DISRUPT
THE INDUSTRY

CREATE EXCITING
EXPERIENCES

GROW
INTERNATIONALLY

SUPPORT
CHARITIES

CREATE A BETTER WORLD OF LOTTERY

INTERIM FINANCIAL REPORT
1 JANUARY – 30 SEPTEMBER 2017

ZEAL

ZEAL Network SE* and its consolidated companies** specialise in the area of online lottery. Our service offering consists primarily of the highly profitable consumer-facing lottery-based games business and the provision of business-to-business lottery solutions. Disruption of the online lottery market through innovation is a core objective of the Group. A proven track record in development of online technology and distribution channels, optimum utilisation of our bespoke hedging structure and the benefits of gradual market deregulation have enabled us to retain a leading position in the market. Internationalisation of our product offering is the key platform on which ZEAL aims to continue expanding.

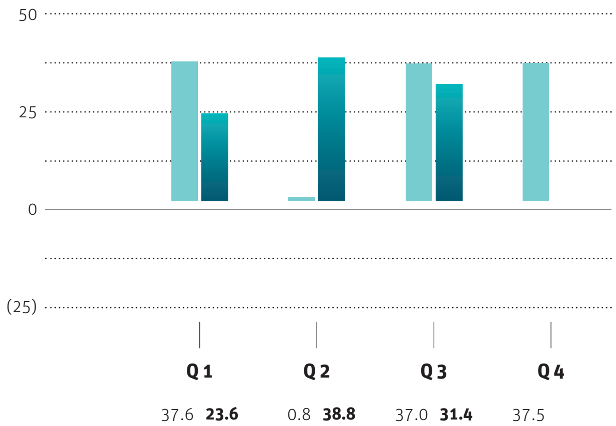
CONTENTS

** 'ZEAL Network' or 'the Company'*
*** 'ZEAL Group' or 'the Group'*

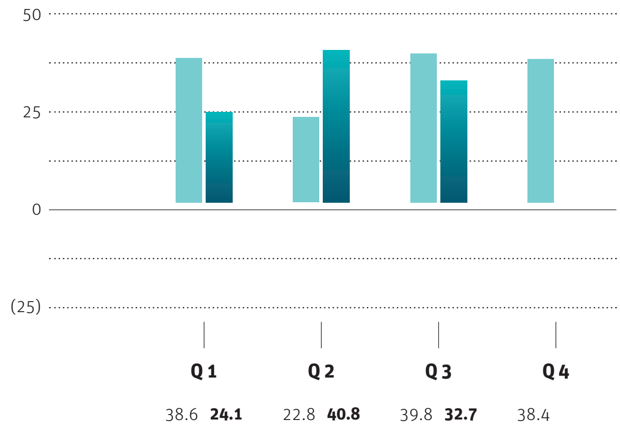
PERFORMANCE

2016 2017

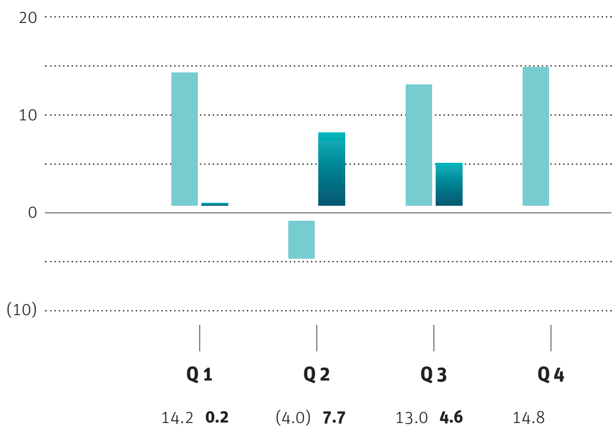
STATUTORY REVENUE[1] in €m



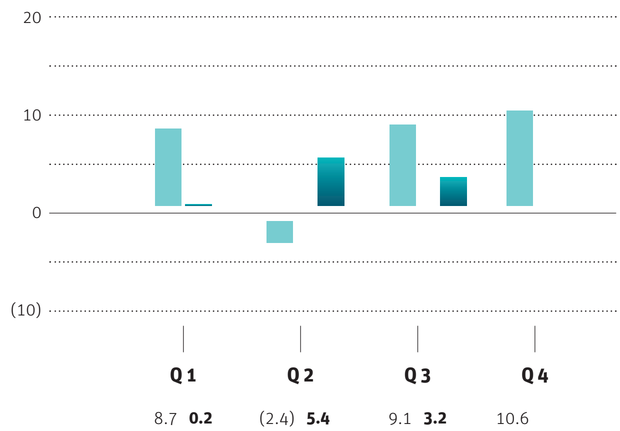
STATUTORY TOTAL OPERATING PERFORMANCE in €m



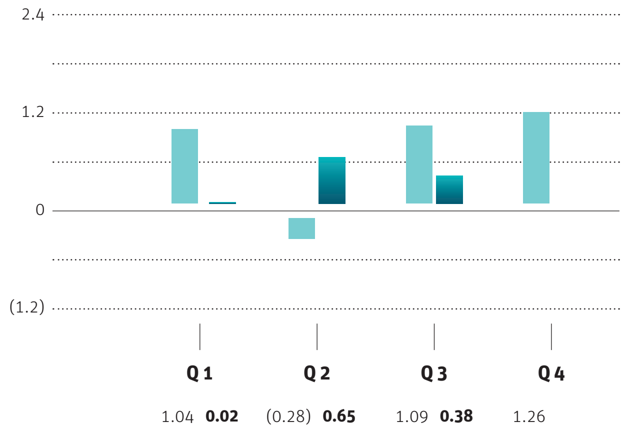
STATUTORY EBIT in €m



NET PROFIT in €m



EARNINGS PER SHARE in €



[1] *Revenue in Q2 2016 and Q1 2017 was negatively impacted by high prize pay-outs.*
[2] *Due to the rounding of quarterly results, there may be minor differences between the figures in the graphs above and those presented elsewhere in the Interim Financial Report.*

EXECUTIVE REVIEW

DEAR SHAREHOLDERS

ZEAL has delivered, in line with guidance, EBIT of €12,452k for the first nine months ended 30 September 2017 (2016: €23,255k).

