 392 thousand), personnel expenses in the first six months of 2019 rose to EUR 4,365 thousand (prior year: EUR 4,154 thousand) due to the increase in headcount in absolute terms.

Other operating expenses decreased to EUR 10,542 thousand in the first six months of 2019 (prior year: EUR 13,877 thousand):

- Due to the comparatively weak jackpot trend in the first six months of 2019, resulting in a reduction of our marketing activities, marketing expenses of EUR 5,445 thousand in the first six months were well below the prior-year figure of EUR 9,651 thousand.
- Direct costs of operations (mainly costs for billings-related payment transactions as well as B2B and business services) fell to EUR 1,314 thousand (prior year: EUR 1,521 thousand). This was partly due to the decrease in billings.
- Indirect operating expenses increased from EUR 2,706 thousand to EUR 3,783 thousand. As we strengthened our internal IT team with freelancers due to the lack of skilled staff, there was a particularly strong rise in the use of external IT management and consultancy services to EUR 1,330 thousand (prior year: EUR 682 thousand). At the same time, there was an increase in legal and consultancy fees in particular to EUR 968 thousand (prior year: EUR 156 thousand) – of which consultancy fees of EUR 632 thousand were incurred in connection with the takeover (prior year: EUR – thousand) – and in maintenance costs to EUR 573 thousand (prior year: EUR 450 thousand).

Scheduled depreciation/amortisation of tangible and intangible assets for investments in our IT infrastructure, our smartphone and tablet apps, our acquired office and communication technology, and rights of use rose to EUR 797 thousand (prior year: EUR 593 thousand).

## Financial position

### Financial analysis

Our financial situation is mainly shaped by equity and current liabilities. The proportion of non-current liabilities rose due to the mandatory application of IFRS 16 »Leases«.

As of 30 June 2019, equity of EUR 33,883 thousand comprised the following items:

<b>EQUITY</b>		
in EUR thousand	<b>30.06.2019</b>	31.12.2018
Subscribed capital	24,155	24,155
Statutory reserves	2,415	2,415
Retained earnings	7,313	5,756
<b>Total</b>	<b>33,883</b>	<b>32,326</b>

Subscribed capital equals the company's share capital and is fully paid.

The Authorised Capital of Lotto24 AG amounts to EUR 4,831 thousand. At the Annual General Meeting on 4 June 2019, Authorised Capital was also renewed. The Executive Board was hereby authorised to raise share capital, subject to approval by the Supervisory Board, by up to EUR 4,830,978 (»Authorised Capital 2019«) – corresponding to almost 20% of share capital – in the period up to 3 June 2024 by issuing no-par value shares for cash or non-cash contributions.

As of 30 June 2019, trade payables amounted to EUR 1,803 thousand (prior year: EUR 1,934 thousand) and mostly comprise open payment obligations as of the balance sheet date for marketing services already received, as well as for legal and technical consultancy. All trade payables have remaining terms of up to one year.

As of 30 June 2019, current financial liabilities comprised the following items:

<b>CURRENT FINANCIAL LIABILITIES</b>		
in EUR thousand	<b>30.06.2019</b>	31.12.2018
Liabilities from gaming operations	12,835	11,197
Interest-bearing loan	179	193
Remaining other liabilities	4,174	45
<b>Total</b>	<b>17,188</b>	<b>11,435</b>

As of 30 June 2019, current financial liabilities increased to EUR 17,188 thousand (prior year: EUR 11,435 thousand). They comprise liabilities from gaming operations of EUR 12,835 thousand (prior year: EUR 11,197 thousand), which are influenced by billings. This item, which is expected to increase further as billings grow, comprises obligations from invoicing our customers and the state lottery companies. It also includes small winnings which customers leave on their gaming accounts and use later.

Interest-bearing loans include current payments, due within twelve months, for the IT equipment at our new data centres (hire purchase agreements: EUR 179 thousand; prior year: EUR 193 thousand).

There was a particularly strong year-on-year increase in the remaining other liabilities to EUR 4,174 thousand (prior year: EUR 45 thousand). This item includes obligations owing to employees and Executive Board members who have left the company as a result of the ZEAL takeover, or will leave in the coming months (EUR 3,795 thousand). However, it is planned to charge a significant proportion of these payments to ZEAL (see trade receivables (Intercompany – IC)).

The remaining other liabilities also include the current payments, due within twelve months, from lease liabilities for rights of use amounting to EUR 363 thousand (prior year: EUR – thousand).

Other current liabilities as of 30 June 2019 comprise amounts due in connection with taxes, holiday and payroll obligations.

### Investment analysis

In the first six months of 2019, we invested a total of EUR 178 thousand (prior year: EUR 413 thousand) – mainly in software and hardware needed for operations, as well as in our apps, our IT data centre, our workplace equipment and our business intelligence system.

### Liquidity analysis

#### KEY CASH FLOW ITEMS

in EUR thousand	<b>Q. I-II 2019</b>	Q. I-II 2018
Cash flow from operating activities	2,270	2,545
Cash flow from investing activities	-178	-413
thereof financial investments	-	-
thereof operative investments	-178	-413
Cash flow from financing activities	-272	1,164
<b>Change in available funds</b>	<b>1,820</b>	<b>3,296</b>
Available funds at the beginning of the period	8,072	8,271
<b>Available funds at the end of the period</b>	<b>9,892</b>	<b>11,567</b>
<b>Available funds</b>	<b>9,892</b>	<b>11,567</b>

Due to lower revenues, cash flow from operating activities fell to EUR 2,270 thousand (prior year: EUR 2,545 thousand) – despite the decrease in marketing expenses.

Cash flow from investing activities amounted to EUR -178 thousand (prior year: EUR -413 thousand) and mostly comprised investments in property, plant and equipment.

Cash flow from financing activities of EUR -272 thousand (prior year: EUR 1,164 thousand) includes net incoming and outgoing payments for hire purchase agreements and rights of use.

As of 30 June 2019, current financial assets comprised the following items:

#### CURRENT FINANCIAL ASSETS

in EUR thousand	<b>30.06.2019</b>	31.12.2018
Receivables from gaming operations	7,974	6,714
Deposits	991	1,016
Other	13	242
<b>Total</b>	<b>8,978</b>	<b>7,970</b>

Receivables from gaming operations rose as a result of closing date-related settlement effects. They comprise receivables on customer winnings to be forwarded, as well as receivables from current payment processing and the company's own brokerage commission claims. Deposits include collateral to be provided to the state lottery companies.

## Asset position

Compared to 31 December 2018, total assets increased by EUR 8,450 thousand to EUR 58,838 thousand as of 30 June 2019 – mainly due to the mandatory application of IFRS 16 »Leases«.

Current assets mostly comprised current financial assets (EUR 8,978 thousand; prior year: EUR 7,970 thousand), as well as cash and cash equivalents (EUR 9,892 thousand; prior year: EUR 8,072 thousand) and trade receivables (IC) (EUR 2,791 thousand; prior year: EUR 5 thousand).

Trade receivables (IC) are mainly allocated charges for restructuring expenses following the successful takeover by ZEAL.

Non-current assets were dominated by our goodwill (EUR 18,850 thousand; prior year: EUR 18,850 thousand) and net deferred tax assets (EUR 12,686 thousand; prior year: EUR 12,464 thousand).

## Overall assessment of the economic position of Lotto24 AG

Lotto24 is well positioned to participate further in the growth of Germany's online lottery market: after already establishing ourselves as market leader in 2014, we have extended our leading position – thanks in part to the outstanding jackpot trend in fiscal year 2018. The merger with ZEAL in May 2019 will significantly strengthen our market position once again.

