

DEFINING THE FUTURE OF LOTTERY



2022
ANNUAL REPORT



ZEAL

STRONG DEVELOPMENT DESPITE GLOBAL UNCERTAINTIES

€758m

BILLINGS

(2021: €656m) +16%

703k

NEW REGISTERED CUSTOMERS

Germany segment
(2021: 544k) +29%

€105.2m

REVENUE

(Including jackpot insurance¹)
(2021: €86.8m) +21%

1,070k

MAU (MONTHLY ACTIVE USERS)

Germany segment
(2021: 964k) +11%

12.9%

GROSS MARGIN

Germany segment
(2021: 12.2%) +0.7pp

€286m

FOR GOOD CAUSES

(2021: €246m) +16%

€31.7m

EBITDA

(2021: €27.7m) +14%

€35.97

COST PER LEAD, CPL

Germany segment
(2021: €27.94) +29%



Other highlights



- Share of online lottery market expanded to 41%
- New customer growth intensified
- Strong increase in business volume
- Further improvement in profitability
- Licence to broker lotteries in Germany renewed until 2029
- VAT proceedings concluded in favour of ZEAL

¹ Income from insurance to compensate for jackpot winnings from the 'freiheit+' charity lottery. This income is disclosed as other operating income while jackpot winnings themselves reduce revenue. Further details are provided in notes 4 and 5 to the Consolidated Financial Statements.

The definitions of the financial measurements and indicators disclosed above can be found in the Management System section on pages 74 and 75 of this Annual Report.

ZEAL Network SE is the leading German online broker for state lotteries and other licensed lottery products. Our aim is to innovate and drive change in the lottery sector while further expanding our online market leadership.

OUR MISSION

To define the future of lottery!

As a technology company, we constantly strive to enrich our offerings with new innovations. To achieve this, we leverage our many years of experience in the e-commerce sector, our lottery expertise and our knowledge of our customers' wishes, aims and gaming behaviour.

OUR GOAL

We let people dream.

We make a contribution to society.

Our work enables people to dream big. And with every lottery ticket sold, we are helping society by supporting good causes via our charity lotteries or via our customers playing the state-run lotteries.

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ZEAL CONTINUES TO EVOLVE

LADIES AND GENTLEMEN,

The ZEAL Group can look back on a successful year 2022: we used the year-on-year improvement in the jackpot situation to strongly expand our business volume and acquire additional new customers, thus further slightly extending our online lottery market leadership with a share of 41%. At the same time, we improved our profitability and once again reached important milestones in our development: firstly, we renewed our licence to broker lotteries in Germany until 2029; secondly, we successfully expanded our B2B partner portfolio with the addition of the renowned German news portal n-tv, enabling us to reach new target groups. With the targeted use of AI-driven technologies, we also made our product offerings even more secure for our customers. Overall, we laid a further foundation stone for our continued successful growth in 2022.

STRONG GROWTH IN BUSINESS VOLUME WITH IMPROVED JACKPOT SITUATION

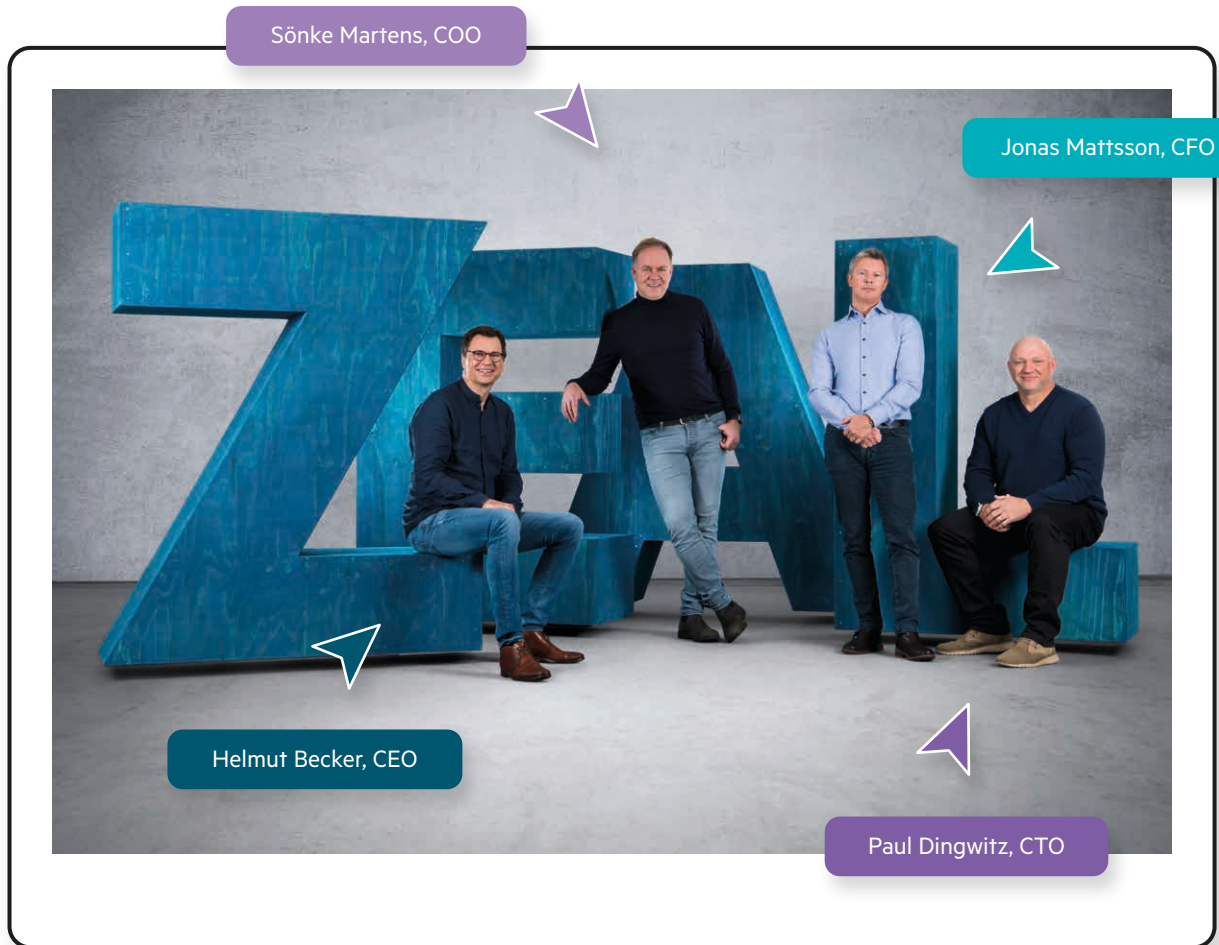
Compared to the weak level of the previous year, the jackpot environment for our two main products developed favourably in the fiscal year 2022 and thus corresponds to the statistically¹ expected average. The maximum jackpot for the 'Eurojackpot' – which was raised from €90 million to €120 million following a rule change in March 2022 – was reached three times (2021: three times €90 million): the first time in July and then for two consecutive draws in November. The former limit was almost reached once (€89 million) prior to the rule change in the first quarter of 2022 and the former record was already broken in May with a jackpot of €106 million. Compared to the extremely weak jackpot situation of the previous year, the jackpot environment for the 'LOTTO 6aus49' lottery also improved in the past year, even though jackpot amounts remained low throughout the second half of 2022: the mandatory payout mark of €45 million was reached twice (in January and April) – in each case for two consecutive draws (2021: not once).

We used the high jackpot phases to intensify our new customer acquisition activities and gained a total of 703 thousand new registered customers in 2022 – 29% more than in the previous year (2021: 544 thousand). In order to achieve this, we accepted a higher CPL of €35.97 (2021: €27.94). However, due to the gradual improvement in revenue generated by new customers, a comparable level of efficiency is expected. average number of active customers per month rose by 11% to 1,070 thousand (2021: 964 thousand), which helped boost our volume growth. As a result, we succeeded in raising billings by 16% to €758.4 million² (2021: €656.5 million) and expanding our share of the online lottery market to 41%. Thanks to a higher-margin product mix, our revenue increased disproportionately by 21% to €105.2 million (2021: €86.8 million³) and our gross margin of 12.9%⁴ was 0.7 percentage points higher than in the previous year (2021: 12.2%).

»We are proud to have focused on innovation in 2022 while at the same time expanding our market leadership.«

Helmut Becker, CEO





FURTHER IMPROVEMENT IN PROFITABILITY

In order to expand our customer base, we strongly increased our marketing activities during high jackpot phases with a corresponding €11.8 million rise in marketing expenses to €34.1 million (2021: €22.4 million), which in turn led to an increase in other operating expenses of €15.9 million to €57.0 million (2021: €41.1 million). For us, this is a worthwhile investment in future growth, as experience shows that new customers gained this way remain loyal to us for a long time. Moreover, this increased spending was not at the expense of profitability; growth in our core business led to an increase in EBITDA of €3.9 million compared to the previous year. There was corresponding year-on-year growth in EBIT to €22.9 million (2021: €19.0 million). And despite a €1.0 million rise in the tax burden, net profit improved to €16.6 million (2021: €11.4 million) thanks to a €2.2 million increase in the financial result.

LICENCE TO BROKER LOTTERIES IN GERMANY EXTENDED UNTIL 2029

We reached an important milestone with the receipt of an extension licence for LOTTO24 AG to broker lotteries in Germany. This is the first licence for LOTTO24 AG under the new State Treaty on Games of Chance, applicable since 1 July 2021. It is valid for seven years until 30 June 2029. The separate advertising licence required under the former State Treaty on Games of Chance is included with the new brokerage licence.

¹ Based on a Monte Carlo experiment simulating 10,000 years of 'LOTTO 6aus49' and 'Eurojackpot' draws.

² For contractual reasons, the billings of our ONCE business in Spain are not included in this total.

³ Including income of €3,450 thousand from insurance to compensate for jackpot winnings, which was recognised under other operating income in 2021.

⁴ As the Spanish ONCE business is not included in billings but only in revenue, our margin trend is better reflected by the Germany segment than at Group level.

»2022 was a success: despite significantly increased marketing expenses to drive further growth, we were able to raise profitability and meet our targets.«

Jonas Mattsson, CFO



VAT PROCEEDINGS CLOSED IN FAVOUR OF ZEAL

In its ruling on 12 August 2022, the German Federal Fiscal Court ('Bundesfinanzhof') dismissed the appeal of the Hannover-Nord tax authority against the decision of the Hannover Fiscal Court of November 2019 with final effect in favour of myLotto24 Limited. Consequently, the prepayment made by myLotto24 Limited of around €54 million was reimbursed in early 2023. An additional repayment of the associated interest of around €2 million is still expected. The reimbursement had no impact on ZEAL's income statement, as the corresponding receivable was already recognised in other assets.

TV CAMPAIGN TO STRENGTHEN THE BRAND

In order to further expand our customer base, we have stepped up our marketing activities to attract new customers. These measures include a German TV campaign that not only strengthens our brand but also systematically expands our reach. The well-known German actor Sky du Mont is our brand ambassador for the commercials.

STRATEGIC EXPANSION OF B2B PARTNER PORTFOLIO

In August, we strategically expanded our B2B partner portfolio by entering into a cooperation with the high-reach German news portal n-tv: in addition to the 1&1 portals, WEB.DE and GMX, players can now participate in state lotteries via LOTTO24 products offered in a dedicated n-tv webshop. As well as extending our reach, this partnership gives us an opportunity to directly address target groups with a strong online and news affinity.

Thanks to our international partnerships, we are active in the games business with our ZEAL Instant Games brand: in October, we began cooperating with the US full-service lottery provider Park Avenue Gaming, which has been integrating the successful online games of ZEAL Instant Games into its online platforms in Peru and its video lottery terminal business in Argentina since the first quarter of 2023. As premium instant lottery, scratch and instant games represent an important strategic focus area for the ZEAL Group's future growth, our product portfolio is a major step in this direction at an international level.

We are also planning to roll out our games portfolio nationally as soon as we have received the licence for virtual slot machine games in Germany.

SAFER GAMING EXPERIENCES THANKS TO ARTIFICIAL INTELLIGENCE

As a provider of online lotteries, the protection of our players and the prevention of gambling addiction are our top priorities – even though the addiction potential of lottery products is low. In June 2022, we therefore entered into a cooperation with the Danish company Mindway AI to make the lottery experience of our products even safer in future. As part of this cooperation, artificial intelligence (AI) is used to identify potentially addictive gambling behaviour. ZEAL has opted to use the so-called GameScanner, which works like a virtual, AI-driven psychologist and can be applied to all game types. It is one of the first products on the market that is entirely dedicated to detecting gambling problems. The cooperation underlines our claim to be the market leader also in terms of player protection and the compliance of our offerings.

The protection of minors is just as important to us as the prevention of gambling addiction. In particular, we are continuously working on making identification for age verification purposes as simple as possible – but also as secure as necessary. In July 2022, we therefore began a cooperation with the Hamburg-based company Nect. As part of this cooperation, we use the product Nect Ident: a fully automatic AI-based identification tool. It takes players around two minutes to identify themselves independently via an app with the aid of an ID document and a selfie video. The integrated technology not only performs a facial comparison and a document check, but also detects digital manipulation attempts. This enables us to ensure that players who register for our online offerings, for example, meet the age requirement and are actually the persons they claim to be. Thanks to the faster and less complicated registration process, we also expect accelerated new customer growth.

€286 MILLION GENERATED FOR GOOD CAUSES

Approximately 40%¹ of stakes for products of the German Association of State Lottery Companies ('Deutscher Lotto- und Totoblock' - DLTB) are donated to good causes. In 2022, almost €3.2 billion (2021: over €3.2 billion) was generated by DLTB lottery stakes in Germany and transferred in the form of taxes and levies to the beneficiaries and the respective state budgets in order to support good causes. This corresponds to over €8.7 million per day for good causes throughout Germany – money which is vital for the financing of numerous projects in the field of welfare, sport and culture, as well as landmark and environmental protection. In the case of charity lotteries, such as our 'freiheit+' and 'Deutsche Fernsehlotterie', at least 47% of stakes benefit good causes via taxes and levies.

In the fiscal year 2022, brokerage of stakes under our LOTTO24 and Tipp24 brands generated €286 million (2021: €246 million) for important social and community projects.

»With tremendous energy, we invested wisely in the future and raised our new customer communication to a new level with a successful TV campaign.«

Sönke Martens, COO



¹ Source: German Association of State Lottery Companies (DLTB).

»In 2022, we made further enhancements to our platform to make our websites even more performant and our product portfolio even safer with AI innovations.«

Paul Dingwitz, CTO



127 BIG WINNERS, OF WHICH 27 MILLIONAIRES

Even more of our LOTTO24 and Tipp24 customers were among the winners in 2022 than in the previous year: with an overall payout of around €410 million, a total of 1.5 million customers were delighted to receive the news of their winnings. The 127 big winners with prizes of €100,000 or more include 27 new millionaires.

We are particularly delighted that a LOTTO24 lottery club from North Rhine-Westphalia won the €110 million 'Eurojackpot' – the biggest lottery win in German history. A total of 15 players belonging to the 'JackpotSmaragd' lottery club won €6.9 million for each share of their joint ticket. Lottery clubs such as 'JackpotSmaragd' are products specially developed by ZEAL that are unique in this form

and not available from any other provider. They are based exclusively on the licensed lottery products and offer our customers an enhanced gaming and winning experience. For us, these enhanced features represent an additional source of income.

DIVIDEND POLICY CONFIRMED

Due to the positive result and to further optimise the Company's capital structure, the Management Board and Supervisory Board will propose a dividend of €3.60 (2021: €2.10 per share), representing a total payout to shareholders of around €78.0 million (2021: €47.0 million) at the Annual General Meeting on 9 May 2023. The dividend will consist of a basic dividend of €1.00 and a special dividend of €2.60.

OUTLOOK 2023

In our fiscal year 2023, we plan to further extend our position as the leading online provider of lottery products and to launch new products, including online games under the licence for virtual slot machine games we applied for. Depending on the general conditions – and an average jackpot development – we anticipate billings in the range of €800 million to €830 million for the Germany segment. Moreover, we expect revenue to be in the range of €110 million to €120 million in the fiscal year 2023. EBITDA is expected to be in the range of €30 million to €35 million. Compared to the previous year, we plan to invest significantly more in the acquisition of new customers again and expect marketing expenses of €34 million to €39 million.

DEAR SHAREHOLDERS,

In the fiscal year 2022, we successfully expanded our core business without losing sight of our innovation focus. We once again reached important milestones and look forward to a successful future in which we continue to develop and expand business in line with our targets. Thank you for continuing to support us on this journey.

Hamburg, 22 March 2023

The Management Board

Helmut Becker
Chief Executive Officer

Paul Dingwitz
Chief Technology Officer

Sönke Martens
Chief Operations Officer

Jonas Mattsson
Chief Financial Officer

Helmut Becker, CEO

Helmut Becker has been CEO of ZEAL since 1 September 2015, after being Chief Marketing Officer (CMO) for more than two years. He was previously a member of the Supervisory Board of ZEAL as of mid-2011 and Chief Commercial Officer of XING AG as of September 2009, where he was responsible for the Product, Marketing and Revenues divisions. Before joining XING AG, Helmut Becker was Senior Director Advertising and Internet Marketing of eBay Germany and Managing Director of eBay Advertising AG. Prior to these posts he was Managing Director of the eBay subsidiary Shopping.com in Germany and Director Strategy and Corporate Development for eBay. He began his career as a consultant at McKinsey. Helmut Becker studied physics at the University of Hamburg and the University of Cambridge.

Paul Dingwitz, CTO

Paul Dingwitz has been a member of the ZEAL Management Board since 5 June 2021, after being in charge for Technology Operations, Security and Engineering at ZEAL for more than five years. He has more than 20 years of experience working in the technology sector and has held executive positions for more than ten of those years. Prior to joining ZEAL, he was Vice President of Technology for Rue La La in Boston as well as CTO of ONE Media Corp in Atlanta. He also held a senior engineering role at CNN where he helped develop and deploy the first online live video portal for the network. His background and expertise is diverse – across operations, security and engineering – all starting 1997 with military service early in his career. He studied Technology Management at the American Military University (AMU/APU).

Sönke Martens, COO

Sönke Martens has been a member of the ZEAL Management Board since 1 July 2021, having previously been part of the ZEAL Group for more than seven years. He has been active in the digital industry for over 15 years, including more than ten years in management roles. Before joining ZEAL, Sönke Martens founded the startup loftville, an online real estate marketplace. Prior to that, he held several business development roles at New Work SE (formerly XING AG), most recently as Director Corporate Development. After completing a banking apprenticeship at Hamburgische Landesbank and studying business administration at the Catholic University of Eichstätt-Ingolstadt and in Buenos Aires, the business graduate began his career as a consultant at Roland Berger Strategy Consultants.

Jonas Mattsson, CFO

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

SUPERVISORY BOARD REPORT

COOPERATION BETWEEN THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

In the reporting period, the Supervisory Board of ZEAL Network SE performed its statutory duties, regularly advising the Management Board and continuously monitoring its actions.

In the past fiscal year, the Management Board regularly and swiftly informed the Supervisory Board about external economic conditions, its considerations regarding the Group's future strategic alignment, the Group's current position and development, significant business transactions, risk management and compliance issues. During and outside meetings, it provided the Supervisory Board with timely, comprehensive and regular reports on current business developments or issues of particular significance. The Supervisory Board was directly involved in all decisions of the Management Board of fundamental importance for the Group.

MEETINGS OF THE SUPERVISORY BOARD IN 2022

The Supervisory Board held a total of eight meetings in 2022. Five meetings were attended by all members and three by only five members. The Supervisory Board held six meetings as video conferences in order to comply in particular with the COVID-19 contact restrictions in place during part of the year, as well as to reduce travel to an appropriate level – especially with regard to climate change mitigation. Members were physically present at two meetings.

Apart from the Supervisory Board meetings, the Chairman of the Supervisory Board was also regularly provided with detailed and up-to-date information by the Management Board about significant business transactions and discussed various aspects of business policy with the Management Board. Consequently, the Supervisory Board was promptly informed at all times.

MAIN TOPICS OF DISCUSSION

The meetings of the Supervisory Board focused on the following topics:

- The development of revenue and earnings, as well as the financial position of ZEAL.
- The discussion and consultation of corporate strategy.
- Corporate planning, including marketing, investment and personnel planning.
- The determination of regulatory targets and the corresponding strategic alignment.
- The development of the regulatory and economic environment in Germany with regard to games of chance and in particular lotteries.
- Discussion and consultation of all management measures subject to approval.
- The current risk exposure, as well as the risk management and compliance management systems.
- The monitoring and discussion of focus areas relating to the management's ESG strategy and sustainability issues.
- The continuous improvement of corporate governance and the adaptation to new statutory requirements.
- The determination of target attainment for the members of the Management Board for the fiscal year 2021, as well as the setting of targets for the fiscal year 2022 (short-term variable remuneration).
- The Annual and Consolidated Financial Statements of ZEAL Network SE and their audit.
- The evaluation of the Supervisory Board's efficiency.

COMMITTEES

The Supervisory Board has set up a Chairman's Committee, an Audit Committee, an Investment Committee and a Special Committee.

CHAIRMAN'S COMMITTEE

The Chairman's Committee held four meetings in 2022. Among other things, the Chairman's Committee dealt with the content of the service agreements of the reappointed Management Board members Helmut Becker and Jonas Mattsson.

AUDIT COMMITTEE

The Audit Committee held six meetings in 2022, which were all attended by the Chief Financial Officer. Key matters dealt with by the Audit Committee during 2022 included the Risk Report, the proposal by the Management Board to the Annual General Meeting for the appointment of the Company's and the ZEAL Group's auditors for the fiscal year 2022 as well as the engagement of the auditor and the approval of the audit plan. The Committee also dealt with the Annual Financial Statements of the Company and the Consolidated Financial Statements as well as the Half-year Consolidated Financial Report and Quarterly Statements of the ZEAL Group. The Audit Committee additionally reviewed and monitored the effectiveness of the ZEAL Group's internal controls and risk management system. The Supervisory Board determined that at least one member of the Audit Committee has expertise in the field of accounting and at least one further member of the Audit Committee has expertise in the field of auditing and that all members have knowledge of the sector in which the Company operates.

INVESTMENT COMMITTEE

The Investment Committee held one meeting in 2022, at which existing investments and possible capital increases in start-up companies were discussed.

SPECIAL COMMITTEE

The Special Committee held one meeting in 2022, at which, in accordance with its responsibilities, a decision was made on the approval of the Company's vote with regard to the discharge of the Management Board at the Annual General Meeting of LOTTO24 AG.

CORPORATE GOVERNANCE AND DECLARATION OF CONFORMITY

The Management Board and Supervisory Board issued a Declaration of Conformity according to section 161 AktG, which is also printed in the Corporate Governance Statement on page 25.

SUPERVISORY BOARD CHANGES

With effect from 30 November 2022, Marc Peters has stepped down from the Supervisory Board for personal reasons. The resignation was taken as a precautionary measure to prevent a possible conflict of interest in the future. Marc Peters is a shareholder of Tippland GmbH, which began its commercial game brokerage business in 2022. The Supervisory Board regrets the resignation and thanks Marc Peters for his dedication to the Supervisory Board and for contributing his ideas and insights. Marc Peters had been a member of the Supervisory Board of ZEAL Network SE since 2019. He founded the Company together with Jens Schumann in 1999 and was a member of the Management Board until 2007. Marc Peters will continue to be involved with the Company through his shareholding.

At the request of the Supervisory Board and Management Board, the Hamburg Local Court appointed Kenneth Chan as a member of the Supervisory Board by court order. The court appointment was made with effect from 26 January 2023 for the period until this year's Annual General Meeting of the Company. The Supervisory Board intends to propose Kenneth Chan for election at the Annual General Meeting 2023.

EDUCATION AND TRAINING

The Supervisory Board members are responsible for the necessary training and further education measures to fulfil their duties, regarding such issues as corporate governance and changes in the legal framework, and are supported in this by the Company. New members of the Supervisory Board discuss current topics with the Management Board members responsible for that particular field and are thus able to gain an overview of the relevant topics of the Company.

AUDIT

The Annual Financial Statements for the fiscal year 2022 of ZEAL Network SE, as prepared by the Management Board in accordance with German GAAP (HGB), and the Consolidated Financial Statements of ZEAL Network SE and respective Management Report for the fiscal year 2022 prepared in accordance with International Financial Reporting Standards (IFRS), as applied in the EU, and the additional commercial law regulations pursuant to section 325 (2a) HGB, were audited by the independent auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, who issued an unqualified audit certificate in each case. The Annual General Meeting on 30 June 2022 appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as independent auditors for the Company and the ZEAL Group for the fiscal year 2022. Andreas Möbus has signed the audit since the fiscal year 2022 and Carl-Heinz Klimmer (the audit partner responsible) since the fiscal year 2019.

The Management Board and auditors provided all members of the Supervisory Board with the audit reports in due time. They were thoroughly examined and discussed at the meeting of the Audit Committee on 15 March 2023, which was also attended by the independent auditors. The Audit Committee also examined the separate non-financial report (Sustainability Report), which was however not included in the audit of the financial statements. At the Supervisory Board meeting on 22 March 2023, the Supervisory Board comprehensively reviewed the audit report in the presence of the independent auditors, who reported on the scope, focal points and main findings of their audit, addressing, in particular, key audit matters and the audit procedures implemented. No significant deficiencies in the Company's internal risk management system were reported. At this meeting, the Management Board explained the Financial Statements and Consolidated Financial Statements of the Company as well as the Company's risk management system.

The Supervisory Board concurs with the results of the audit. Following the definitive findings of the Audit Committee's examination and our own examination, we have no objections. We approved the Annual Financial Statements and the Consolidated Financial Statements. The Annual Financial Statements are thereby adopted. We endorsed the Management Board's proposal that the net profit available for distribution be used to pay out a dividend of €3.60 per share entitled to a dividend and that the remaining amount be carried forward. The dividend will consist of a basic dividend of €1.00 and a special dividend of €2.60. The payment of the special dividend is a further step towards optimising the Company's capital structure.

We would also like to express our sincere gratitude to all employees and the members of the Management Board for their consistently high level of commitment.

Hamburg, 22 March 2023

A handwritten signature in black ink, appearing to read 'Peter Steiner', written in a cursive style.

Peter Steiner
Chairman of the Supervisory Board

WE MAKE BIG WINNERS

Each week our work is rewarded with big winners. But fulfilling dreams, changing lives and creating opportunities is also true on a smaller scale. Every win finds its winner.

Convenient & automatic: Winning with us is just as convenient as buying a ticket. The winnings are calculated automatically and credited to the user's account once the odds have been determined. The customer is informed by e-mail, and usually also by text message, and can then decide whether he or she wants to have the winnings paid into their bank account or use them for the next lottery ticket.

We call winners of €100 thousand or more personally to discuss the details and offer helpful advice.

No winnings are lost with us! Gone are the days when tickets were mistakenly put in the washing machine or thrown away. And we don't have to hunt for winners, we know our customers. All of them. We can contact them, and they can contact us. Our friendly customer service team is available every day except Sundays, from 9 am to 9 pm, via email, contact form or in person.



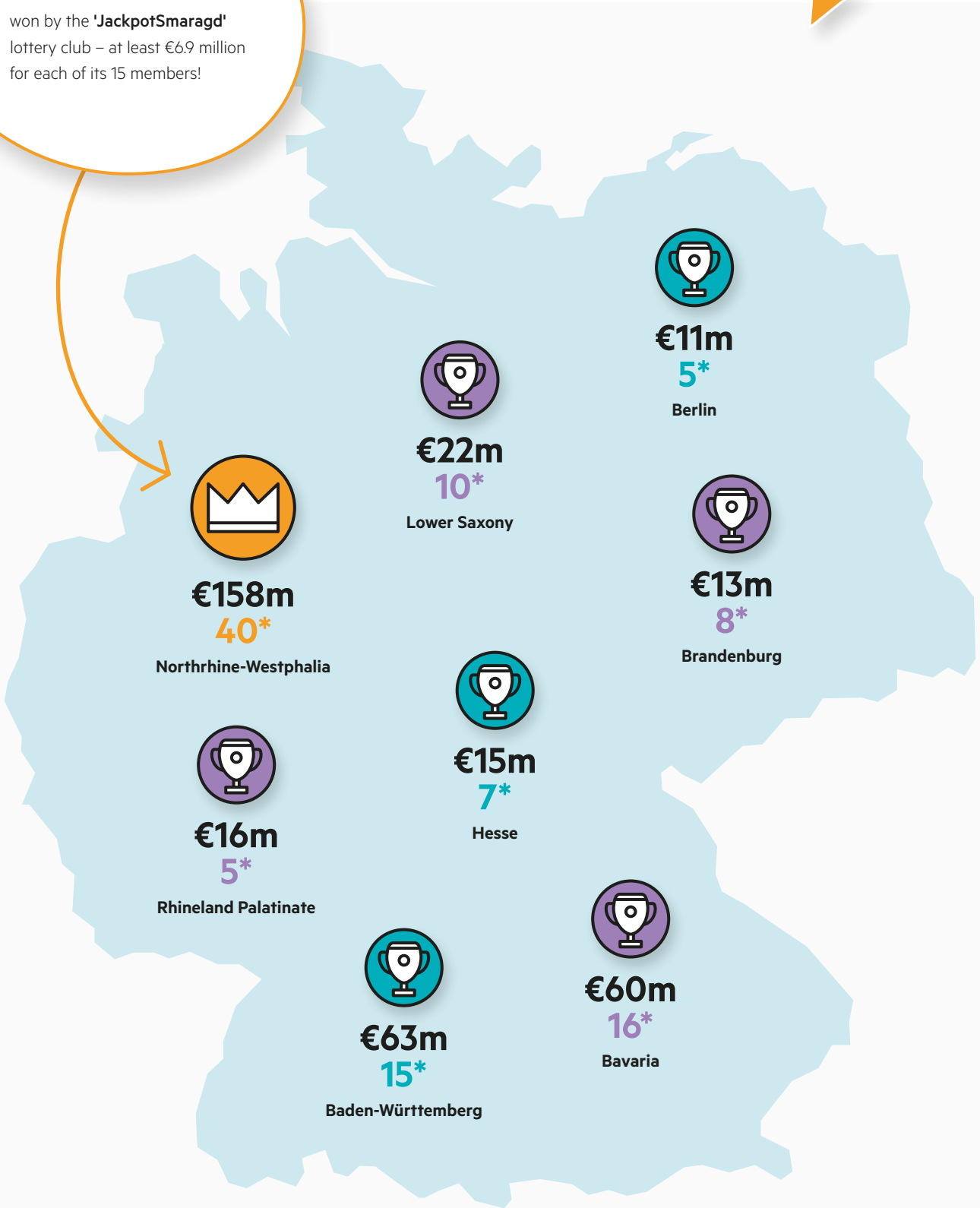
€410m

WINNINGS PAID OUT IN TOTAL

Winners' map Germany

€110.2m

won by the 'JackpotSmaragd' lottery club – at least €6.9 million for each of its 15 members!