This is a solid result, despite a high number of low value prize jackpots in Q3 2017, increased hedging costs due to rule changes in EuroMillions and higher-than-usual prize pay-outs in the third quarter of 2017. For the year ended 31 December 2017, we confirm the previous guidance. We expect to deliver TOP[1] in the range of €130,000k to €140,000k and EBIT of between €15,000k and €25,000k.

We have published this report on the same day of our final Norway beta test. We will fully launch Norway's first ever online charity lottery in partnership with UNICEF Norway at the conclusion of today's final beta draw. This brand new primary lottery product, will help support UNICEF's incredible work by raising additional funds.

Our solid third quarter results also preceded our most successful new product launch ever – both in terms of the number of active customers and billings, as in October 2017, we introduced the world record-breaking US lottery, Powerball, to our portfolio. In addition, the increased investment in the Group's B2C customer acquisition delivered a 79% uplift in new players compared to 2016.

The expansion into both Ireland and Norway together with new product launches, coupled with the solid financial performance despite the low jackpot environment, all combine to create a bright future for ZEAL.

FINANCIAL PERFORMANCE FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

Billings, which comprises all stakes from customers (including brokerage stakes) net of free bets, totalled €201,747k for the nine month period ended 30 September 2017. This is in line with the same period in 2016 (€204,116k). In the third quarter of 2017, the primary German lottery market experienced an 12% decrease in billings on EuroJackpot and Lotto 6aus49 products. Our more diversified product and market portfolio enabled us to deliver a performance of 4 percentage points better than the market during the same period.

TOP for the nine month period ended 30 September 2017 decreased slightly to €97,631k (2016: €101,248k). The decrease in TOP is driven by a slight reduction in billings and a reduction in the value of dormant balances released in the first nine months of 2017 to €480k (2016: €3,400k).

EBIT for the nine month period amounted to €12,452k (2016: €23,255k) representing a decrease of €10,803k compared to the same period in 2016. The decrease in EBIT is largely due to an additional €6,853k, in fully hedged ticket costs, incurred as a result of 24 EuroMillions large jackpots draws during 2017, which were physically hedged (2016: 13 draws). We continued to expand into new territories with the consequent investment in personnel and marketing, partially offset by favourable movements in the exchange rate, reduced acquisition costs and amortisation and depreciation charges.

The marketing investment had a positive impact in the period with the average Monthly Active Users (MAU) increasing by 6k to 372k (2016: 366k). There was a slight reduction in Average Billings Per User (ABPU) to €57 (2016: €58) partly driven by the new customers spending less than our established customers as well as a shift in product mix.

We monitor our performance based on 'normalised' results, which includes adjustments for expected lottery prize pay-outs based on statistical modelling. 'Normalised' revenue[2] in the nine months ended 30 September 2017 increased to €106,699k (2016: €106,344k) with 'normalised' EBIT[2] amounting to €26,177k (2016: €34,507k).

NEW MARKETS

We continue to make strong progress on our internationalisation strategy. Lottovate remains on track to introduce, in beta, an innovative and fully licensed social lottery in the Netherlands towards the end of 2017, while MyLotto24 Ireland continues to show positive signs of growth.

HEDGING

We are well advanced with our plan for the third iteration of our innovative lottery risk management system. We expect this to benefit the Group by significantly lowering our risk, reducing associated costs, and providing more flexible insurance cover which enables additional product development opportunities.

UNITED KINGDOM (UK) POLITICAL LANDSCAPE

We continue to monitor the situation as the UK negotiates its exit from the European Union (EU). We believe the potential impact on our business is minimal. However, as a responsible business, we continue to work on contingency plans to mitigate any potential impact. The UK government's negotiations with the EU are evolving and as new information emerges, we adapt and revise our plans accordingly.

DIVIDEND PAYMENT 2017

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

OUTLOOK

Our strategic outlook remains unchanged as we continue to see attractive growth opportunities in our target markets. We have made tangible progress towards our internationalisation strategy by expanding our global footprint. The Group remains well positioned to capitalise on opportunities arising from changes to regulatory conditions and from the relatively low internet penetration of the lottery industry. For 2017, we expect to deliver TOP in the range of €130,000k to €140,000k and EBIT of between €15,000k and €25,000k.

The Executive Board

Dr. Helmut Becker	**Jonas Mattsson**	**Susan Standiford**
CEO	CFO	CTO

[1] TOP is the sum of Revenue and Other Operating Income as disclosed in the Interim Consolidated Income Statement.
[2] 'Normalised' revenue and EBIT are non-statutory measures. These items have been defined in the 'normalised' results section of the report.

BUSINESS REVIEW

BUSINESS MODEL AND STRUCTURE

The Group's operating segments are Business-to-Consumer (B2C) and Business-to-Business/Business-to-Government (B2B/B2G). We have described the composition of the segments in more detail below:

B2C Segment

- B2C's operating results comprise the lottery betting business, sales of Instant Win Games, direct costs and an allocation of the shared cost base.

B2B/B2G Segment

The B2B/B2G segment comprises the remainder of the Group's core operating activities including:

- The lottery brokerage business in Spain, through Ventura24 S.L.
- The international services business for lottery operators including online operation of the lottery games for charitable organisations, such as ONCE.
- The international business offering digital services to private business partners (such as UNICEF Norway) and state lotteries as well as operating its own licensed lotteries through Lottovate.
- Segmental results presented are attributable to the operating activities of the B2B/B2G segment together with an allocation of shared costs.