## SUBSEQUENT EVENTS

### Filing of an action for annulment

As already announced on 1 August 2019 in the Federal Gazette two shareholders have brought an action for annulment before the Hamburg Regional Court against the resolutions adopted at the Annual General Meeting of Lotto24 AG on 4 June 2019 regarding agenda items no. 6 (resolution on the dismissal of Prof. Willi Berchtold as a member of the Supervisory Board) and no. 7 (resolution on the election of a new member of the Supervisory Board). We will carefully examine the facts of the case and our next steps from a legal point of view and report on further developments in due course.

## REPORT ON EXPECTED DEVELOPMENTS AND ASSOCIATED MATERIAL OPPORTUNITIES AND RISKS

### Opportunities and risks

We reported in detail on expected developments and associated material opportunities and risks in the Annual Report 2018. In addition, a further risk has arisen:

#### New Apple guideline as of 3 September 2019

As previously described, Apple has released a new guideline which will come into force on 3 September 2019. It stipulates that in future only so-called native apps without code that Apple cannot verify may be used for games of chance, lotteries and charities. Apps that do not comply will be removed from the App Store in September 2019. As our current app is a hybrid development with a non-native part for the provision of the shopping basket and payment processes, it must be adapted accordingly. While we expect to be able to make the necessary adjustments in a timely manner, there are risks that the new app will not or not seamlessly pass through the Apple approval process, or that the limited lead time will necessitate a reduction in quality, which could lead to negative customer reactions. In Addition, our app may be temporarily untraceable in the App Store, which could enable competitors to take over our good positioning.

Otherwise, we assess the opportunity and risk situation unchanged.

### Forecast report

As Germany's leading online provider of state-licensed lotteries, the first half of 2019 was once again an extremely exciting period for us: following the successful conclusion of the takeover by ZEAL, we have been a member of the ZEAL Group since 14 May 2019. Due to the exceptionally strong EuroJackpot trend in the first six months of 2018 with a total of eight jackpots of EUR 90 million, we were unable to achieve year-on-year growth in the first half of 2019 but succeeded in significantly improving our profitability.

#### Expected earnings position

In 2019, we still plan to further extend our market leadership as an online provider of state-licensed lotteries.

Subject to any guidance adjustments deemed necessary in the course of 2019 due to the ZEAL takeover, we expect stable figures for billings, revenues and gross margin for Lotto24 AG (stand-alone) in comparison to the previous year due to the exceptionally strong jackpot trend in 2018. We also anticipate a fall in the number of new customers and a rise in CPL. Depending on external conditions, especially the jackpot trend, and marketing investments to attract new customers, our EBIT will continue to be well above the break-even point – without consideration of any transaction costs incurred during the takeover.

	2019	2018
	Forecast	Actual
Billings	Stable at prior-year level	EUR 321.8 million
Revenues	Stable at prior-year level	EUR 38.3 million
Gross margin	Stable at prior-year level	11.90%
EBIT	Well above break-even	EUR 2.6 million
CPL	Higher than previous year	EUR 25.88
New customers	Falling number of new customers	596 thousand

### Expected financial position

On the basis of stable billings and falling marketing investments, we expect an overall decrease in use of funds for fiscal year 2019 – without consideration of any transaction costs incurred during the takeover. On 30 June 2019, we held cash totalling EUR 9,892 thousand which we will use in part for marketing activities to attract new customers. Moreover, we will continue to broaden our product portfolio with the brokerage of additional lotteries.

### Overall statement on the expected development of Lotto24 AG

We have many years of sector and management experience, an attractive range of products and services, and as a member of the ZEAL Group are well positioned as market leader in the growing online lottery market. We believe we are well prepared for the future and are confident that we can not only consolidate and extend our lead as Germany's leading online provider of lottery products but also benefit from the huge potential of the online lottery segment.

### Related parties

Details on related parties are provided in note 23.

Hamburg, 13 August 2019

The Executive Board



**Petra von Strombeck**  
Chief Executive Officer



**Jonas Mattsson**  
Chief Financial Officer

# CONDENSED INTERIM FINANCIAL STATEMENTS

## INCOME STATEMENT

FROM 1 JANUARY TO 30 JUNE ACCORDING TO IFRS

in EUR thousand	Notes	Q. I-II 2019	Q. I-II 2018	Q. II 2019	Q. II 2018
Billings		157,126	161,169	81,249	87,894
Remitted stakes (less revenues)		-139,124	-141,728	-71,863	-77,013
<b>Revenues</b>	5	<b>18,002</b>	<b>19,442</b>	<b>9,386</b>	<b>10,881</b>
Other operating income	6	41	159	15	82
<b>Total performance</b>		<b>18,043</b>	<b>19,601</b>	<b>9,401</b>	<b>10,963</b>
Personnel expenses	7	-4,365	-4,154	-2,202	-2,230
Impairment loss for financial assets	13	-288	-313	-108	-223
Other operating expenses	8	-10,542	-13,877	-5,534	-7,279
<b>Result from operating activities before interest, taxes, depreciation and amortisation (EBITDA)</b>		<b>2,848</b>	<b>1,257</b>	<b>1,557</b>	<b>1,231</b>
Amortisation/depreciation on intangible assets and property, plant and equipment	16, 17	-797	-593	-402	-291
<b>Result from operating activities (EBIT) before one-off expenses</b>		<b>2,051</b>	<b>663</b>	<b>1,155</b>	<b>940</b>
One-off expenses	9	-570	-	-570	-
<b>Result from operating activities (EBIT)</b>		<b>1,481</b>	<b>663</b>	<b>585</b>	<b>940</b>
Revenues from financial activities	10	0	0	-	-
Expenses from financial activities	10	-65	-66	-32	-37
<b>Financial result</b>	10	<b>-65</b>	<b>-66</b>	<b>-32</b>	<b>-37</b>
<b>Net profit before taxes</b>		<b>1,416</b>	<b>597</b>	<b>553</b>	<b>903</b>
Income taxes	11	141	1,704	28	2,727
<b>Net profit (after taxes)</b>		<b>1,557</b>	<b>2,301</b>	<b>581</b>	<b>3,630</b>
Earnings per share (undiluted and diluted, in EUR/share)		0.06	0.10	0.02	0.15
Weighted average of ordinary shares outstanding (undiluted and diluted, in shares)		24,154,890	24,154,890	24,154,890	24,154,890

Net profit after taxes is attributable exclusively to the owners of Lotto24 AG, Hamburg.

## STATEMENT OF COMPREHENSIVE INCOME

FROM 1 JANUARY TO 30 JUNE ACCORDING TO IFRS

in EUR thousand	Notes	Q. I-II 2019	Q. I-II 2018	Q. II 2019	Q. II 2018
<b>Net profit for the period</b>		<b>1,557</b>	<b>2,301</b>	<b>581</b>	<b>3,630</b>
Other comprehensive income to be reclassified to the income statement in subsequent periods					
Revaluation gains (+) / losses (-) from available-for-sale financial assets		-	-	-	-
Income tax effects	11	-	-	-	-
Other comprehensive income after taxes		-	-	-	-
<b>Total comprehensive income (after taxes)</b>		<b>1,557</b>	<b>2,301</b>	<b>581</b>	<b>3,630</b>

Total comprehensive income after taxes is attributable exclusively to the owners of Lotto24 AG, Hamburg.