Bremen
€1.5m/2*

Hamburg
€7.6m/5*

Mecklenburg Western Pomerania
€4.6m/3*

Saarland
€2.5m/1*

Saxony
€10.5m/2*

Saxony-Anhalt
€9.9m/5*

Schleswig Holstein
€9.5m/2*

Thuringia
€5.3m/1*

* Number of winners with more than €100k



»As an online company, it is particularly important for us to have personal contact with our customers, especially when it comes to big wins.«

Günter Kupich, Senior Customer Specialist at LOTTO24



Calling a winner is always a highlight.

Most wait for the call because they don't fully trust the notifications. The best are winners who don't yet know about their good fortune. You have the privilege of being there at such a life-changing moment, when the emotions overflow – that unbridled joy, gratitude and sometimes even astonishing humility. It's an almost therapeutic situation, because the winners are just so open. Despite talking to a total stranger, they share details about their family and financial situation, their worries and hardships, their lives.

We hear some fascinating stories:

The win coincides with the purchase of a new house, or retirement plans can be brought forward to enjoy more time together with a partner. Basically, every win always goes well with any stage of a person's life. We were really touched by an almost 60-year-old who told us that on the Friday of the lottery draw he had decided to fundamentally change his life. He was so trapped that all he wanted to do was break out and make a new start. That same evening he got the news that he had won almost €320 thousand. Or an elderly woman who won €100 thousand in the 'Glücksspirale' – the smallest prize for personal calls. This was the exact amount she needed to make her home more accessible and enable her to stay in her familiar surroundings. Something like that really moves you and makes you happy!

Winners' facts¹



52%

are **loyal players!** They've been playing lotto for more than 5 years.¹

93%

continue to play! They either don't change their playing behaviour or play even more.¹

63%

of big winners say **their lives haven't changed dramatically**² BUT

33%

feel much **more relaxed**² AND

0%

say the win has had a **negative impact** on their lives²

72%

of winners found out about their prize by receiving a notification.¹

71%

of winners chose random numbers.¹



What winners do:

1. Go on a dream holiday.
2. Buy something big.
3. Give presents to friends & family.



¹ Source: Survey conducted in November 2022 among 580 winners of more than €1,000

² Source: Survey conducted in November 2022 among 132 winners of more than €10,000

WE EXPAND OUR REACH

As the market leader for online lotteries in Germany and a steadily growing e-commerce provider, cooperation with attractive partners is part of our growth strategy.

This is why we've been cultivating partnerships for years with strong cooperation partners such as the 1&1 portals WEB.DE and GMX and, since 2022, also with the high-reach news portal n-tv. We are also currently building up a strong international partner network for our ZEAL Instant Games brand.

B2B partnerships are mutually beneficial: cooperation generally enables both partners to increase the relevance of their respective offerings with suitable content and thus to better monetise their reach. For us, partnerships are an attractive opportunity to be present on new, high-profile platforms that potential lottery players use anyway – to read e-mails, consume news or order something. We also benefit from the trust our customers place in the respective partner brands. For our partners, integrating our product portfolio into their webshops is highly attractive as lottery products are a popular new offer for their customers: about half of all adult

Germans play the lottery on a regular basis! This longstanding lottery loyalty also gives our partners the opportunity to bind these customers to their own products and services.

Our partnership formats are wide-ranging: from affiliate integration to content partnerships with shops – with either co-branding or full integration into the partner's brand world. This is very convenient for customers as, from initial registration to mails to repeat purchases over many years, they remain in the portal and brand world of our partners – a seamless experience, powered by LOTTO24. At the same time, we constantly check which new technical integration formats are possible and effective, and how they can be easily scaled and optimised during operation.

On a commercial level, our partnerships are based on remuneration per new customer, customer quality bonuses and revenue sharing over the duration of the partnership. These various remuneration and incentive structures enable our partners to choose the best marketing concept for their customer base. This ensures a long-term, fully aligned and successful partnership.





»What I really value about LOTTO24 is the professional and pragmatic cooperation, which is paying off more and more over the years.«

André Blaschke, Head of Premium Products and Distribution for WEB.DE and GMX



Interview with André Blaschke



What made you decide to integrate LOTTO24 products into the WEB.DE and GMX portals?

André Blaschke (AB): LOTTO24 is the largest private provider of state-run lotteries in Germany, with strong online expertise and a diversified product portfolio.

The ZEAL Group and WEB.DE & GMX have been close partners for many years. How do you think the partnership has gone so far?

AB: We are extremely satisfied, especially with the ZEAL Group's partner management team. We appreciate the flexibility of the business models and the technical cooperation when integrating services on our websites.

To what extent do you think both sides benefit from this cooperation?

AB: We contribute our broad reach with high-quality and loyal customers as well as our marketing expertise. In return, we benefit from the LOTTO24 platform, which ensures both compliance with legal requirements and the prevention of gambling addiction.

How do you see our joint proposition developing in the next two years and do you think the needs of our customers are likely to change in this respect?

AB: We see further significant potential in the expansion of marketing. This applies in particular to the digital transformation of the lottery market. After all, many players are still unaware of the benefits that online lotteries offer compared to the traditional lottery ticket. These range from the flexible submission of bets to the automatic notification of winnings via e-mail.



NOTHING VENTURED, NOTHING GAINED

'Shaping the future of lotteries' is not only ZEAL's vision, but also something we're actively pursuing. Our start-up incubator 'ZEAL Ventures' plays a significant role in these efforts.

In 2017, we launched the **ZEAL Venture programme** and have so far invested over €6 million in seven different companies in the online lottery and gaming segment. We are currently supporting six young companies in various stages of growth. Of these, three are still at the beginning of their journey, while two have already reached profitability. The remaining company has now completed several successful financing rounds and is planning an IPO in the medium term.

The advantages for both sides are obvious: the start-ups benefit from the ZEAL Group's expertise in the field of marketing, regulation and strategy, for example, while ZEAL gains real-time insights into the future of the lottery sector. In addition to innovative business and product ideas, we can also monitor the implementation of new marketing strategies and evaluate,



»Sustainable growth needs more than just capital.«

Dirk Reiche, VP Corporate Development at ZEAL

with reduced risk, which of these measures are effective and could be adopted for our own strategy. The experience we made so far has already been invaluable and had a significant impact on the design and implementation of our product portfolio.

We are inspired by the success of ZEAL Ventures! In 2022, we expanded our portfolio and are already targeting new investments. The insights we've gained and the network we're building will remain a key element of ZEAL's innovation and internationalisation strategy. We are proud of our start-ups and their founding teams, who are driving their visions with tremendous dedication and creativity. We look forward to steadily raising the market value of our investments.



€6m

INVESTED SINCE 2017

We contribute our expertise and share experience and innovation ideas.

Our investments



PICKMYPOSTCODE is one of the world's first ad-funded lotteries. It also finances its operations by offering surveys to its 100,000+ daily active customers.

Chris Holbrook, CEO, founder



Boring lotteries were yesterday. With top prizes such as unique experiences and dream vacations, **DAYMADE** appeals to a much younger audience – and every fourth ticket wins attractive small prizes.

Lisa Nederveen, CMO, co-founder



ZEAL VENTURES



A strong passion for horsepower and unique items are the concept behind **7DAYS**, which offers high-performance cars, special edition watches, consumer electronics and cash in its prize draws.

Ross Youngman, Co-CEO, co-founder



THE RACEHORSE LOTTERY proves you can combine horse racing and lotteries. Main prize: ownership of an active race-horse, including future winnings and that 'owner's lifestyle' feeling.

Hugh O'Donnell, CEO, founder



CIRCL customers can watch football on TV while keeping an eye on their virtual wheel of fortune in the app. Events in the game cause the wheel to turn and ensure a thrilling experience.

Will Hawkins, CEO, co-founder



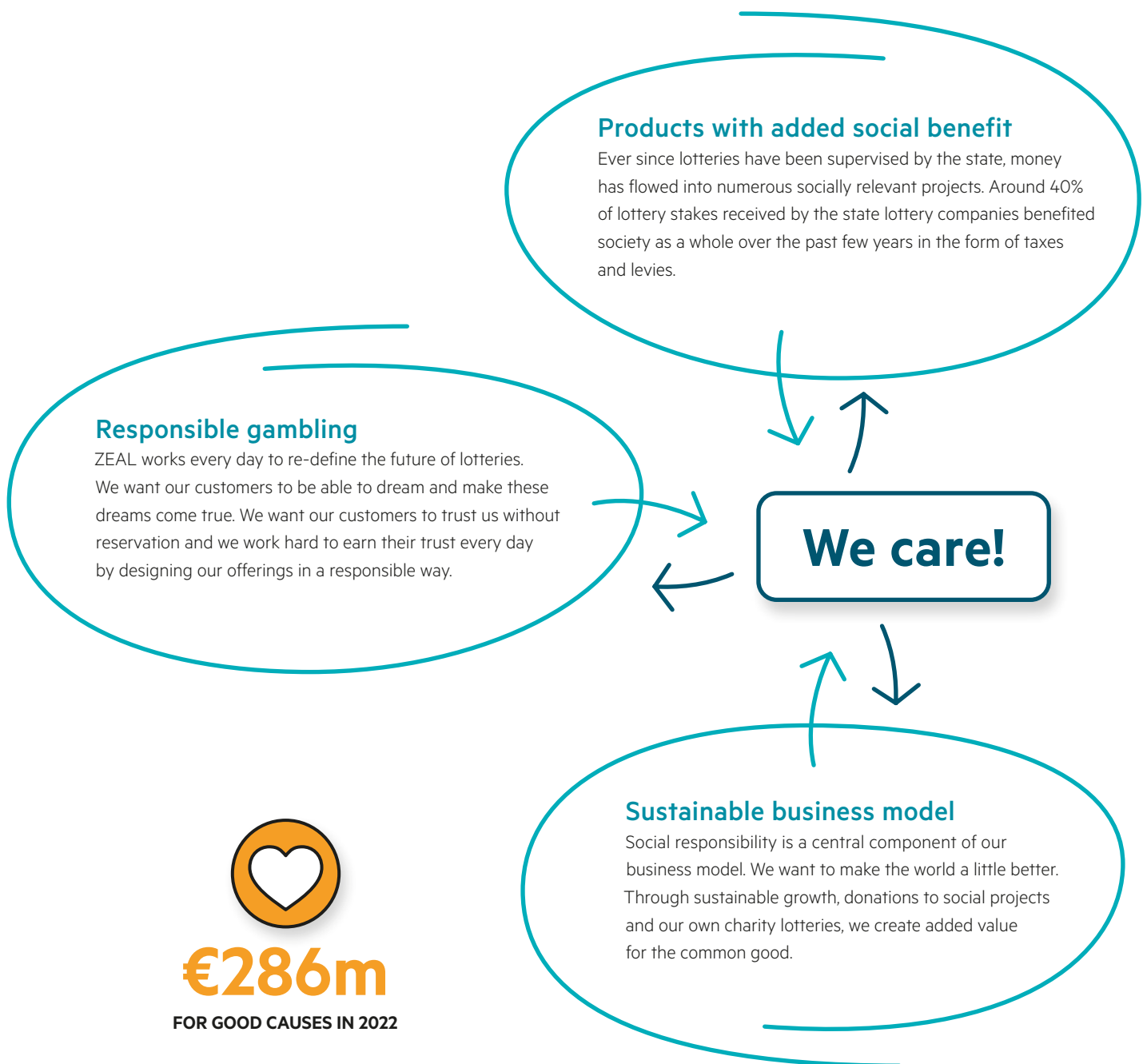
OMAZE gives participants the chance to win a dream home in the UK or other attractive European locations.

Amit Lakhani, VP Finance



AT ZEAL, WE CARE

We make people dream! ZEAL defines the future of lottery and gaming by offering an exciting yet safe customer experience and contributing to society's welfare at the same time.



€286m

FOR GOOD CAUSES IN 2022

We protect our climate!



»ZEAL Network is a compelling benchmark for any company looking to build its ownership of climate-related opportunities and risks. The commitment of top management and openness of the operations team meant that ZEAL soon had all the necessary data, science-based metrics and perspectives in place. We are thrilled to have worked with this client who used our Climate Impact Report, as well as the networking and skills-building provided by our Stakeholder Council, to establish their presence in the global climate change arena.«

Hannah Helmke, Founder & CEO right. based on science

right^o

New way of preventing harm from gambling

As a provider of online lotteries, the protection of our players and the prevention of gambling addiction are our top priority. For this reason, it is of utmost importance for us to apply proven technologies and methods to protect players, regardless of legal requirements. We are proud to have found a partner in Mindway AI since June 2022 that specialises in gambling risk detection and incorporates scientific aspects such as neuroscience and psychology into its product development, in addition to innovative technologies such as AI. We are pleased to be able to offer our players an improved, even safer gaming experience with the aid of GameScanner.

Uncomplicated online identification

As part of our cooperation with the provider of AI-based trust services Nect, we have been using the product Nect Ident – a fully automatic identification system based on artificial intelligence (AI) – since July 2022. It takes players around two minutes to identify themselves independently via an app with the aid of an ID document and a selfie video. The integrated technology not only performs a facial comparison and a document check, but also detects digital manipulation attempts.

By using Nect Ident, we not only ensure that players meet the age requirement but are also who they claim to be. Automatic identification, for example, makes it impossible to circumvent player blocks by using false identities.

THE ZEAL SHARE

ZEAL with attractive

dividend in 2022

Stock markets 2022

The performance of the capital market in 2022 was one of the weakest in recent history. The stock markets were dominated by a series of negative developments: the Ukraine war, high inflation, tighter monetary policy, rising interest rates and coronavirus lockdowns in China all took their toll. The fall in share prices, however, was mainly due to the significant rise in interest rates – with equities of high-growth companies reacting particularly sensitively.

The above factors had a corresponding negative impact on stock markets. The DAX, for example, fell at times to 12,000 points before recovering to 13,924 points by the end of the year – an annual performance of -12.3%.

With a decline of 28.8%, the SDAX fell more than twice as much to close at 11,926 points.

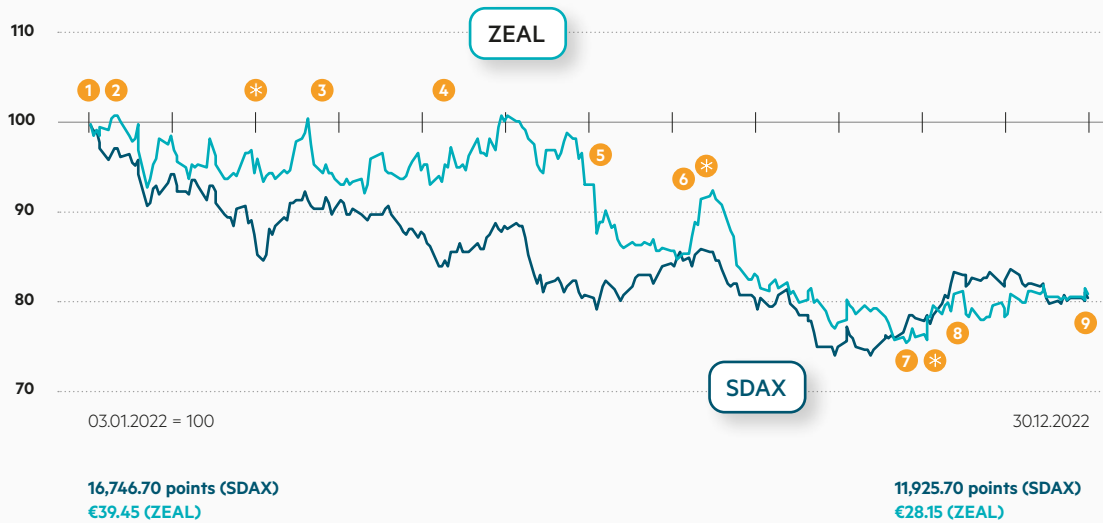
ZEAL share performance

The ZEAL share experienced two phases in 2022: in the first half of the year, it was virtually unaffected by negative macroeconomic factors and remained relatively stable within a corridor of €36 to €38. Over the following months, however, the share fell to its year-low of €24.90 on 25 October. In November 2022, we used this dip in the ZEAL share price to launch a public share repurchase offer and bought around 3.2% of share capital (714,285 ZEAL shares) at a price €28 per ZEAL share. On conclusion of the share repurchase offer, the price remained firm at a level of €28 and closed the year at €28.15 on 30 December 2022 (annual performance: -29.3%).

Annual General Meeting

As a result of the coronavirus pandemic, we held our Annual General Meeting (AGM) on 30 June 2022 as a virtual meeting again without the physical presence of shareholders or their proxies. With an overall attendance of around 78% of voting capital, the Management Board's proposed resolutions on all agenda items were adopted by a large majority. In addition to approving the actions of the Management Board and the Supervisory Board, as well as appointing the auditors, the agenda included the resolution on the appropriation of the balance sheet profit. Due to our positive liquidity situation and the expected further increase in profitability, the Management Board and Supervisory Board had proposed a total dividend payout of €47.0 million (2021: €20.1 million). This corresponded to a total dividend of €2.10 per share, comprising a basic dividend of €1.00 for the fiscal year 2021 (2020: €0.90) and a special dividend of €1.10. In addition to the approval of the Remuneration Report for the members of the Management Board and Supervisory Board (adopted by around 93% of voting capital), the proposals for the Supervisory Board election and for the authorisation to acquire and use treasury shares were also adopted with large majorities.

ZEAL share performance



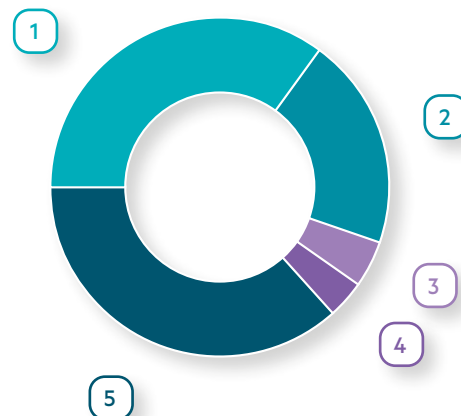
- 1 03.01. Opening price
- 2 12.02. Highest price
- 3 24.03. Publication of Annual Report 2021
- 4 12.05. Publication of Quarterly Statement Q.I 2022
- 5 30.06. Virtual Annual General Meeting
- 6 11.08. Publication of Half-yearly Financial Report 2022
- 7 25.10. Lowest price
- 8 10.11. Publication of Quarterly Statement 2022
- 9 30.12. Closing prices
- * Ad-hoc notifications

Shareholder structure

As of 31 December 2022, the subscribed capital of ZEAL Network SE amounted to €22,396,070 and was divided into 22,396,070 no-par value registered shares. The shares are fully paid. Each share entitles the owner to one vote and is decisive in determining the corresponding appropriation of profit. Our shares are admitted to trading on the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange. Treasury shares held by the Company on the day of the Annual General Meeting have no voting nor dividend entitlements. As of 31 December 2022, the Company held 743,118 treasury shares, corresponding to around 3.3% of the share capital. This number resulted from the public share repurchase of 714,285 ZEAL shares in 2022 plus 28,833 further ZEAL shares from a buyback in 2018.

According to published voting rights notifications and additional information received from shareholders, the shareholder structure as of 22 March 2023 was as follows:

35.17%	1	Günther Group
20.15%	2	Working Capital
4.46%	3	Marc Peters
3.58%	4	Jens Schumann
36.64%	5	Free float



Dividend

Our dividend policy in the past three years was based on continuity and sustainable earnings development, with corresponding investments in the development of our business. As announced, we paid an increased basic dividend to our shareholders of €22.4 million for the fiscal year 2021 (€1.00 per share) in 2022. Due to the Company's positive liquidity situation, an additional special dividend of €24.6 million (€1.10 per share) was distributed.

Due to the positive result and to further optimise the Company's capital structure, a dividend of €3.60 will be proposed at the coming Annual General Meeting on 9 May 2023, representing a total payout to shareholders of around €78 million. The dividend will consist of a basic dividend of around €21.7 million and a special dividend of around €56.3 million (€2.60 per share).

Depending on the ZEAL Group's performance, we also plan to propose an annually increasing basic dividend to our shareholders in the coming years.

Share repurchase 2022

We made use of the authorization to acquire treasury shares and submitted a public offer to our shareholders to buy back up to 3.2% of the share capital (corresponding to 714,285 ZEAL shares) on 2 November 2022. On expiry of the acceptance period, over 2 million shares had been tendered to the Company. In accordance with the terms and conditions of the offer, declarations of acceptance were considered preferentially in full for up to 100 tendered ZEAL shares and proportionately at around 35.0% for the remainder.

Conferences and roadshows

As in the previous years, our Investor Relations team sought and maintained an open, in-depth and ongoing dialogue with the capital market in the fiscal year 2022. It focused on transparent communication with private shareholders, national and international investors and equity analysts. In numerous discussions, ZEAL's Management Board and Investor Relations team explained the Company's key financial figures, strategy and business development. The capital market's growing interest in sustainability issues was also frequently reflected during the discussions. Against the backdrop of the COVID-19 pandemic, we continued to hold some of our meetings and capital market conferences in virtual form during the reporting period. All annual and interim reports, presentations and webcasts of conference calls are made permanently available on our website (zealnetwork.de/investors/reports-presentations). In 2023, we will continue to step up our various investor relations activities in order to maintain our close ties with existing investors and access new investor groups.

Analysts

In 2022, we were covered by Hauck & Aufhäuser Privatbankiers AG, Joh. Berenberg, Gossler & Co. KG, Jefferies International Limited and M.M.Warburg & CO.

Basic data on the ZEAL share

WKN	ZEAL24
ISIN ¹	DE000ZEAL241
Ticker symbol	TIMA
Reuters code	TIMAn.DE
Bloomberg code	TIMA:GR
Stock exchange listing	Frankfurt, Regulated Market
Transparency level	Prime Standard
Index	SDAX
Designated sponsor	M.M.Warburg & CO

¹International Securities Identification Number

Key figures for the ZEAL share	2022	2021
Number of shares on reporting date	22,396,070	22,396,070
Highest price (in €)	39.95	46.10
Lowest price (in €)	24.90	36.50
Share price on reporting date (in €)	28.15	39.80
Market capitalisation on reporting date (in € million)	630.45	891.40
Average daily trading volume (in € thousand)	350	666
Earnings per share (in €)	0.72	0.48

CORPORATE GOVERNANCE STATEMENT

In the following section, the Management Board and Supervisory Board report on the corporate governance and management of ZEAL in accordance with sections 315d and 289f of the German Commercial Code (HGB).

Good corporate governance is a central aspect of our corporate policy which extends to every area of the Group: a management and control system based on responsible and sustainable value growth. In addition to organisational and business policy principles, we believe that the internal and external mechanisms for controlling and monitoring the Group are integral components, as are the efficient cooperation between Management Board and Supervisory Board, the transparent communication of Group activities and the respect of shareholder interests. With the aid of good corporate governance, we aim to promote the trust of national and international investors, financial markets, our business associates, employees and the general public in the management and monitoring of ZEAL.

The Corporate Governance Statement is an integral part of the Group Management Report. Pursuant to section 317 (2) sentence 6 HGB, the auditor's review of the disclosures pursuant to section 315d and section 289f HGB is restricted to whether the disclosures have been made.

**Declaration of Conformity with the
German Corporate Governance Code
pursuant to Section 161 of the German
Stock Corporation Act (AktG)**

The Management Board and Supervisory Board of ZEAL Network SE declare that since submitting the last declaration pursuant to section 161 AktG in March 2022 the recommendations of the Government Commission for the German Corporate Governance Code ('Regierungskommission Deutscher Corporate Governance Kodex') in the version dated 16 December 2019 ('Code 2020') and published in the official section of the Federal Gazette ('amtlicher Teil des Bundesanzeigers') on 20 March 2020 were complied with in the period up to the publication of the version dated 28 April 2022 ('Code 2022') in the official section of the

Federal Gazette on 27 June 2022, with the exceptions set out and justified in section 1 below. The recommendations of the Code 2022 have also been complied with since it came into force on 27 June 2022 and will be complied with in the future, with the exceptions set out and justified in section 2 below:

1. Period until the Code 2022 came into force on 27 June 2022

B.1 and C.1 (determination and publication of the status of the implementation of concrete objectives for the composition of the Supervisory Board; consideration of diversity for the composition of the Supervisory Board and the Management Board)
With regard to its own composition as well as the composition of the Management Board, the Supervisory Board supports, among other things, the aspects of internationality, participation of women and independence. However, the Supervisory Board will refrain for the time being from formally defining objectives for the composition of the Supervisory Board and Management Board that go beyond the requirements of stock corporation law in order not to restrict its selection criteria by setting concrete objectives and quotas.

G.4 (vertical remuneration comparison)

The Supervisory Board duly deals with the appropriateness of the remuneration of the Management Board. In doing so, it also takes into account the Company's internal remuneration structure. However, the Supervisory Board is convinced that the determination of comparison groups and the consideration of the development over time will not lead to an improvement in the quality of decision-making, so that the Supervisory Board refrains from implementing these formal recommendations.

2. Period since the Code 2022 came into force on 27 June 2022

A.1 (consideration of ecological and social objectives in the corporate strategy)

The recommendations regarding the appropriate consideration of environmental and social objectives in corporate strategy and corporate planning have been and are being complied with to a limited extent. The environmental and social objectives are not yet adequately considered in corporate strategy, so that corporate planning also does not yet include the corresponding financial and sustainability-related targets. ZEAL is currently working on the integration of sustainability objectives within its corporate strategy.

The corresponding sustainability-related targets will be integrated into corporate planning in future on the basis of this adjusted strategy. The Management Board developed an ESG strategy with long-term environmental and social objectives in the fiscal year 2022. ZEAL intends to fully comply with the recommendations in the future.

A.3 (internal control system and the risk management system to also cover sustainability-related objectives)

Contrary to recommendation A.3, the internal control system and risk management system are not yet aligned with the sustainability-related objectives and do not yet cover processes and systems for processing sustainability-related data. The Management Board developed an ESG strategy with long-term environmental and social objectives in the fiscal year 2022. ZEAL intends to fully comply with the recommendations in the future.

B.1 and C.1 (determination and publication of the status of the implementation of concrete objectives for the composition of the Supervisory Board; consideration of diversity for the composition of the Supervisory Board and the Management Board)

With regard to its own composition as well as the composition of the Management Board, the Supervisory Board supports, among other things, the aspects of internationality, participation of women and independence. However, the Supervisory Board will refrain for the time being from formally defining objectives for the composition of the Supervisory Board and Management Board that go beyond the requirements of stock corporation law in order not to restrict its selection criteria by setting concrete objectives and quotas.

G.4 (vertical remuneration comparison)

The Supervisory Board duly deals with the appropriateness of the remuneration of the Management Board. In doing so, it also takes into account the Company's internal remuneration structure. However, the Supervisory Board is convinced that the determination of comparison groups and the consideration of the development over time will not lead to an improvement in the quality of decision-making, so that the Supervisory Board refrains from implementing these formal recommendations.

Hamburg, March 2023

The Supervisory Board

The Management Board

Corporate constitution and governance structure

As a German *Societas Europaea* (SE), ZEAL is subject to German corporate law and has a two-tier management system which consists of a Management Board (management organ) and a Supervisory Board (supervisory organ).

The Supervisory Board appoints, monitors and advises the Management Board. The two bodies work closely together: the Management Board informs the Supervisory Board regularly, comprehensively and in due time about all issues relevant to strategy, planning, business development, risk position, risk management and compliance. The Supervisory Board is immediately informed about ZEAL's strategic alignment and ongoing development, as well as any deviations in the course of business from the defined plans and targets

MANAGEMENT BOARD'S MODE OF OPERATION

ROLE

The Management Board is responsible for running the day-to-day operations of the Group, setting the short-term and long-term strategic objectives and ensuring that these objectives are implemented. The Management Board's key objective is to create sustainable value for the Company's shareholders and other stakeholders. The Management Board manages ZEAL in accordance with the statutory provisions, the Company's Articles of Association, the Management Board's Rules of Procedure and the stipulations of the respective service agreements with the aim of achieving a sustainable added value.

COMPOSITION AND MODE OF OPERATION

The Management Board currently comprises four members. Its members are appointed and dismissed by the Supervisory Board. The Supervisory Board is responsible for setting out the scope of the roles and responsibilities of each Management Board member together with decisions that must be adopted by all members of the Management Board. The Supervisory Board has set an age limit of 63 years for members of the Management Board.

Helmut Becker chairs the Management Board and is responsible for Corporate Strategy, Strategic Product Development, External Communications, Legal Affairs and Compliance, and Organisation. He is also responsible for voting on resolutions at an Annual General Meeting of Lotto24 AG at which another member of the Company's Management Board would be prohibited from voting if he were himself a shareholder of Lotto24 AG.

Paul Dingwitz is responsible for Technology, Data Systems, Cyber Security, IT Risk-Management, B2B and Platform Sales, as well as for Human Resources.

Sönke Martens is responsible for B2C Sales, Marketing, Brand Management, Products and Customer Service.

Jonas Mattsson is responsible for Finance, Accounts, Taxes, Controlling, Risk Management, Investor Relations, Treasury, Bank Relations, Auditing and the management of business activities in Spain.

The Management Board members are jointly responsible for the overall management of the business. Notwithstanding this overall responsibility, the individual Management Board members manage the business areas assigned to them on their own responsibility within the framework of the Management Board resolutions. The allocation of business areas among the members of the Management Board results from the schedule of responsibilities. The Management Board is deemed quorate if at least a majority of its members, but no fewer than two members, participate in the adoption of resolutions. Resolutions are adopted with a simple majority. Should the Management Board consist of more than two members, the Chair shall have the casting vote in the event of a tie.

In 2020, the Management Board set a target of 30% each for the percentage of women at the two management levels below the Management Board by 28 February 2025.