LEGAL AND REGULATORY MATTERS

The legal environment in the jurisdictions in which we operate or plan to enter varies greatly:

- In Germany, gambling is governed by the German State Treaty on Games of Chance (Staatsvertrag zum Glücksspielwesen), brought into law in 2008 and revised in 2012. The legislation was found to be in breach of European Union (EU) law and, as such, the legal situation for any potential enforcement of German legislation in Europe remains unclear. Specifically, the European Court of Justice (ECJ) found that the application of the legislation was in contravention of the EU law on the freedom to provide services. While the judgement against the legislation applied to sports betting, it is likely to extend to all games of chance, including lottery. The European Commission continues to carefully monitor the German regulation and may consider the initiation of infringement procedures against Germany. Following a number of rulings by the German courts which found in favour of private gambling operators, the regulator has recently proposed minor changes to the sports betting legislation, which does not solve the non-compliance of the interstate treaty with EU law. The Group continues to monitor the regulatory developments and carefully reviews outcomes of any directly relevant court case for precedents. While it remains to be seen whether any prospective changes will silence the European Commission's challenges and prevent it from initiating any formal action against Germany, the Group believes that the current lack of clarity does not negatively impact ongoing operations or future business.
- The UK Government has revised the National Gambling Act to improve consumer protection by requiring offshore companies who seek to market gaming products in the UK, to be licensed by the UK Gambling Commission.
- The legal situation in Spain remains unclear. Unequivocal regulations regarding the online brokerage of lotteries, especially product marketing, are not imminent at present. The risk to the legality of our Spanish business is discussed in the risk report in the 2016 Annual Report.

ONGOING LEGAL AND REGULATORY MATTERS

The principal legal and regulatory matters affecting the Group are included in our 2016 Annual Report. There have been no material changes to the status of these matters since the date of approval of the 2016 Annual Report. Furthermore, there have been no significant additional legal or regulatory matters which have arisen during the nine months ended 30 September 2017.

TAX MATTERS AND CONTINGENT LIABILITIES

There have been no material changes in the status of the tax matters reported in the 2016 Annual Report. The Directors continue to closely monitor any changes in areas where a contingent liability has been previously disclosed. Furthermore, there have been no matters which have arisen during the nine months ended 30 September 2017.

'NORMALISATION' OF RESULTS

'NORMALISED' RESULTS

In the lotteries on whose results ZEAL Group relies, there are underlying statistical average pay-out ratios for ongoing lottery draws. For our main products, this is approximately 50%. The expected pay-out ratio for lottery betting is the same as for the primary lotteries.

There may be deviations between the expected pay-out ratio and actual pay-outs made. The difference between the actual pay-out and the expected prize pay-out is referred to as 'normalisation' in this report.

In order to aid understanding of the financial statements and the related earnings position, we disclose the effect of deviations between the expected and actual pay-out ratio by presenting 'normalised' revenue and EBIT.

PAY-OUTS ON LOTTERY BETTING

Total pay-outs on lottery betting in the nine months ended 30 September 2017 were €12,896k above the expected pay-out value (2016: €31,006k). This combined with the €829k negative impact from the normalisation of hedging income, resulted in a difference between actual and expected statutory EBIT of €13,725k (2016: €11,252k).

Revenue

	Q 1–3 2017	Q 1–3 2016	**Q 3 2017**	Q 3 2016
in €k				
Actual	93,803	75,338	31,452	37,008
Expected[1]	106,699	106,344	35,198	36,871
'Normalisation' effect[2]	**(12,896)**	**(31,006)**	**(3,746)**	**137**

EBIT

	Q 1–3 2017	Q 1–3 2016	**Q 3 2017**	Q 3 2016
in €k				
Actual	12,452	23,255	4,553	12,989
Expected[1]	26,177	34,507	8,519	13,128
'Normalisation' effect[2]	**(13,725)**	**(11,252)**	**(3,966)**	**(139)**

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

FINANCIAL REVIEW

The following table details the interim consolidated results of the ZEAL Group for the nine months ended 30 September:

	Q 1–3 2017	Q 1–3 2016
in €k		
Revenue	93,803	75,338
Other operating income	3,828	25,910
Total Operating Performance (TOP)	**97,631**	**101,248**
Personnel expenses	(21,797)	(19,729)
Other operating expenses	(62,358)	(53,557)
Marketing expenses	*(14,622)*	*(9,828)*
Direct costs of operations	*(30,921)*	*(26,716)*
Other costs of operations	*(16,815)*	*(17,013)*
Exchange rate differences	(66)	(1,576)
Loss on acquisition	–	(1,340)
EBITDA	**13,410**	**25,046**
Amortisation and depreciation	(958)	(1,791)
EBIT	**12,452**	**23,255**
Financing and investing result	67	(1,199)
EBT	**12,519**	**22,056**
Income taxes	(3,756)	(6,617)
Profit for the period	**8,763**	**15,439**
Earnings per share €	**1.05**	**1.84**

TOTAL OPERATING PERFORMANCE (TOP)

Consolidated TOP for the nine month period ended 30 September 2017 amounted to €97,631k (2016: €101,248k), representing a decrease of €3,617k compared to the same period in 2016.

The increase in revenue is largely due to a reduction in the value of exceptional prize pay-outs (€15,000k in the nine months of 2017 compared to €37,000k in the same period in 2016). This has been partially offset by a slight reduction in billings during the current period.

The decrease in other operating income is attributable to a receipt from a special jackpot insurance policy in the prior year of €20,000k (2017: €nil) (which related to the exceptional prize pay-out of €37,000k) and the decrease in the value of dormant balances released in the nine months of 2017 to €480k (2016: €3,400k).

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

EXPENSES

For the nine months to September 2017, personnel expenses were €21,797k representing an increase of €2,068k compared to the same period in 2016 (€19,729k). The period-on-period increase in personnel expenses is primarily due to increased headcount relating to investment in new markets. The full time equivalent (FTE) average number of employees for the period increased to 272 in 2017 (2016 FTE: 252).