## BALANCE SHEET

AS AT 30 JUNE ACCORDING TO IFRS

	Notes	30.06.2019	31.12.2018
<b>ASSETS</b> in EUR thousand			
<b>Current assets</b>			
Cash and cash equivalents	12	9,892	8,072
Current financial assets	12	8,978	7,970
Trade receivables <sup>1)</sup>	13.1	324	379
Trade receivables (IC) <sup>1)</sup>	13.2	2,791	5
Other current assets	14	676	667
<b>Current assets, total</b>		<b>22,661</b>	<b>17,093</b>
<b>Non-current assets</b>			
Goodwill	15	18,850	18,850
Intangible assets	16	413	572
Property, plant and equipment	17	4,228	1,409
Deferred tax assets	11	12,686	12,464
<b>Non-current assets, total</b>		<b>36,177</b>	<b>33,294</b>
<b>ASSETS</b>		<b>58,838</b>	<b>50,388</b>
<b>EQUITY AND LIABILITIES</b> in EUR thousand			
<b>Current liabilities</b>			
Trade payables	18.1	1,803	1,934
Trade payables (IC)	18.2	4	-
Current financial liabilities	18.3	17,188	11,435
Other current liabilities	18.4	977	573
Short-term provisions	19	1,011	2,382
<b>Current liabilities, total</b>		<b>20,983</b>	<b>16,324</b>
<b>Non-current liabilities</b>			
Non-current financial liabilities	20	2,900	148
Long-term provisions	21	1,072	1,505
Non-current other liabilities	22	-	85
<b>Non-current liabilities, total</b>		<b>3,972</b>	<b>1,738</b>
<b>Equity</b>			
Subscribed capital	23	24,155	24,155
Statutory reserves	23	2,415	2,415
Retained earnings	23	7,313	5,756
<b>Equity, total</b>		<b>33,883</b>	<b>32,326</b>
<b>EQUITY AND LIABILITIES</b>		<b>58,838</b>	<b>50,388</b>

<sup>1)</sup> Prior-year figures adjusted. See explanations in the respective note

## CASH FLOW STATEMENT

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE ACCORDING TO IFRS

	Q. I-II 2019	Q. I-II 2018
in EUR thousand		
<b>Net profit before tax</b>	<b>1,416</b>	<b>597</b>
Adjustments for:		
Amortisation/depreciation on non-current assets	797	593
Financial income/financial expenditure	65	66
Other non-cash expenses/income	85	-
Profit from sale or disposal of non-current assets	8	-
Changes in:		
Trade receivables <sup>1)</sup>	60	-238
Trade receivables (IC) <sup>1)</sup>	-2,791	-
Current financial assets <sup>1)</sup>	-1,008	-14,195
Other current assets <sup>1)</sup>	-9	-9
Trade payables	-132	1,581
Trade payables (IC) <sup>1)</sup>	4	-
Current financial liabilities <sup>1)</sup>	5,405	13,594
Other current liabilities	323	443
Short-term provisions	-1,370	-293
Non-current other liabilities	-85	74
Long-term provisions	-433	368
Interest received	-	-
Interest paid	-65	-36
<b>Cash flow from operating activities</b>	<b>2,270</b>	<b>2,545</b>
Payments received (+)/disbursements (-) for financial instruments	-	-
Investments in intangible assets	-14	-93
Investments in tangible assets	-165	-320
Net losses (-)/gains (+) from asset disposals	1	-
<b>Cash flow from investing activities</b>	<b>-178</b>	<b>-413</b>
Payments received (+) from taking out financing loans	-	1,164
Disbursements (-) for redeeming financing loans	-96	-
Disbursements for the repayment share of lease liabilities	-176	-
<b>Cash flow from financing activities</b>	<b>-272</b>	<b>1,164</b>
Change in available funds	1,820	3,296
Available funds at the beginning of the period	8,072	8,271
<b>Available funds at the end of the period</b>	<b>9,892</b>	<b>11,567</b>
<b>Composition of cash, cash equivalents and securities at the end of the period</b>	<b>9,892</b>	<b>11,567</b>
Cash	9,892	11,567

<sup>1)</sup> Prior-year figures adjusted. See explanations in note 3.

Explanations are provided in note 3.

## STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE ACCORDING TO IFRS

	Subscribed capital	Capital reserves	Other reserves	Retained earnings	Total equity
in EUR thousand					
<b>As at 1 January 2018</b>	<b>24,155</b>	<b>2,415</b>	<b>-</b>	<b>-1,941</b>	<b>24,629</b>
Net profit	-	-	-	2,301	2,301
Total comprehensive income	-	-	-	2,301	2,301
<b>As at 30 June 2018</b>	<b>24,155</b>	<b>2,415</b>	<b>-</b>	<b>360</b>	<b>26,930</b>
Net profit	-	-	-	5,396	5,396
Total comprehensive income	-	-	-	5,396	5,396
<b>As at 31 December 2018</b>	<b>24,155</b>	<b>2,415</b>	<b>-</b>	<b>5,756</b>	<b>32,326</b>
<b>As at 1 January 2019</b>	<b>24,155</b>	<b>2,415</b>	<b>-</b>	<b>5,756</b>	<b>32,326</b>
Net profit	-	-	-	1,557	1,557
Total comprehensive income	-	-	-	1,557	1,557
<b>As at 30 June 2019</b>	<b>24,155</b>	<b>2,415</b>	<b>-</b>	<b>7,313</b>	<b>33,883</b>

Explanations are provided in note 22.

# NOTES TO THE INTERIM FINANCIAL STATEMENTS ACCORDING TO IFRS FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2019

## 1 GENERAL

These condensed interim financial statements and the interim management report for the first six months of 2019 (reporting period: 1 January 2019 to 30 June 2019) of Lotto24 AG

- were prepared in accordance with IAS 34 »Interim Financial Reporting«, taking into account the valid IFRS standards and IFRIC interpretations of the International Accounting Standards Board (IASB) as applicable in the EU,
- do not include all information and disclosures required for IFRS separate financial statements and are therefore to be read in conjunction with the IFRS separate financial statements as of 31 December 2018,
- were not subjected to an auditor's review,
- were approved for publication by a resolution of the Executive Board on 13 August 2019.

The accounting principles applied correspond to those used in the previous fiscal year and the respective interim report period, with the exception of the initial application of new and amended standards as described below.

Lotto24 AG has no subsidiaries and is still in the growth phase. Its main activity is the online brokerage of state-licensed lotteries in Germany. It is domiciled in Hamburg. The company's registered office is located at Strassenbahnring 11, 20251 Hamburg, Germany.

As of 14 May 2019, the parent company of Lotto24 AG is ZEAL Network SE, London, UK. Lotto24 AG is included in the consolidated financial statements of ZEAL Network SE.

## 2 GENERAL ACCOUNTING PRINCIPLES

The same accounting policies were used for this interim report as for the IFRS separate financial statements as of 31 December 2018 in which the corresponding details are also provided – with the exception of the initial application of new and amended standards as described below.

The initial application of the new standard IFRS 16 »Leases« had a significant impact on the IFRS interim financial statements. The content and effects of the amendments are described below.

Other amendments to standards had no impact on the Group's accounting methods.

Unless noted otherwise, amounts are stated in thousands of euros (EUR thousand), which may lead to accounting differences from rounding in certain cases.

## 2.1 Changes in accounting policies

The effects on the financial statements of Lotto24 AG from initial application of IFRS 16 and the accounting principles to be adopted as of 1 January 2019 – insofar as they differ from the previous principles – are described below.