SUCCESSION PLANNING AND DIVERSITY CONCEPT FOR THE MANAGEMENT BOARD

Together with the Management Board, the Supervisory Board ensures that there is long-term succession planning. The Supervisory Board believes that the basic suitability criteria for the selection of candidates for a position on the Management Board are in particular personality, integrity, compelling leadership qualities, professional qualifications for the area of responsibility to be assumed, past performance, knowledge of the Company and the ability to adapt business models and processes.

With regard to the composition of the Management Board, the Supervisory Board strives to achieve an appropriate level of diversity in terms of age, gender, educational or professional background and internationality. As a company operating in the online gaming business, the selection of candidates is limited for ZEAL compared to other companies for industry-specific reasons.

In order to avoid unduly restricting the selection of suitably qualified male and female candidates, the Supervisory Board has – for the time being – refrained from formally setting targets for the composition of the Management Board that go beyond the requirements of the German Stock Corporation Act (AktG). In 2020, the Supervisory Board therefore set a target of 0% for the proportion of women on the Management Board by 28 February 2025. Although the Management Board currently consists exclusively of male members, they each have different educational

and professional backgrounds, represent different age groups and half of them hold foreign citizenship. The Supervisory Board and Management Board are therefore of the opinion that the current composition of the Management Board reflects a high degree of diversity.

SUPERVISORY BOARD'S MODE OF OPERATION AS WELL AS COMPOSITION AND MODE OF OPERATION OF ITS COMMITTEES

ROLE

The Supervisory Board is responsible for advising on and overseeing the work of the Management Board together with the approval of measures that are of fundamental importance to the Company (as set out in the Company's Articles of Association).

COMPOSITION AND MODE OF OPERATION

The Supervisory Board currently comprises six members. Its members are appointed and dismissed at the Company's General Meeting by the shareholders.

The members of the Supervisory Board are listed below together with their positions on other domestic supervisory boards and SE administrative boards to be formed pursuant to statutory law, as well as other comparable controlling bodies:

Peter Steiner (Chairman)

- Clariant International AG (Member of the Administrative Board, Chairman of the Audit Committee)²
- Wienerberger AG (Chairman of the Supervisory Board)²

Oliver Jaster (Deputy Chairman)

- Günther Holding SE (Chairman of the Administrative Board)¹
- Günther SE (Chairman of the Administrative Board)¹
- MAX Automation SE (Member of the Administrative Board)¹
- All4cloud Management GmbH (Chairman of the Advisory Board)²
- All4cloud GmbH & Co. KG (Chairman of the Advisory Board)²
- G Connect GmbH i.L. (Chairman of the Advisory Board)²
- Günther Direct Services GmbH (Chairman of the Advisory Board)²
- kata agorein Stiftung (Chairman of the Board of Trustees)²

Kenneth Chan (as of 26 January 2023)

Thorsten Hehl

- LOTTO24 AG (Member of the Supervisory Board, Group mandate)¹
- Günther Direct Services GmbH (Member of the Advisory Board)²

Marc Peters (until 30 November 2022)

Jens Schumann

- LOTTO24 AG (Chairman of the Supervisory Board, Group mandate)¹
- Insurance Hero GmbH (Member of the Advisory Board)²
- LemonSwan GmbH (Member of the Advisory Board)²

Frank Strauß

- Bullfinch Asset Aktiengesellschaft (Member of the Supervisory Board)¹
- Clark SE (Chairman of the Supervisory Board)¹
- European Bank for Financial Services GmbH (Chairman of the Supervisory Board)²
- FNZ Group Limited (Member of the Board of Directors)²
- Precede Capital Partners Limited (Chairman of the Board of Directors)²
- The Fifty Five Foundry, Inc. (Member of the Board of Directors)²

¹ Positions on other domestic supervisory boards and SE administrative boards formed pursuant to statutory law

² Positions on comparable domestic and foreign controlling bodies

The Supervisory Board has adopted a skills profile for the Board as a whole. This requires the members of the Supervisory Board as a whole to be familiar with the online lottery sector and to have the skills which are necessary with regard to the activities of ZEAL. In particular, these include the following knowledge and experience:

Special knowledge and experience in the lottery business (market and competition).

- Extensive knowledge in the field of finance/accounting and controlling.
- Special knowledge in the field of IT in the e-commerce environment.
- Experience in managing and monitoring a group of companies, including corporate governance requirements,
- Knowledge of the relevant sustainability issues, especially with regard to environmental, social and governance aspects (ESG).

The Supervisory Board is of the opinion that its current composition complies with the aforementioned skills profile. The following table presents how the individual Supervisory Board members fulfil the required skills profile, as well as providing details on their credentials as financial experts as defined by section 100 (5) AktG:

	Steiner	Jaster	Chan	Hehl	Schumann	Strauß
Lottery business	✓	✓		✓	✓	
Finance/accounting and controlling	✓	✓	✓	✓		✓
Information technology in an e-commerce environment					✓	✓
Management and supervision of a group	✓	✓		✓	✓	✓
Sustainability	✓					✓
Financial expert acc. to section 100 (5) AktG	✓	✓		✓		
Expert in Accounting	✓	✓		✓		
Expert in Auditing	✓					

Furthermore, the Supervisory Board is of the opinion that defined targets for the composition of the Supervisory Board are unsuitable for forming an efficient and suitably qualified Supervisory Board. In 2020, the Supervisory Board therefore set a target of 0% for the proportion of women on the Supervisory Board by 28 February 2025 and refrained from naming specific targets for its composition. When proposing candidates for election to the Supervisory Board, it endeavours to select candidates with the best suitability and personal experience, thereby complementing the composition of the Supervisory Board as a whole. In doing so, the Supervisory Board strives to achieve a balance of skills, experience, independence as well as knowledge of relevance to the Company. The Supervisory Board has concluded that it comprises an adequate number of independent members. All members of the Supervisory Board are regarded as

independent. The Supervisory Board has determined that, as a rule, its members shall not serve longer than until the end of the Annual General Meeting which follows their 74th birthday.

The Chairman of the Supervisory Board is responsible for organising and coordinating the work of the Supervisory Board, chairing its meetings and attending to the affairs of the Supervisory Board externally. He is also responsible for maintaining regular contact with the Management Board and informing the Supervisory Board of important events in relation to the management of the Group and, if required, convening extraordinary meetings of the Supervisory Board.

The Supervisory Board has set up a Chairman's Committee, an Audit Committee, an Investment Committee and a Special Committee, each consisting of three of its members. The respective committee chairperson reports regularly to the Supervisory Board on the work of the committee. If a committee has no chairperson, the entire committee reports. The Supervisory Board periodically reviews the adequacy of the committee structure with a view to setting up additional committees or dissolving no longer required committees if the need arises.

CHAIRMAN'S COMMITTEE

The Chairman's Committee is responsible for the preparation of Supervisory Board meetings, coordination of committee meetings and ongoing exchanges with the Management Board on behalf of the Chairman of the Supervisory Board. It also performs the functions of a nomination and remuneration committee. The Chairman's Committee meets as required.

AUDIT COMMITTEE

The Audit Committee is responsible for overseeing the external audit and monitoring the effectiveness of the Company's framework of internal control. The Company's Chief Financial Officer regularly attends by the Audit Committee's meetings.

INVESTMENT COMMITTEE

The Investment Committee is responsible for reviewing ZEAL's external investments and internal start-ups and approving related investments in certain cases.

SPECIAL COMMITTEE

The Special Committee is responsible for granting the Supervisory Board's consent, as required by the Management Board's Rules of Procedure, for the Company to vote on resolutions at a General Meeting of LOTTO24 AG for which a member of the Company's Management Board would be subject to a voting ban if they were themselves shareholders of LOTTO24 AG.

The following table shows the seats and functions held by members of the Supervisory Board on its Committees:

Peter Steiner	Chair of the Chairman's Committee, Chair of the Investment Committee, Chair of the Special Committee, Member of the Audit Committee
Oliver Jaster	Member of the Chairman's Committee, Member of the Special Committee
Thorsten Hehl	Chair of the Audit Committee, Member of the Investment Committee
Jens Schumann	Member of the Chairman's Committee, Member of the Investment Committee
Frank Strauß	Member of the Audit Committee, Member of the Special Committee

The Supervisory Board regularly evaluates its work and adopts improvement measures in the course of its regular self-evaluation. In the fiscal year 2021, the Supervisory Board as a whole conducted its most recent comprehensive self-evaluation process based on a questionnaire.

GENERAL MEETING

In addition to the Management Board and Supervisory Board, the General Meeting acts as the third corporate body. Our shareholders exercise their rights at the General Meeting and are involved in fundamental decisions concerning ZEAL. The Management Board, Supervisory Board and General Meeting are jointly committed to acting in the best interests of the shareholders and to the benefit of the Company. ZEAL's Annual General Meeting is held within the first six months of the fiscal year. In accordance with the Articles, the General Meeting is presided over by the Chairman of the Supervisory Board. The General Meeting resolves on all matters that are reserved for it by law (including the election of Supervisory Board members, amendments to the Articles, the appropriation of net profit and capital measures). ZEAL's

aim is to make it easy for our shareholders to participate in the General Meeting: we publish all necessary documents on the Internet in advance and nominate a proxy for shareholders who is obliged to follow their voting instructions.

TRANSPARENCY

ZEAL attaches great importance to providing information uniformly, comprehensively and promptly. The business situation and results of ZEAL are disclosed via regular reporting in the form of the Annual Report, half-yearly financial report and quarterly statements. The Company provides full and swift information on specific events by means of press releases and publication of inside information in accordance with statutory regulations. All publications, press releases and announcements are available on our website (zealnetwork.de) in the Investor Relations section. Moreover, we are available for discussions at analyst, investor and telephone conferences as well as international roadshows. ZEAL also keeps insider lists as required and informs the persons concerned about their statutory duties and penalties.

According to article 19 of the Market Abuse Regulation, members of the Management Board and Supervisory Board, as well as related parties, are obliged to notify the Company and the Federal Financial Supervisory Authority ('Bundesanstalt für Finanzdienstleistungsaufsicht') of transactions relating to ZEAL shares, insofar as the value of the transactions of the respective member reaches or exceeds €20 thousand during one calendar year. These notifications are published on the Company's website at zealnetwork.de without undue delay.

In accordance with the recommendations of the German Corporate Governance Code, each member of the Management Board and the Supervisory Board is required to declare any conflicts of interest that may arise or have arisen. There were no conflicts of interest reported by members of the Management Board in the fiscal year 2022. Any conflicts of interest reported to the Supervisory Board by its members in the fiscal year 2022, as well as how they were handled, are reported in the Supervisory Board Report.

AUDIT

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, have been the auditors of the Company's Annual and Consolidated Financial Statements since the fiscal year 2019. This firm was reappointed as auditors for the fiscal year 2022 by the Annual General Meeting on 30 June 2022. Andreas Möbus has signed the audit since the fiscal year 2022 and Carl-Heinz Klimmer (the audit partner responsible) since the fiscal year 2019.

Corporate Governance Practices

INTERNAL CONTROL SYSTEM

ZEAL has an extensive internal control and risk management system (ICS) that corresponds to the guidelines of the Institute of Public Auditors in Germany ('Institut der Wirtschaftsprüfer in Deutschland e.V.'). Dusseldorf, Germany. The ICS is designed to avoid the risk of material misstatements due to employee intent or error, as well as accounting misstatements, to detect substantially incorrect valuations and to ensure compliance with the relevant regulations. Irrespective of its specific structure, however, an ICS cannot provide absolute assurance that these objectives will be achieved. The scope and structure of the ICS are at the discretion of the Management Board. We monitor the ICS mainly by controls integrated into processes. These internal controls comprise both preventive as well as detective activities. The following controls are embedded in the process: IT-based and manual data matching, the segregation of functions, the dual checking principle and monitoring controls. In addition, the auditor of the Consolidated Financial Statements assesses the effectiveness of the risk early warning and monitoring system in accordance with

section 317 (4) HGB. In accordance with section 107 (3) sentence 2 AktG, the Supervisory Board regularly commissions the external auditors to conduct additional audit activities. Further information on the ICS is provided in the Risk and Opportunity Report.

RISK AND COMPLIANCE MANAGEMENT

The risk and compliance management system is designed as an integrated system. To this end, we carefully monitor our market and competitive environment while analysing the identified risks and compliance fields in the course of regular risk management and compliance workshops. The insights this provides are used to swiftly introduce measures which will ensure the long-term and sustainable success of the Group and prevent infringements of compliance regulations.

ZEAL's compliance management system consists of a large number of in-house measures and processes. It serves our objective of acting in accordance with ethical principles and abiding by all applicable laws, internal regulations and voluntary commitments. In addition to the general compliance fields, we pay particular attention to complying with the special compliance fields of gambling regulation, data privacy, IT security, competition, corruption, occupational health and safety, working conditions, and general non-discrimination.

We constantly review the effectiveness of our compliance management system and adapt it to developments, changed risks and new legal requirements. This ensures that its effectiveness and efficiency is continuously improved. We systematically and regularly minimise compliance risks across all business areas. The results of this analysis serve as the basis for our risk management.

In order to identify risks at an early stage, it is important that any fraud, misconduct or wrongdoing by workers or officers of the organisation is reported and properly dealt with. A transparent, open and diverse organisational culture is vital in ensuring that individuals are willing to openly address misconduct or risks. ZEAL encourages a transparent, open and diverse corporate culture in which people feel they can 'Think Brave' and raise concerns. The organisation therefore encourages all individuals to raise any concerns that they may have about the conduct of others in the business or the way in which the business is run. ZEAL has set up a whistleblowing system which employees or external whistleblowers can use to report compliance violations to ZEAL. The report can also be made anonymously. The whistleblowing system can be reached via zeal.whistleblownetwork.net.

SUSTAINABILITY REPORT

Foreword

Dear stakeholders,

We set ourselves high standards: we want to be the best e-commerce company in the lottery and gaming sector. This is why we think big. This is why we question the status quo. This is why we take responsibility. And our commitment to responsibility extends beyond the company itself. It encompasses the world in which we operate, the people with whom we interact and the society that provides the framework for our success to unfold.

Sustainability is by no means a new topic for us. What is new, however, is our determination to also challenge the status quo in this arena. In the past year, we therefore made our commitment and our performance in this regard even more measurable and systematic. Just how far we have come in the past year is demonstrated by the scope of this year's report, which provides even more information on even more topics than in the previous year.

Where others sense risks, we see opportunities and positive change. This attitude is at the core of our business model and the basis for our commercial success. Over the past few years, we have therefore added extra staff and firmly anchored the topic of sustainability across all departments of our Company. At the same time, we have centralised the collection of sustainability-related data and established an ESG database that enables us to measure and monitor our progress. And with the aid of modern software, we have adopted a systematic approach to risk management.

Things that worked well in previous years have been continued and improved. We have become even more attractive as an employer by responding more attentively to the changing needs of our staff during the pandemic and by adopting a New Work Policy. We offer the same opportunities to every employee, and to underline this commitment we have set up a working group for strategic diversity management.

But we have also set ourselves clear objectives for the future.

At the heart of our sustainability agenda is our sustainability strategy, on which we base our targets and activities. We want to be carbon neutral. We want to be more diverse. And we want to continue working on our vision of inventing a new and – sustainable – future for gaming. Join us on this journey!

Best regards,



Helmut Becker

About this Sustainability Report

This non-financial report (Sustainability Report) documents our progress in the achievement of our sustainability goals. It is the second report of its kind we have presented and covers the period of the past fiscal year from 1 January 2022 to 31 December 2022. Unless otherwise stated, all information in this report relates to ZEAL Network SE (ZEAL SE) including our brands LOTTO24, Tipp24, ZEAL Iberia, ZEAL Instant Games, ZEAL Ventures and 'freiheit+' as well as our locations in Hamburg (Germany), London (United Kingdom) and Madrid (Spain).

Compared to the previous Sustainability Report for the year 2021, we are also expanding our reporting considerably on this basis. The range of topics on which we report has grown, new key figures have been defined and collected, our data collection has been centralised, and the basis for our entrepreneurial actions for us, our employees and all those who interact with us has been laid down in the form of binding guidelines for our Company.

We have further developed our sustainability strategy. Important elements for this ongoing development are, on the one hand, the findings of our stakeholder engagement process conducted in 2021/22 and the processing of the ratings we received from MSCI, ISS and Sustainalytics. For this purpose, we have developed tools which enable us to systematically collect our findings, translate them into measures and effectively steer them.

Moreover, last year we worked together with representatives from the People & Culture, Compliance, Investor Relations, Legal, Risk, Corporate Development, Finance, Project Management and Office Management departments to anchor the topic of sustainability within the Company on an interdepartmental and thus interdisciplinary basis.

In order to compare our performance over time, we use the presentation of three-year periods (2020, 2021, 2022) in this report whenever possible. Where necessary, figures in this report have been rounded in accordance with common commercial standards. Percentage figures may add up to 98-102% due to rounding differences.

METHODOLOGY AND FRAMEWORKS

In order to achieve the highest possible standards and facilitate the comparability of our economic and socio-ecological performance across the sector in which we operate, we base our methods on various frameworks, even if we cannot currently claim a high or even complete degree of compliance.

As this report focuses on the needs of our stakeholders, we are primarily guided by the recommendations of the Global Reporting Initiative (GRI) and its multi-perspective stakeholder approach, as well as by the German Sustainability Code (Deutscher Nachhaltigkeitskodex – DNK). We plan to expand the scope of our sustainable reporting over the coming years in order to successively increase our degree of compliance with the GRI and DNK recommendations. We also highlight which sustainability goals of the 2030 Agenda (Sustainable Development Goals) we aim to contribute towards. Further information and operationalisation can be found in the section on our sustainability strategy.

Furthermore, we are examining the possibility of participating in the United Nations Global Compact (UNGC) in 2023.

EVALUATION

We use various measures to evaluate our performance in the sustainability report. On the one hand, we have defined relevant ESG data (environmental, social, governance – ESG) and collected it in a central database. This database is continuously updated and expanded as needed. Secondly, we have installed a comprehensive risk management system. More information on this system can be found in the chapter Risk Management.

Moreover, we have defined clear responsibilities and roles. These are also presented in the context of the following report. The monitoring of our ESG strategy and activities is the responsibility of the Supervisory Board, while the Management Board is responsible for steering the specific activities. At the same time, we have allocated various responsibilities within the Company for the coordination and implementation of our ESG strategy and activities. An ESG task group meets every two weeks to continuously monitor and evaluate ZEAL's sustainability processes.

Within the task group, the responsibilities are as follows:

Area	Verantwortung
CO ₂ reduction/management	Helge Poel (Security & Compliance)
RR plan/GREEN ZEAL	Nevra Dingwitz (Office Management)
ESG strategy	Dirk Reiche (Corporate Development)
Responsible marketing	Helge Poel (Security & Compliance)
Responsible gambling	Carsten Muth (Legal) Jan Kretschmer (Public Policy)
Transparent products	Jan Kretschmer (Public Policy)
Human rights	Carsten Muth (Legal) Yvonne Gröbbels (People & Culture)
Digital technologies/innovation	Helge Poel (Security & Compliance)
Data protection/data security	Carsten Muth (Legal) Helge Poel (Security & Compliance)
Employee satisfaction/employee rights/employee protection	Helge Poel (Security & Compliance)
Diversity	Yvonne Gröbbels (People & Culture)
CSR (Corporate Social Responsibility)	Yvonne Gröbbels (People & Culture)
Stakeholder dialogue	Dirk Reiche (Corporate Development)
Compliance	Carsten Muth (Compliance Officer) Jan Kretschmer (Public Policy) Frank Hoffmann (Investor Relations) Helge Poel (Security & Compliance)
Fair competition	Carsten Muth (Legal)
Corruption/money laundering	Carsten Muth (Legal) Jan Kretschmer (Public Policy)
Lobbyism	Jan Kretschmer (Public Policy)
Risk management	Carsten Muth (Legal) Helge Poel (Security & Compliance)

IMPORTANT TO KNOW

The report is published in English and German and available on our corporate website (zealnetwork.de).

All readers and stakeholders are cordially invited to send us feedback, suggestions or questions about our second Sustainability Report. We can be reached by telephone at +49 (0)40 809036065 or by e-mail at office@zealnetwork.de.

Sustainability strategy and goals

OUR VALUES – THE FOUNDATION OF OUR STRATEGY

Our purpose is to make people dream. Our mission is to provide a safe customer experience while also contributing to society through our business success. Our vision is to define the future of gaming.

In order to fulfil our goals, we have developed clear corporate values that form the basis for our activities as a company:

- Act like an owner: We make informed decisions by understanding customer needs and consciously considering opportunities and risks. We get things done and hold ourselves accountable for the outcome. We stay focused, keep it simple and everything we do serves to satisfy our customers' high expectations.
- We are game changer: We think big and challenge the status quo, embrace failures and mistakes along the way, love extraordinary ideas and are proud to undertake the adventure of becoming the best-in-class e-commerce company in the lottery and gambling field.
- We play as a team: We treat each other with fairness and respect. ZEAL is a safe environment. We are transparent, open and speak our minds even in tough situations. We believe that being humble and showing vulnerability makes us stronger. We have each other's backs and grow together with every challenge we encounter.

These values form the basis of our ZEAL Code (Code of Conduct/ Code of Ethics) and were developed and approved for this purpose by the Management Board.

OUR INTEGRATED BUSINESS MODEL

Our corporate strategy is geared towards our economic success and our long-term enterprise value. At the same time, we also take responsibility for our business activities. This means that we respect the needs and interests of our stakeholders, strengthen our positive contribution to the environment and society, and reduce or ideally eliminate our negative impact.

Our positive contributions and thus also our opportunities include:

- A successful business model: the success of our business model increases our added value for the common good, because lottery markets are high-revenue markets and the number lottery is by far the most popular type of gambling in Germany. Even if the odds of winning a major prize are low for the individual, the common good benefits from every draw in the form of taxes and levies from the stakes.
- Products with added value for society: our charity lotteries, such as 'freiheit+', reinforce this added value for society, as an additional contribution goes to selected projects for every lotto field played.
- Resilience through ethical behaviour and good business practice: our customer-oriented business model thrives on our good reputation as well as our responsible and legally compliant behaviour. Our shareholders demand a great deal from us in this respect. Establishing ethical and good business practices therefore also strengthens the resilience of our business success. We attach particular importance to the avoidance of sector-specific risks and dangers in the use of our products. In particular, the prevention of money laundering, protection of minors and players, fair competition and transparent corporate governance as well as independent control bodies are the main focus areas of our ethical behaviour. From a strategic perspective, we meet these challenges by systematically monitoring our actions and ensuring control and maximum transparency by means of means of independent bodies and stakeholders.
- Technologies and innovations: in order to realise our vision of redefining the future of gaming, we focus on technology and innovation. In this way, we want to offer our customers an even more attractive, even safer gaming experience and make our offers even more accessible. A large part of our staff is therefore entrusted with product development, scaling, cloud-based infrastructures, big data processing and IT security.
- Attractive workplaces: to position ourselves as an attractive employer and thus attract and retain capable, motivated and skilled employees for our Company, we focus on the strategic management of recruitment, the retention of talent and the safeguarding of our employees' physical and mental health. Investing in the satisfaction of our workforce makes us efficient, creative and innovative in the long term.

We counter the negative impact of our business activities, which also represent risks for us, by taking a solution-oriented approach. Our goal is to keep our negative impact as low as possible by implementing an appropriate risk management system. This includes:

- Risks that may lead to problematic behaviour or gambling addiction in vulnerable individuals: although number lotteries have a low risk compared to other types of gambling, we take this risk very seriously. We not only comply with the requirements of the new German State Treaty on Games of Chance ('Glücksspielstaatsvertrag 2021' – GlüStV) by having a social concept for the gaming products we market and by adhering to the advertising restrictions to protect vulnerable player personalities and minors, but in addition we also employ technical innovations to protect our customers.
- Risks resulting from the processing of personal data: data not only offers us new business opportunities, it also requires us to exercise a high degree of care and security. The protection of our customer data forms the basis of trust on which our business success is built. Only by processing relevant data can we comply with legal requirements, enable the secure processing of payments, contribute to the protection of players and minors, and prevent the misuse of data.
- Risks due to an insufficient level of diversity: our stakeholders demand a higher level of diversity from us. We also demand more diversity from ourselves, but we have a long way to go, as the gaming industry, and thus our Company, has traditionally appealed more to men. But every journey begins with the first steps, so we want to continue to evolve and create a diverse and productive corporate culture.
- Climate-related risks: even though we primarily market digital products, we also generate waste and greenhouse gases, consume electricity and water. Climate change is a task for society as a whole, and we aim to play our part in combating it, too.

STRATEGIC FOUNDATION OF OUR SUSTAINABILITY STRATEGY

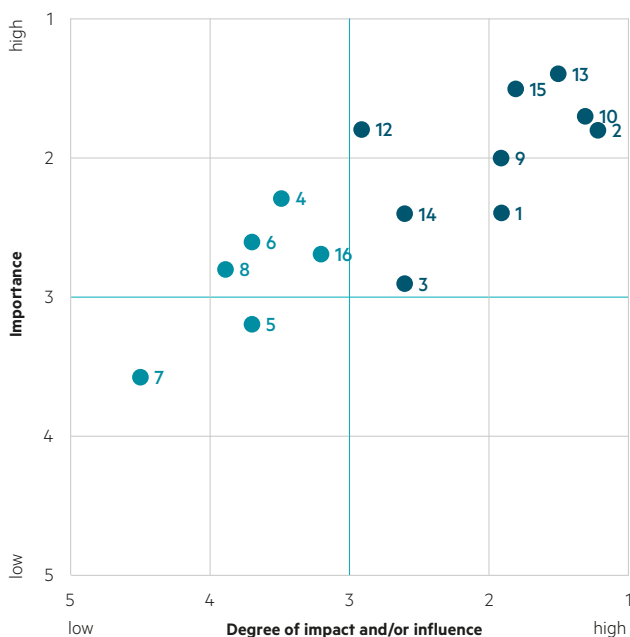
ZEAL conducted a materiality analysis in 2021/22. This process included systematic stakeholder mapping in accordance with AccountAbility requirements (AA1000) and GRI 3.1, as well as a three-part stakeholder engagement process consisting of a document analysis, an online survey and qualitative interviews. In total, more than 59,565 stakeholders were invited to rate the relevance of a total of 48 topics and to tell us what their expectations and wishes for ZEAL were. We presented the results of this process in the form of a materiality analysis in the last Sustainability Report. Due to the change processes triggered by the materiality analysis and our findings in the past year, the prioritisation of our stakeholder groups and thus the assessment of our material topics has changed. We therefore conducted a reassessment of our stakeholder groups and topics in 2022.

STAKEHOLDER MAPPING AND MATERIAL TOPICS

The selection and prioritisation of stakeholders was based on the following dimensions: Dependence, Responsibility, Tensions, Impact, New Perspectives, classified below according to 'Importance' and 'Degree of impact and/or influence'.

This mapping was in turn the basis for the assessment of our material topics, which were repositioned to reflect the conflicting priorities of management considerations and stakeholder needs, and clustered into strategic fields as follows.

Stakeholder mapping



- 1) Customers
- 2) Employees
- 3) Suppliers, business partners
- 9) State lottery companies
- 10) Supervisory Board
- 12) Rating agencies
- 13) Shareholders and investors
- 14) Financial institutions
- 15) Political representatives
- 4) NGOs
- 5) Sponsoring and donation partners
- 6) Media and opinion leaders
- 7) Universities and research institutes
- 8) Experts (psychologists, addiction experts)
- 16) Player protection and therapy institutions

There are six material strategic fields for us in total: our attractiveness as an employer, ethical behaviour & good business practice, the protection of players & minors, environmental protection, data responsibility, and technology.

In each strategic field, we have committed to a number of goals and measures and will provide information on the status quo of our progress below.

Strategic field	Strategically important measures	To be found in the report
Attractive employer	Rekrutierung und Bindung von Talententalent	p. 56
	Good working conditions in a changing work environment	p. 57
	Good leadership	p. 56
	Health and safety	p. 57
	equal opportunities, fair pay	p. 54–56
	Employee development	p. 58
	Diversity management	p. 54
	Involvement of employees	p. 56
	Self-initiated sustainability projects	p. 44
Ethical behaviour & good business practice	Combating corruption & money laundering,	p. 63
	Defence against manipulation and crime	p. 61–64
	Regulatory stability	p. 34
	Audits	p. 48–50, 56, 58, 66
	Human rights	p. 45
	Transparent communication	p. 45–48
	Compliance with social standards in the supply chain	p. 45, 60
	Independent Supervisory Board	p. 62
	Fair competition	p. 63
	Tax transparency	p. 58–59, 83, 90
Protection of players & minors	Responsible and safe product design	p. 45–48
	Transparent products	p. 48
	Safe gaming including provision of information & support on the dangers of gambling	p. 48
	Responsible marketing	p. 45–47
		p. 47–48
Environmental protection	Energy efficiency, energy management	p. 40–44
	Reduction of emissions	p. 40–42
	Waste management	p. 43–44
	Sustainable business travel	p. 42
Data responsibility	Data protection and data security	p. 49–50
Technological leadership	Digital technologies and innovations	p. 49
	High customer satisfaction	p. 59

OUR CONTRIBUTION TO THE AGENDA 2030

The United Nations has adopted a globally recognised guiding principle for sustainable development in the form of the 2030 Agenda. In order to achieve the so-called Sustainable Development Goals (SDGs), the private sector, and thus also ZEAL, is called upon to make a contribution.

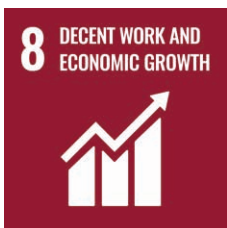
The SDGs are an opportunity for us to align our strategy with the needs of society as a whole. As part of our materiality analysis, we therefore reviewed with our stakeholders which SDGs we can contribute to as part of our strategy and then operationalised this contribution with the aid of the UNGC's 'SDG Compass' and the EU's 'SDG & me' platform.

OUR ACTIVITIES FOCUS ON THE FOLLOWING SDGS:



Gaming is fun, but can also cause health issues for some people. We address the negative effects of our business model by taking a comprehensive management approach to protecting vulnerable player types and young people.

We can also contribute to SDG 3 by providing an inclusive, diverse work environment where our employees can develop in line with their strengths. We also ensure that we maintain the performance of our employees through comprehensive occupational health and safety measures and good work organisation. This provides an important foundation for us to contribute to SDG 8.



Ever since lotteries have been regulated by the state, money has also flowed into socially relevant projects. The amount of taxes and levies is legally regulated. As a result, our economic success also results in levies that benefit the common good.