Compared to the same period in the previous year, other operating expenses increased from €53,557k to €62,358k. The most significant contributory factors were:

- Increase in marketing expenses of €4,794k. The increased investment in marketing is consistent with our strategy to drive customer acquisition and re-activate the dormant proportion of the B2C customer base.
- Increase in direct costs of operations of €4,205k, which is due to the €6,853k increase in physical hedged ticket costs due to a higher number of fully hedged draws compared to the prior period. This has been offset by a reduction in jackpot insurance costs of €1,102k and a reduction in non-deductible input value added tax of €1,336k.

LOSS ON ACQUISITION

In the first quarter of 2016, ZEAL acquired the remaining shares in Geonomics Global Games Limited (GGGL) and Geo24 UK Limited (Geo24), to obtain 100% ownership. The objective of the acquisition was to secure the software development team and the expertise of the employees from both entities. A loss on acquisition of €1,340k was recorded in the first quarter of 2016. Since the acquisition, the new team has been key in developing products, platforms and technologies that will allow the operating business to react quickly and efficiently to consumers and changes in the competitive landscape.

EBIT

EBIT for the period amounted to €12,452k (2016: €23,255k) representing a decrease of €10,803k compared to the same period in 2016. EBIT for the period was impacted by the following movements, some of which we expect to be temporary or one-off in nature:

- Decrease in TOP by €3,617k as discussed above
- Increase in personnel expenses of €2,068k
- Increase in marketing expenses of €4,794k
- Increase in direct costs of operations of €4,205k

This was offset by positive movements, outlined below:

- Absence of negative exchange rate movements €1,510k
- Decrease in other cost of operations of €198k
- The charge of €1,340k attributable to the acquisition of GGGL and Geo24, which was recorded in the first nine months of 2016, but did not recur in 2017.
- Reduction in depreciation and amortisation expenses of €833k

FINANCING AND INVESTING RESULT

The financing and investing result for the nine month period ended 30 September 2017 amounted to a gain of €67k (2016: loss of €1,199k), representing an improvement of €1,266k compared to the same period in 2016. In 2016, a loan advanced to GGGL under a convertible facility was impaired. The Group provided against each draw-down as there was significant uncertainty over whether the funds would be repaid and a charge of €1,598k was recorded in the income statement.

The remaining amounts recorded within this line relate to other interest income of €308k (2016: €636k) offset by interest expense of €241k (2016: €237k).

TAX

At 30%, the consolidated tax rate is the same as the prior period. The Group's consolidated tax rate each period is impacted by fluctuations in the mix of losses and earnings between tax groups.

EARNINGS PER SHARE (EPS)

The EPS from continuing operations in the nine months to 30 September 2017 decreased compared to the same period in the previous year from €1.84 to €1.05 due to a decrease in profit after tax of €6,676k.

DIVIDEND

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

CASH FLOW AND CAPITAL MANAGEMENT

in €k	**Q 1–3 2017**	Q 1–3 2016
Cash from operating activities	3,693	29,299
Cash used in investing activities	(1,728)	(2,173)
Cash used in financing activities	–	(17,609)
Changes in cash and pledged cash and short-term financial assets	**1,965**	**9,517**
Cash and pledged cash and short-term financial assets at the beginning of the period	114,665	107,660
Cash and pledged cash and short-term financial assets at the end of the period	**116,630**	**117,177**

Cash inflow from operating activities in the nine months to 30 September 2017 was €3,693k (€25,606k below the comparable 2016 figure of €29,299k). The difference primarily relates to the receipt in 2016 of tax on winnings of €9,575k, the timing of income tax instalments resulting in an additional outflow of €4,203k and the reduction in profit before tax of €9,537k.

In the nine months to 30 September 2017, investing activities resulted in cash outflows of €1,728k (2016: €2,173k). In 2017, the acquisition of intangible and property, plant and equipment assets were €1,385k (2016: €575k). The investment in Omaze resulted in a cash outflow of €1,843k, whilst the Group received a loan repayment of €1,500k. In 2016, investing cash outflows also included draw-downs made by GGGL on the convertible loan facility of €1,598k.

Cash used in financing activities was €nil in the nine months to September 2017 (2016: €17,609k). This reduction is attributable to dividend payments made in the prior year.

As of 30 September 2017, ZEAL had cash and pledged cash and short-term deposits of €116,630k (2016: €117,177k). This includes the retention facility which is held to ensure MyLotto24 Limited is sufficiently financed to pay jackpot winnings as they fall due.

KEY PERFORMANCE INDICATORS – FOR NINE MONTHS TO 30 SEPTEMBER 2017

The Executive Board and Supervisory Board use a range of indicators to continually assess performance, to ensure the Group's stated strategies continue to align with shareholder interests. This includes statutory measures, which provides comparability within the business and the ability to compare against similar business within the industry. Some of the Group's key performance indicators are set out below, with the remainder available throughout the report.

Performance indicator

	2017	2016
in €k		
Billings	201,747	204,116
Total Operating Performance (TOP)	97,631	101,248
Statutory EBIT	12,452	23,255
Average Billings per User per month (ABPU) in €	57	58
Average Monthly Active Users (MAU)	372	366

There have been no changes in the definition of any key performance indicators since the date of approval of the 2016 Annual Report.

OUTLOOK

As previously announced on 9 March 2017 and re-iterated in our 2016 Annual Report issued on 23 March 2017, we expect to deliver TOP in the range of €130,000k to €140,000k and EBIT of between €15,000k and €25,000k.

OTHER INFORMATION

Information about our risk management approach and our business risks and opportunities are detailed on pages 25–29 of our 2016 Annual Report.

GOING CONCERN

The Directors formed a judgement at the time of approving the interim financial statements that there is a reasonable expectation that ZEAL has adequate resources to continue for the foreseeable future. The Group held €116,630k in cash, pledged cash and short-term financial assets at the period end (31 December 2016: €114,665k). The Group expects to deliver revenue and profit growth in the periods ahead. For these reasons, the Directors have adopted the going concern basis in preparing the interim consolidated financial statements.