## 2.2. IFRS 16 »Leases« – effects from initial application

In January 2016, the IASB published the new standard IFRS 16 according to which lessees must recognise assets and liabilities for most leases in the balance sheet. For the lessor, there are only minor changes compared to accounting according to IAS 17 »Leases«. In accordance with the provisions of IFRS 16, Lotto24 applied the modified retroactive transition method on initial application of IFRS 16. Lease liabilities for leases previously classified as operating leases under IAS 17 were recognised on initial application of IFRS 16. These lease liabilities are measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate was 3.5% as of 1 January 2019.

Lotto24 AG does not have any leases classified as finance leases.

As part of the transition, assets of EUR 3,373 thousand for rights of use to leased items and lease liabilities of EUR 3,373 thousand were recognised as of 1 January 2019.

The comparative figures for prior-year periods were not restated.

For the initial application of IFRS 16 »Leases«, we made use of the following practical expedients:

- the use of a single discount rate for a portfolio of leases with similar characteristics,
- the recognition of low-value leases as an expense in profit or loss on a straight-line basis,
- the recognition of leases with remaining terms of less than 12 months as at 1 January 2019 as current leases.

Based on the operating lease obligations as of 31 December 2018, the following shows a reconciliation to the opening balance sheet amounts of lease liabilities as of 1 January 2019:

<b>RECONCILIATION</b>	
in EUR thousand	<b>01.01.2019</b>
Operating lease obligations as of 31 December 2018	4,999
Other (service charges for rental agreements)	-1,024
Practical expedients for leases of low-value assets	-29
<b>Gross lease obligations as of 1 January 2019</b>	<b>3,946</b>
Discounting	-573
<b>Lease obligations from initial application of IFRS 16 as of 1 January 2019</b>	<b>3,373</b>

Operating lease obligations as of 31 December 2018 include service charge amounts for rental agreements amounting to EUR 1,024 thousand. These were deducted on transition as of 1 January 2019.

The recognised right-of-use assets refer to the following types of assets:

EUR thousand	01.01.2019	<b>30.06.2019</b>
Land and buildings	3,246	3,064
IT equipment	42	31

The change in accounting policy affected the following balance sheet items as of 1 January 2019:

	31.12.2018	Adjusted due to IFRS 16	<b>01.01.2019</b>
<b>ASSETS</b> in EUR thousand			
Property, plant and equipment	1,409	3,288	4,697
Deferred tax assets	15,100	1,089	16,189
<b>LIABILITIES</b> in EUR thousand			
Non-current financial liabilities	148	3,017	3,165
Non-current other financial liabilities	85	-85	0
Remaining other liabilities	45	356	401
Deferred tax liabilities	2,636	1,061	3,697
Retained earnings	5,756	28	5,784

The following amounts were disclosed in the balance sheet and income statement for the first six months of 2019 and as of 30 June 2019:

#### LEASES IN THE BALANCE SHEET

	<b>30.06.2019</b>
<b>ASSETS</b> in EUR thousand	
Non-current assets	-
Right-of-use assets – land and buildings	3,064
Right-of-use assets – IT equipment	31
<b>Total</b>	<b>3,095</b>
<b>LIABILITIES</b> in EUR thousand	
Current liabilities	-
Remaining other liabilities	-
Lease liabilities from rights of use, current	363
Non-current liabilities	-
Other liabilities	-
Lease liabilities from rights of use, non-current	2,834
<b>Total</b>	<b>3,197</b>

### LEASES IN THE INCOME STATEMENT

EUR thousand	31.12.2018	30.06.2019
Depreciation of right-of-use assets	-	192
Interest expense from lease liabilities	-	59
Lease expenses – low-value	-	4
<b>Total</b>	<b>-</b>	<b>255</b>

The effect on cash flow (increase/decrease(-)) for the first six months was as follows as of 30 June 2019:

EUR thousand	30.06.2019
Cash flow from operating activities	176
Cash flow from financing activities	-176

The development of balance sheet items as of 30 June 2019 was as follows:

EUR thousand	Right-of-use assets			Lease liabilities
	Land and buildings	IT equipment	Total	
<b>1 January 2019</b>	3,331	42	3,373	3,373
Reclassification	-85	-	-85	-
Addition	-	-	-	-
Depreciation	-182	-11	-193	-
Interest expense from lease liabilities	-	-	-	59
Payment	-	-	-	-235
<b>30 June 2019</b>	<b>3,064</b>	<b>31</b>	<b>3,095</b>	<b>3,197</b>

There was no material impact on earnings per share for the period 1 January 2019 to 30 June 2019 from the initial application of IFRS 16.

## 2.3 Leasing activities of Lotto24 AG and their accounting treatment

Lotto24 AG rents premises. The rental agreements are generally concluded for fixed periods of 10 years, but may include renewal options.

Up to and including 2018, leases were classified as operating leases. Payments made for operating leases (less any incentives received from the lessee) were recognised in profit or loss over the lease term on a straight-line basis.

As of 1 January 2019, leases are recognised as right-of-use assets and corresponding lease liabilities from the moment the leased asset is available for use by the Group. Each lease payment is allocated between the repayment and finance cost. Finance costs are charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the residual amount of the liability for each period. The right-of-use asset is depreciated over the asset's useful life on a straight-line basis. The useful life periods correspond to the lease terms.

Assets and liabilities arising from leases are initially measured on a present value basis. Lease liabilities include the present value of the following lease payments:

- fixed payments, including in-substance fixed payments, less any leasing incentives receivable,
- expected residual value payments from residual value guarantees of the lessee.

Lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be determined, it is discounted at the lessee's incremental borrowing rate, i.e. the interest rate that a lessee would have to pay to borrow the funds necessary to acquire an asset of comparable value in a similar economic environment and with similar terms and conditions.

Right-of-use assets are measured at cost, comprising the following:

- the initial measurement amount of the lease liability,
- any lease payments made at or before provision less any lease incentives received,
- all initial direct costs incurred by the lessee and
- estimated costs incurred by the lessee in dismantling or removing the underlying asset, restoring the site on which it is located, or returning the underlying asset to the condition required by the lease. These do not apply to Lotto24 AG.

Payments for leases with underlying low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Leases of Lotto24 AG do not contain variable payments.

A number of property leases include extension and termination options. These contract terms are used to maximise the operational flexibility of Lotto24 AG when managing contracts. The majority of the existing extension and termination options can only be exercised by us and not by the respective lessor.

### 3 CASH FLOW STATEMENT

The cash flow statement is prepared pursuant to IAS 7 »Cash Flow Statements«, whereby a distinction is made between cash flows from operating, investing and financing activities.

Cash flows from operating activities were derived using the indirect method.

In order to improve clarity, we reclassified the item »Creditors with debit balances« (2019: EUR 43 thousand; prior year: EUR -7 thousand) from the line »Trade receivables« (2019: EUR 60 thousand; prior year: EUR -245 thousand) to the item »Current financial assets« (2019: EUR -1,008 thousand; prior year: EUR – thousand).

Also to improve clarity, the items »Tax receivables« (2019: EUR – thousand; prior year: EUR – thousand) and »Prepaid expenses« (2019: EUR -9 thousand; prior year: EUR -9 thousand) were reclassified from the item »Other assets and prepaid expenses« (2019: EUR – thousand; prior year: EUR -14,197 thousand) to a separate line »Other current assets« (2019: EUR -9 thousand; prior year: EUR – thousand).