We do not engage in tax avoidance schemes as we benefit from a good infrastructure, an attractive region and well-trained employees. For them, we create interesting jobs, ensure decent working conditions, equal opportunities and a non-discriminatory working environment, as well as fair, performance-based pay.



We make a special contribution to SDG 12 with our charity lotteries. Moreover, our innovations and technologies help make the gaming experience even more attractive and secure for our customers.

We can also contribute to this goal by committing to transparent products and ethical marketing.

Our operations also rely on the use of hardware. We can therefore make a further contribution to this goal by ensuring that our hardware is repairable and updatable when we purchase it, and by donating functioning old devices, for example, to promote digital education for school children.



Our business also generates emissions. We want to become completely carbon neutral and have paved the way to achieving this goal by carefully recording our Scope 1, Scope 2 and Scope 3 emissions.

Following the 'Measure to manage' principle, we also record our electricity and water consumption and aim to achieve a sustainable reduction in both dimensions. We want to switch our energy supply completely to the use of renewable resources.

As part of our Reduce and Recycle plan, we want to reduce the amount of waste we produce and the resources we use, as well as to reuse already used resources as much as possible. We systematically record our waste and strive to continuously reduce it.

DESCRIPTION OF OUR VALUE CHAIN

We are a provider of digital gaming experiences and lotteries. Our value chain is therefore fundamentally divided into the following areas and centred around the safe and successful operation of our online platforms:

1. Regulation and licensing: as a provider of gaming services and lotteries, ensuring compliance with applicable laws and regulations in the respective offering segments as well as the corresponding licences is an essential part of our value chain.
2. Platform development: this describes the development, innovation and updating of the technical infrastructure for our online offerings and products that we provide on our platforms.
3. Marketing and advertising: in order to increase the visibility of our products and to interest customers in our products, we engage in marketing and advertise these products on various channels and media.
4. Payment management: our payment management ensures the availability of payment options, in other words deposit and withdrawal options for the payment of our products and the use of funds.
5. E-commerce platform for lottery products: this includes the offering, delivery and execution of our digital gaming experiences and lottery products.
6. Customer satisfaction management/support: as part of our product offering, we provide support for customer issues that include the utilisation of our products, payment management and regulatory, security and compliance-related areas.
7. Security and compliance: to ensure the security of our products, the data we collect and our payment management, the area of security and compliance plays a major role for us. It includes monitoring, control and various measures that ensure fair and legally compliant products.
8. Data analysis: in order to improve our offering and optimise our marketing strategy, we collect data and information about the use of our products.

OUR CENTRAL CODE OF CONDUCT: THE ZEAL CODE

We ensure a transparent, open and diverse corporate culture. Our fundamental values include decisiveness, trust, respect and courage. We foster a culture of innovation and encourage our employees to challenge the status quo. Good corporate governance needs a good foundation that keeps the culture, and with it the actions of the Company, on the desired track and at the same time ensures that everyone who interacts with us knows what we value as a Company. We have set out our requirements for integrity and ethics in a code of ethics and conduct, the ZEAL Code, which is binding for our employees, and translated it into our processes and monitoring measures. More information can be found in the section on our policies.

An updated version of the ZEAL Code was published in the reporting year 2022. In addition to the general compliance fields, we place particular emphasis on compliance with the special compliance fields of gambling regulation, data protection, IT security, capital market issues, competition, anti-corruption, occupational health and safety, good working conditions and equal opportunities based on the principle of non-discrimination. To ensure a higher level of commitment, all employees must recognise the ZEAL Code. Depending on the respective risk of the business relationship, we also plan to require our contractual partners to take note of and comply with our principles of action.

Environment

Our business generates waste and greenhouse gases, consumes electricity and water. It is therefore our responsibility to minimise our impact on the environment by measuring and managing this impact, as well as working on ways to reduce or recycle.

OUR CONTRIBUTION

Climate change is one of the great challenges of our time and we want to play our part in combating it. As a fundamental part of our sustainability strategy, we therefore support the agreement to combat climate change adopted at the UN Climate Change Conference in Paris in December 2015. In this agreement, 197 countries agreed to limit global warming to 1.5 degrees Celsius compared to the pre-industrial era, but at least 'well below' 2 degrees Celsius. We will report the corresponding key figure from 2023 onwards.

We are committed to playing our part in meeting this target and thus driving forward our own decarbonisation. We want to achieve this by reducing our absolute energy consumption and CO₂ emissions as well as by using green forms of energy. These objectives are also anchored in our sustainability strategy. In this way, we can contribute to Sustainable Development Goal 13 'Climate Action' and the goals of the Paris Climate Agreement. This is also what our stakeholders demand from us, as they classified climate issues as being particularly material.

In order to achieve this decarbonisation, we have defined clear internal responsibilities: Helge Poel (Director Security & Compliance) is responsible for CO₂ reduction at ZEAL. We also work together with the climate tech company right.based on science GmbH (right*) in order to measure and manage our contribution to meeting the Paris Climate Agreement.

right° developed the X-Degree Compatibility (XDC) model to calculate the climate impact of economic activity and express it in a simple degrees Celsius number – thus providing a direct link to the 1.5 °C target. The XDC model is science-based and peer-reviewed as well as integrating a climate model also used by the Intergovernmental Panel on Climate Change (IPCC) into its calculation. It calculates how much warmer the climate would be (in degrees Celsius) if the entire world had the same climate performance as the company being analysed. The metric can also be used to analyse scenarios – for example to check whether planned climate protection measures are sufficient to comply with the 1.5°C target.

ZEAL uses the XDC model to evaluate its own impact on climate change and to define an effective climate strategy in line with the 1.5 °C target.

OUR GOAL: REDUCING AND OFFSETTING EMISSIONS

We strive to successively decrease the reducible share of our emissions in order to 'avoid' rather than merely 'offset' them in the long term. Currently, our offsetting measures still include support for international climate protection and offsetting projects, such as the Eden Reforestation Project.

For our contribution to be effective, we need reliable data. In 2022, we started to establish structures and processes to measure our Scope 1, Scope 2 and Scope 3 emissions. To this end, we introduced the environmental footprint tool 'cozero Log' of the company Cozero GmbH. This system enables us to quantify, monitor and document our CO₂ emissions along the entire value chain and is based on the recommendations of the Greenhouse Gas (GHG) Protocol.

OUR GOALS

1. Collection of our Scope 1 and Scope 2 emissions by the end of 2022.
2. Materiality and feasibility analysis of Scope 3 criteria by the end of Q1 2022.
3. Collection of our Scope 3 emissions by the end of Q2 2023.
4. Establishment of appropriate due diligence processes to achieve climate neutrality by the end of 2023.
5. Establishment of due diligence processes to apply environmental criteria when selecting suppliers or procurement partners by Q1 2024.
6. Complete conversion of our energy supply (electricity and heating energy) from renewable energy sources.

OUR CO₂ EMISSIONS

Applied framework	GHG Protocol, future Science Based Targets
Base year	2021
Included greenhouse gas	CO ₂
Scope 2 reporting method	Market-/location-based
Criteria for Scope 3 emissions	8 from 15 ¹
Group-wide reduction target	Net CO ₂ neutrality (specific deadline still under discussion)

¹ Based on the 15 criteria for Scope 3 set by the GHG Protocol.

Recording our CO₂ emissions is a necessary step towards our goal of transforming our Company to be completely climate neutral in the future and thus reducing our net CO₂ emissions by 100% compared to the base year. We expect to be able to report a specific time horizon in 2023 based on the data generated by recording our current emissions.

We measure our CO₂ emissions and thus our corporate carbon footprint according to the recommendations of the GHG Protocol. This groups emissions into three categories: Scope 1, Scope 2 and Scope 3 emissions. This categorisation ensures that direct and indirect emission sources can be distinguished and documented.

To this end, we first analysed all emission types listed by the GHG Protocol for their relevance and determined that the relevance of our Scope 1 emissions (emissions which the Company is responsible for or controls) is low or non-existent. The analysis of our Scope 2 emissions (indirect emissions as a result of business activities) showed a medium to high relevance.

Scope 3 emissions are also calculated according to categories, whereby we have identified eight of the 15 emission types specified by the GHG Protocol as material for us:

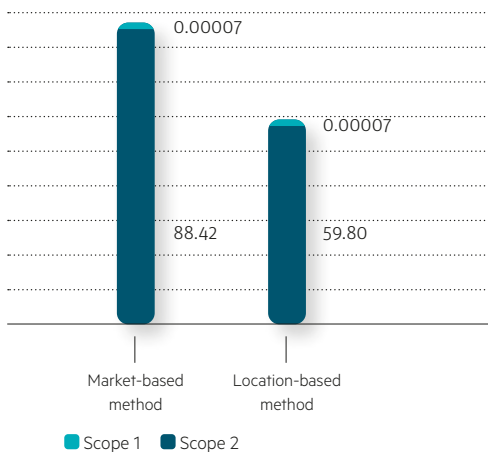
- Capital goods
- Purchased goods and services
- Waste generated in operations
- Upstream emissions: purchased electricity
- Office supplies
- Use of sold products
- Business trips
- Operational water use

For the calculation of our Scope 3 emissions, we will first create the processes this year. The base year for reporting our Scope 1 and Scope 2 emissions is therefore 2021, and for our Scope 3 emissions probably also 2021.

Our Group-wide Scope 1 and Scope 2 emissions for the base year 2021 totalled 88.42 (market-based) or 59.80 (location-based) tonnes of CO₂. Broken down, these were:

- Scope 1 (2021): < 0.01 tonnes CO₂ (Group-wide, market- and location-based).
- Scope 2 (2021): 88.42 tonnes CO₂ (Group wide, market-based), 59.80 tonnes CO₂ (Group wide, location-based).

CO₂ emissions by scope (t)

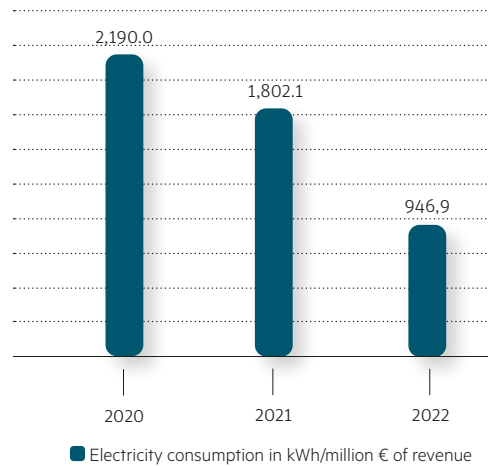


Based on the figures above, the XDC model calculates an amount of 1.8 degrees Celsius (market-based, base year 2021; target year 2100) only for Scope 2 emissions. As a result, we rank among the top 10% of companies in our sector (NACE Code 92) with the lowest temperature values for this emission category.

OUR ELECTRICITY CONSUMPTION

We consume electricity primarily in our data centres and at our locations in Hamburg and Madrid. In total, we consumed 99,624 kWh of electricity at these locations in 2022.

Electricity consumption



Aggregated electricity consumption in all data centres and office buildings in kWh per million € of revenue.

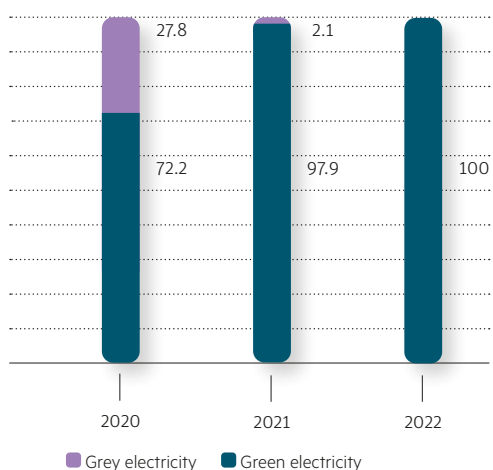
Over the course of three years, it is apparent that we have been able to continuously reduce our consumption. From 2019 to 2021, the effects of the coronavirus pandemic (work-from-home, fewer business trips etc.) contributed significantly to this, but also measures we have implemented in recent years. For example, we have optimised the energy efficiency of our computers and monitors. Almost all of them now have the Energy Star certificate for the highest level of energy efficiency.

Once pandemic-related contact restrictions and the obligation to work from home been lifted, we did not revert to working in the same way as before the pandemic, but continued to allow our employees to work from home in response to numerous requests. Since 1 September 2022, this has been regulated in our newly drafted New Work Guidelines. More information on this can be found in the Social section.

The widespread implementation of digital and cloud-based meeting and organisation tools offers our employees maximum freedom and at the same time can reduce energy consumption in our offices.

An important approach for reducing our emissions in the current reporting year was the purchase of electricity from renewable sources. At our main site in Hamburg, where 162 of our employees work, we have already switched completely to electricity from renewable sources.

Share of green electricity in total consumption at office location Hamburg (%)



Figures relate exclusively to the office location in Hamburg.

OUR WATER CONSUMPTION

Water is a basis for life on our planet. Even if water only plays a minor role in the success of our business model, we want to contribute to conserving water as a vital resource.

We use water at all our sites. We use water mainly in our sanitary facilities and office kitchens. We do not evaporate, store or retain any water beyond that, which would have to be reported here.

For us, the sustainable use and management of water therefore means first and foremost not wasting water and using it more efficiently.

To monitor our consumption and identify opportunities for reduction, we measured our water consumption for the first time in 2021. At the time of reporting, we did not yet have the data on our water consumption in 2022. In 2021, our water consumption was 74,320 litres.

OUR GOAL: REDUCE AND REUSE (RR)

Our management approach to waste includes 'reduce and reuse'. As a Company marketing digital gaming experiences, our waste generation along our value chain is limited to IT hardware (computers, monitors), packaging materials and writing paper, as well as other office waste such as that generated in our office kitchens.

REDUCE: OFFICE WASTE

Avoiding waste before it occurs – we already follow this principle in procurement and only buy what we really need.

We have replaced workstations with laptops and docking stations. These are more energy-efficient and avoid unnecessary hardware in our offices or at our employees' homes. Since less equipment has to be purchased overall, the amount of electrical waste produced will also decrease in the long term.

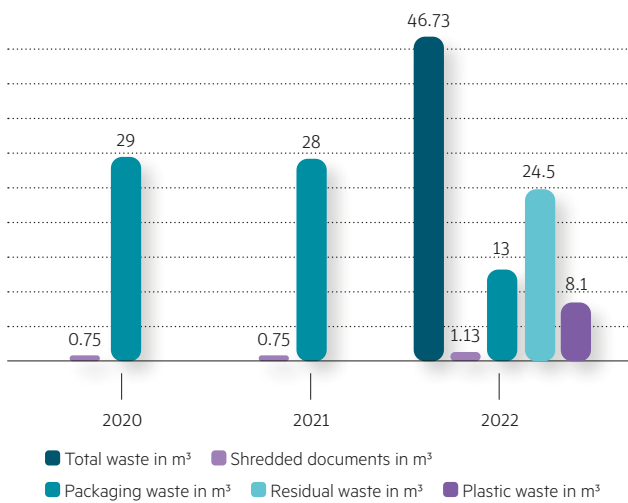
We also try to avoid paper printouts in the office and pay attention to origin and ecological production when purchasing drinks and snacks for our employees. We also use unpackaged snacks, such as fruit, whenever possible.

In addition, we have been committed to the measure-to-manage principle since 2022 and have been recording our office waste as follows since then:

- Collect and measure shredded documents
- Collect and measure packaging materials
- Collect and measure residual waste (due to limited accessibility, calculation based on representative samples)

We can only show a three-year trend for packaging waste and shredded documents. 2022 is our base year as it marks the end of the contact restrictions in connection with the coronavirus pandemic and the obligation to work from home. As of this year, we also measure all other types of waste, namely residual waste and recyclable materials.

Waste generation at office location Hamburg



The figures relate exclusively to the office location in Hamburg.

REUSE: IT HARDWARE

In the area of IT hardware, we have identified two areas where we can be more sustainable: power consumption for operations and the lifespan of our hardware.

We welcome the initiative of the EU Member States and the European Commission to ensure that hardware is updated and repaired in the future. The new version of the EU Ecodesign Directive proposed by the EU Commission on 30 March 2022 provides for performance and information requirements for almost all product categories on the EU market, including for the following aspects:

- Durability, reusability, retrofittability and reparability of products
- Substances contained that inhibit circulatory capacity
- Energy and resource efficiency
- Recycling rate
- Reprocessing and recycling
- Information obligations such as the provision of a digital product passport

In their coalition agreement 2021-2025, the governing parties of the German parliament ('Bundestag') also took up the issue and anchored the 'right to repair' as a coalition objective. Consumers should be able to repair defective devices themselves or freely choose repair service providers, facilitated for example by manufacturers publishing repair instructions. In addition, the reparability of products should already be incorporated into the design – for example, by making products repairable with standard tools. The implementation of corresponding laws is to be successively extended to all product groups. While legally binding regulations on this matter are still pending, we are already committed to

considering information on reparability and updatability as a high priority in the decision-making process when purchasing new products and especially when purchasing IT hardware. For our server hardware, reparability and updatability are already industry standards.

Another important component of our measures is the reduction of electrical waste. Our IT equipment pool fleet has an average age of three years. This relatively short duration is due to IT security considerations, as our IT must always be state-of-the-art.

However, this does not mean that we throw away used equipment and produce unnecessary electrical waste. On the contrary: in 2022, ZEAL produced almost no e-waste as we donate discarded and functional devices to schools, for example, to improve equipment and education there. In this way, we again significantly extend the life cycle of our hardware and contribute to improving access to technology for young people.

Through 'Reuse' we contribute to environmental protection and education.

GREEN ZEAL

Our goal is to integrate climate protection into our everyday work. We actively encourage our employees to participate in GREEN ZEAL initiatives and projects.

In 2021, the GREEN ZEAL initiative was launched as part of a hackathon. This initiative has set itself the task of paying attention to the 'little things'. One success story in 2021 was the replacement of our capsule coffee machines with more environmentally friendly models.

In 2022, as part of the GREEN ZEAL initiative, the lighting within all toilet and shower rooms was replaced with economical LED lighting. In addition to the new light bulbs, motion detectors were also installed to further reduce electricity consumption so that the lighting in these rooms is not permanent. Further adjustments to office lighting are planned for 2023.

Social

Our business model is aimed at people and is made possible by people. No person's dignity should be violated, offended or impaired in any other way by our actions. We take responsibility for our lottery offerings and protect our players accordingly. We also expect our employees to take responsibility and in return we offer them a working environment with equal opportunities and numerous possibilities for further development. Through our commitment to social issues, we will continue to be successful as a Company in the future.

RESPONSIBILITY

We want our customers to be able to trust us unconditionally and we work hard every day to earn their trust by designing and promoting our offers responsibly.

HUMAN RIGHTS

Respecting human rights is a global task in which every individual and every company must participate.

ZEAL is fully committed to respecting human rights and supports UN General Assembly Resolution 217 A (III) on the Universal Declaration of Human Rights as well as the core labour standards of the International Labour Organisation (ILO) – also along our supply chains. For us, these are a fundamental component of responsible corporate governance. We ensure that human rights are respected within our sphere of influence. This includes the following human rights in particular:

- The preservation of freedom, equality and solidarity (Diversity chapter).
- The prohibition of discrimination (Diversity chapter).
- The right to safety (Occupational Health and Safety chapter).
- Recognition as a person before the law and the right to legal protection and the right to be heard (Integrity chapter).
- The presumption of innocence (Integrity chapter).
- The protection of the sphere of freedom (Diversity chapter).
- The freedom of thought, conscience and religion (ZEAL Code).
- The freedom of expression and information (ZEAL Code).
- The freedom of association and assembly (Employee Rights chapter).
- The right to equal pay (ZEAL Code).
- The right to rest and leisure (Employees chapter).
- The right to education (Continuing Education chapter).

Due to our business model, our supply chain has only a low risk of human rights violations. However, we expect our contractual partners to fully respect human rights and to comply with all requirements arising from the German General Act on Equal Treatment ('Allgemeines Gleichbehandlungsgesetz' - AGG) and other labour law standards.

In 2020, 2021 and 2022, we did not identify any controversies, complaints or proceedings in the course of our business.

RESPONSIBLE GAMBLING

Gambling is fun, but it needs clear rules so that problematic behaviour and gambling addiction have no chance.

Gambling addiction can manifest itself as follows:

- The person concerned has an irresistible desire to play again and again.
- The person concerned lies to his environment in order to be able to keep his gambling behaviour secret.
- The person concerned neglects his family, professional and private obligations.
- The person concerned often borrows money within the family or among friends.
- The person concerned tries to get money by illegal means.
- The person concerned can only achieve the desired arousal by placing higher and higher stakes when gambling.
- The person concerned suffers from mood swings and inner restlessness.

Compared to other types of gambling, number lotteries pose a very low risk of problematic gambling behaviour.¹ To ensure that not only our jackpot winners are happy, however, we apply a stringent player and youth protection policy. In doing so, we pursue four specific goals:

- Strict protection of minors: no gambling for minors.
- Reduction of the risk of addiction to our products.
- Prevention, intervention and care in cases of gambling addiction in connection with our products.
- Consistent monitoring of the practical implementation of our responsible gambling principles.

Pursuant to section 6 of the German State Treaty on Games of Chance ('Glücksspielstaatsvertrag' – GlüStV), we are obliged to prepare a social concept for the gambling products we market. This fully complies with the legal and licensing requirements of the supervisory authorities and is subject to continuous internal audits. Together with our ZEAL Code, it also represents our Responsible Gambling Policy. It describes the measures we take to prevent the socially harmful effects of gambling and how we intend to remedy them.

¹ www.bzga.de/fileadmin/user_upload/PDF/studien/BZgA-Forschungsbericht_Gluecksspielsurvey_2019.pdf

This concept includes:

- Educating our players about the dangers of gambling addiction, their personal chances of winning and losing, and potentially problematic gambling behaviour.
- Supporting our players in avoiding and preventing problematic gambling behaviour and in seeking and using counselling and treatment services in case of gambling addiction.
- Protecting minors: our products are aimed exclusively at adults. We ensure that minors do not have access and continuously check our access restrictions for possible or actual circumvention.
- Taking preventive and interventionary measures to identify and prevent legitimate access to our products as well as problematic behaviour in advance.
- Providing regular and compulsory training and further education of our staff on how to deal with and recognise problematic gambling behaviour.

Our control mechanisms, as well as our continuous monitoring, strengthen both the possibility for self-regulation by our players, as well as preventing abuse through appropriate precautions for external control. They also document problematic gaming behaviour, whereby products and content with a particularly high addiction potential can be identified and adjusted where possible.

The main basis for this are our general terms and conditions, which are accessible at any time and provide information on control mechanisms and exclusions. To raise awareness among our players, all our websites and the portals of our cooperation partners (lotto24.de, tipp24.de, lotto.gmx.de, lotto.web.de, lotto.n-tv.de, freiheitplus.de) contain relevant information and links, for example to the website of the Federal Centre for Health Education ('Bundeszentrale für gesundheitliche Aufklärung' – BZgA) [check-dein-spiel.de](https://www.check-dein-spiel.de). We refer there to the anonymous and free telephone counselling service of the BzGÄ under the number +49 800 1 37 27 00 as well as to our internal customer hotline under the number +49 40 299 960 808, under which sensitised and trained employees can be reached from Monday to Saturday from 9:00 am to midnight. Further external help on gambling addiction can be found at www.bundesweit-gegen-gluecksspielsucht.de.

Our customers can prevent risks themselves with the aid of the following tips on how to avoid gambling addiction, which are also listed on the player protection pages of our websites. We recommend:

- Playing only for recreation, not to solve problems.
- Viewing stakes as a loss and not as an expected gain.
- Sticking to your budget and setting limits.
- Only playing with your own money, never with borrowed money.
- Not chasing your own losses, but keeping a cool head.
- Gambling never solves private, financial or social problems.
- Playing exclusively when sober and always with a clear mind.
- Taking regular breaks.

We counteract uncontrolled spending by our customers by setting a monthly pay-in limit. They can also set their own limits for stakes, pay-ins and losses. In 2022, 46,676 customers set an individual pay-in limit. Of all persons who stated in the BZgÄ surveys in the period from 2015 to 2019 that they had gambled at least once in the last twelve months, 1.7% had at least one problematic behaviour. A further 10% displayed conspicuous gambling behaviour.¹ Based on these figures, we are pleased with the comparatively large proportion of our customers who take advantage of our prevention services. In addition, we inform our customers daily about their gaming history over the past 30 days – with accumulated stakes, winnings and losses – on initial log-in. Before each game, we inform all participants about the risks associated with gambling, give advice on prevention and assistance, inform them about participation and the game conditions, as well as about all aspects relating to gambling. With regard to self-assessment and a better evaluation of one's own gambling behaviour, we advise conducting a self-test, which is offered free of charge on the BZgÄ website ([check-dein-spiel.de](https://www.check-dein-spiel.de)), for example, but we would like to point out to our customers that such a self-test can never replace a medical diagnosis.

¹ Banz, M. (2019), 'GLÜCKSSPIELVERHALTEN UND GLÜCKSSPIELSUCHT IN DEUTSCHLAND. Ergebnisse des Surveys 2019 und Trends'. BzGÄ research report. Cologne: Federal Centre for Health Education, p. 160.

We use a multi-stage age verification procedure to ensure that our services cannot be used by minors. We continuously check this for security and possible manipulation. Every player must register before playing. During this registration process, the data provided is checked and verified. Only properly verified user accounts can participate in the offered games of chance. Participation in the game by persons under 18 years of age can thus be excluded. With the help of blocking software, our customers can also protect themselves and minors from participating in online gambling. This is described in more detail on our player protection

pages. We also actively encourage our customers to contribute to the protection of minors and not to allow family members under the age of 18 to use the Internet unsupervised with mobile or stationary devices and to talk to minors in their household about the dangers of the Internet in general and (online) gambling in particular as a precaution.

Furthermore, we link to an external self-test that players can easily use to block themselves – or be blocked by third parties – from future participation in the game in the case of conspicuous gambling behaviour or deception attempts. Our customer service will be happy to set up longer blocking periods on request without objection. The block includes the following points:

- When ordering the self-blocking, the desired duration of the block can be specified. The minimum duration is three months. If no specific duration is desired, the blocking period is one year.
- When the block is activated, access to the user account is blocked.
- After consultation with the user, the block may also be reported to the player blocking system OASIS. Then it also affects all other accounts that the user has with providers who are connected to the player blocking system.
- Unplayed scratch cards and games are automatically played with immediate effect. Any winnings will be credited to the user account.
- Tickets that have already been paid for (including subscription tickets) still participate in the draws that have already been paid for. Any winnings will be credited to the user account.
- Active subscription tickets are automatically terminated after the expiry of the already paid draws.
- The payment of any winnings or credit balances can be arranged via our customer service.
- After the blocking period has expired, the block remains in place for the protection of the player and must be actively lifted by the player.

For our 24 internal and six external employees at present with customer contact (Customer Support, Payment Fraud Officer and Responsible Gaming Officer), we hold a mandatory training and awareness-raising programme once a year on relevant topics, such as informing customers about the probability of winning and losing from gambling, the potential risks of gambling, the law prohibiting underage gambling, and the possibilities for counselling and treatment of gambling problems.

New members of these teams receive extensive training as part of the onboarding process. In addition, we have appointed a Player Protection Officer who acts as an interface between the game providers, the support system for vulnerable player personalities and the corresponding monitoring by the scientific community, as well as coordinating the development and implementation or continuation of all measures to protect players.

The person primarily responsible for the topic of player protection at our Company, the Compliance Manager, has the authority to quickly decide on and implement any necessary improvements in player protection. Furthermore, the Compliance Manager has direct access to the entire Management Board should questions and issues relating to responsible gambling need to be clarified at this level. In addition, the Compliance Manager drives the development of new processes and more effective monitoring.

To provide a safe environment for players and position ZEAL even more strongly as a pioneer of player protection, we are constantly driving further innovations. One example of this, is a new AI-based monitoring tool we launched in the first quarter of 2022. This will allow us to massively expand our monitoring by collecting and evaluating specific performance indicators in the area of responsible gambling.

As part of our core objectives on responsible gambling, we plan to report continuously and transparently in the future:

- Cases of rejected players due to failed age verification.
- Cases of problem gamblers reported through our control mechanisms.
- Players who have been blocked from accessing products by us or at their own request.

We already record any controversies, legal proceedings and alleged and verified violations of our Responsible Gambling Policy by ZEAL employees or third parties. In 2022, no such violations, proceedings or controversies in this matter were recorded. We are always happy to receive complaints about our products and policies through any of our contact channels and will always treat them with the highest possible priority.

RESPONSIBLE MARKETING

Responsible marketing is an important task for our sector, as our products bear risks that we need to inform customers about and must not conceal. We offer our customers a risk-free and enjoyable gaming experience and this starts with the advertising of our offerings, which we currently broker through our LOTTO24 and Tipp24 brands. The proportion of offerings which we advertise is 100%.

We have specified our basic approach to the protection of players in the ZEAL Code. A separate internal Responsible Marketing Policy is also planned for 2023, which will clearly define the possibilities and limits for employees in the marketing department and thus simplify decision-making processes.

Our marketing activities already comply with all laws and national voluntary commitments and the requirements of the licences granted to us. The main basis for us is the German State Treaty on Games of Chance ('Glücksspielstaatsvertrag 2021' – GlüStV 2021), the Youth Protection Act ('Jugendschutzgesetz' – JuSchG), the State Treaty on the Protection of Minors in the Media ('Jugendmedienschutz-Staatsvertrag' – JMStV), the State Media Treaty ('Medienstaatsvertrag' - MStV) and the Act against Unfair Competition ('Gesetz gegen den unlauteren Wettbewerb' – UWG).

Our action plan is closely linked to our responsibility to ensure safe gambling and includes the following commitments on the placement, design and content of our promotional activities:

- Commitment to honesty: our marketing measures and campaigns should present the lottery offering and our products to our target groups realistically and without unacceptable exaggerations and not withhold relevant information.
- Commitment to reject positive bias and exaggeration: we communicate to our customers transparently as to how high their chances of winning are. This information can be found on all our websites and the portals of our partners.
- Commitment to exclude minors and vulnerable target groups: we do not market to persons under the age of 18, as they cannot always recognise or classify the intention of advertising.
- Obligation to place information on the dangers of addiction and offers of help for gamblers at risk: all advertising measures shall include information on the dangers of addiction and a ban on gambling for minors as well as references to support services.
- Commitment to barrier-free information: information on the dangers of addiction and offers of help in simple, local language and access to this information that is as barrier-free as possible.
- Agreement of restrictive advertising guidelines with business partners and suppliers.