DIRECTORS OF THE COMPANY

The directors who held office during the period or were appointed after the period were:

Executive Board

- Dr. Helmut Becker, CEO
- Jonas Mattsson, CFO
- Susan Standiford, CTO

Supervisory Board

- Peter Steiner
- Thorsten H. Hehl
- Oliver Jaster
- Bernd Schiphorst
- Jens Schumann
- Leslie-Ann Reed – appointed 14 July 2017
- Andreas de Maizière – resigned 30 June 2017

Andreas de Maizière resigned from the Board with effect from the conclusion of the AGM on 30 June 2017. Peter Steiner took over the position of Chairman of the Supervisory Board on the same date. Leslie-Ann Reed was appointed to the Supervisory Board in the capacity as Vice-Chair on 14 July 2017 and has replaced Peter Steiner as Chair of the Audit Committee.

RESPONSIBILITY STATEMENT

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

10 November 2017

Dr. Helmut Becker	Jonas Mattsson	Susan Standiford
CEO	CFO	CTO

INTERIM CONSOLIDATED INCOME STATEMENT (UNAUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

in €k	Note	**Q1–3 2017**	Q1–3 2016	**Q3 2017**	Q3 2016
Revenue	2	93,803	75,338	31,452	37,008
Other operating income	2	3,828	25,910	1,203	2,797
Total Operating Performance (TOP)		**97,631**	**101,248**	**32,655**	**39,805**
Personnel expenses		(21,797)	(19,729)	(5,770)	(6,367)
Other operating expenses		(62,358)	(53,557)	(22,018)	(19,944)
Marketing expenses		*(14,622)*	*(9,828)*	*(5,760)*	*(4,214)*
Direct costs of operations		*(30,921)*	*(26,716)*	*(11,041)*	*(11,634)*
Other costs of operations		*(16,815)*	*(17,013)*	*(5,217)*	*(4,096)*
Exchange rate differences		(66)	(1,576)	(11)	(89)
Depreciation and amortisation of non-current assets		(958)	(1,791)	(303)	(416)
Loss on acquisition		–	(1,340)	–	–
Result from operating activities (EBIT)		**12,452**	**23,255**	**4,553**	**12,989**
Finance income		308	636	13	126
Finance costs		(241)	(237)	(47)	(102)
Impairment of convertible loan		–	(1,598)	–	–
Results from financing and investing activities		**67**	**(1,199)**	**(34)**	**24**
Profit before income tax		**12,519**	**22,056**	**4,519**	**13,013**
Income tax expense	3	(3,756)	(6,617)	(1,356)	(3,905)
Profit attributable to the equity shareholders of the Company		**8,763**	**15,439**	**3,163**	**9,108**
Earnings per share for profit attributable to ordinary equity holders of the Company		€	€	€	€
Basic and diluted earnings per share		1.05	1.84	0.38	1.09

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

	Q 1–3 2017	Q 1–3 2016	**Q 3 2017**	Q 3 2016
in €k				
Profit for the period	**8,763**	**15,439**	**3,163**	**9,108**
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange gain on translation of foreign operations	27	806	8	689
Gain/(loss) on available-for-sale financial assets (AFS)	144	(236)	153	142
Other comprehensive income net of tax	**171**	**570**	**161**	**831**
Total comprehensive income attributable to the equity shareholders of the Company	**8,934**	**16,009**	**3,324**	**9,939**

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) AS AT 30 SEPTEMBER 2017 AND 31 DECEMBER 2016

	30/09/2017	31/12/2016
ASSETS in €k		
Non-current assets		
Property, plant and equipment	2,678	1,901
Intangible assets	452	802
Deferred tax assets	575	575
Other investments	3,041	1,198
Other assets and prepaid expenses	291	201
Total non-current assets	**7,037**	**4,677**
Current assets		
Trade and other receivables	1,660	755
Income tax receivables	1,746	9
Other current assets and prepaid expenses	7,311	12,835
Short-term loan	1,538	3,075
Financial assets	31,811	19,682
Cash and pledged cash	84,819	94,983
Total current assets	**128,885**	**131,339**
TOTAL ASSETS	**135,922**	**136,016**

	30/09/2017	31/12/2016
EQUITY & LIABILITIES in €k		
Non-current liabilities		
Other liabilities	3,373	2,199
Total non-current liabilities	**3,373**	**2,199**
Current liabilities		
Trade payables	3,956	5,052
Other liabilities	18,504	22,545
Financial liabilities	97	123
Deferred income	2,585	2,251
Income tax liabilities	611	5,952
Provisions	304	336
Total current liabilities	**26,057**	**36,259**
Equity		
Subscribed capital	8,385	8,385
Share premium	21,578	21,578
Other reserves	(641)	(785)
Foreign currency translation reserve	170	143
Retained earnings	77,000	68,237
Total equity	**106,492**	**97,558**
TOTAL EQUITY & LIABILITIES	**135,922**	**136,016**

INTERIM CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

	Q1–3 2017	Q1–3 2016
in €k		
Profit from continuing operations before tax	12,519	22,056
Adjustments for		
Depreciation and amortisation of non-current assets	958	1,791
Net loss on sale of non-current assets	1	2
Finance income	(308)	(398)
Finance costs	241	237
Impairment of convertible loan	–	1,598
Loss on acquisition	–	1,340
Acquisition of GGGL and Geo24, net of cash acquired	–	(623)
Profit on dissolution of subsidiary	–	(238)
Other non-cash changes	207	(138)
Changes in		
Trade and other receivables	(905)	9,400
Other assets and prepaid expenses	5,434	1,961
Trade payables	(1,096)	(1,228)
Other liabilities	(2,867)	514
Financial liabilities	(26)	3
Deferred income	334	(326)
Short-term provisions	(32)	(420)
Interest received	308	636
Interest paid	(241)	(237)
Income taxes paid	(10,834)	(6,631)
Cash flow from operating activities	**3,693**	**29,299**