Moreover, the items »Receivables from gaming operations« (2019: EUR -1,260 thousand; prior year: EUR -14,088 thousand) and »Deposits/collateral« (2019: EUR 24 thousand; prior year: EUR 6 thousand) were reclassified from the item »Other assets and prepaid expenses« (2019: EUR – thousand; prior year: EUR -14,197 thousand) to the line »Current financial assets« (2019: EUR -1,008 thousand; prior year: EUR – thousand). These reclassifications are due to the separation of financial and non-financial assets in the balance sheet.

In contrast to the previous year, the amounts disclosed under »Other liabilities« in the first half-year 2018 (2019: EUR 0 thousand; prior year: EUR 14,037 thousand) for »Amounts due in connection with taxes (VAT, payroll and church taxes, 2019: EUR 302 thousand; prior year: EUR 395 thousand) and social security (2019: EUR -2 thousand; prior year: EUR – thousand)« and »Holiday obligations« (2019: EUR 22 thousand; prior year: EUR 48 thousand) are disclosed in the item »Other current liabilities« (2019: EUR 323 thousand; prior year: EUR – thousand) due to the separation of financial and non-financial assets in the balance sheet.

Furthermore, we have included the items »Trade receivables (IC)« and »Trade payables (IC)« in order to improve clarity.

For the purpose of the cash flow statement, available funds as at 30 June 2019 comprised cash of EUR 9,892 thousand (prior year: EUR 8,271 thousand).

Liabilities from financing activities comprise the following:

	31.12.2018	Cash		Non-cash		30.06.2019	
		Redemption	Acquisition	Acquisition	Change in fair value		Other changes
EUR thousand							
Reconciliation to the balance sheet:							
Interest-bearing financial loans, current <sup>1)</sup>	193	-96	-	-	-	82	179
Interest-bearing financial loans, non-current <sup>2)</sup>	148	-	-	-	-	-82	66
Interest-bearing lease liabilities, current <sup>1)</sup>	-	-176	-	356	-	183	363
Interest-bearing lease liabilities, non-current <sup>2)</sup>	-	-	-	3,017	-	-183	2,834
	<b>341</b>	<b>-272</b>	<b>-</b>	<b>3,373</b>	<b>-</b>	<b>0</b>	<b>3,442</b>

<sup>1)</sup> Recognised in the following balance sheet item: Current financial liabilities

<sup>2)</sup> Recognised in the following balance sheet item: Non-current financial liabilities

## 4 SEGMENT REPORTING

Lotto24 does not have different operating segments. We generated revenues of EUR 18,002 thousand (prior year: EUR 19,442 thousand) from contracts with customers in Germany.

## 5 REVENUES

We generated revenues of EUR 18,002 thousand (prior year: EUR 19,442 thousand) from contracts with customers. In the reporting period, the gross margin decreased to 11.5% (prior year: 12.1%).

Thanks to further successful marketing activities, we gained 190 thousand new customers in the first half-year 2019. As a result, the number of registered customers as of 30 June 2019 rose to 2,359 thousand (prior year: 1,951 thousand). It developed over the first six months as follows:

in thousand	2019	2018
<b>Number of registered customers on 31 December of the previous year</b>	<b>2,169</b>	<b>1,573</b>
First quarter (new customers)	86	180
Second quarter (new customers)	104	198
<b>Number of registered customers on 30 June</b>	<b>2,359</b>	<b>1,951</b>

Registered customers are those customers who have successfully completed the registration process on the company's website. This number is disclosed after adjustment for multiple registrations and deregistrations.

## 6 OTHER OPERATING INCOME

In the first six months of 2019, other operating income of EUR 41 thousand (prior year: EUR 159 thousand) mainly comprised income from offset other benefits in kind (EUR 30 thousand; prior year: EUR 8 thousand).

## 7 PERSONNEL EXPENSES

in EUR thousand	Q. I-II 2019	Q. I-II 2018
Salaries	3,789	3,664
Social security contributions	576	491
<b>Total</b>	<b>4,365</b>	<b>4,154</b>

Despite the year-on-year decrease in expenses for long-term, multi-year variable remuneration components for Executive Board members (EUR 252 thousand; prior year: EUR 392 thousand), personnel expenses rose to EUR 4,365 thousand in the first six months of 2019 (prior year: EUR 4,154 thousand) due to increased headcount in absolute terms. Details on the remuneration programme for the Executive Board are provided in note 21.

## 8 OTHER OPERATING EXPENSES

in EUR thousand	Q. I-II 2019	Q. I-II 2018
Marketing expenses	5,445	9,651
Direct operating expenses	1,314	1,521
Indirect operating expenses	3,783	2,706
<b>Total</b>	<b>10,542</b>	<b>13,877</b>

Other operating expenses decreased to EUR 10,542 thousand in the first six months of 2019 (prior year: EUR 13,877 thousand):

- Due to the comparatively weak jackpot trend in the first six months of 2019, resulting in a reduction of our marketing activities, marketing expenses of EUR 5,445 thousand in the first six months were well below the prior-year figure of EUR 9,651 thousand.
- Direct costs of operations (mainly costs for billings-related payment transactions as well as B2B and business services) fell to EUR 1,314 thousand (prior year: EUR 1,521 thousand). This was partly due to the decrease in billings.
- Indirect operating expenses increased from EUR 2,706 thousand to EUR 3,783 thousand. As we strengthened our internal IT team with freelancers due to the lack of skilled staff, there was a particularly strong rise in the use of external IT management and consultancy services to EUR 1,330 thousand (prior year: EUR 682 thousand). At the same time, there was an increase in legal and consultancy fees in particular to EUR 968 thousand (prior year: EUR 156 thousand) – of which consultancy fees of EUR 632 thousand were incurred in connection with the takeover (prior year: EUR – thousand) – and in maintenance costs to EUR 573 thousand (prior year: EUR 450 thousand).

## 9 ONE-OFF EXPENSES

One-off expenses of EUR 570 thousand (prior year: EUR – thousand) mainly comprise personnel expenses (severance pay and salaries) incurred to achieve the planned synergy effects in the course of the takeover by ZEAL Network SE. Of the EUR 3,270 thousand for personnel measures plus EUR 91 thousand for consultancy fees originally incurred, it is planned to charge costs of EUR 2,791 thousand to ZEAL.

## 10 FINANCIAL RESULT

Expenses from financial activities of EUR 65 thousand (prior year: EUR 66 thousand) largely relate to interest expenses for lease liabilities from right-of-use assets.

## 11 INCOME TAXES

The corporate income tax rate remained unchanged from 2018 at 15.0%, the solidarity surcharge was unchanged at 5.5% of corporate income tax.

The effective trade tax on income rate for Hamburg also remained unchanged in the first six months of 2019 at 16.45%. The same percentage is also used to calculate deferred 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 amounted to 32.28% (prior year: 32.28%).

Taking into account budget planning and minimum taxation, there was a changed effective tax rate of -10% as of 30 June 2019.