Auditing of our marketing guidelines

All activities are monitored and approved by our Legal and Compliance departments.

In addition, we actively encourage our employees, partners and customers to report actual or suspected violations – anonymously if necessary via our whistleblower portal – of the responsible marketing principles we have set ourselves and of the applicable legal requirements. We treat these reports with the highest possible priority.

In 2022, no violations, controversies, proceedings or controversies relating to unethical or unlawful marketing were recorded.

TRANSPARENT PRODUCTS

Transparent products are also important for the protection of players and for responsible marketing. At the heart of ZEAL's educational work are transparent product descriptions and clearly visible warnings. These product descriptions include the underlying participation requirements, game conditions, game formulas, prize classes, payout odds, win and loss probabilities, addiction risks, as well as the time and type of prize draw. 100% of our products are already described in this way.

Product transparency also includes clearly visible warnings about possible product hazards. We have compiled further information on this in the chapter on player protection.

The relevant information can be found on our websites and the portals of our cooperation partners. In particular, the Help & Service section of our websites provides detailed information on our various products. In addition, we offer our customers the possibility to contact us personally, for example by e-mail or via our service hotline.

In 2022 alone, we were able to make 1.5 million (2021: 1.3 million) people happy with prizes totalling €411 million (2021: €293 million). 13 of these prizes were in excess of €1 million.

DIGITAL TECHNOLOGIES AND INNOVATIONS

Digital technologies and innovations represent competitive advantages for our business model, as they enable us to offer our customers an attractive gaming experience and at the same time protect them from the side effects of gambling. A large number of our employees are therefore involved in product development, scaling, performance optimisation, self-scaling cloud-based infrastructures, big data processing, IT security and compliance.

IT security

We protect ourselves against cyber and e-crime by taking highly efficient technical and organisational measures. These ensure that the personal data of our customers and employees is protected against loss, unauthorised access or unauthorised changes as well as misuse. For example, we use encryption technologies wherever possible. When introducing new software and hardware, we have a clearly defined review process to ensure that the new software or new computer meets our security and data protection requirements. These security measures are continuously adapted to the improved technical possibilities. In addition, the measures we implement are audited and certified annually according to ISO27001 as well as to TÜV data protection standards.

Product safety, performance optimisation

State-of-the-art data collection offers even better monitoring capabilities, allowing us to identify problematic gambling behaviour more quickly and reliably. One of the innovative technologies we use is 'GameScanner' from Mindway AI, which has replaced our previous monitoring systems. The system automatically detects gamblers at risk of gambling addiction at an early stage, based on scientific findings and algorithms. The cooperation with Mindway AI, which was announced in June 2022, enables us to improve the already high level of player protection and compliance of our offerings.

DATA PROTECTION AND DATA SECURITY

The careful handling of personal data is elementary for us as an online lottery provider. The protection of data entrusted to us is the basis on which we can develop our business success.

The European Union's General Data Protection Regulation (EU GDPR) stipulates that personal data must be processed in such a way that the rights of the individual are not affected. The personal data we collect includes customer data, employee data, data of applicants and visitors to our websites and supplier data.

Due to its particular importance, the topic of data security has been assigned to Management Board level and falls under the remit of our CTO Paul Dingwitz.

In accordance with legal requirements, we have also appointed a Data Protection Officer. Dr Uwe Schläger, Datenschutz Nord GmbH has been our Data Protection Officer since 2019 and can be contacted via the e-mail address: datenschutzbeauftragter@lotto24.de. Our Data Protection Officer acts independently and in accordance with the requirements of the EU GDPR.

In addition, we publish detailed data privacy statements on all our websites and customer-oriented platforms (for example tipp24.de, lotto24.de) in which we explain clearly to our customers how we process their data when they use our services.

In order to firmly establish the importance of data protection and data security issues throughout the Company, ZEAL published a Data Privacy Policy for the first time in 2022 as a supplement to the ZEAL Code, which is valid for the entire Group (ZEAL Group: ZEAL Network SE, LOTTO24 AG, ZEAL Iberia ES and other affiliated companies) as well as all employees and persons for whom we process data in the course of our business activities. This Policy includes the following information:

- Principles of handling personal data of clients and employees.
- Type and scope of processes and rules for storing and handling data within the Group.
- Explanations of how personal data is collected and handled or passed on, including all choices and rights that data subjects have in the context of our data processing. This includes the comprehensive right of access, adjustment and deletion of all personal data collected throughout the Group by authorised persons in accordance with EU GDPR valid in Germany, unless this is restricted by legal requirements.
- Requirements for the transfer of data to third parties. This only takes place if our customers have consented in accordance with EU GDPR or if there is a legal obligation.
- Overview of all measures ZEAL takes to ensure the security of customer data and how data subjects can contact us if they have questions about our data protection practices.
- Principles for dealing with new technologies.
- Rules of conduct in the event of a breach.

The newly introduced IT Policy was communicated to the entire staff and the entire Group. No violations of our IT Policy were identified in 2022.

In line with the EU GDPR, to firmly establish the importance of data protection and data security for ZEAL, we conduct mandatory training on this topic for our entire workforce at least once a year. The training covers basic technical and behavioural topics, such as defining security incidents, recognising phishing attacks and behavioural guidelines for dealing with breaches. The use of passwords and mobile devices is also part of the training. To ensure effectiveness, knowledge is continuously tested during the training. To pass the training, at least 80% of the questions must be answered correctly.

The training courses on data protection and data security are structured as approximately 45-minute modules with a subsequent test included. If employees have already completed the on-line training, only the successful completion of the test is required in the following year. In order to react to current developments such as new regulatory requirements, the training material is continuously revised and updated. Unscheduled trainings are conducted if justified by changes in laws, framework conditions, internal guidelines or an accumulation of violations.

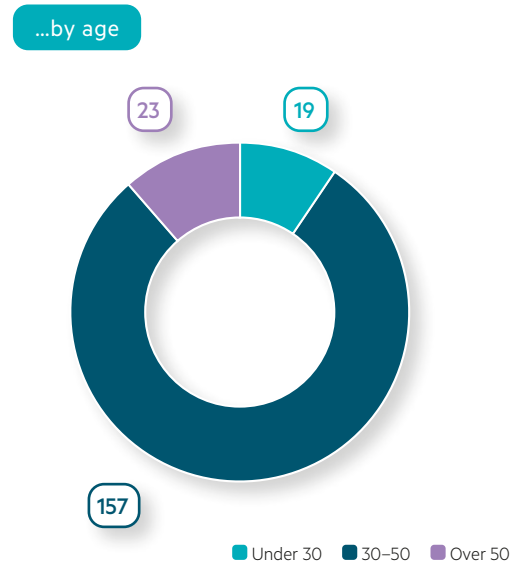
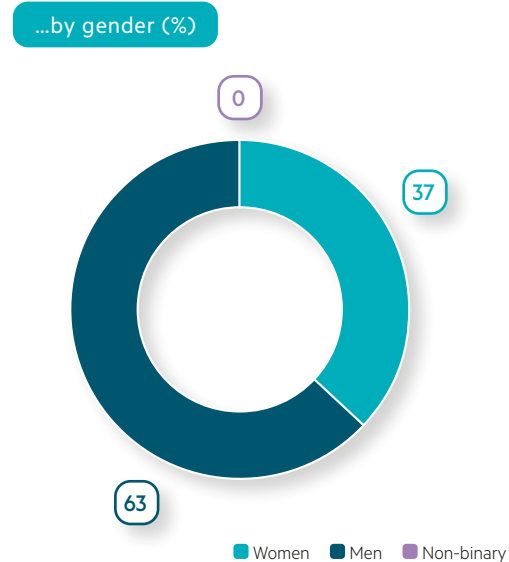
In order to coordinate all these measures, we have set up an Information Security Management System (ISMS), which is certified in accordance with ISO guideline 27001 during annual audits.

So far, no breaches have been detected that have seriously jeopardised data security.

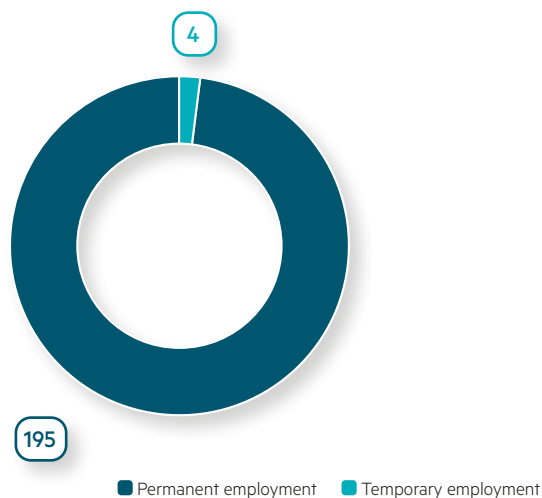
EMPLOYEES AND WORK ENVIRONMENT

Finding and retaining talent over the long term and ensuring their performance with appropriate measures are important prerequisites for our success. The current composition of our workforce is as follows:

Employees



...by employment type



Total number of employees

As at 31 December	2020	2021	2022
Total employees	178	167	199
Thereof men	116	110	126
Thereof men (in %)	65.2	65.9	63.3
Thereof women	62	57	73
Thereof women (in %)	34.8	34.1	36.7

Employees by employment type

As at 31 December	2020	2021	2022
Full-time employees	143	132	164
Thereof women	33	33	46
Thereof men	110	99	118
Part-time employees	35	35	35
Thereof women	29	24	27
Thereof men	6	11	8
Employees in permanent positions	175	163	195
Short-term employees	3	4	4

New employees

As at 31 December	2020	2021	2022
Total new employees hired	30	26	33
By country			
Germany	27	22	29
Thereof women	7	11	13
Thereof men	20	11	16
Spain	1	4	2
Thereof women	0	2	1
Thereof men	1	2	1
United Kingdom	2	0	2
Thereof women	0	0	2
Thereof men	2	0	0

Staff turnover

As at 31 December	2020	2021	2022
Turnover rate	3.0	3.45	1.47

Age structure

As at 31 December	2020	2021	2022
Average age	37	38	39
By age group			
Under 30	20	16	19
30 to 50	145	138	157
Over 50	13	13	23

Nationalities

As at 31 December	2020	2021	2022
Number of nationalities	25	23	32

Employee satisfaction and turnover

The basis of our success in recent years has been a work environment in which employees can develop in accordance with their particular strengths. In line with our claim 'Act like an owner', we encourage our employees to take personal responsibility for their actions.

Our management concept includes:

- More flexible working hours and working models.
- Leading by objectives and strengthening personal responsibility.
- Health promotion.
- Attractive remuneration.
- Employee share programme.
- Training opportunities.
- Diverse and inclusive working environment.

We also introduced a New Work Policy in 2022. This includes:

- The use of the HR platform HiBob.
- The option for our employees to take more than 30 days of leave.
- The possibility to work from an EU/EEA member country for up to four weeks a year.
- The promotion of a good work atmosphere by firmly scheduling time windows for small talk during meetings and the working day.
- The requirement to personally attend corporate events.
- The possibility for teams to define special needs together with staff members.
- The obligation for employees and visitors to sign in. All users must present a negative antigen test. Rooms must be regularly ventilated and disinfected.
- The obligation for every office user to keep the premises clean and to use resources such as water and energy sparingly.
- The fundamental permission for dogs to be in the office after consultation with the team and supervisor. Dog owners must ensure that the animal does not pose a nuisance or danger to staff and other animals.

In order to identify and tackle any issues at an early stage, we have conducted anonymous employee surveys on a weekly basis since 2016. In addition to their monitoring function, these surveys promote discussion about our Company and encourage managers and employees to share views with each other.

The core indicator is the eNPS, the Employee Net Promoter Score, which measures the willingness of employees to recommend a company to others. This willingness is ranked on an 11-point scale and given as the sum of the promoters (high willingness to recommend) minus the detractors (low willingness to recommend) (possible range between -100 and +100).

2020	2021	2022
eNPS: 55	eNPS: 65	eNPS: 62
Promoters: 61%	Promoters: 68%	Promoters: 65%
Neutrals: 33%	Neutrals: 31%	Neutrals: 33%
Detractors: 6%	Detractors: 3%	Detractors: 3%
Total survey participation rate: 60% (113 of 187)	Total survey participation rate: 55% (99 of 179)	Total survey participation rate: 62% (113 of 182)
Participation rate eNPS question: 45% (85 of 187 total)	Participation rate eNPS question: 41% (74 of 179 total)	Participation rate eNPS question: 43% (80 of 182 total)

In the context of the weekly surveys, the eNPS is asked on a quarterly basis and all figures represent average values for one year. Compared to previous years, we have adjusted the participation rate for 'missing data', which has led to changes in the eNPS value and the participation rate.

In the past few years, the coronavirus pandemic forced us to change the way we work together. Despite all the change processes, we managed to keep the satisfaction level of our employees at a high level. Above all, relationships with superiors and colleagues are rated particularly high.

With regard to the age structure of our workforce, the 30 to 50 age group accounts for the largest share (79% of all employees). Almost a tenth of the workforce is under 30 years of age and around 12% of the employees are older than 50.

Age structure of employees

Age	Under 30	30 to 50	Over 50
Employees	19	157	23
%	9.55	78.89	11.56

In 2022, our turnover rate (calculated according to the Confederation of German Employers' Associations; 'Bundesvereinigung der Deutschen Arbeitgeberverbände' - BDA) fell from 3.45% to 1.47%.

Turnover rate according to BDA formula and only including employees giving notice.

	2020	2021	2022
Average number of staff	178	167	199
Turnover for period under review	3.0	3.45	1.47

Decrease in the turnover rate: compared to the previous year (3.45%), we succeeded in reducing the turnover rate to 1.47%. We see this as further evidence of the attractive working environment ZEAL offers its staff.

More flexible working hours and working models

Employees are increasingly demanding a good work-life balance. A family-friendly work environment is an important criterion when selecting and evaluating a potential employer. In order to be able to win the competition for talent, ZEAL strives to ensure that employees can reconcile their individual life concepts with their professional life as far as possible.

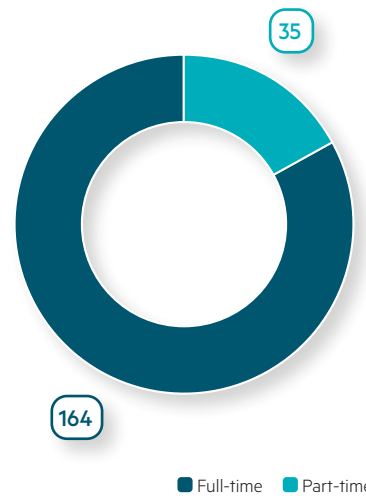
We promote equal opportunities for women and men as well as compatibility with family obligations. At ZEAL, staff can freely arrange their contractually fixed working hours (trust-based working hours). Where requested, we also offer the possibility of part-time work, which can be converted back to a full-time position if circumstances change. The possibility to take time off for special occasions, such as moving house, a wedding, the birth of a child, and seven additional paid days off if a child is ill, provides flexibility and makes it even easier for our employees to plan ahead. About 17% of our employees took advantage of the opportunity to take time off for special occasions. Almost 14% took advantage of the offer to take paid leave in the case of child illness.

Our new holiday policy gives employees the opportunity to take more than 30 days of holiday, after prior consultation. In this way, ZEAL wants to offer its employees greater flexibility while protecting their health and productivity.

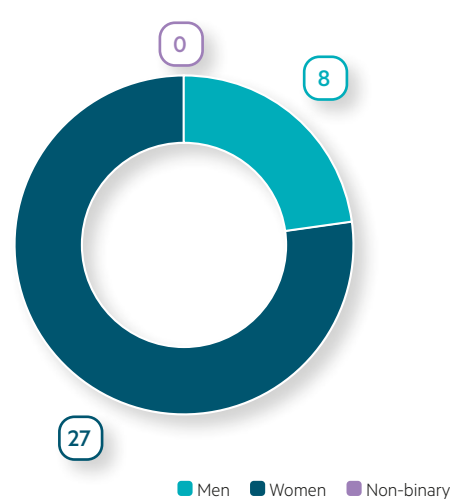
Due to the consequences of the coronavirus pandemic in particular, we had to take a new approach. At the request of many of our employees, remote working has therefore remained an integral part of our working culture even after the end of the statutory obligation to work from home. We will continue to allow employees to work remotely (in consultation with their manager and team) and offer them the freedom to work from an EU/EEA member country for four weeks a year. In 2022, a total of 13% of our employees took up this offer.

The regulations on more flexible working hours and working models are set out in a special guideline that all employees receive. This explains their rights and obligations regarding the various measures to increase the flexibility of their jobs. In 2022, our employees worked from home an average of three days per week.

Employees by working time model



Part-time work by gender



Freedom of association and collective bargaining

We respect the rights of our employees with regard to freedom of association and collective bargaining agreements. There are currently no employees with union-negotiated pay agreements at ZEAL. In principle, however, we are open to the establishment of employee representative bodies and collective agreements and will not hinder such efforts by our employees.

We also respect the right of our employees to join a trade union and would then also work constructively with employee representatives and their organisation.

Diversity

Diversity, equity and inclusion (DEI) is becoming increasingly important for companies, as a diverse workforce not only has a positive impact on the employer brand, but can also positively influence corporate culture and employee satisfaction. Furthermore, a diverse work environment helps to compensate for the shortage of skilled workers and to achieve better work results. In order to use and expand the existing diversity in a company, it must be managed in a targeted manner. This is done through diversity management.

As an international company, ZEAL naturally attaches great importance to diversity and a balanced representation of all genders, origins, religions and age groups. Nevertheless, we are aware that there is room for improvement in this area and that we can still become more diverse in certain areas.

We strive for a workforce that reflects the diversity of our society. However, for diversity to be a real advantage, it must be based on the principle of equality and managed in a targeted way. We launched a management approach in 2022 to support our development in this area. This includes promoting the conscious handling as well as the acceptance and equality of different people in companies, regardless of, for example, age, gender, ethnicity, skin colour, disability, religion, nationality, ideology or sexual orientation.

Our work culture enables equal opportunities regardless of these or other discriminatory characteristics. We promote the reduction of prejudices and educate our employees on the topics of diversity, inclusion and intercultural competence. Our sector tends to attract men, which is why we generally have a lower proportion of women than is the case in other sectors. This is also reflected in our Supervisory Board and Management Board.

However, with targeted diversity management and direct responsibility for this issue assumed by our CEO Helmut Becker, we aim to promote a diverse corporate culture and achieve greater diversity in the long term. In order to increase the proportion of women and the diversity of our Company as a whole, we have addressed the recommendations of the Diversity Charter and developed the following action plan, whose implementation we are currently reviewing. In addition, we already set up a working group in the 4th quarter of 2022 that will be responsible for diversity management at ZEAL. The goal is to drive the topic of diversity together with renowned consultants and stakeholders and to raise awareness among our employees.

Short-term goals	Description	Status
Appoint working group	Working group for the internal development and management of the topic at ZEAL.	2023
Guidelines	ZEAL Code (Code of Ethics).	Completed
Flexible working models	Reconciling work, care and family.	Completed
Analysis of personnel structure	What is the gender distribution? What are the cultural backgrounds of our workforce at different levels of experience? How is our employee age structure distributed across different hierarchies, areas and departments? Where is the need for more diversity particularly high?	Completed
Diversity calendar as an expression of our appreciation of a diverse corporate culture	For example, information on International Women's Day, International Day of Persons with Disabilities.	In planning
Signing of Diversity Charter	An expression of our commitment to become even more diverse in future.	In planning
Diversity success stories on the Intranet	Success stories from mixed teams, statements by managers on diversity management, or experience of role models are all intended to provide incentives and make the benefits of diversity tangible.	Under discussion
Leaders as role models	A clear commitment by our managers to our diversity approach.	Under discussion
Diversity events	Promoting the targeted reduction of prejudices and the sharing of experiences.	Under discussion

Medium-term goals	Description	Status
Neutral job advertisements and documents	To clearly express our openness to applicants with different circumstances and backgrounds.	In planning
Induction plans/onboarding	For equal opportunities from joining the Company.	Under discussion
Target agreements	For success in diversity management.	Under discussion
Job profiles	Clear skills profiles with results and target agreements to ensure equal opportunities in the selection process.	Under discussion
Team composition	Guidelines on how we can be mindful of mixed teams as much as possible.	Under discussion

Long-term goals	Description	Status
Enlist external support	To identify problem areas and potential even better and to develop an action plan.	2023
Focus groups	Especially in the early days of diversity management: exchange of different managers, employees and internal and external network partners to share experiences and adapt the concept to ZEAL's circumstances.	2023
Senior trainee programme	Re-entry of highly skilled staff after several years of parental leave.	Under discussion
Bonus systems	Rewards for employees who actively promote an appreciative and open organisational culture.	Under discussion
Trial part-time work	Breaking down barriers and prejudices to promote the acceptance of part-time work among men (and also women)	Under discussion
Flexible workplace concept	No fixed workplace, but free choice of workplace that best suits the current activity; opportunities for retreat and relaxation as well as a large communal kitchen and lounge for colleagues to spend time together.	On trial

We are committed to removing barriers to the participation of people with disabilities or other disadvantaged groups and to promoting an inclusive corporate culture. We currently employ one person with a disability.

Composition of our workforce

In the fiscal year 2022, ZEAL employed a total of 199 people. The average age of our employees in 2022 was 39 (2021: 38). There were 19 employees younger than 30 and 157 employees between 30 and 50. A total of 23 employees were older than 50 in 2022.

With regard to the education of our employees, we primarily use estimates. We therefore assume that more than 99% of our employees have a school-leaving certificate. We also estimate that up to 90% of our employees have a Bachelor's degree, up to 40% a Master's degree and up to 5% a PhD.

There are currently no women on the Management Board (4 persons) or the Supervisory Board (6 persons). In addition to the proportion of women, however, we also strive to achieve an appropriate level of diversity in terms of age, gender, educational or professional background and internationality. These aspects are already represented at Management Board level. ZEAL is also active in the online gambling business. For industry-specific reasons, the selection of candidates is therefore more constrained than in other sectors.

Women currently make up over 34% (2021: 17%) of the second management level. We have therefore already reached our target of raising the proportion of women at this level to 30% by 2025. In 2022, women accounted for 36.7% of our total workforce (2021: 34.1%).

In order to send a positive signal to the outside world, we strive to use gender-appropriate language in order to be as inclusive as possible when addressing people. At the same time, we strive to keep language barriers as low as possible (English is the Company language) to ensure good cooperation between our employees, who at present come from more than 32 different nations (2021: 23).

As in previous years, there were no controversial issues with regard to diversity and discrimination in 2022.

Recruiting and retaining talent

We offer our employees an attractive overall package of competitive remuneration, extensive additional benefits and training opportunities, as well as a corporate culture of partnership as equals. In 2022, we hired a total of 33 new staff (2021: 26), of which 29 in Germany (2021: 22), 2 in the UK (2021: 0) and 2 in Spain (2021: 4). In 2022, 48.48% of all new recruits were women (2021: 50%).

ZEAL pays a competitive salary in line with prevailing market rates. Remuneration is based on position, responsibility and tasks, and not on personal characteristics such as gender or origin. In addition to the fixed salary, we provide variable, performance-related salary components to motivate employees. The level of remuneration is regularly reviewed and, if necessary, adjusted following each personal development meeting. Within this defined framework, we conduct a review of existing salaries and adjust them to ensure we continue to offer our employees salaries commensurate with market conditions and performance. In 2022, the average monthly salary of employees at ZEAL, excluding remuneration of Management Board members and students, was €5,978 (2021: €5,782).

In addition to their basic salary, our managers receive variable remuneration with short- and long-term incentives linked to individual and Company-related issues. The Supervisory Board regularly adopts the target achievement parameters and sets new targets. The service agreements of Management Board members include clawback clauses. Specific malus provisions are limited to damages for misconduct. The current Management Board and Supervisory Board remuneration systems are described in detail in the Remuneration Report.

In order to strengthen loyalty and enable employees to participate in the Company's success, we make it easier for our permanent employees to purchase shares in the Company via our broad-based Employee Stock Purchase Plan (ESPP). Participation packages are offered in annual one-off purchase amounts ranging from €900 to €3,600 – and ZEAL grants employees a fixed gross rebate of 20% (including taxes and social security contributions) on the final amount invested. A total of 41 employees participated in our ESPP and held Company shares in ZEAL in 2022 (2021: 42). This represents 20.6% of ZEAL's total workforce (2021: 25.2%).

Extensive fringe benefits include – depending on the location – subsidised public transport tickets, Company-sponsored bike leasing, subsidised gym fees, free food and drinks in the office, shopping discounts, a personal development budget, language courses, team and Company events, day-care vouchers, health insurance contributions, life insurance and a Company pension scheme. In 2022, 22.1% of our employees took advantage of the offer for subsidised public transport tickets. In addition, 22.6% of our benefited from ZEAL's subsidised gym fees. A total of 6.0% of our employees took advantage of the opportunity to receive day-care vouchers.

We attach particular importance to the retention and promotion of talent – as it is these employees who ensure ZEAL's continued business success. Our Learning & Development Manager is responsible for this topic. This person's task is to manage personnel development projects, including the establishment and further development of a programme to promote personnel development measures. This programme is to be steered on the basis of KPIs such as employee satisfaction or individual development progress. Our strategic objectives are made tangible with the aid of specific, measurable target agreements. We use the OKR (Objectives and Key Results) framework to involve employees in a continuous, flexible process and thus strengthen their identification with the Company.

Depending on the business unit and the approach of the manager in charge, targets can be set with us as individual, team or business unit targets. It is possible to set quarterly, half-yearly or annual targets. We do not have a standard template or method for setting targets. However, the principle is that targets should be SMART, i.e. specific, measurable, achievable, realistic and timed. At least once a year, we review the achievement of these goals. If the targets have been achieved and a corresponding agreement was made in advance, our employees then receive their personal bonus payment.

In day-to-day business, we ensure transparent communication and fair distribution of tasks using the RASCI method¹, a popular project management tool. Both the SMART and RASCI methods are regularly audited. Active staff participation in every step of the process promotes and demands the commitment of each individual.

Our successful recruitment and talent management is reflected in top ratings on online portals and our very low turnover rate of 1.47% in 2022 (2021: 3.45%).

¹ The RASCI matrix is a project management tool that helps clarify the roles and responsibilities of different organisations and people in complex structures. RASCI is an acronym derived from the five most commonly used key criteria: Responsible, Accountable, Supporting, Consulted and Informed.

Occupational health and safety

We create a safe and healthy working environment as it reduces our financial risks arising from health-related absences, mental and physical stress and protects our employees from accidents. The biggest health risks associated with our business model come from the nature of our workplaces, the consequences of sitting for too long, and mental and physical strain caused by stress.

The topic of occupational health and safety therefore includes, in particular, direct protection against hazards at the workplace through appropriate, health-promoting work furniture and equipment, the prevention of accidents at work, for example due to tripping hazards or electrical equipment which is not properly maintained, as well as the promotion of a healthy lifestyle at work. Our safety culture therefore includes regular risk assessments, the appointment of several occupational safety officers and the consistent involvement and raising of employee awareness, for example through training.

The Health and Safety Officers are responsible for the implementation of specific projects. If necessary, the Officers can obtain advisory support from external experts at any time. These support them, for example, in conducting risk assessments. Our trained facility managers also regularly check the equipment and technology at our workplaces.

ZEAL provides a safe and healthy environment for its employees and guests in accordance with international standards and applicable laws. It is mandatory for new ZEAL employees to take part in internal training courses on occupational health and safety. For example, they receive an overview of the emergency exits available in their office building or information on specific procedures in emergency situations. Once a year, all employees must attend a 30-minute training session to refresh their knowledge of occupational health and safety regulations. If there are changes in the relevant regulations, we inform our workforce immediately.

We expect all employees to be familiar with the applicable regulations and guidelines at all times and to follow them exactly. However, if there are any violations of occupational health and safety regulations, we will consistently pursue and sanction them. Our employees are required to immediately report any situation or process that could pose a risk to health, safety or the environment.

In order to prevent work-related illnesses, our employees can take advantage of various offers. These include, in particular, medical support from the Company doctor, Health Days, various sports activities and active stress management.

For example, the Company doctor holds regular workshops on the topic of ergonomic working practices. At the same time, our desk workplaces are ergonomically designed and regularly checked to ensure that the desks and chairs are optimally adjusted.

We also try to promote the well-being of our staff by offering Health Days. The two Health Days offered in 2022 were attended by around 42% of our employees.

Our sports activities mainly include the subsidised use of gyms, swimming pools or other sports facilities. Around 21% of our employees took advantage of this offer in 2022. In addition, all employees can take part in a guided online training session once a week, especially to prevent strain or back pain. Every fortnight, our employees are also offered treatment and advice from a professional physiotherapist during working hours.

Proactive stress management is also part of our prevention strategy and employees receive regular training on the topic of mental health at work. Counselling is provided in one-on-one discussions about stress factors, such as workload or team conflicts. If necessary, we arrange for confidential external psychotherapeutic treatment. In addition, we offer our employees the opportunity to work flexible hours if their field of activity allows it. In this way, we try to facilitate an optimal work-life balance.

Our healthcare measures enabled us to achieve an accident rate of 0.51% in 2022 (2021: 2.78%). There was also only one work-related injury in 2022 (2021:1) and no fatalities (2021: 0). The sickness rate at ZEAL in 2022 was 3.61% (2021: 2.78%). The number of reportable work-related sickness cases in 2022 was 0 (2021: 0). The average hours worked per week per employee at ZEAL in 2022 was 38.1 (2021: 38.0). Overall, there were no controversial issues relating to occupational health and safety and no violations of our occupational health and safety regulations at ZEAL in 2022.

Training employees and promoting their development

Our continuing education and training programme ensures that our employees develop in line with our corporate strategy and are trained in the relevant skills needed to achieve this.

Our training programme includes regular training according to the respective tasks and areas of responsibility.

We also offer individual training opportunities based on annual discussions with staff, performance appraisals and internal surveys. These may include recommendations for coaching on a specific topic, professional or technical training, or courses to improve social skills.

For this purpose, an annual training budget of €1,500 (€2,500 for managers) is allocated to each staff member. In 2022, our employees used €1,064 of this amount on average (2021: €354; 2020: €510).

In 2022, ZEAL incurred further continuing education costs of €211,677.

In order to improve the promotion of continuing education for our employees, ZEAL has created the position of a Learning & Development Manager. This position has been filled since 1 February 2023. The manager's task is to oversee staff development projects. These will include the establishment of a programme to promote personnel development measures, steered on the basis of KPIs such as employee satisfaction or individual development progress. In addition, employees are to be encouraged to make use of the training budget available to them as well as the various continuing education offers.