	Q1–3 2017	Q1–3 2016
in €k		
Cash flow from investing activities		
Payments for acquisition of intangible assets	(80)	(144)
Payments for acquisition of property, plant and equipment	(1,305)	(431)
Payment for acquisition of investment	(1,843)	–
Loan receipt from other companies	1,500	–
Contributions to associated companies	–	(1,598)
Net cash outflow from investing activities	**(1,728)**	**(2,173)**
Cash flow from financing activities		
Dividends paid to the Company's shareholders	–	(17,609)
Net cash outflow from financing activities	**–**	**(17,609)**
Net increase in cash, pledged cash and short-term financial assets	1,965	9,517
Cash, pledged cash and short-term financial assets at the beginning of the year	114,665	107,660
Cash, pledged cash and short-term financial assets at the end of the period	**116,630**	**117,177**
Composition of cash, pledged cash and short-term financial assets at the end of the period		
Cash and pledged cash	84,819	93,531
Short-term financial assets	31,811	23,646

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE YEAR ENDED 31 DECEMBER 2016 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 AND 30 SEPTEMBER 2016

in €k	Subscribed capital	Share premium	Other reserves	Retained earnings	Currency translation adjustments	**Total equity**
As at 1 January 2016	**8,385**	**21,578**	**(558)**	**65,764**	**–**	**95,169**
Profit for the period	–	–	–	15,439	–	15,439
Other comprehensive income/(loss)	–	–	(236)	–	806	570
Total comprehensive income/ (loss) for the period	**–**	**–**	**(236)**	**15,439**	**806**	**16,009**
Transactions with owners in their capacity as owners						
Dividends paid	–	–	–	(17,609)	–	(17,609)
As at 30 September 2016	**8,385**	**21,578**	**(794)**	**63,594**	**806**	**93,569**
Profit for the period	–	–	–	10,512	–	10,512
Other comprehensive income/(loss)	–	–	9	–	(663)	(654)
Total comprehensive income/ (loss) for the period	**–**	**–**	**9**	**10,512**	**(663)**	**9,858**
Transactions with owners in their capacity as owners						
Dividends paid	–	–	–	(5,869)	–	(5,869)
As at 31 December 2016	**8,385**	**21,578**	**(785)**	**68,237**	**143**	**97,558**
Profit for the period	–	–	–	8,763	–	8,763
Other comprehensive income	–	–	144	–	27	171
Total comprehensive income for the period	**–**	**–**	**144**	**8,763**	**27**	**8,934**
As at 30 September 2017	**8,385**	**21,578**	**(641)**	**77,000**	**170**	**106,492**

SELECTED EXPLANATORY NOTES

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

GENERAL INFORMATION

The unaudited interim condensed consolidated financial statements (the 'interim financial statements') for ZEAL Network SE (the 'Company') and its subsidiaries (collectively, 'ZEAL' or 'the Group') for the nine month period ended 30 September 2017 were authorised for issue by the Directors on 10 November 2017.

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

The date of the interim consolidated statement of financial position is 30 September 2017. The financial period ended 30 September 2017 covers the period from 1 January 2017 to 30 September 2017.

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

BASIS OF PREPARATION

The interim financial statements for the nine month period ended 30 September 2017 have been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union. Accordingly, these interim financial statements do not include all of the information and disclosures required to fully comply with IFRS as adopted by the European Union. For this reason, the interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2016.

The interim financial statements include all adjustments of a normal and recurring nature considered necessary for fair presentation of results for interim periods. Results of the period ended 30 September 2017 are not necessarily indicative of future results.

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

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

PRINCIPAL ACCOUNTING POLICIES

The same accounting policies and calculation methods were used for these interim financial statements as for the consolidated financial statements for the year ended 31 December 2016.

EVENTS DURING THE PERIOD

In March 2017, a player won a prize of approximately €15,000k. The pay-out falls within the self-retention specified in MyLotto24's hedging instruments.

In May 2017, ZEAL secured a cash investment of €1,843k (USD $2,000k) in Los Angeles based start-up Omaze Inc. Omaze is disrupting charitable giving by offering once-in-a-lifetime experiences and exclusive merchandise in support of critical causes.

2 SEGMENT REPORTING

SEGMENTAL DISCLOSURE PRESENTATION

The Group's reportable operating segments reflect the management structure of the Group, the way performance is evaluated and the way resources are allocated by the Chief Operating Decision Maker (CODM), being the Board of Directors.

We monitor the performance of the B2C segment based on 'normalised' revenue and EBIT (statutory revenue and EBIT adjusted to the statistically expected prize pay-outs) and actual results for the B2B/B2G segment. The disclosures included in the operating segment note below are consistent with the Group's internal reporting and 'normalised' performance is given due prominence in the disclosure as this is the way in which we analyse the Group. A fuller description of 'normalisation' is included in the business review section of this report. Included within the note below is a reconciliation between the segmental results used to assess the lines of business and our consolidated statutory performance where statistically expected pay-outs are replaced with actual cash outflows. Inter-segment transactions are also eliminated as part of this process. Descriptions of the significant reconciling items are also included below the relevant tables.

The operating segments are Business-to-Consumer (B2C) and Business-to-Business/Business-to-Government (B2B/B2G). We have described the composition of the segments in more detail below:

B2C Segment
B2C's operating results comprise the lottery betting business, sales of Instant Win Games products, direct costs and an allocation of the shared cost base.

B2B/B2G Segment
The B2B/B2G segment comprises the remainder of the Group's core operating activities including:

- The lottery brokerage business in Spain, through Ventura24 S.L.
- The international services business for lottery operators including online operation of the lottery games for charitable organisations, such as ONCE.
- The international business offering digital services to private business partners (such as UNICEF Norway) and state lotteries as well as operating its own licensed lotteries through Lottovate.
- Segmental results presented are attributable to the operating activities of the B2B/B2G segment together with an allocation of shared costs.