Deferred tax assets and liabilities developed as follows:

in EUR thousand	01.01.2019	Income(+)/ expense(-)	Neutral (through equity)	<b>30.06.2019</b>
<b>Deferred tax assets</b>				
Deferred tax assets due to temporary differences	68	988	-	1,056
Deferred tax assets due to tax loss carryforwards	15,032	436	-	15,468
	<b>15,100</b>	<b>1,424</b>	<b>-</b>	<b>16,524</b>
Netting with deferred tax liabilities				-3,838
<b>Total</b>				<b>12,686</b>

in EUR thousand	01.01.2019	Income(+)/ expense(-)	Neutral (through equity)	<b>30.06.2019</b>
<b>Deferred tax liabilities</b>				
Deferred tax liabilities due to temporary differences (income statement)	2,636	1,202	-	3,838
	<b>2,636</b>	<b>1,202</b>	<b>-</b>	<b>3,838</b>
Netting with deferred tax assets				-3,838
<b>Total</b>				<b>-</b>

in EUR thousand	01.01.2018	Income(+)/ expense(-)	Neutral (through equity)	30.06.2018
<b>Deferred tax assets</b>				
Deferred tax assets due to temporary differences	50	27	-	77
Deferred tax assets due to tax loss carryforwards	9,420	1,879	-	11,299
	<b>9,470</b>	<b>1,906</b>	<b>-</b>	<b>11,376</b>
Netting with deferred tax liabilities				-2,434
<b>Total</b>				<b>8,942</b>

in EUR thousand	01.01.2018	Income(+)/ expense(-)	Neutral (through equity)	30.06.2018
<b>Deferred tax liabilities</b>				
Deferred tax liabilities due to temporary differences (income statement)	2,231	203	-	2,434
	<b>2,231</b>	<b>203</b>	<b>-</b>	<b>2,434</b>
Netting with deferred tax assets				-2,434
<b>Total</b>				<b>-</b>

Income taxes of EUR 141 thousand (prior year: EUR 1,704 thousand) disclosed in the income statement result from the total of changes in deferred tax assets and deferred tax liabilities of EUR 222 thousand (prior year: EUR 1,704 thousand) as well as the amounts calculated for the first six months of 2019 for corporation tax, solidarity surcharge and trade tax amounting to EUR 81 thousand (prior year: EUR - thousand).

We recognise deferred tax assets for tax loss carryforwards, as the underlying planning provides substantial indications that there will be sufficient corresponding taxable results within the next five years, under consideration of the German minimum tax regulations. Deferred tax liabilities (temporary differences) mainly result from the differing carrying amounts for goodwill according to IFRS and tax law.

The underlying planning, which considers the successful development of business so far and the continued validity of the permits granted, also provides the basis for impairment tests of goodwill (see also note 15).

## 12 CASH AND CURRENT FINANCIAL ASSETS

As at 30 June 2019, cash amounted to EUR 9,892 thousand (prior year: EUR 8,072 thousand) and was deposited almost entirely with three banks.

As of 30 June 2019, current financial assets comprised the following items:

in EUR thousand	30.06.2019	31.12.2018
Receivables from gaming operations	7,974	6,714
Deposits	991	1,016
Others	13	242
<b>Total</b>	<b>8,978</b>	<b>7,970</b>

Receivables from gaming operations rose as a result of closing date-related settlement effects. They include receivables on customer winnings to be forwarded, as well as receivables from current payment processing and the company's own brokerage commission claims. Deposits mainly comprise collateral to be provided to the state lottery companies.

As in the previous year, all current financial assets are due in less than one year. As of the balance sheet date, no impairment losses were recognised, as no significant losses were expected.

## 13.1 TRADE RECEIVABLES

in EUR thousand	30.06.2019	31.12.2018
Receivables from customers	311	365
Receivables from amounts passed on	9	13
Receivables from affiliated companies	4	-
<b>Total</b>	<b>324</b>	<b>379</b>

Trade receivables are non-interest-bearing and mainly comprise receivables from amounts passed on, reimbursement claims and open billing amounts from customers. They are all due in less than one year.

Value adjustments for trade receivables developed as follows in the first six months of 2019:

in EUR thousand	30.06.2019	31.12.2018
<b>Value adjustments at the beginning of the fiscal year</b>	<b>426</b>	<b>323</b>
Increase/decrease in value adjustments affecting the income statement during the reporting period	-34	102
<b>Total</b>	<b>392</b>	<b>426</b>

A total decrease in value adjustments for receivables from customers of EUR -34 thousand was expensed (prior year: EUR 102 thousand) and disclosed under impairment loss for financial assets.

In addition, an amount of EUR 322 thousand (prior year: EUR 246 thousand) was expensed for bad debts and disclosed under impairment loss for financial assets in the first six months of 2019.

In total, EUR 288 thousand (prior year: EUR 313 thousand) was recognised for value adjustments and bad debts in the income statement under impairment loss for financial assets in the first six months of 2019.

After value adjustments, trade receivables outstanding as of the reporting date can be broken down as follows:

in EUR thousand	Book value	Thereof not overdue	Overdue by more than 30 days
Trade receivables less value adjustments as of 30 June 2019	324	231	93
Trade receivables less value adjustments as of 31 December 2018	384	295	89

## 13.2 TRADE RECEIVABLES (INTERCOMPANY – IC)

Trade receivables (IC) of EUR 2,791 thousand (prior year: EUR 5 thousand) refer to the planned charging of expenses in connection with the expected synergy effects from the takeover by ZEAL Network SE.

## 14 OTHER CURRENT ASSETS

Other current assets of EUR 676 thousand (prior year: EUR 667 thousand) mainly include prepaid expenses for maintenance and support services for software and hardware, as well as marketing services. Other current assets are non-financial assets.

## 15 GOODWILL

We examine our unchanged goodwill of EUR 18,850 thousand at least once per year at the end of the reporting period with regard to impairment. Goodwill is allocated to the legal entity Lotto24 as the cash-generating unit (CGU). The test compares the carrying amount with the recoverable amount, in other words the higher of net realisable value and value in use. We calculate value in use on the basis of discounted future cash flow projections from internal budgets for several years as approved by management.

We continually monitor and update the relevant technical, market-based, economic and legal parameters and conditions for the impairment test. There was no indication of impairment in the reporting period. Consequently, we did not conduct an impairment test for goodwill nor recognise any non-scheduled writedowns (prior year: EUR – thousand).

## 16 INTANGIBLE ASSETS

The development of intangible assets is presented in the table below:

in EUR thousand	2019	2018
<b>Acquisition costs as of 1 January</b>	<b>2,445</b>	<b>2,098</b>
Additions (purchased from third parties)	15	347
Disposals	-	-
<b>Acquisition costs as of 30 June 2019/31 December 2018</b>	<b>2,460</b>	<b>2,445</b>
<b>Accumulated amortisation as of 1 January</b>	<b>-1,874</b>	<b>-1,544</b>
Amortisation of the period	-173	-329
Disposals	-	-
<b>Accumulated amortisation as of 30 June 2019/31 December 2018</b>	<b>-2,047</b>	<b>-1,874</b>
<b>Net book value as of 30 June 2019/31 December 2018</b>	<b>413</b>	<b>572</b>

The useful life of intangible assets is between one and five years. On commencement of use, the intangible assets listed above mostly have useful lives of three years. There are no restrictions on rights of disposal and no assets were pledged as collateral for liabilities. The additions consist mainly of acquisition costs in connection with the ongoing development of the Lotto24 apps and the set-up of a business intelligence system.