In addition to voluntary training opportunities, ZEAL offers mandatory training for all employees on the topics of data protection and information security. In addition, employees are also trained in critical areas regarding responsible gambling. The universally applicable guidelines are made available to all employees at a central location and compliance with them is audited at regular intervals.

Details on the scope, implementation and control of training courses are listed in the respective chapters.

CORPORATE SOCIAL RESPONSIBILITY

Taking responsibility is a central component of our values. As a provider of lottery products and services, we have a particular responsibility to society as gambling can lead to addictive behaviour. However, lotteries also play an important role in society, because they have traditionally always been an important mainstay for the common good.

LOTTERIES AND THE COMMON GOOD

Ever since lotteries have been supervised by the state, money has flowed into numerous socially relevant projects. Around 40% of lottery stakes received by the state lottery companies benefited society as a whole over the past few years in the form of taxes and levies. According to figures of the German Association of State Lottery Companies ('Deutscher Lotto- und Totoblock' – DLTB), around €3.2 billion was transferred to the state budgets or beneficiaries in the form of taxes and levies in 2022 (2021: over €3.2 billion). This corresponds to around €8.7 million per day for good causes throughout Germany – money which is absolutely vital for the funding of numerous projects in the field of welfare, sport and culture, as well as landmark and environmental protection.

As a Company that pays taxes, ZEAL also contributes to the funding of our community. We do not engage in tax avoidance schemes. Our CFO Jonas Mattsson is responsible for the topic of taxation.

In 2022, ZEAL paid a total of €30.3 million in taxes and levies (2021: €31.4 million). In addition, as in previous years, we were able to generate funds for important social and societal projects amounting to €286 million (2021: €246 million; 2020: €246 million) through our brokerage activities.

And our charity lotteries make an additional contribution. Our own lottery products, such as 'freiheit+', are charity lottery products where our partner Bildungsschancen helps finance social projects.

In total, 100% of our products currently have a social and/or environmental impact and benefit the common good.

A detailed list of all taxes paid by the Company and its subsidiaries in various jurisdictions and countries can be found in the financial section of our Annual Report.

STAKEHOLDER DIALOGUE

Actively engaging with stakeholders is an essential part of our responsible, non-judgmental approach to business. Continuous dialogue enables us to incorporate the aims and requirements of various stakeholders identified in our materiality analysis into our business operations, and to identify long-term problems and contentious issues at an early stage. An overview of our stakeholder dialogue activities, including key data and measures, is detailed below.

CUSTOMER SATISFACTION

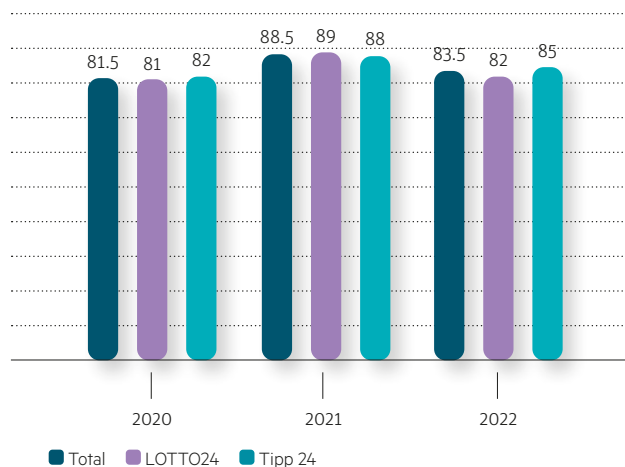
ZEAL is defining the future of lotteries and games of chance by providing an exciting but safe customer experience while contributing to the common good. This is why we regularly measure the satisfaction of our customers by conducting customer satisfaction surveys.

Customer surveys are carried out online via e-mail invitation. Last year, a total of 1,068 customers were surveyed for LOTTO24 (477) and Tipp24 (591).

As our survey tool has remained largely unchanged over the past years, we have standards with which we can also reliably record and react to changes.

One important indicator is the recording of overall satisfaction, for which we use a 7-point scale – from 1 = very dissatisfied to 7 = very satisfied and display the top 3 boxes (scale points 7, 6 and 5) together.

Customer satisfaction (%)



2022: n = 1,068 (n = 477 LOTTO24 + n = 591 Tipp24), representation of top 3 boxes on a 7-point scale from 1 = very dissatisfied to 7 = very satisfied

The scores show that although overall satisfaction has declined slightly compared to the previous year, over time it remains at a stable overall level of over 80%.

DIALOGUE WITH SHAREHOLDERS AND RATING AGENCIES

By continuously and actively engaging with our shareholders, we can develop an understanding of their needs and assessments and thus gauge how we can ensure our business activities are in line with their legitimate interests. At the same time, this helps give us a better understanding of our shareholders' investment behaviour and address any issues in advance. In the interest of our shareholders, we strive to ensure the greatest possible degree of transparency about our actions, our strategies and the basis for our decisions.

We actively encourage our shareholders to get involved and exercise their rights. German law lays down strict rules that we cannot alter. These include a threshold for the right to add items to the agenda of general meetings starting at a threshold of 5% of all issued shares or a proportionate amount of €500,000. The right to vote at general meetings is anchored in German law according to the rule 'one share, one vote'.

In 2022, we stepped up our dialogue with relevant ESG rating agencies. As part of a rating impact analysis, we reviewed and systematically evaluated our sustainability ratings. This enabled us to enter into a results-oriented dialogue with the rating agencies. As a result, we have already improved our sustainability ratings in a first step and defined goals for the further implementation of measures to improve our sustainability performance. As a Company, we benefit from this improvement in our ratings as it makes us more attractive to investors. At the same time, a stronger rating performance means a gain for our stakeholders as it reflects our contribution to a sustainable transformation of the economy and society.

STRONG PARTNERSHIPS

As part of our corporate social responsibility efforts, we take responsibility by partnering with charities – such as the Spanish Organización Nacional de Ciegos Españoles (ONCE). ONCE, a Spanish organisation for the visually impaired, helps people who are blind or have a visual impairment to lead independent lives. Founded in 1938, the company prides itself on having created a range of specialised services that have enabled thousands of people to fulfil their potential.

ONCE's mission includes creating jobs, offering scholarships and building hospitals, schools and specially equipped sports and recreational facilities. To increase its financial scope and optimise online distribution, ONCE partnered with our subsidiary ZEAL Iberia in 2012, which has since been responsible for managing the digital distribution channel – from product management to player acquisition and retention.

In 2016, we were also the first German lottery broker to include 'Deutsche Fernsehlotterie' – Germany's oldest charity lottery to support people in need – in our product range. As a result, we provide additional indirect support for further social and community projects.

By buying stakes in our lottery club 'Das Grüne Glück', our customers can support the planting of trees in developing countries, as we donate one tree per stake, three trees for two stakes and eight trees for four stakes. In the fiscal year 2022, more than 243,000 trees (2021: 209,000 trees) were planted by the local population around the world with the aid of our project partner Eden Reforestation Project. Since the lottery club was launched, over 680,000 trees have been planted. As well as actively combating climate change, this project also offers employment prospects for the local population.

With the charity lottery 'freiheit+' that ZEAL developed on behalf of BildungsChancen gGmbH, we have been promoting educational projects in Germany and around the world since March 2020. Its aim is to help people tap their personal potential, which in turn benefits society as a whole. Since 2020, over €13 million has already been awarded to education projects – €5.9 million in 2022 alone (2021: €5.4 million). This money is used to sponsor projects of the lottery's three initiators 'Stifterverband', SOS Children's Villages Worldwide and the 'German Children and Youth Foundation – DKJS', as well as numerous projects of independent organisations. In 2022, we were able to support a total of 69 educational projects (2021: 103; 2020: 51).

SOCIAL STANDARDS IN THE SUPPLY CHAIN

Due to its size, ZEAL is not subject to direct obligations under the Supply Chain Act. Nevertheless, we pay careful attention to possible risks of human rights violations when selecting our contractual partners.

These contractual partners are based especially in the EU and the USA, and largely provide electronic services. The high standards that apply in these countries ensure a high level of compliance with human rights. In addition, there are only very low risks of human rights violations in the supply chain when providing electronic services. We have therefore not yet initiated any specific risk analyses. However, we require our business partners to comply with the principles and requirements on social, environmental and governance issues set out in our ZEAL Code.

INTEGRITY – THE BASIS FOR OUR SUCCESS

We are convinced that ethical behaviour and economic success are not mutually exclusive. Conducting our business with integrity secures our reputation as a trustworthy and reliable business partner. Integrity means doing the right thing even when no one is watching. We clearly defined this value in our ZEAL Code (Code of Ethics), introduced in 2022, and further specified how it should guide us in our daily work together and with other stakeholders such as our customers, business partners or investors.

Our reputation as a trustworthy and reliable business partner is an important factor for sustainable success. Our behaviour, our communication and all other interactions with our stakeholders should therefore strengthen the trust people place in us. In its broadest sense, 'compliance' means 'adherence to rules'. For ZEAL, this means adhering to all relevant laws, regulations and international guidelines, in particular the State Treaty on Games of Chance, the EU GDPR, IT security, financial regulations.

Our own guidelines and policies, above all our ZEAL Code, illustrate how we want to live our values and how we can ensure compliance with rules in our everyday lives.

We are firmly committed to creating a working environment and culture that promotes ethical behaviour and prevents such compliance violations. We expect all our employees to take responsibility for their actions and to feel personally accountable for complying with the law and our internal policies. For us, integrity means making the right decision in accordance with our values and ethical expectations to the best of our knowledge and belief, even if there are no written rules, and speaking up when violates their sense of justice.

Pursuant to section 161 AktG, the Supervisory Board and Management Board have issued a Declaration of Conformity with the German Corporate Governance Code and made it permanently available to shareholders on the Company's website (zealnetwork.de).

COMPLIANCE MANAGEMENT

For us, compliance means reducing legal risks, safeguarding our reputation and managing our corporate culture. ZEAL has several policies based on the ZEAL Code that guide the entire ZEAL team to make the right decision in difficult situations. One example is our rules on accepting or giving invitations and gifts from business partners. Another example is the double-check principle for financial matters.

We have implemented a compliance management system (CMS) consisting of a set of measures and processes based on the established auditing standard IDW PS 980 of the Institute of Public Auditors in Germany ('Institut der Wirtschaftsprüfer in Deutschland' – IDW). It is designed to ensure that we act in accordance with ethical principles and adhere to all applicable laws, internal regulations and voluntary commitments. We pay particular attention to compliance with requirements in the fields of gambling regulation, data protection, IT security, competition, corruption and fraud, occupational health and safety, working conditions and general non-discrimination.

Our measures are data-based and the result of a thorough, regularly repeated risk analysis (see Risk Management chapter). We also constantly monitor the development of legal requirements. This continuously ensures the effectiveness and efficiency of our Content Management System. Regular information events and training ensure that the entire ZEAL team is always up to date, and everyone is called upon to report (potentially) unethical behaviour in their business relationship with ZEAL to our Compliance team. Our Compliance Team is constantly available for compliance-related questions via our internal contact options. The questions received are documented and analysed in order to use them as a basis for the continuous improvement of the CMS.

By setting the 'tone from the top', all managers are obliged to exemplify, through their own behaviour and attitudes, a culture of risk management that encourages staff to comply with the applicable regulations and to avoid violations. Managers with responsibility for particularly sensitive compliance areas regularly hold workshops to analyse and assess potential risks and to define appropriate risk-reducing measures. The Compliance Officer, who reports directly to the Management Board, is responsible for coordinating these workshops as well as for the entire CMS.

According to section 8 (3) of the Management Board's own rules of procedure, it must inform the Supervisory Board regularly, promptly and comprehensively about all issues relating to strategy, planning, business development, the risk situation, risk management and compliance that are relevant for the Company. It must also address any deviations from the established plans and targets for the course of business, stating the reasons. The duty to inform and report to the Supervisory Board is incumbent on the entire Management Board under the coordination of the Chairman of the Management Board. Reports of the Management Board to the Supervisory Board are generally made in text form. Relevant documents, in particular the annual financial statements, the consolidated financial statements and the auditor's report, shall be sent to the members of the Supervisory Board in good time before the meeting. Furthermore, economic, performance-related components are part of our remuneration system for the Management Board. The inclusion of sustainability criteria in the remuneration system is currently being examined. The remuneration of our Management Board is listed in the financial part of this report.

An effective strategy for the prevention and avoidance of compliance risks also requires suitable, informed and independent control bodies. In addition to proven industry expertise in our field of activity and thus the related specific requirements and risks, our Supervisory Board is of central importance in this regard. The independence of the Supervisory Board's members is in accordance with German stock corporation law and corporate governance regulations.

Further concrete measures to ensure business integrity and data, for example on violations or complaints, are listed in the chapters on Fair Competition, Combating Corruption and Money Laundering, Lobbying and Risk Management at ZEAL. We also report key figures on our compliance management, as shown below. We disclose related party transactions in detail and in accordance with IAS 24 (Related Party Disclosures) in note 30 to the Consolidated Financial Statements in this annual report. Complete information on the fiscal year 2021 can be found in the Annual Report 2021, also in note 30 to the Consolidated Financial Statements.

FAIR COMPETITION

The German lottery market is strictly regulated and dominated by the 16 state regional monopolies of the lottery companies of the German Association of State Lottery Companies ('Deutscher Lotto- und Totoblock' – DLTB). We value freedom of competition and are committed to fair conditions for all market participants, as these ensure that we and our competitors can drive innovation while complying with the legal requirements for our products and services. We comply with the legal requirements for fair competition and base our management approach on these. As a commercial gaming broker, ZEAL offers an independent alternative to the state's own sales outlets, enabling players to use state lotteries and other gaming products via a uniform offering. In doing so, ZEAL complies with the laws and regulations valid in the Federal Republic of Germany and the EU, in particular the requirements of gambling and competition law.

We do not enter into price agreements, set sales quotas or divide up markets, nor do we tolerate such behaviour. We also comply with the UWG and do not accept any actions that distort competition, such as discrediting competitors or using misleading advertising (see also the section Responsible Marketing). Our management approach also stipulates that we make agreements with suppliers or customers that are always unambiguous and document them within the framework of contracts. Verbal or even hidden side agreements are not tolerated and have no validity. In addition, our ZEAL Code (Code of Ethics) excludes anti-competitive behaviour and provides for a whistleblower system to anonymously report any violations.

Since fairness in competition is of great importance to us, we have also entered into a partnership with the Centre for Protection against Unfair Competition ('Zentrale zur Bekämpfung unlauteren Wettbewerbs Frankfurt am Main e.V.' – for short: 'Wettbewerbszentrale'), a self-regulatory institution operating throughout Germany and across borders to enforce the law against unfair competition. 'Wettbewerbszentrale' acts as an advisor to us, above all in questions of competition law or legal practice in competition. Among other things, this enables us to recognise and manage competition law risks at an early stage. In this way, we also fulfil our social responsibility to promote fair business relations and fair competition in our industry.

In the past three years, we have had no legal proceedings for anti-competitive behaviour and suffered no other monetary losses resulting from unethical or illegal behaviour.

COMBATING CORRUPTION AND MONEY LAUNDERING

We counter the increased risk of money laundering in the gambling sector with a variety of measures, including close monitoring, continuous staff training and an anonymous reporting system as part of our Compliance Management System.

Corruption and money laundering are crimes in Germany and abroad that we do not tolerate and that pose a risk to our reputation. We do not tolerate any form of corruption, such as bribery, embezzlement, money laundering, extortion or other forms of corrupt behaviour. Above all, we do not accept any abuse of our lottery services for the above purposes. We therefore also insist that our employees immediately report any violations and misconduct. We take immediate action against any attempt of illegal influence and corruption, including the termination of our cooperation.

Our management approach is based on our ZEAL Code. We also promote an open corporate culture in which our workforce feel they can 'Think Brave' and raise concerns. It should always be possible for everyone to freely express any doubts they may have about the correct behaviour of others in the course of our business operations. Various channels and opportunities are open for this purpose: actual or suspected violations, as well as concerns, can be expressed to superiors, directly to the Management Board or anonymously through our publicly accessible whistleblowing system at zeal.whistleblownetwork.net.

Our Whistleblower Policy is also publicly available through our whistleblower system. The system is available in all languages relevant to ZEAL employees. In addition, information can also be sent by e-mail to ethics@zealnetwork.de. All information is processed by the Compliance Department with the assistance of external compliance specialists and any necessary steps are subsequently taken. Whistleblowers will never be denounced, disadvantaged, punished or otherwise prosecuted by us.

Furthermore, LOTTO24 AG conducts annual audits of the money laundering risk. End-customer offers are marketed in Germany via LOTTO24 AG. The last audit took place in March 2022 and was conducted in accordance with the requirements of ISO Standard 31000.

We take particular account of the areas identified by the National Risk Analysis of the Federal Republic of Germany 2018/2019:

- High threat of money laundering with simultaneously low risk of terrorist financing.
- Obfuscations due to a high number of transaction options when playing online, for example by using several payment accounts of different payment providers.
- Misuse of gambling accounts for illegally acquired funds.
- Misdeclaration of payouts as gambling winnings.

In order to further prevent or reduce payment fraud, we have established the 'Payment, Fraud and Verification' department, which currently comprises five full-time employees, and have set out our money laundering strategy in LOTTO24 AG's money laundering prevention concept. Elements of this strategy are:

- Establish and maintain effective and efficient processes to combat money laundering for administrative and day-to-day operations.
- Develop and maintain appropriate controls over applicable laws and regulations.
- Establish and adhere to adequate and efficient processes for reporting suspicious money laundering activities.
- Implement and support processes that manage reliability, identification and other KYC requirements based on a risk-based approach, as well as processes that fulfil enhanced due diligence requirements in relation to high-risk clients, such as politically exposed persons.
- Implement and support risk-based systems and processes to monitor player activity on an ongoing basis.
- Processes by which suspicious activities are reported internally and, where appropriate, to the relevant authorities.
- Prepare and supervise sufficient reports for the prescribed minimum periods.
- Implement and support processes that verify and support employee identification, due diligence and background checks using a risk-based approach.
- Train and raise awareness of all staff concerned.
- Provide sufficient information to management and supervisors regarding compliance with the requirements established and/or resulting from the law.

All employees are informed at regular intervals about the principles set out here and the possibility of using the whistleblower system.

We will continuously monitor our comprehensive prevention concept in the future and record all cases of suspected or verified misconduct as well as messages in this matter.

LOBBYING AND ASSOCIATION MEMBERSHIPS

Lobbying as participation in political and social discourse is part of our social and corporate responsibility. It is in the interest of our Company and our shareholders that we bring our perspective to the political discourse and address potentially business-damaging anti-corruption guidelines. In doing so, we are committed to the principles of non-partisanship, democratic opinion-forming, pluralism and transparency. ZEAL does not endorse any political parties, candidates or office holders – our political engagement is always based on issues and result-oriented. We have anchored this in our ZEAL Code.

As part of our transparency commitment, we publish our association memberships. In 2022 these were:

- German Lotto Association ('Deutscher Lottverband').
- CDU Economic Council ('Wirtschaftsrat').
- SPD Economic Forum ('Wirtschaftsforum').
- Professional Association of Compliance Managers ('Berufsverband der Compliance Manager').
- Wettbewerbszentrale.

The main topics of our lobbying activities are:

- Gambling regulation.
- Data protection.
- Capital and financial market issues.

STRUCTURES

Our sustainability strategy includes the creation of clear responsibilities for ESG-relevant topics. ZEAL follows a systematic approach and places responsibility at corporate management level, but also at the level of individual departments, each focusing on different aspects. While our Supervisory Board is responsible for the supervision of our ESG strategy, the Management Board is responsible for steering all sustainability-relevant goals and decisions and their follow-up. Based on these fundamental decisions, our directors coordinate and implement the strategic sustainability goals with different areas of focus.

Main responsibilities for our ESG strategy and activities



RISK MANAGEMENT

The early identification of risks ensures our ability to act and our entrepreneurial resilience. Within the Company, risk and opportunity management is a central component of internal business planning and thus influences all possible dimensions of our actions, both on an economic, ecological and social level, as well as in the context of governance and compliance. Our Compliance Officer reports directly to the Management Board, so that the latter is informed at all times about ZEAL's situation and prospects.

Our management approach includes clear responsibilities, processes and tools that enable us to identify risks at an early stage and address them adequately. In 2022, we realigned our risk management to be even more data-driven and introduced the AI-based governance, risk & compliance tool 'Alyne'. Using Alyne, we record all critical corporate assets, identify, classify and assess risks, and keep our classifications up-to-date via annual assessments.

One advantage of our approach is that we have placed risk management in different areas of the Company and have thus made it more comprehensive.

Each employee is supported in his or her decisions by the software-based risk management and can thus draw on its expertise, enabling the entire Company to act competently with regard to potential and actual risks of all processes and decisions.

Our management and Supervisory Board also assess our risk management processes at least once a year so that we can optimally combine our data-based approach with our strategic goals.

In 2022, we also started to set up an additional internal control system (ICS) that records financially critical processes, their risks and controls. Both systems, Alyne and ICS, are to be linked in 2023 in order to make our risk management process even more comprehensive and secure.

CORPORATE GOVERNANCE STANDARDS

The following overview lists the relevant governance and reporting standards which we comply with and details the audit cycles.

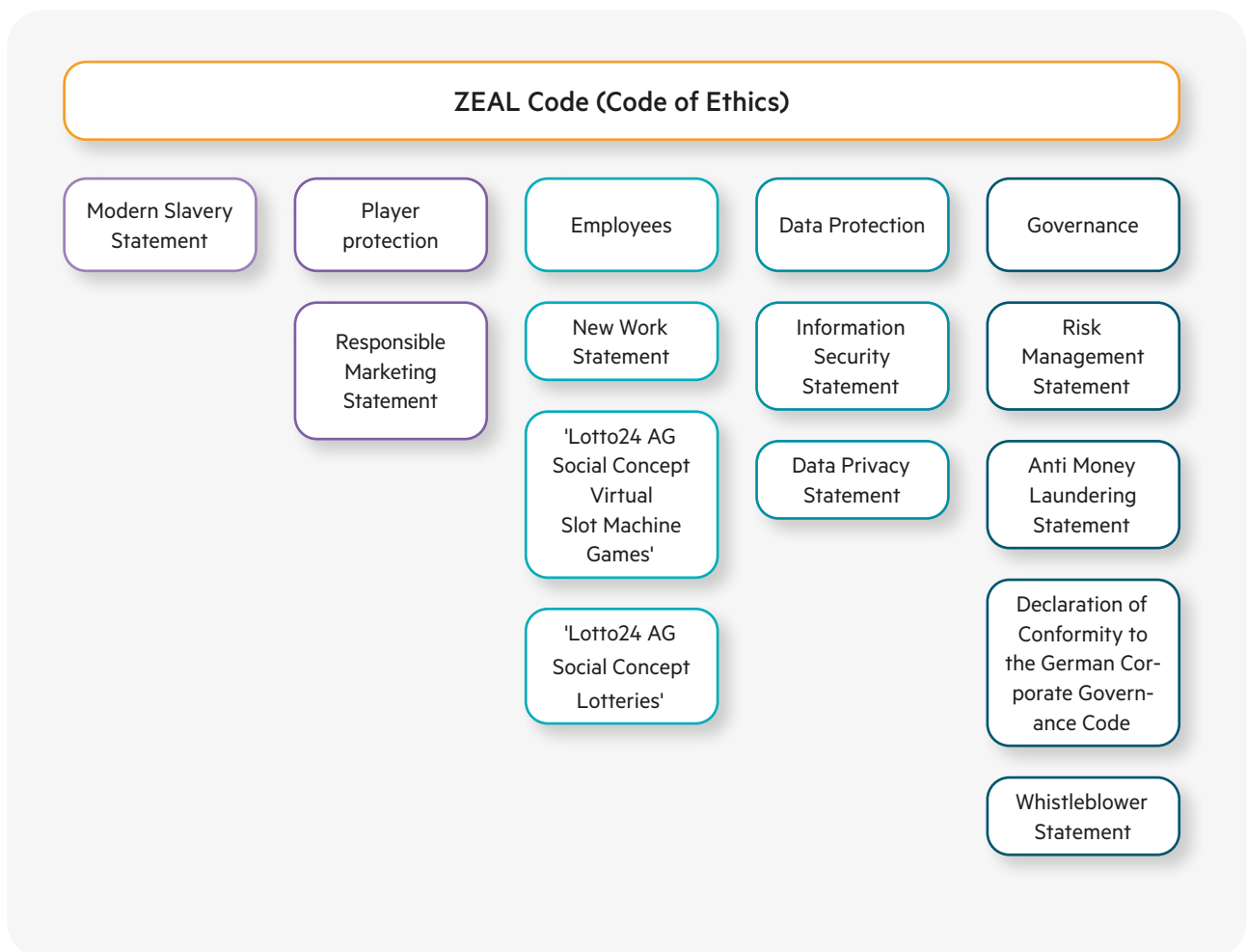
Area	Standard
Standards applied for auditing accounts	ISA (International standard on auditing)
Standards applied for auditing non-financial information	ISO27001
Frequency of financial information audits (per year)	Annually with six-monthly reviews
Frequency of non-financial information audits (per year)	Annually
Standards applied for financial reporting	IFRS (International Financial Reporting Standards)
Standards applied for non-financial reporting	GRI, ISO27001
Certification of Business Continuity Management System according to international standards	We constantly replicate our data from our primary to a secondary data centre and store backups at an off-site location with an external provider. Our production environment is currently run in a highly available cloud environment. In the event of a disaster, our employees can work from any location. The ZEAL Group's systems are largely virtual and therefore accessible at all times.
Certification of Information Security Management System according to international standards	ISO27001
Controversies related to the reliability and availability of systems and standards	0

ETHICAL GUIDING PRINCIPLES

The following overview describes the entirety of our guiding principles. The foundation is our ZEAL Code, updated in 2022, which contains central commitments on all topics, including corruption prevention, financial reporting, environmental and social issues. On this basis, we have further detailed concepts and procedures in the areas of player protection, employees, data protection and governance. We also translate the values and laws of relevance to us, for example through internal guidelines (Group Policies), so that our employees receive both guidance and orientation in their day-to-day work.

For further information in addition to this Sustainability Report, we have prepared summarised descriptions of our guiding principles for the topics listed below. The respective documents in the overview below can be accessed on our corporate website zealnetwork.de.

The ZEAL Code, our Guiding Principles, and our internal Group Policies are generally valid throughout the Group, with the exception of our social concepts (Responsible Gambling Policies), which are based at LOTTO24 AG, as we market the majority of our products there.



GLOSSARY

AA1000 Standard (SES)

AccountAbility's AA1000 Stakeholder Engagement Standard (SES) is a universally applicable framework for designing, assessing, implementing and communicating high-quality stakeholder engagement.

German Sustainability Code (‘Deutscher Nachhaltigkeitskodex’ – DNK)

The German Sustainability Code (DNK) is a cross-industry transparency standard for reporting corporate sustainability performance. It was last expanded in February 2022 to include an additional reporting option on EU Taxonomy. To comply with the DNK, companies prepare a declaration on 20 DNK criteria and the supplementary non-financial performance indicators.

German Corporate Governance Code (‘Deutscher Corporate Governance Kodex’)

The German Corporate Governance Code represents the basic legal regulations for the management and supervision of listed companies in Germany and adopts internationally and nationally recognised standards of good and responsible corporate governance in the form of recommendations.

General Data Protection Regulation (EU GDPR)

The General Data Protection Regulation (EU GDPR) is an EU regulation that sets out rules for handling personal data in a uniform manner. This applies to private and public entities throughout the EU. The aim is to guarantee the protection of personal information within the EU while enabling the free flow of data within the European Single Market.

Diversity

Diversity refers to the conscious handling as well as the acceptance and equality of different people in companies, regardless of, for example, ethnicity, skin colour, age, gender, nationality, religion, ideology or sexual orientation.

Renewable energies

Renewable energies are types of energy that are considered sustainable resources because they are self-renewing and thus cannot be depleted as a resource. Renewable energies include, for example, wind energy, solar energy and hydroelectric power. These are also grouped under the category 'green electricity', while 'grey electricity' refers to electricity from sources of unknown origin and fuels.

ESG

E = Environmental, S = Social, G = Governance. ESG refers to non-financial factors that investors use to check potential investments. They also refer to the sustainability impacts and contributions of a particular company and the associated risks for the company. Companies are increasingly expected to report on ESG factors.

EU Ecodesign Directive

Since 2005, the EU Ecodesign Directive has set a framework for uniform ecological design requirements for products within the EU. This directive promotes the market for efficient and environmentally friendly products and enables significant savings in energy and resources in the area of appliances and products.

EU Taxonomy

The EU Taxonomy is a comprehensive classification system of the European Union for sustainable and environmentally friendly economic activities. The aim is to create, for the first time, a uniform understanding of the sustainability of economic activities in the EU.

Greenhouse Gas Protocol (GHG Protocol)

The Greenhouse Gas Protocol (GHG Protocol) is currently the most widely used standard for accounting greenhouse gas emissions. The development of the GHG Protocol is coordinated by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

Global Reporting Initiative (GRI)

The Global Reporting Initiative (GRI) originates from a 1997 initiative by CERES, a US investor initiative, and the Finance Initiative of the United Nations Environment Programme. The GRI is an international standardisation organisation for sustainability reports. It is internationally accepted and represents the de facto standard for sustainability reports worldwide.

German State Treaty on Games of Chance

In Germany, the online offering of lotteries is regulated by the State Treaty on Games of Chance ('Glücksspielstaatsvertrag' – GlüStV). The current GlüStV has been in force since 1 July 2021. The GlüStV has an indefinite term and can be terminated by individual federal states on 31 December 2028 at the earliest. The GlüStV contains regulations that apply to all forms of gaming and are also relevant for commercial gaming brokerage.

International Labour Organisation (ILO)

The International Labour Organisation is the oldest specialised agency of the United Nations. It was founded in 1919. The ILO's objective is to define globally valid labour and social standards.

NACE (French: Nomenclature statistique des activités économiques dans la Communauté européenne)

NACE is a system for classifying economic activities and was designed by the European Union on the basis of the International Standard Industrial Classification of all Economic Activities (ISIC) of the United Nations.

OKR (Objectives and Key Results) Framework

The Objectives and Key Results (OKR) framework links the tasks of teams and employees with the company's strategies, plans and visions. Objectives are divided into qualitative objectives and quantitative key results.