Business unit segment reporting

Q 1–3 2017	B2C	B2B/B2G	Business unit total	'Normalisation' and other adjustments	'Normalisation' adjustments	Other adjust-ments	Statutory
in €k	A	B	A+B=C	D+E=F	D	E	C+F
Revenue	101,157	5,378	106,535	(12,732)	(12,896)	164	93,803
Other operating income	4,416	229	4,645	(817)	(829)	12	3,828
Total operating performance (TOP)	**105,573**	**5,607**	**111,180**	**(13,549)**	**(13,725)**	**176**	**97,631**
EBITDA	**34,066**	**(6,845)**	**27,221**	**(13,811)**	**(13,725)**	**(86)**	**13,410**
Depreciation/amortisation	(731)	(227)	(958)	–	–	–	(958)
EBIT	**33,335**	**(7,072)**	**26,263**	**(13,811)**	**(13,725)**	**(86)**	**12,452**
Financing and investing result	–	–	–	67	–	67	67
EBT	**–**	**–**	**26,263**	**(13,744)**	**(13,725)**	**(19)**	**12,519**
Income tax	–	–	–	(3,756)	–	(3,756)	(3,756)
Net profit/(loss)	**–**	**–**	**26,263**	**(17,500)**	**(13,725)**	**(3,775)**	**8,763**

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

- 'Normalisation' adjustments – these adjustments bridge the quantum of statistically expected pay-outs included within the business unit column to consolidated statutory results which include actual cash outflows.
- 'Other' adjustments – the most significant adjustment relates to the following:
  - Other items impacting revenue and other operating income relate to external revenue and other operating income generated by Schumann e.K. This company does not form part of either the B2C or B2B/B2G segments.
  - The remaining reconciling items are not considered material by the Directors.

Business unit segment reporting **Q1–3 2016**	B2C	B2B/B2G	Business unit total	'Normalisation' and other adjustments	'Normalisation' adjustments	Other adjust-ments	Statutory
in €k	A	B	A+B=C	D+E=F	D	E	C+F
Revenue	101,532	4,635	106,167	(30,829)	(31,006)	177	75,338
Other operating income	2,137	248	2,385	23,525	19,754	3,771	25,910
Total operating performance (TOP)	**103,669**	**4,883**	**108,552**	**(7,304)**	**(11,252)**	**3,948**	**101,248**
EBITDA	**45,085**	**(7,188)**	**37,897**	**(12,851)**	**(11,252)**	**(1,599)**	**25,046**
Depreciation/amortisation	(1,304)	(487)	(1,791)	–	–	–	(1,791)
EBIT	**43,781**	**(7,675)**	**36,106**	**(12,851)**	**(11,252)**	**(1,599)**	**23,255**
Financing and investing result	–	–	–	(1,199)	–	(1,199)	(1,199)
EBT	**–**	**–**	**36,106**	**(14,050)**	**(11,252)**	**(2,798)**	**22,056**
Income tax	–	–	–	(6,617)	–	(6,617)	(6,617)
Net profit/(loss)	**–**	**–**	**36,106**	**(20,667)**	**(11,252)**	**(9,415)**	**15,439**

- 'Other' adjustments – the most significant adjustments in 2016 relate to the following items:
  - A charge associated with the acquisition of GGGL and Geo24 amounting to approximately €1,340k recorded within EBITDA and EBIT.
  - An impairment charge on amounts drawn by GGGL on the convertible loan facility of €1,598k recorded within financial result (described in the business review section above). The remaining gain of €399k included within this category relates to net income receivable accrued in the normal course of business.
  - Other items impacting revenue and other operating income relate to external revenue and other operating income generated by Schumann e.K. This company does not form part of either the B2C or B2B/B2G segments.
  - Remaining reconciling items do not warrant further commentary.

3 TAXES

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

	Q 1–3 2017	Q 1–3 2016	**Q 3 2017**	Q 3 2016
in €k				
Current income tax (expense)	(3,756)	(6,617)	(1,356)	(3,905)
Deferred tax (expense)	–	–	–	–
Total income tax	**(3,756)**	(6,617)	**(1,356)**	(3,905)

4 DIVIDENDS

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

5 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

5.1 FAIR VALUE

All assets and liabilities for which fair value is measured or disclosed in the interim financial statements are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

All financial instruments held by the Group at 30 September 2017 are classified as level 1. For all financial instruments the carrying amount approximates to fair value. Of the short-term financial assets held at 30 September 2017 amounting to €31,811k (31 December 2016: €19,682k), €30,637k were available-for-sale financial assets (31 December 2016: €17,490k) and €1,174k were held-to-maturity financial assets (31 December 2016: €2,192k).

Assets and liabilities are reviewed at the end of each reporting period to determine whether any transfers between the levels of fair value hierarchy are deemed to have occurred. Given the nature of the assets and liabilities held, transfers between levels of fair value hierarchy are not expected. There were no transfers between level 1 and level 2 fair value measurements and no transfers into or out of level 3 fair value measurements, during the period.

5.2 CREDIT RISK

The scope of the credit risk of ZEAL equals the sum of cash, short-term financial assets, trade receivables, other receivables and short term loans.

Cash and other financial assets

There may be a default risk both in respect of the cash and short-term financial assets themselves, as well as the related interest accrued. Due to the high total amount of cash and short-term financial assets held by ZEAL, and the resulting absolute and relative importance, extensive management processes have been established to steer and regularly monitor the Company's investment strategy.

Cash and short-term financial assets are invested in a variety of short-term securities offering as much liquidity and as little volatility as possible, while ensuring broad risk diversification. The overriding objective of our investment strategy is to preserve capital – even at the expense of expected returns.