## 17 PROPERTY, PLANT AND EQUIPMENT

With regard to the development of property, plant and equipment, we refer to the following table showing the development of furniture, fixtures and office equipment.

in EUR thousand	2019	2018
<b>Acquisition costs as of 1 January</b>	<b>3,700</b>	<b>3,160</b>
Additions (purchased from third parties)	3,452	694
Thereof right-of-use assets	3,288	-
Disposals	-104	-155
<b>Acquisition costs as of 30 June 2019/ 31 December 2018</b>	<b>7,048</b>	<b>3,700</b>
<b>Accumulated depreciation as of 1 January</b>	<b>-2,291</b>	<b>-1,558</b>
Depreciation of the period	-624	-873
Thereof right-of-use assets	-192	-
Disposals	95	139
<b>Accumulated depreciation as of 30 June 2019/31 December 2018</b>	<b>-2,820</b>	<b>-2,291</b>
<b>Net book value as of 30 June 2019/31 December 2018</b>	<b>4,228</b>	<b>1,409</b>

The useful life of property, plant and equipment is generally between one and thirteen years. There are no restrictions on rights of disposal and no assets were pledged as collateral for liabilities. Additions mainly resulted from the capitalisation of right-of-use assets (EUR 3,288 thousand), as well as acquisitions of software and hardware for workstations (EUR 78 thousand).

There are currently no assets from financial leases.

## 18 CURRENT LIABILITIES

### 18.1 Trade payables

Trade payables of EUR 1,803 thousand (prior year: EUR 1,934 thousand) mainly consist of payment obligations still due on the balance sheet date for marketing services as well as for technical and legal consultancy services already received. All trade payables are due within one year.

### 18.2 Trade payables (Intercompany – IC)

Trade payables (IC) of EUR 4 thousand (prior year: EUR – thousand) relate to charges passed on for disbursed expenses. All trade payables (IC) are due within one year.

## 18.3 Current financial liabilities

Current financial liabilities comprised the following items:

in EUR thousand	<b>30.06.2019</b>	31.12.2018
Liabilities from gaming operations	12,835	11,197
Interest-bearing loan	179	193
Remaining other liabilities	4,174	45
<b>Total</b>	<b>17,188</b>	<b>11,435</b>

As of 30 June 2019, current financial liabilities rose to EUR 17,188 thousand (prior year: EUR 11,435 thousand). They comprise liabilities from gaming operations of EUR 12,835 thousand (prior year: EUR 11,197 thousand), which are influenced by billings. This item, which is expected to increase further as billings grow, comprises obligations from invoicing our customers and the state lottery companies. The item also includes small winnings which customers leave on their gaming accounts and use later.

Interest-bearing loans comprise current payments, due within twelve months, for the IT equipment at our data centres (hire purchase agreements: EUR 179 thousand; prior year: EUR 193 thousand).

There was a particularly strong increase over the comparative balance sheet date in remaining other liabilities to EUR 4,174 thousand (prior year: EUR 45 thousand). This item includes commitments to employees and Executive Board members who have left the company, or will be leaving the company in the coming months, in connection with the ZEAL takeover (EUR 3,795 thousand). Remaining other liabilities also include current payments, due within twelve months, for lease liabilities from right-of-use assets amounting to EUR 363 thousand (prior year: EUR – thousand).

## 18.4 Other current liabilities

Other current liabilities consist of liabilities from taxes, holiday obligations and payroll obligations.

As a result of reporting date effects, there was an increase in amounts due in connection with taxes – mostly from payroll tax (EUR 339 thousand; prior year: EUR 160 thousand) and sales activities (EUR 352 thousand; prior year: EUR 228 thousand) – as well as in holiday obligations (EUR 145 thousand; prior year: EUR 123 thousand).

## 19 CURRENT PROVISIONS

in EUR thousand	31.12.2018	Additions	Reclassification from non-current provision	Reversal	Utilisation	<b>30.06.2019</b>
Bonus	1,340	371	-	-79	-1,261	371
Share-based remuneration (current)	990	0	-	-	-390	600
Litigation costs	30	-	-	-	-	30
Other	22	10	-	-	-22	10
<b>Total</b>	<b>2,382</b>	<b>381</b>	<b>-</b>	<b>-79</b>	<b>-1,673</b>	<b>1,011</b>

Bonus provisions were formed pro rata temporis in 2019. Share-based remuneration contains the payment amounts for phantom shares. Details are provided in note 21. All provisions are expected to be used within one year.

## 20 NON-CURRENT FINANCIAL LIABILITIES

Non-current financial liabilities comprise longer-term, interest-bearing financial obligations and the long-term, interest-bearing commitments from lease obligations which are also used for the funding of operations. Long-term financial loans include the non-current portion of hire purchase agreements for IT equipment (EUR 66 thousand; prior year: EUR 148 thousand) and the non-current portion of lease liabilities from right-of-use assets (EUR 2,834 thousand; prior year: EUR – thousand).

## 21 NON-CURRENT PROVISIONS

in EUR thousand	31.12.2018	Additions	Reclassification to current provisions	Reversal	Utilisation	<b>30.06.2019</b>
Share-based remuneration Phantom Shares	1,047	141	-	-	-416	772
Variable remuneration component revenues/ EBIT	458	22	-	-	-180	300
<b>Total</b>	<b>1,505</b>	<b>163</b>	<b>-</b>	<b>-</b>	<b>-596</b>	<b>1,072</b>

The members of the Executive Board have been granted phantom shares with cash compensation as part of a share-based remuneration programme. The imputed number of shares is issued in annual tranches in the middle of the calendar year and vested in prorated amounts over the twelve following months (pro rata temporis). Due to the general increase in size of the Executive Board to three members in 2016, the initial value of the nominal remuneration claim in euro increased to EUR 410 thousand. As half of the long-term remuneration component was converted on 1 January 2017, the initial value for this share-based remuneration programme decreased from EUR 410 thousand to EUR 205 thousand. The number of shares is calculated by dividing a nominal remuneration claim in euro (initial value) by the average Lotto24 share price (Xetra or a functionally comparable successor system) for the past 90 trading days. Claims to receive payment accrue after a vesting period of four years. The company's share-based remuneration obligations are measured at fair value discounted for their remaining term using the rolling average Lotto24 share price (Xetra) for the past 90 trading days and are limited in their value growth to three times the initial value.

With effect from 1 January 2017, 50% (amounting to EUR 205 thousand for the Executive Board as a whole) of the long-term remuneration component (phantom shares with cash compensation) was changed to a variable remuneration component and the tranche term for the new component reduced from four to three years. The KPIs on which the new remuneration component is based (revenues and EBIT) reflect long-term growth and profitability targets. The respective initial budget and setting of KPI target threshold figures is decided in annual amounts at the beginning of the year and remunerated pro rata temporis. Remuneration claims arise after a three-year vesting period. The remuneration claim is discounted to fair value depending on the remaining term and is limited in value to the double of the initial value.

With the successful completion of the takeover bid by ZEAL Network SE in May 2019 and the targeted cooperation between both companies, the calculation basis for the long-term share-based compensation programme was reassessed as the underlying measurement principles may be severely impaired. The settlement values for the phantom share right tranches are fixed for the tranches 2016–2020, 2017–2021 and 2018–2022.

For all other tranches, the arrangements described above remain unchanged. In the case of the new remuneration component, based on the KPIs revenues and EBIT, settlement is based on income statement figures adjusted for the effects of the ZEAL takeover bid.

## 22 NON-CURRENT OTHER LIABILITIES

Until 31 December 2018, non-current other liabilities from leases included the proportion of rent-free periods in relation to the term of the lease (2019: EUR – thousand; prior year: EUR 85 thousand).