IDW PS 980

IDW PS 980 is a standard set by the Institute of Public Auditors in Germany ('Institut der Wirtschaftsprüfer in Deutschland' – IDW). It determines the effectiveness of compliance management systems (CMS). The standard is applicable to the audit of a company's CMS regardless of the respective sector.

Science Based Targets (SBTs)

The Science Based Targets initiative (SBTi) is a joint initiative of the Carbon Disclosure Project, the UN Global Compact, the World Resources Institute and the World Wildlife Fund. The SBTi supports companies in setting ambitious emission reduction targets based on the latest climate science.

Sustainable Development Goals (SDGs)

The United Nations Sustainable Development Goals (SDGs) are a collection of 17 interlinked global goals for sustainable development. They were published under the title 'Transforming our world: The 2030 Agenda for Sustainable Development (for short: Agenda 2030)'. Its call for companies to participate comes primarily from the international community of states, in Europe primarily from the EU member states and the EU Commission, from individual initiatives such as the UN Global Compact, the Global Reporting Initiative (GRI) and the World Business Council for Sustainable Development (WB-CSD), but also from investor groups, and is reflected in legal requirements and corresponding standards.

Materiality analysis

A materiality analysis is a process to identify the most important (material) economic, environmental and social issues and challenges of a company. Basically, a materiality analysis has several functions. It helps to identify the relevant stakeholders and thus the addressees of sustainability reporting. In addition, a materiality analysis enables the prioritisation of areas of responsibility and fields of action and thus reduces complexity. It also helps in the selection of suitable strategic goals, policies, certifications, indicators or rating priorities.

GRI Reporting Framework

Disclosure Table

GRI indicator	Location/reference in report
GRI 2: General disclosures	
2-1 a Legal name of the organisation	About this Sustainability Report
2-1 b Legal form of the organisation	About this Sustainability Report
2-1 c Headquarters of the organisation	Hamburg/Germany About this Sustainability Report
2-1 d Countries of operation of the organisation	About this Sustainability Report
2-2 a All entities of the organisation that are considered in the Sustainability Report	About this Sustainability Report
2-2 b If the organisation has audited consolidated financial statements or financial information filed on public record, the differences between the list of entities included in its financial reporting and the list included in its sustainability reporting must be specified	No differences About this Sustainability Report
2-3 a Reporting period and frequency of sustainability reporting	About this Sustainability Report
2-3 b Reporting period for financial reporting	11.2022-31.12.2022
2-3 c Publication date of the report or reported information	23 March 2023
2-3 d Contact point for questions about the report or the reported information	About this Sustainability Report
GRI 3: Material topics	
3-1 Process to determine material topics	Stakeholder mapping and material topics
3-2 List of material topics	Stakeholder mapping and material topics
3-3 Management of material topics	Stakeholder mapping and material topics
GRI 201: Economic performance	
201-1 Direct economic value generated and distributed	Group Management Report
GRI 205: Anti-corruption	
205-2 Communication and training about anti-corruption policies and procedures	Combating corruption and money laundering
GRI 206: Anti-competitive behaviour	
206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Fair competition
GRI 207: Tax	
207-1 Approach to tax	Group Management Report
207-2 Tax governance, control, and risk management	Risk management
GRI 301: Materials	
301-3 Reclaimed products and their packaging materials	Reuse: IT Hardware

GRI 302: Energy

302-1	Energy consumption within the organisation	Our electricity consumption
302-3	Energy intensity	Our electricity consumption
302-4	Reduction of energy consumption	Our electricity consumption
302-5	Reductions in energy requirements of products and services	Our electricity consumption/ Digital technologies and innovation

GRI 303: Water and effluents

303-1	Interactions with water as a shared resource	Our water consumption
303-5	Water consumption	Our water consumption

GRI 304: Biodiversity

304-2	Significant impacts of activities, products and services on biodiversity	Environment
304-3	Habitats protected or restored	Our goal: reducing and offsetting emissions

GRI 305: Emissions

305-1	Direct (Scope 1) GHG emissions	Our CO ₂ emissions
305-2	Energy indirect (Scope 2) GHG emissions	Our CO ₂ emissions
305-3	Other indirect (Scope 3) GHG emissions	Our CO ₂ emissions (measurement in progress)
305-4	Intensität der Treibhausgasemissionen	Our CO ₂ emissions
305-5	Senkung der Treibhausgasemissionen	Our goal: reducing and offsetting emissions

GRI 306: Waste

306-1	Waste generation and significant waste-related impacts	Reduce: office waste
306-2	Management of significant waste-related impacts	Reduce: office waste

GRI 401: Employment

401-1	New employee hires and employee turnover	Employees; employee satisfaction and turnover; recruiting and retaining talent
401-3	Parental leave	More flexible working hours and working models

GRI 403: Occupational health and safety

403-1	Occupational health and safety management system	Occupational health and safety
403-2	Hazard identification, risk assessment and incident investigation	Occupational health and safety
403-3	Occupational health services	Occupational health and safety
403-5	Worker training on occupational health and safety	Occupational health and safety
403-6	Promotion of worker health	Occupational health and safety
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational health and safety
403-8	Workers covered by an occupational health and safety management system	Occupational health and safety
403-9	Work-related injuries	Occupational health and safety
403-10	Work-related ill health	Occupational health and safety

GRI 404: Training and education		
404-2	Programs for upgrading employee skills and transition assistance programs	Training employees and promoting their development
GRI 405: Diversity and equal opportunities		
405-1	Diversity of governance bodies and employees	Diversity
GRI 406: Non-discrimination		
Diversity		
GRI 407: Freedom of association and collective bargaining		
Freedom of association and collective bargaining		
GRI 408: Child labour		
Monitoring and guiding principles		
GRI 409: Forced or compulsory labour		
Monitoring and guiding principles		
GRI 414: GSupplier social assessment		
414-1	New suppliers that were screened using social criteria	Our central code of conduct: the ZEAL Code
GRI 415: Public policy		
Lobbying and association memberships		
GRI 416: Customer health and safety		
416-1	Assessment of the health and safety impacts of product and service categories	Responsible gambling
GRI 417: Marketing and labelling		
417-1	Requirements for product and service information and labelling	Reuse: IT hardware
417-3	Incidents of non-compliance concerning marketing communications	Compliance management; Fair competition
GRI 418: Customer privacy		
Data protection and data security		

GROUP MANAGEMENT REPORT

ZEAL Network SE is the parent of an e-commerce group of companies that create online lottery experiences for its customers. Founded in Germany in 1999, ZEAL was initially set up as a lottery broker. In 2005, Tipp24 AG (as it was then called) was floated on the Frankfurt stock exchange and became one of the most successful initial public offerings (IPOs) in Germany at the time.

In 2009, the Group changed its focus from lottery brokerage to lottery betting and later moved its registered office to London.

In May 2019, ZEAL completed the takeover of LOTTO24 AG. It transitioned its former Tipp24 secondary lottery business to a German online lottery brokerage business in October 2019 and has since become the leading German online broker¹ for state and other lottery products once again. In the same month, it relocated its registered office back to Germany.

In 2020, ZEAL expanded its product portfolio with the addition of its own charity lottery 'freiheit+'. A further charity lottery 'Die Deutsche Traumhauslotterie' was added in January 2022.

¹ Based on billings of LOTTO24 AG compared to total market stakes according to information of DLTB and the German Lottery Association

Basic Principles of the Company

BUSINESS MODEL

ORGANISATIONAL STRUCTURE

ZEAL Network SE is a Societas Europaea (SE) with its registered office in Hamburg, Germany. ZEAL has two reporting segments: Germany and Other.

GERMANY SEGMENT

The Germany segment comprises the Group's domestic online lottery brokerage business and charity lotteries. Its cost base includes direct operational costs as well as the Group's shared costs.

In this segment, we broker lottery products via the Internet (lotto24.de, tipp24.de) and receive brokerage commissions from the lottery operators. We can therefore generate income without having to assume ourselves the book-making risk for the products of the German Association of State Lottery Companies ('Deutscher Lotto- und Totoblock' – DLTB). Amongst other things, we offer our customers the possibility to participate in the lottery products 'LOTTO 6aus49', 'Spiel 77', 'Super 6', 'Eurojackpot', 'GlücksSpirale', 'Keno', lottery clubs, instant lotteries and 'Deutsche Fernsehlotterie', which are all well positioned on the market. On behalf of, and in the name of, our customers, we enter into gaming agreements with the respective lottery operator. In addition, we enable our customers to participate in two charity lotteries for the promotion of educational projects, which we offer together with BildungsChancen gGmbH:

- 'freiheit+' under the Tipp24 brand since March 2020 and also under the LOTTO24 brand since November 2020.
- 'Die Deutsche Traumhauslotterie', launched in January 2022.

One of the sector-specific success factors of our business model is the loyalty of our customers: once gained, our active customers provide us with stable billings over the long term.

B2B partner portfolio expanded

By integrating webshops on our partners' websites, players have a further opportunity to access our product portfolio. A cooperation agreement signed with the high-reach German news portal n-tv in August 2022 expanded our B2B partner portfolio beyond the 1&1 portals WEB.DE and GMX.

OTHER SEGMENT

The Other segment comprises the remaining elements of our business, including our online lottery operation on behalf of the national organisation for the blind in Spain, ONCE, and our investments in start-ups under ZEAL Ventures.

Risk-based portfolio approach with start-up investments

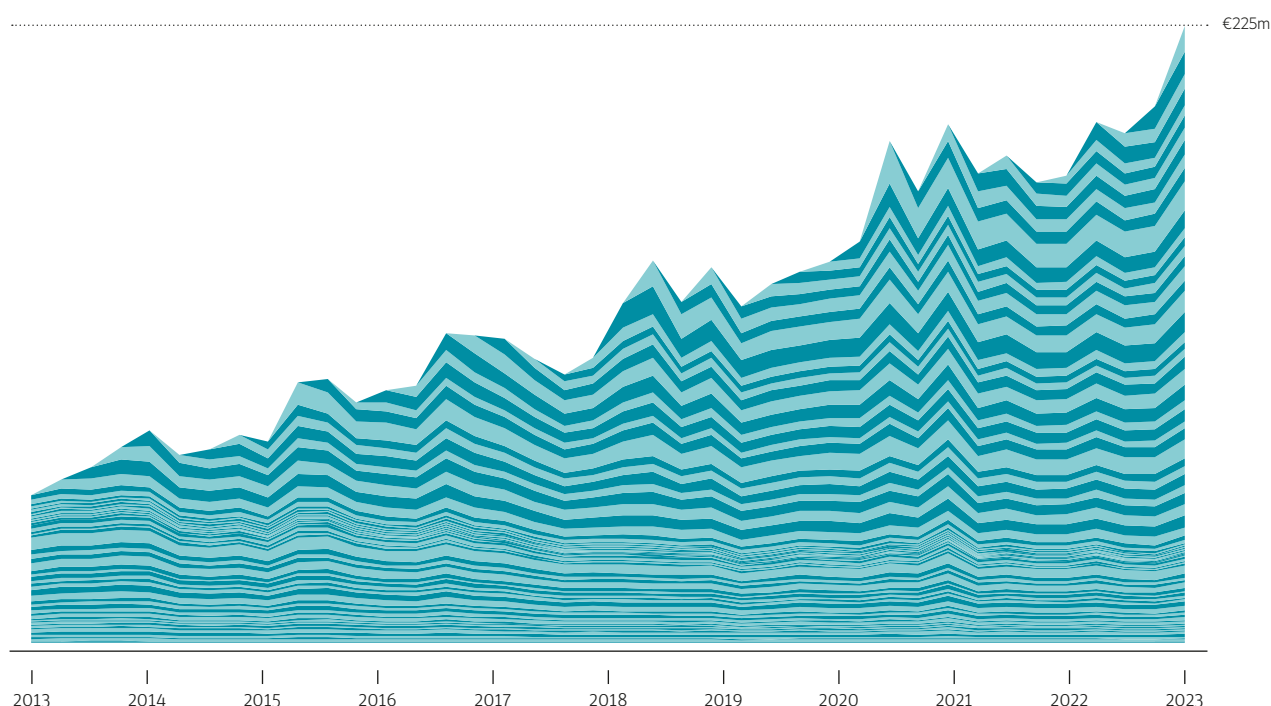
ZEAL Ventures continues to pursue new lottery-related, start-up investments using a risk-based portfolio approach. Over the years, we have invested in several start-ups, which we are closely monitoring and supporting where necessary while continuing to pursue additional investment opportunities. Our objective is to learn from these companies, generate profits and integrate exciting business ideas into the ZEAL Group.

As of 31 December 2022, we held stakes in:

- Omaze, Inc. (1.6%) – which offers an online house lottery under the 'Omaze' brand in the UK to support charitable causes.
- Pick Media Limited (10.0%) – which operates one of the world's largest free-to-play, ad- and survey-financed daily draws under the 'Pick My Postcode' brand.
- SEVENCANYON Limited (3.5%) – which holds raffles to win cars and other prizes (consumer electronics, luxury watches, cash).
- Furlong Gaming Limited (29.4%) – which operates a prize competition based on horse racing operating under 'The Racehorse Lotto' brand.
- TH Travel Limited (37.6%) – which operates a prize competition platform for millennials focusing on travel and local experiences under the 'DAYMADE' brand.

The development of our portfolio in the fiscal year 2022 was highly promising. Our investment in SEVENCANYON Limited through our share in Cloud Canyon Ltd has also given us an insight into a completely new business model for us: the car raffle. Moreover, we are looking forward to gaining our first experience in the football business via our new investment in Circl Gaming Ltd which we entered into in the first quarter of 2023.

Billings per customer generation (LOTTO24 and TIPP24, quarterly)



STRATEGY

Our strategic targets are:

- Continue to scale our business model in Germany and further expand our market position.
- Establish new lotteries and games.
- Continue to develop our Spanish business via customer growth and an expanded partnership portfolio.
- Identify gaming and lottery innovations in order to gain relevant market knowledge and test new product ideas, thus enabling us to tap further target groups.

As a digital company, we feel well equipped to meet these challenges thanks to the close collaboration of key functions such as Marketing, Product Development, Technology, Design, Compliance, Data Analytics and Customer Service.

NEW CUSTOMER MARKETING

Once again, we were able to consolidate our position as the leading online lottery broker¹ in Germany. In order to raise brand awareness and drive customer acquisition, we entered into a partnership with the well-known German actor Sky du Mont in 2022 and launched a campaign with him, including a commercial that was broadcast on German TV.

In addition to channels such as search engine advertising (SEA) or social media marketing, we also acquire new customers via partners, banners, text-based ads, content ads and special advertising formats. Moreover, we attract new customers via the Apple App Store. After becoming the first German provider to offer our app in the Google Play Store following a revision of gaming restrictions in 2021, both billings and new customer acquisition via this channel doubled in 2022. In addition, we operate various cooperation formats which enable us to also reach customers beyond our own website and app offerings. Good search engine optimisation (SEO) is equally of great importance for our marketing success. We aim to achieve a high level of efficiency (ratio of spend per customer to predicted lifetime customer value) across our entire marketing mix.

Mobile usage

'Mobile first!' – that goes for both us and our customers, as we generate the majority of our billings via mobile devices with our Lotto24 and Tipp24 apps, which also enable direct sales. We are particularly pleased about the extremely positive customer reviews we have received: no other lottery app has so many favourable ratings from its users.

Due to the high proportion of mobile visitors, we regularly optimise our marketing channels, advertising formats and products accordingly. As already announced in 2021, we have identified important improvement possibilities with regard to loading speed, which we began to implement in the first half of 2022. While these improvements are advantageous across all devices and are usually also rewarded by services such as Google, fast loading speeds are a decisive factor for mobile devices in particular and help us attract further potential customers to our offerings.

¹ Based on billings of LOTTO24 AG compared to total market stakes according to information of DLTB and the German Lottery

DATA SCIENCE

Data-based optimizing of the customer experience

Our goal is to provide all potential and existing customers with the best possible offer at the right time via the channel that makes most sense for them. After already making some important infrastructural investments in terms of technology and data architecture in 2021 in order to personalise the customer experience even more precisely, we also made important progress with this approach in 2022. This strategy is also essential in view of the expansion of our product portfolio: we are increasingly using behaviour-based personalisation in our marketing activities for both new and existing customers in order to improve both the conversion of prospects into customers and customer loyalty. We can measure the success of all products and campaigns almost in real time and even make optimisations immediately if necessary. The efficiency or contribution of each individual measure can be ranked – also with the aid of predictive models about future customer behaviour – thus enabling us to make accurate decisions.

All data is administered and used exclusively for the improvement of our own products and services in strict compliance with data protection regulations. Compliance with German and international data protection standards (for example GDPR or ISO 27001) is a matter of course for us. In addition, we want to offer our customers full control over their personal data at all times in line with our own strict voluntary commitment – with extensive documentation requirements, the consolidation of data at just a few locations and by just a few people, as well as the immediate deletion of all personal data if requested by the customer. The new State Treaty on Games of Chance, which came into force in the middle of the 2021, brought in even stronger disclosure obligations for providers and information rights for customers, which we have met in full since the law came into force.

PRODUCT DEVELOPMENT

The future of lottery playing

Despite few innovations in the gaming concept, well-established products such as 'LOTTO 6aus49' or 'Eurojackpot' reach millions of customers, including a significant proportion of new players. As in all sectors, customer expectations with regard to the quality of online offerings are increasing. We are therefore continuously enhancing our product and service offering, be it through a broader product range – made possible by the new State Treaty on Games of Chance – or by providing an ever better and more up-to-date e-commerce experience. We plan to expand our product portfolio accordingly, but will always focus on the wishes and needs of our customer base. We are constantly improving the customer experience along the entire registration and game process. In 2022, for example, we were able to redesign the customer verification process – something which is given as a reason by many users for terminating the transaction – in such a way that there are far fewer steps than previously needed.

A service launched in 2022 enables customers to hunt for jackpots together with their friends and acquaintances as a syndicate. Whereas betting together has been popular in offices and sports clubs for decades – but involves considerable effort for the respective organiser – the joint bet can now be administered online. Everyone pays for their bet individually, the group can see the numbers and participation status of the other players, and in the event of a win, it is shared fairly and automatically among the group. We also want to reach out to new target groups with this offer in the future.

In addition, we were able to provide our customers with various new lottery clubs and we made further preparations for the launch of our games portfolio after the licence was granted.

EXISTING CUSTOMER MARKETING AND CUSTOMER SUPPORT

Existing customer marketing

Customer satisfaction leads to loyalty. Loyalty leads to repeat business and forms a solid foundation for long-term growth. This is why our dialogue marketing (Customer Relationship Management, CRM) pays close attention to precise and interest-based customer communication. Within the framework of our data models, we optimise content, message and the channel to achieve the most targeted and relevant communication possible for each individual. Channels such as mail, on-site notifications, app or browser push notifications are all employed.

Customer support

Every year, LOTTO24 and Tipp24 attain leading positions in independent customer satisfaction rankings. To achieve this, we offer as wide a range of services as possible in order to provide assistance whenever it may be needed. Whether by phone, e-mail, social media, self-service (search-based FAQ sections) or chat – our customers can easily ask questions and quickly receive the support they need. Well over 50% of the relevant service requests are already dealt with via our self-service offer. This is a particularly fast channel for customers and a convenient channel for us for generally simple, recurring enquiries. As the volume of enquiries fluctuates greatly and is driven, for example, by large jackpots, special campaigns or regulatory changes, we have outsourced some of our support to experienced external partners whose staff often work exclusively for us and whose capacity is scalable. In this way, we achieve a balanced mix of good service levels, short waiting times and yet low service costs.

OWN PLATFORM TECHNOLOGY

E-commerce platforms

Our high-performance platform must be able to withstand enormous transaction volumes with significant peak loads, while at the same time being easy to develop and operate. Moreover, it must be able to support different business models and provide sufficient autonomy. As a customer-centric technology company, our development teams are therefore a particularly important part of our workforce, as virtually all of our development is done in-house. They work on product development, scaling and performance optimisation, as well as self-scaling cloud-based infrastructures, big data processing, IT security and compliance. The quality standards we set for ourselves, but which are also expected by our customers, are underscored by our ISO and other certifications. Over the course of 2022, we made further enhancements to our data architecture and data storage and created important prerequisites for further speed increases. In addition, we expanded and automated the scalability of our infrastructure (auto scaling) so that we can save costs when business volumes are low while ensuring high availability shortly before the deadline for a major jackpot, when transaction volumes are often a multiple of normal levels.

MANAGEMENT SYSTEM

KEY FINANCIAL PERFORMANCE INDICATORS

The key financial performance indicators which we use to steer the Group and whose values we aim to improve are:

- **Billings:** payments received from customers to participate in the games we offer. Billings are influenced by the scope and attractiveness of our product portfolio as well as by the efficiency of our customer retention measures.
- **Revenue:**
 - Commission from the state lottery companies and other organisers for the stakes brokered by us and processing fees for gaming orders placed by our customers.
 - Additional/service fees that we charge for brokered gaming orders.
 - Fees for the running of charity lotteries.
 - Fees for other services.
- **EBITDA:** earnings before the financial result, taxes, depreciation and amortisation. It represents the Group's operating earnings over a specified period of time.

KPIs	2022	2021
in € thousand		
Billings	758,425	656,474
Revenue	105,201	83,334
EBITDA	31,659	27,734

In 2022, billings rose by 16% (€101,951 thousand). In high jackpot phases, we strongly expanded our marketing activities to increase our customer base, thus supporting the growth of our business volume. Thanks to a higher-margin product mix, our revenue increased disproportionately by 26% (€21,867 thousand). Including reimbursements of €3,450 thousand from insurance to compensate for jackpot winnings (which have a negative impact on revenue) from the 'freiheit+' charity lottery, which were included in other operating income in 2021, revenue increased by 21% (€18,417 thousand). Despite much higher marketing expenses, we were thus able to raise our EBITDA by 14% (€3,924 thousand).

OTHER FINANCIAL PERFORMANCE INDICATORS

We also report the following other financial performance indicators:

- **Gross margin:** ratio of revenue (excluding intercompany cost allocation) plus reimbursements from insurance to compensate for jackpot winnings of charity lotteries operated as organisers to billings. In the Germany segment, it rose by 0.7 percentage points to 12.9% in 2022 (2021: 12.2%) thanks to the higher-margin product mix.
- **CPL (cost per lead):** acquisition costs per new registered customer which we use to monitor the efficiency of our marketing efforts. These acquisition costs do not include costs for brand marketing, marketing exploration measures, customer relationship management (CRM), customer service, etc. (the number of new registered customers is defined as part of the key non-financial performance indicators). Due to a strong increase in marketing measures, CPL rose by 29% to €35.97 in 2022 (2021: €27.94).
- **ABPU (average billings per user per month):** key figure for average billings per customer, in other words the average billings attributable to each active customer in a given month. It is calculated by dividing monthly billings by monthly average active users and measures our ability to increase the loyalty and value of our customers. In 2022, ABPU was up 4% on the previous year at €59.09 (2021: €56.77).

ZEAL has entered into agreements with partners in Spain and Germany to provide IT and marketing services or the operation of their own online lottery services (B2B and business services). The financial effects from these agreements are included in full in the income statement and the statement of financial position. For contractual reasons, billings, CPL or new registered customers do not include the results from the ONCE business.

LOTTO24 AG has major partners for these integrated services with 1&1 Mail & media GmbH, which operates the portals web.de and gmx.net, and since 2022 also ntv Nachrichtenfernsehen GmbH, which runs n-tv.de. The billings from these services and the corresponding revenues are included in our key financial performance indicators but not disclosed separately for contractual reasons. Customers generated via these partners are therefore not included in the 'Number of new registered customers'.

KEY NON-FINANCIAL PERFORMANCE INDICATORS

In addition to our key financial performance indicators, we also use certain non-financial KPIs to help steer the business:

- The number of **new registered customers**: customers who have successfully completed the registration process on our apps and websites. This number is disclosed after adjustment for duplicate registrations and de-registrations. It amounted to 703 thousand in 2022, representing year-on-year growth of 29% (2021: 544 thousand).
- **MAU** (monthly average active users): key figure for the average number of active users per month, in other words the number of customers who have either purchased a ticket or participated in a draw in a given month (including free bets); this figure provides a measure of our ability to retain and attract new customers. In the fiscal year 2022, this figure rose by 11% to an average of 1,070 thousand (2021: 964 thousand).

- **Market share**: we want to grow faster than our competitors. Our **market share of the online lottery segment** indicates the extent to which we are achieving this aim.
- **Customer satisfaction**: an important element of our business is the loyalty of our existing customers, whose satisfaction is measured by annual surveys.
- **Support for good causes** plays an important role in our business model: according to the German Association of State Lottery Companies (DLTB), approximately 40% of stakes are donated to good causes. In the case of charity lotteries, like 'Deutsche Fernsehlotterie', 'freiheit+' and 'Die Deutsche Traumhauslotterie', at least 47% of stakes are made available for good causes in the form of taxes and levies. In total, our brokerage activities under the LOTTO24 and Tipp24 brands provided €286 million of support for important social and community projects in fiscal year 2022 (2021: €246 million).

Performance indicator	2022	2021	Outlook 2023
Online market share ¹	41%	39%	Stable
Customer satisfaction ²			
– LOTTO24	82%	89%	Still very high
– Tipp24	85%	88%	Still very high
Contributions to good causes ³	€286 million	€246 million	Rising

¹ Source: German Association of State Lottery Companies (DLTB)/German Lottery Association (DLV).

² Source: Customer satisfaction survey in November 2022 as well as November-December 2021.

³ Incl. DLTB, 'Deutsche Fernsehlotterie' and 'freiheit+'.

RESEARCH AND DEVELOPMENT

As a customer-centric technology group, we attach great importance to the in-house development and operation of both our platform and central systems. In this way, we can align software with operational processes and customer needs as efficiently as possible. Whether lottery ticket submission, payment, registration, data modification, the organisation of our own lotteries under notarial supervision or the establishment and operation of B2B integrations of our software by partners – the necessary developments and improvements are prioritised and scheduled via a planning and target system (Objectives & Key Results, OKR).

In 2022, we made significant investments in the further modularisation of our platform in order to accelerate development, increase autonomy across different business and product areas, and provide a clearer focus for our teams. We can now complete this transformation to a fully service-oriented architecture (SOA) in the near future. In line with the changes in the back-end systems, we have started a similar rebuild of the front-end components to improve website performance. In online marketing, this is an important factor in determining how likely a visitor is to convert and therefore how much traffic can be acquired through faster offers.

In addition, we have completely redesigned and revamped our entire data warehouse in order to meet increased personalisation requirements and make greater use of (real-time) data in the design of our services. Further projects were prepared for an accelerated launch of virtual slot machine games as soon as we are granted the licence. Moreover, a large number of so-called AB tests (comparisons of a redesign against a control group) were run in order to increase the conversion rate of our offerings and make them more customer-friendly. As lottery products are also a popular gift, we have also developed gift options and processes.

CORPORATE GOVERNANCE STATEMENT ACCORDING TO SECTIONS 315D AND 289F HGB

The Corporate Governance Statement pursuant to sections 315d and 289f HGB was published on ZEAL's corporate website at zealnetwork.de and is also printed on page 25. Pursuant to section 317 (2) sentence 6 HGB, the auditor's review of the disclosures pursuant to section 315d and section 289f HGB is restricted to whether the disclosures have been made.

REGULATORY 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 GlüStV came into force on 1 July 2021. It enables the ZEAL Group – as in the previous years – to broker state-licensed lottery products via the Internet. Our subsidiary LOTTO24 AG holds the corresponding licence. The GlüStV has no expiry date and can be terminated by individual federal states no sooner than 31 December 2028. The states have agreed to regularly evaluate the impact of the current GlüStV. Two evaluations are to be presented in the form of interim reports by 31 December 2023 and 31 December 2026. In contrast to the previous State Treaty, the GlüStV includes new licence models for virtual slot machines (online games), sports betting (online and offline) and online poker, as well as a license model for online casinos. This followed several months of political debate on the degree of market opening, especially for online games and online casinos. In order to supervise gambling products, the German federal states have set up a new national institution under public law: the 'Gemeinsame Glücksspielbehörde der Länder' - GGL), based in Halle (Saxony-Anhalt). All powers of the various federal state authorities have been gradually transferred to the GGL and it has been responsible for central market regulation since 1 January 2023.

LICENCES TO BROKER AND ORGANISE GAMES OF CHANCE

LOTTO24 AG first received the licence allowing it to broker state lotteries via the Internet throughout Germany on 24 September 2012. With a decision dated 26 July 2017, the Ministry of the Interior for Lower Saxony granted an extension licence valid until 30 June 2021. In accordance with section 29 GlüStV, the validity of this licence was extended until 30 June 2022 when the new State Treaty on Games of Chance came into force. On 23 May 2022, LOTTO24 AG received an extension licence to broker lotteries throughout Germany for the period 1 July 2022 to 30 June 2029.

With a decision dated 29 March 2018, the responsible Ministry of the Interior for Lower Saxony granted LOTTO24 AG the first licence for the online brokerage of state-operated instant lotteries (scratch cards). It now applies to the federal states of Lower Saxony, Saxony, Hesse and North Rhine-Westphalia, where the state lottery companies have also received a corresponding licence. As a result, more than 50% of the adult German population already have access to scratch cards on the Internet. We intend to apply for the corresponding supplements in the states of Schleswig-Holstein and Baden-Württemberg in the near future.

In addition, LOTTO24 AG has a licence for the nationwide brokerage of the charity lotteries 'Deutsche Fernsehlotterie', 'freiheit+' and 'Die Deutsche Traumhauslotterie', as well as for the brokerage of 'Deutsche Sportlotterie' in the state of Hesse.

In July 2021, and thus directly at the beginning of the application phase, LOTTO24 AG already applied for a licence to operate virtual slot machine games (online games). The application is still being reviewed by the authorities. According to our information, the reason for the delay is that there is uncertainty among some federal states as to whether organisers of state lotteries may also offer virtual slot machine games on the same website. This uncertainty affected the granting of licences for private commercial gaming brokers. This problem is not confined to LOTTO24 AG or ZEAL Network SE. We assume that the issues – which in our view are political – will be resolved by the gambling supervision authority within the next few months and that the corresponding licence will be issued. In our opinion, the legal situation is clear and there is thus no reason not to grant LOTTO24 AG such a licence. On 1 January 2023, Germany's newly founded GGL took over the processing of the application.