ZEAL's investment strategy is aimed at spreading and minimising risk by means of multi-dimensional diversification. First, funds are divided into differing investment products, such as sight and term deposits, highly fungible government bonds of Eurozone states and short-term investment fund units. Second, we restrict our choice to those investments with good credit ratings. Following regular monitoring, there were no specific default risks in the portfolio as of the balance sheet date.

Trade and other receivables
The Company mainly collects the amounts owed by customers directly, via direct debit or credit card. On the basis of many years of collected data, the risk of returned direct debits or credit card charges is regarded as limited. Missing amounts from such cancellations are charged directly to 'Other operating expenses'.

The Group generates receivables from lottery organisers for the winnings of its customers, which are passed on directly to the winners upon receipt. Due to the credit standing of the lottery organisers, the Group does not expect any significant default on payment.

Receivables from payment systems such as credit card companies, entail the risk that the Group's customers themselves fail to meet their payment obligations. This risk is recognised directly in profit or loss in the event of payment default by a customer.

Short-term loan
The Group has advanced an amount to a third party as part of a pre-existing platform separation agreement. Due to the credit standing of the counterparty, the Group does not expect any significant default on payment. In accordance with the loan agreement, €1,500k was received during the period.

Contingent assets
No contingent assets were recognised at 30 September 2017 (31 December 2016: no contingent assets recognised).

5.3 LIQUIDITY RISK

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

In order to limit the particular risk of high jackpot pay-outs in the 'B2C' segment, MyLotto24 Limited conducts hedging transactions – such as the transfer of payment obligation risks to a so-called catastrophe bond ('CAT bond') via an ILS vehicle.

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

5.4 INTEREST RATE RISK

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

5.5 CURRENCY RISK

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

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

6 CAPITAL MANAGEMENT

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

Neither the segments nor the Group as a whole has any externally imposed capital requirements other than the minimum capitalisation rules that apply to subsidiaries in Germany and Spain.

The objective of the capital management policy of all individual segments, and of the Group as a whole, is to maintain investor, creditor and market confidence and sustain the future development of the business. Specific principles and objectives of capital management are as follows:

- The capital structures of the B2B/B2G segment and the B2C segment (together 'the segments') consist of shareholders' equity, as none of these segments holds any external debt.
- The amount of each segment's surplus equity (i.e. the quantum of equity that exceeds the amount required to secure each segment's stable financial position) is to be used for inorganic acquisitions and the funding of further organic growth in line with the strategic objectives.
- ZEAL Network also monitors the capital structure of all segments to ensure that sufficient equity is available to service external dividend payments.

- While none of the segments currently hold external debt, in the medium-term, ZEAL Network may also leverage its financial position to secure funding to finance growth or future acquisitions.

The capital capacity and requirements of each segment is reviewed on at least a quarterly basis by the Executive Board and Supervisory Board. The objective of these reviews is to ensure that there is sufficient capital available to ensure that external dividend payments can be made and each segment has sufficient resources available to fund ongoing working capital, investment and acquisition plans.

7 RELATED PARTIES

The Members of Executive Board and Supervisory Board of ZEAL Network, as well as their immediate relatives, are regarded as related parties in accordance with IAS 24 'Related Party Disclosures'.

Jens Schumann is a Member of the Supervisory Board. Jens Schumann is the sole shareholder of Schumann e.K. This structure has existed in comparable form since 2002 and was chosen because class lotteries only issue sales licences at present to natural persons or companies in which neither the liability of the Company or its direct and indirect partners is limited. A cooperation agreement is in place between ZEAL and Schumann e.K., which governs the processing of game participation of class lottery customers by Schumann e.K. Under the terms of the agreement, Schumann e.K. must pay all commissions and other brokerage fees collected in this context to ZEAL. ZEAL provides Schumann e.K. with services in the field of controlling, bookkeeping, marketing and technical services and bears the costs incurred by Schumann e.K. in running its operations. As Schumann e.K. forms part of the ZEAL Group, all charges and income eliminate in full in the consolidated financial statements.

As Jens Schumann operates Schumann e.K. in the interest of ZEAL, ZEAL has undertaken to indemnify him in the event of any personal claims by third parties arising from or in connection with the operation of Schumann e.K. Indemnification is limited to the extent that fulfilment of this indemnification may not cause ZEAL to become insolvent or over-indebted. In his capacity as shareholder of Schumann e.K., Mr. Schumann did not receive any remuneration during the period.

Oliver Jaster is a Member of the Supervisory Board. The operating business of Schumann e.K. was outsourced to a related company of Oliver Jaster, Günther Direct Services GmbH, Bamberg. In return, Günther Direct Services GmbH, Bamberg, received compensation of €92k in the period under review (2016: €94k). Of this amount €19k (2016: €17k) was owed to Günther Direct Services GmbH, Bamberg, at 30 September 2017.

The Swiss foundation 'Fondation enfance sans frontières', Zurich, owner of the preference shares of MyLotto24 Limited and Tipp24 Services Limited, has been identified as a related party. A dividend of £15k was paid by MyLotto24 Limited to the Swiss foundation for the nine month period (2016: €15k). In addition £45k was paid by Tipp24 Services Limited to the Swiss foundation relating to the period 2014–2016. There has been no donations paid by the Group during the nine month period (2016: €35k).

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

8 SUBSEQUENT EVENTS

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

9 STATUTORY ACCOUNTS

The financial information shown in this publication, which was approved by the Executive Board of Directors on 10 November 2017, is unaudited and does not constitute statutory financial statements. The Annual Report of ZEAL Network SE for the year ended 31 December 2016 has been filed with the Registrar of Companies in England and Wales. The report of the auditor on those accounts was unqualified and did not contain a statement under section 498(2) or section 498(3) of the UK Companies Act 2006.

FINANCIAL CALENDAR

22 March 2018	Publication of Annual Report 2017
04 May 2018	Publication of Q1 Report 2018
01 June 2018	Annual General Meeting 2018
02 August 2018	Publication of Q2 Report 2018
01 November 2018	Publication of Q3 Report 2018

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