## 23 EQUITY

Subscribed capital equals the company's capital stock and is fully paid.

in EUR thousand	<b>30.06.2019</b>	31.12.2018
Subscribed capital	24,155	24,155
Capital reserves	2,415	2,415
Retained earnings	7,313	5,756
<b>Total</b>	<b>33,883</b>	<b>32,326</b>

At the Annual General Meeting on 4 June 2019, Authorised Capital was also renewed. The Executive Board was hereby authorised to raise share capital, subject to approval by the Supervisory Board, by up to EUR 4,830,978 (»Authorised Capital 2019«) – corresponding to almost 20% of share capital – in the period up to 3 June 2024 by issuing no-par value shares for cash or non-cash contributions.

Due to a legal requirement (Section 268 (8) HGB), retained earnings cannot be distributed as a dividend.

## 24 RELATED PARTIES

In the reporting period, there were no reportable business relationships between Lotto24 AG, members of the Executive Board and members of the Supervisory Board in addition to those already existing on 31 December 2018. Detailed explanations on related parties are provided in note 24 of the IFRS separate financial statements as of 31 December 2018.

On 14 May 2019, the closing date of the takeover offer, ZEAL Network SE acquired a shareholding of 93.04% of the voting rights and share capital of Lotto24 AG. Since this date, Lotto24 AG has been majority-owned by ZEAL Network SE. As a consequence, Lotto24 AG is controlled by ZEAL Network SE as defined by Section 17 (2) AktG. Lotto24 AG does not have a control or profit and loss transfer agreement with ZEAL Network SE.

## 25 DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

On 30 June 2019, Lotto24 AG held only financial assets measured at amortised cost and financial liabilities. In the case of financial assets measured at amortised cost, it is assumed that the fair values correspond to the carrying amounts.

In the case of financial liabilities measured at amortised cost, it is assumed due to the mainly short remaining terms that the fair values correspond to the carrying amounts.

The scope of the credit risk of Lotto24 AG equals the sum of cash and other current assets. Detailed explanations are provided in note 25 of the IFRS separate financial statements as of 31 December 2018.

In view of the ongoing adverse climate on the European and global financial markets, there may be a default risk both in respect of the cash and short-term financial assets themselves, as well as the accruing interest.

Lotto24 AG uses an extensive management process to steer and regularly monitor its investment strategy. Cash and cash equivalents are held as bank balances with several commercial banks. Any short-term financial assets the company may hold are generally invested in securities offering as much liquidity and as little volatility as possible, while ensuring risk diversification.

## 26 EVENTS AFTER 30 JUNE 2019

### Filing of an action for annulment

As already announced on 1 August 2019 in the Federal Gazette two shareholders have brought an action for rescission before the Hamburg Regional Court against the resolutions adopted at the Annual General Meeting of Lotto24 AG on 4 June 2019 regarding agenda items no. 6 (resolution on the dismissal of Prof. Willi Berchtold as a member of the Supervisory Board) and no. 7 (resolution on the by-election of a new member of the Supervisory Board). We will carefully examine the facts of the case and our next steps from a legal point of view and report on further developments in due course.

## 27 OTHER DISCLOSURES

### 27.1 Executive Board

Until 30 June 2019, Lotto24 AG was headed by Petra von Strombeck (CEO) and Magnus von Zitzewitz (Executive Board member). Magnus von Zitzewitz left the company by mutual agreement and on amicable terms as of 30 June 2019 to seek new professional challenges after seven years as a member of the company's Executive Board. He has been succeeded by the Chief Financial Officer of ZEAL, Jonas Mattsson, who took on the additional responsibility as Chief Financial Officer of Lotto24 as of 1 July 2019.

As a result, Lotto24 AG has been headed by Petra von Strombeck (CEO) and Jonas Mattsson (CFO) since 1 July 2019.

Petra von Strombeck is responsible for Corporate Strategy and Development, Marketing, Sales, Legal Affairs and Regulation, the B2C (Business-to-Customer) and B2B (Business-to-Business) business fields, Investor Relations, Communication, Human Resources, Organisation, IT Strategy, IT Systems, IT Processes and IT Operation, as well as Process and Innovation Management and the B2G (Business-to-Government) business field.

Jonas Mattsson is responsible for Finance, Accounting, Taxes, Controlling, Compliance and Risk Management.

The members of the Executive Board work on a full-time basis.

### 27.2 Employees

As of 30 June 2019, Lotto24 AG employed 101 people (full-time equivalents, excluding the two Executive Board members and student helpers, prior year: 92). 41% (prior year: 38%) of our employees and 7 student helpers (prior year: 10) were employed in Marketing (including customer service). 41% (prior year: 40%) of staff were employed in the IT department.

Hamburg, 13 August 2019

The Executive Board



**Petra von Strombeck**  
Chief Executive Officer



**Jonas Mattsson**  
Chief Financial Officer

## RESPONSIBILITY STATEMENT

»To the best of our knowledge, and in accordance with the applicable accounting principles for interim financial reporting, the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the interim management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company in the remaining fiscal year.«

Hamburg, 13 August 2019

The Executive Board



**Petra von Strombeck**  
Chief Executive Officer



**Jonas Mattsson**  
Chief Financial Officer

## KEY FIGURES

in EUR thousand	Q. II 2019	Q. I 2019	Q. IV 2018	Q. III 2018	Q. II 2018
Billings	81,249	75,877	85,937	74,726	87,894
Stakes to be remitted (less revenues)	-71,863	-67,261	-75,752	-66,064	-77,013
<b>Revenues</b>	<b>9,386</b>	<b>8,616</b>	<b>10,185</b>	<b>8,663</b>	<b>10,881</b>
Other operating income	15	26	21	65	82
<b>Total performance</b>	<b>9,401</b>	<b>8,642</b>	<b>10,206</b>	<b>8,728</b>	<b>10,963</b>
Personnel expenses	-2,202	-2,163	-2,705	-2,190	-2,230
Impairment loss for financial assets	-108	-180	-164	-122	-223
Other operating expenses	-5,534	-5,008	-6,532	-4,628	-7,279
<b>Result from operating activities before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>1,557</b>	<b>1,292</b>	<b>805</b>	<b>1,788</b>	<b>1,231</b>
Amortisation/depreciation on intangible assets and property, plant and equipment	-402	-395	-322	-287	-291
<b>Result from operating activities (EBIT) before one-off expenses</b>	<b>1,155</b>	<b>896</b>	<b>483</b>	<b>1,502</b>	<b>940</b>
One-off expenses	-570	-	-	-	-
<b>Result from operating activities (EBIT)</b>	<b>585</b>	<b>896</b>	<b>483</b>	<b>1,502</b>	<b>940</b>
Revenues from financial activities	-	0	-	-	-
Expenses from financial activities	-32	-33	-13	-39	-37
<b>Financial result</b>	<b>-32</b>	<b>-33</b>	<b>-13</b>	<b>-39</b>	<b>-37</b>
<b>Net profit before taxes</b>	<b>553</b>	<b>863</b>	<b>470</b>	<b>1,462</b>	<b>903</b>
Income taxes	28	114	-601	4,064	2,727
<b>Net profit (after taxes)</b>	<b>581</b>	<b>977</b>	<b>-130</b>	<b>5,526</b>	<b>3,630</b>
<b>Breakdown of other operating expenses</b>					
Marketing expenses	-3,113	-2,330	-3,455	-2,317	-5,069
Direct operating expenses	-683	-632	-756	-739	-818
Indirect operating expenses	-1,738	-2,045	-2,320	-1,572	-1,393
<b>Other operating expenses</b>	<b>-5,534</b>	<b>-5,008</b>	<b>-6,532</b>	<b>-4,628</b>	<b>-7,279</b>

## FINANCIAL CALENDAR

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**13 November 2019**

Quarterly statement as of 30 September 2019

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