ECONOMIC CONDITIONS

STABLE STAKES IN GERMAN LOTTERY MARKET

According to its own figures, stakes received by DLTB rose slightly by 0.9% to €8.0 billion in fiscal year 2022 (2021: €7.9 billion). With stakes of €3.84 billion, the lottery 'LOTTO 6aus49' remained Germany's most popular lottery with almost 50% of total stakes (2021: €4.0 billion). Due to the improved jackpot development, the European lottery 'Eurojackpot' raised its stakes in Germany to €1.76 billion (2021: €1.4 billion) and thus remained the second most popular lottery product in 2022. Other DLTB products include 'Spiel 77', 'Sofortlotterien', 'Super 6', 'GlücksSpirale', 'Oddset', 'Keno', 'Bingo', 'Toto', 'Plus 5', 'Sieger Chance' and 'Deutsche Sportlotterie'.

LOTTO24 AND TIPP24 STILL HOLD STRONG MARKET POSITIONS

According to information of DLTB and the German Lottery Association ('Deutscher Lottoverband', DLV), online revenue of state lottery companies and licensed private brokers has been steadily rising: starting at €35 million in 2012, revenue reached €1,663 million in 2021 and rose further to around €1,870¹ million in 2022. This corresponds to an online share of total German lottery stakes of 23% in 2022 (2021: 21%). Our LOTTO24 and tipp24 brands expanded their share of this amount to around 40.5% (2021: 39.4%).

¹ Source: figures from 'Deutscher Lotto- und Totoblock' (DLTB) 2022 and own estimates.

HUGE POTENTIAL OF ONLINE SEGMENT

Around 69.4 million adults live in Germany¹, of whom 27.9 million play lotto occasionally or regularly². This corresponds to almost 40% of all adult Germans. According to our latest survey of 13,296 internet users in November 2022, 39% of respondents had played lotto in the last six months. It is interesting to note that more than 52% of the offline lottery players surveyed can imagine playing lotto online in future. Translated to 27.9 million lotto players, this represents at least 14.5 million potential online lotto players. Based on the total volume of the German lottery market (DLTB products plus class and charity lotteries) of around €9.0 billion³ (of which around €7.1 billion offline), this corresponds to potential total online lottery revenue of €5.6 billion (€3.7 billion more than the current online lottery market volume of €1.9 billion).

¹ Source: Statistisches Bundesamt © Statista 2022, 'Bevölkerung - Zahl der Einwohner in Deutschland nach relevanten Altersgruppen am 31. Dezember 2021 (in Millionen)'

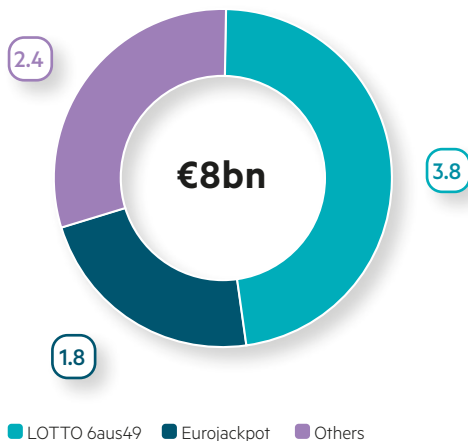
² Source: IfD Allensbach © Statista 2022, 'Anzahl der Personen in Deutschland, die Lotto oder Toto spielen, nach Häufigkeit von 2018 bis 2022 (in Millionen)'

³ Source: Figures of DLTB 2022 and the organisers of charity lotteries 2021/2022

Even though the German online 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 indicates a consistent upward trend – Germany is catching up. We believe that this growth is likely to continue in the coming years. This opinion is supported in particular by the following factors:

Stakes of DLTB 2022¹

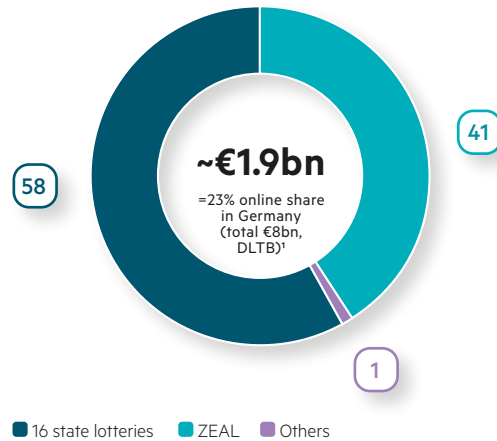
in € billion



¹ Source: Information of the German Association of State Lottery Companies (Deutscher Lotto- und Totoblock, DLTB) 2022

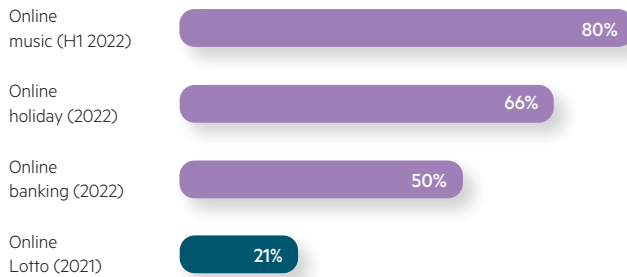
Share of online market 2022

in %

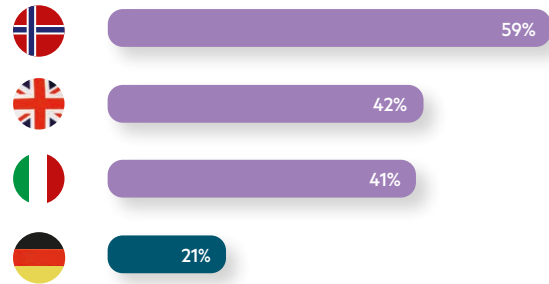


¹ Source: Information of the German Association of State Lottery Companies (Deutscher Lotto- und Totoblock, DLTB) 2022 and own estimates

Online market shares Germany¹



¹ Source: Eurostat © Statista 2023, 'Anteil der Bevölkerung in Deutschland, die das Internet für Online-Banking nutzen, in den Jahren 2006 bis 2022'



¹ Source: La Fleur's 2022 European Lottery Abstract (based on figures for 2020-2021)

- Compared with foreign online lottery markets, which were less strictly regulated in the past, we expect above-average growth for Germany in the medium term.
- The online share of the lottery market in countries with an online affinity such as Norway (59%¹), the UK (42%¹) and Italy (41%¹) is much higher than in Germany.
- The growing importance of e-commerce as a sales channel and mobile offerings are also strengthening this trend: in the first half of 2022, the proportion of music sold online in Germany was already 80%². In 2022, half the German population used the Internet for banking³ and 66% of trips were sold online in 2021⁴.

¹ Source: La Fleur's 2022 European Lottery Abstract (based on figures for 2020-2021).

² Source: BVMI Half-Year Report 2022.

³ Source: Eurostat © Statista 2023, 'Anteil der Bevölkerung in Deutschland, die das Internet für Online-Banking nutzen, in den Jahren 2006 bis 2022'.

⁴ Source: vir, 'Daten & Fakten zum Online-Reisemarkt 2022'.

Based on the medium to long-term assumption of an online share of 50% of the total German lottery market (DLTB plus charity lotteries, GKL and other regulated lotteries) of €9.0 billion¹, this would also result in an online lottery market potential of €4.5 billion. As our objective is to further expand our own market share to 50%, our long-term billings potential would therefore lie beyond the €2 billion mark.

¹ Source: Figures of DLTB 2022 and the organisers of charity lotteries 2021/2022.

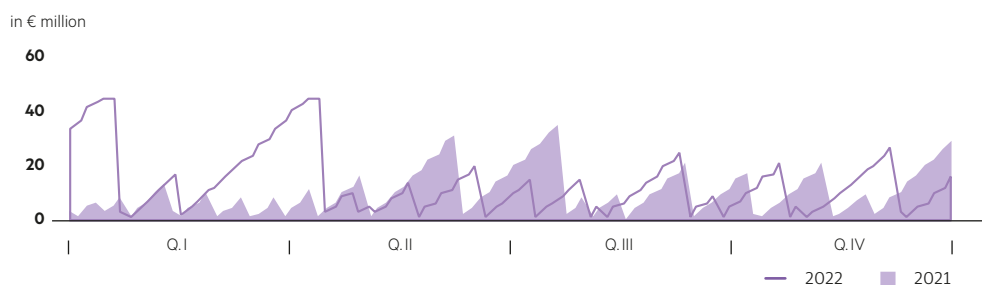
ADVERTISING AND COMPETITION

Our success is largely determined by the scope and effectiveness 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 foreign secondary lottery companies which are not licensed to operate in Germany. According to information of the relevant Ministry of the Interior for Lower Saxony, 11 private commercial gaming brokers had valid brokerage licences at the end of the reporting period – in addition to the state-owned companies. However, the advertising activities of our private competitors with licences in Germany were very modest in 2022.

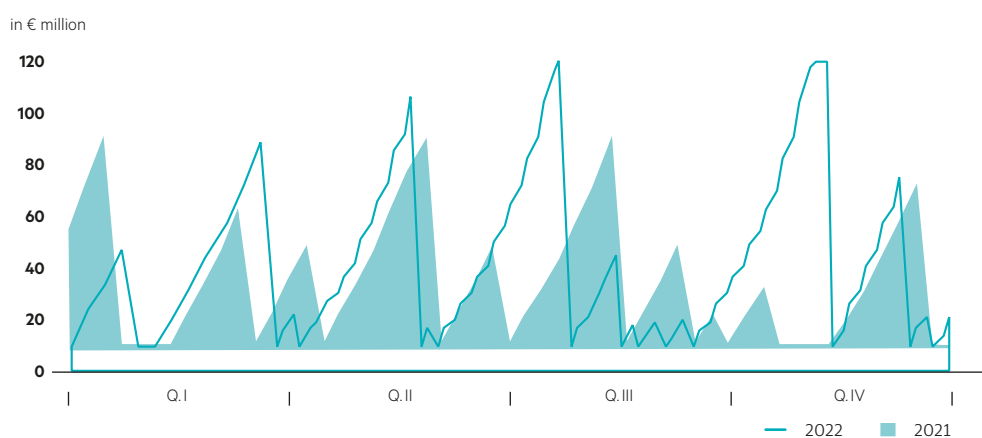
The advertising pressure from secondary lottery providers with no German licence has declined. This is due to both a stricter approach by the relevant regulatory authorities and competition law proceedings brought by certain state lottery companies.

Jackpot development LOTTO 6aus49 and Eurojackpot

LOTTO 6aus49



Eurojackpot



BETTER JACKPOT DEVELOPMENT THAN IN PREVIOUS YEAR

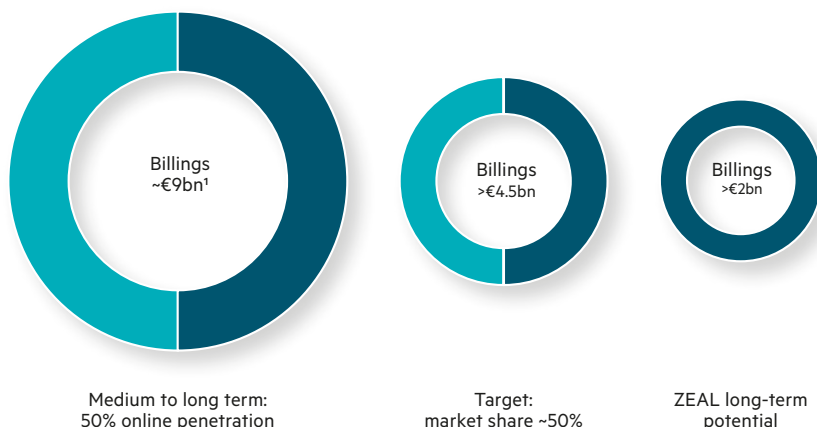
Jackpots are a major driver of our billings volume. We expect particularly strong increases in the activity rate and number of registered customers when potential players have greater expectations of exceptional winnings, in other words whenever there are large jackpots.

Compared to the weak level of the previous year, the jackpot environment for our two main products developed favourably in the fiscal year 2022 and thus corresponds to the statistically¹ expected average. The maximum jackpot for the 'Eurojackpot' – which was raised from €90 million to €120 million following a rule change in March 2022 – was reached three times (2021: three times €90 million): the first time in July and then for two consecutive draws in November.

Moreover, the former limit was almost reached once (€89 million) prior to the rule change in the first quarter of 2022 and the former record was already broken in May with a jackpot of €106 million. Compared to the extremely weak jackpot situation of the previous year, the jackpot environment for the 'LOTTO 6aus49' lottery also improved in the past year but still failed to exceed a jackpot amount of €27 million in the second half of 2022: the mandatory payout mark of €45 million was reached twice (in January and April) – in each case for two consecutive draws (2021: not once).

¹ Based on a Monte Carlo experiment simulating 10,000 years of 'LOTTO 6aus49' and 'Eurojackpot' draws.

Our Vision



¹ Source: Figures of DLTB 2022 and the organisers of charity lotteries 2021/2022.

NEGATIVE DEVELOPMENT OF THE GEOPOLITICAL AND ECONOMIC ENVIRONMENT

In the fiscal year 2022, the e-commerce sector was severely impacted by several changes in the geopolitical and economic environment: in particular, the war in Ukraine, rising inflation, the prospect of a significant interest rate hike and fears of a financial market crash. All of this has seriously shaken the confidence of e-commerce consumers, although the impact on the spending behaviour of our customers with regard to lottery products has so far been limited.

BUSINESS DEVELOPMENT

COMPARISON WITH PRIOR-YEAR GUIDANCE

In the fiscal year 2022, we strongly expanded our marketing activities during high jackpot phases in order to drive growth and thus achieved our expected billings level. Thanks to a higher-margin product mix, revenue growth was even stronger and very close to our forecast. Despite a 53% increase in marketing expenses, we slightly exceeded our profitability targets.

GUIDANCE COMPARISON

	Guidance	2022	2021
		Ist	Ist
Billings (€ million)	At least 750	758.4	656.5
Revenue (including reimbursements from jackpot insurance ¹) (€ million)	At least 105	105.2	86.8
EBITDA (€million)	At least 30	31.7	27.7

¹ Income from insurance to compensate for jackpot winnings from the 'freiheit+' charity lottery. This income is disclosed as other operating income while jackpot winnings reduce revenue. Further details are provided in notes 4 and 5 to the Consolidated Financial Statements.

EARNINGS POSITION

The following table details the Consolidated Income Statement of ZEAL Group for the fiscal year 2022:

	2022	2021	Change in %
in € thousand			
Revenue	105,201	83,334	26%
Other operating income	2,309	4,610	-50%
Personnel expenses	-18,892	-19,048	-1%
Other operating expenses	-56,965	-41,115	39%
Marketing expenses	-34,126	-22,359	53%
Direct cost of operations	-10,652	-9,579	11%
Indirect operating expenses	-12,187	-9,177	33%
Exchange rate differences	6	-48	
EBITDA	31,659	27,734	14%
Amortisation and depreciation	-8,730	-8,689	0%
EBIT	22,928	19,045	20%
Financial result	72	-2,091	
Share of loss from associates	-190	-300	-36%
Net profit before taxes	22,810	16,654	37%
Income taxes	-6,238	-5,251	19%
Net profit	16,572	11,404	45%
Earnings per share for profit attributable to shareholders of the parent company			
Basic and diluted earnings per share (in €/share)	0.72	0.48	50%

REVENUE AND OTHER OPERATING INCOME

In the fiscal year 2022, revenue increased by 26% (€21,867 thousand). Including reimbursements of €3,450 thousand from insurance to compensate for jackpot winnings (which have a negative impact on revenue) from the 'freiheit+' charity lottery, which was included in other operating income in the fiscal year 2021, our revenue rose by 21% (€18,417 thousand). This increase was mainly generated by the Germany segment (€18,375 thousand) and exceeded growth in billings (16%) due to a higher-margin product mix.

Other operating income fell by 50% in 2022 (€2,302 thousand), mainly due to insurance reimbursements of €3,450 thousand recognised in the previous year (2022: €nil). This was opposed by income of €1,200 thousand from the derecognition of inactive customer accounts in 2022.

PERSONNEL EXPENSES

In 2022, personnel expenses fell slightly by 1% (€156 thousand). The decrease in variable Management Board remuneration of €717 thousand offset the effect of an increase in the average number of employees (FTEs, excluding students and temporary staff) from 157 to 161 (3%).

OTHER OPERATING EXPENSES

Other operating expenses rose by 39% in the fiscal year 2022 (€15,850 thousand):

- Marketing expenses rose by 53% (€11,767 thousand). During the high jackpot phases, especially when the 'Eurojackpot' reached a record level of €120 million in July and November 2022, we increased our marketing activities to acquire new customers.
- Direct operating expenses increased by 11% (€1,073 thousand). This development mainly relates to payment processing costs and corresponds to the increase in billings of 16%.
- Indirect operating expenses rose by 33% (€3,010 thousand), mainly due to an increase in costs for consulting (€382 thousand), for external staff (€406 thousand), for insurance (€402 thousand) and for travel, training and entertaining costs (€484 thousand). In addition, provisions of €930 thousand were reversed in the fiscal year 2021 for anticipated, but since resolved legal disputes.

EBITDA

Despite the strong increase in marketing expenses, EBITDA rose by 14% (€3,924 thousand) as a result of the growth in business volume.

AMORTISATION AND DEPRECIATION

Amortisation and depreciation was stable at €8,730 thousand in 2022 (2021: €8,689 thousand). This amount predominantly relates to the scheduled amortisation of the LOTTO24 customer list acquired in 2019 as part of the takeover (€7,366 thousand per year).

FINANCIAL RESULT

There was net financial income of €72 thousand in 2022, corresponding to an increase of €2,164 thousand compared to 2021 (2021: expense of €2,091 thousand). The main causes for this trend were:

- An adjustment to the calculation of interest income on the advance payment made in January 2020 on the disputed VAT liability of previous years. Following the Federal Constitutional Court's ruling that the statutory interest rate applied up to this time of 6% per annum was unconstitutional, we adapted it to an assumed rate of 1.8% per annum. This adjustment resulted in a net expense of €937 thousand in 2021, whereas in 2022 we recognised income of €811 thousand. Further details are provided in note 17 to the Consolidated Financial Statements.
- A gain of €411 thousand from recognising our shares in SEVENCANYON Limited in the fiscal year 2022 following the contribution of Cloud Canyon Limited and 7Days Performance Limited. Further details are provided in note 14 to the Consolidated Financial Statements.

TAX

The expected tax charge based on the average tax rate of 32% (2021: 32%) amounts to €7,363 thousand (2021: €5,376 thousand) compared to the actual tax expense recorded of €6,238 thousand (2021: €5,251 thousand). The most significant drivers of the tax charge being lower than the effective rate are described below:

- Tax expense of €188 thousand (2021: €128 thousand) for non-deductible expenses, adjustments in respect of foreign tax rates and non-taxable income.
- Tax income of €460 thousand (2021: €329 thousand) on tax losses carried forward for which no deferred tax asset was recognised.
- Tax income of €852 thousand (2021: €129 thousand), resulting mainly from the amortisation of consolidated intangible assets and the correction of tax losses within the Group.

In the previous year 2021, there was also a positive tax result adjustment of €405 thousand from the consolidation. In addition, there was tax income of €199 thousand in the previous year 2021 relating to prior years.

ANALYSIS OF THE GROUP'S OPERATING SEGMENTS

Segment reporting 'Germany'

in € thousand

	2022	2021
Revenue	100,298	78,473
Other operating income	1,005	4,596
Personnel expenses	-17,257	-17,967
Other operating expenses and exchange rate differences	-54,323	-38,609
EBITDA	29,724	26,493

Revenue in the Germany segment rose by 28% (€21,825 thousand). Including income of €3,450 thousand from insurance to compensate for jackpot winnings from the 'freiheit+' charity lottery (reducing revenue), which was recognised under other operating income in

the fiscal year 2021, our revenue rose by 22% (€18,375 thousand). Due to a higher-margin product mix, this increase exceeded the growth in billings of 16%.

Segment reporting 'other'

	2022	2021
in € thousand		
Revenue	4,903	4,862
Other operating income	1,304	14
Personnel expenses	-1,635	-1,081
Other operating expenses and exchange rate differences	-2,637	-2,553
EBITDA	1,935	1,242

Revenue in the Other segment rose slightly by 1% (€41 thousand). The increase in EBITDA of 56% (€694 thousand) is mainly attributable to the derecognition of inactive customer accounts in 2022 from the former Ventura24 business after their limitation period expired.

thousand) of the instalment loan taken in the previous year with a total volume of €50,000 thousand. In addition, we have an amount of €7,000 thousand available from a revolving credit line facility agreement which we have not used so far.

- Further information can be found in note 31 to the Consolidated Financial Statements.

FINANCIAL POSITION

PRINCIPLES AND OBJECTIVES OF CAPITAL MANAGEMENT

The principles and objectives of the Group's capital management are as follows (the risks to which ZEAL is exposed are described in the risk report on pages 85 to 90):

- Cash and cash equivalents are invested in a variety of short-term securities offering as much liquidity and as little volatility as possible, while ensuring broad risk diversification. The over-riding objective of our investment strategy is to preserve capital – even at the expense of possible returns.
- Equity in excess of those funds required to ensure the Group's stable financial position is to be used for investments in line with our growth strategy and for dividends.
- There is potential for optimising the capital structure, which can be funded by further interest-bearing debt. As at year-end 2022, we had drawn €28,700 thousand (2021: €8,700

At the Annual General Meeting on 9 May 2023, we will propose a dividend of €3.60 per share (2021: €2.10 per share), representing a total payout to shareholders of €78.0 million (2021: €47.0 million). The dividend will consist of a basic dividend of €1.00 (2021: €1.00) and a special dividend of €2.60 (2021: €1.10). The payment of the special dividend is a further step towards optimising the Company's capital structure.

INVESTMENT ANALYSIS

In the reporting period, we invested €929 thousand (2021: €402 thousand) in software and hardware needed for operations, as well as in business intelligence systems, databases and workplace equipment, as well as €500 thousand for brand usage rights. In addition, we invested a further €594 thousand (£500 thousand) in our associated company TH Travel Limited.

	2022	2021
in € thousand		
Key cash flows		
Net cash inflow from operating activities	28,489	25,996
Net cash outflow from investing activities	-6,192	-539
Net cash outflow from financing activities	-51,161	-21,528
Other changes in available funds	-28	109
Total change in available funds	-28,891	4,038
Available funds at the beginning of the period	90,100	86,061
Available funds at the end of the period	61,209	90,100

The net cash inflow from operating activities in 2022 amounted to €28,489 thousand (2021: €25,996 thousand), resulting mainly from the positive EBITDA of €31,659 thousand. This was opposed by current tax payments of €1,521 thousand.

Net cash outflow from investing activities in 2022 amounted to €6,192 thousand (2021: €539 thousand). It primarily results from the purchase of a financial investment with Hamburger Sparkasse amounting to €5,000 thousand.

Net cash outflow from financing activities in 2022 totalled €51,161 thousand (2021: €21,528 thousand). This outflow mainly consists of dividend payments of €48,213 thousand (2021: €20,131 thousand), including €1,242 thousand to the remaining minority shareholders of LOTTO24 AG (2021: €4 thousand). Lease payments made by the Group for its offices in London and Hamburg amounted to €1,974 thousand (2021: €1,536 thousand). The payments received of €20,000 thousand from the partial drawing of an instalment loan were used to finance the purchase of 714,285 treasury shares during the share buyback.

As at 31 December 2022, there was a corresponding decrease in cash, pledged cash and cash equivalents of €28,891 thousand to €61,209 thousand (31 December 2021: €90,100 thousand).

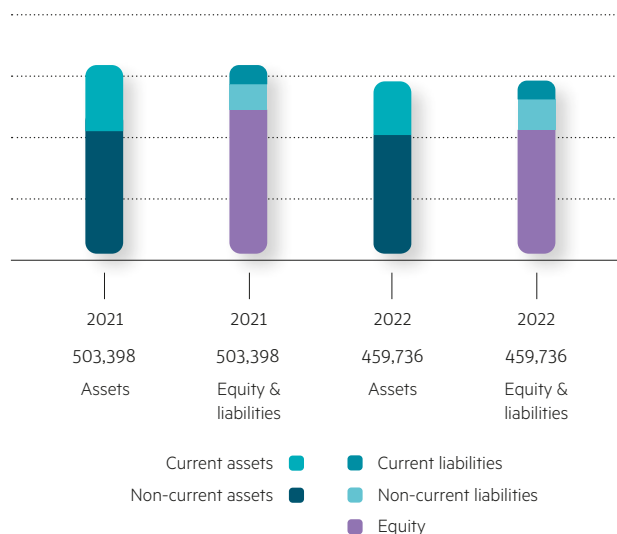
ASSET POSITION

Total non-current assets decreased by €6,870 thousand from €327,067 thousand at 31 December 2021 to €320,197 thousand at 31 December 2022. This decline is mainly due to scheduled amortisation of the customer list acquired in 2019 during the LOTTO24 takeover amounting to €7,366 thousand. There was also an effect from the utilisation of deferred tax assets amounting to €4,961 thousand. This was opposed by the purchase of a financial investment amounting to €5,000 thousand which serves as a medium-term investment.

Current assets mainly comprise cash, cash equivalents and pledged cash of €61,209 thousand (2021: €90,100 thousand), the advance payment made to the tax authorities of €56,344 thousand (2021: €55,534 thousand) and current receivables from gaming operations of €12,263 thousand (2021: €22,569 thousand).

Balance sheet structure

in € thousand



LIABILITIES

Total liabilities increased from €118,456 thousand at 31 December 2021 to €125,699 thousand at 31 December 2022, mainly due to drawing of €20,000 thousand from our loan facility. This was opposed by a decrease in current liabilities from gaming operations of €9,337 thousand.

EQUITY

Equity decreased by €5,905 thousand to €334,037 thousand at 31 December 2022 (2021: €384,942 thousand), primarily as a result of the dividend payment of €46,971 thousand and the share repurchase of €20,000 thousand. This was offset by the net profit of €16,572 thousand.

ASSETS NOT RECOGNISED

ZEAL has not recognised any internally generated assets in its Consolidated Financial Statements. Employee expenses incurred in 2021 and 2022 for the development of new gaming software were not capitalised as they did not meet all criteria set out in IAS 38, 'Intangible Assets'.

OFF-BALANCE-SHEET FINANCIAL INSTRUMENTS

Off-balance-sheet financial instruments did not play a significant role in financing ZEAL in the fiscal year 2022.

OVERALL ASSESSMENT

Thanks to a strong increase in marketing activities, we achieved significant volume growth and raised revenue by 21%¹ to €105,201 thousand. EBITDA improved by 14% to €31,659 thousand.

¹ Including income of €3,450 thousand from insurance to compensate for jackpot winnings, which was recognised under other operating income in 2021.

SUBSEQUENT EVENTS

As of the date of preparing this Group management report, no reportable events have occurred.

Report on expected developments and associated material opportunities and risks

RISK REPORT

Our business models and ventures are influenced by a number of factors – these include the legal and macroeconomic conditions, the retention of relevant local licences, and business or other contractual relationships. On this basis, we make assumptions about our development and profitability, the level of billings and revenue, cost items, staffing, funding and key balance sheet items which may prove to be false or incomplete. There is no guarantee that ZEAL will be able to succeed in this environment in the long term. In particular, our continued growth depends on whether, and to what extent, we are able to gain new customers for ZEAL's products, to expand our current offerings, to add further products to the range and to establish new sales channels.

In the worst case, the business model may prove to be unprofitable or unfeasible. This may lead to impairment especially of capitalised non-current assets (goodwill and brand), as well as to other significant negative effects on the financial position and performance of ZEAL.

RISK AND COMPLIANCE MANAGEMENT

The Management Board of ZEAL Network SE has expanded the existing risk management system by including an integrated risk and compliance management system. To this end, we carefully monitor our market and competitive environment while analysing the identified risks and compliance fields in the course of regular risk management workshops. The insights this provides are used to swiftly introduce measures which will ensure the sustainable success of the Group and prevent infringements of compliance regulations.

ZEAL Network SE is exposed to the typical sector and market risks associated with the field of online gaming and lotteries. We define risks as being those events or developments which may have a negative impact on the Group or the attainment of our corporate objectives. In order to counter such risks, we have established a modern and comprehensive risk management system. Furthermore, we regularly monitor the adjustments and updates made to the security systems and processes of our service providers.

We monitor operating risks by means of regular risk management interviews with the respective risk officers in the management team. The results of these interviews are discussed by the Management Board. Risks are thus continuously monitored by the Management Board and other executives with regard to their potential impact on relevant financial and non-financial performance indicators when the risk occurs. The assessment of the potential impact is conducted by means of quantitative or qualitative estimation. The quantitative impact is assessed using the potential impact on earnings (EBIT) or other deviation from the defined corporate objectives. The probability of occurrence is based on a time horizon of one year from the assessment date. The probability of occurrence refers to the statistical or estimated probability. The qualitative impact on our reputation is also taken into account. When assessing individual risks, we take into account existing risk mitigation measures. The identified risks are documented in a risk matrix according to their potential impact and probability of occurrence. Our risk matrix contains the residual risk remaining after deducting risk-mitigating measures. From a potential quantitative impact of at least €1 million, we regularly monitor risks separately and report these in a highlighted form to the Management Board and the Supervisory Board. A risk with a potential impact of at least €5 million and an average probability of occurrence of at least 40% regularly constitutes a material risk. Moreover, there may be a material risk if a correspondingly higher impact is expected with a lower probability of occurrence or a lower impact is expected with a higher probability of occurrence.

We regularly evaluate the regulatory conditions, also with the aid of legal advisors, and can thus react swiftly and appropriately.

We are convinced that our early warning and risk management system is well suited to quickly recognise and deal with dangers for ZEAL resulting from possible risks. The risk early recognition system has been formally documented and is regularly monitored and adapted. Should one or more of the following risks occur, it may materially impact our business and have significant adverse effects on the financial position and performance of ZEAL Network SE.

ZEAL's Ethics and Compliance Management System (CMS) consists of a large number of in-house measures and processes. It is based on the recognised IDW PS 980 to ensure the adequacy and effectiveness of the system. ZEAL's CMS serves to align business decisions with ethical principles and to ensure that we abide by all applicable laws, internal regulations and voluntary commitments. We place particular emphasis on compliance with gambling regulation, data protection, IT security, competition, corruption, occupational health and safety, working conditions and general non-discrimination.

These special requirements are binding constituents of a code of ethics and conduct, the 'ZEAL Code'. The ZEAL Code is available to all employees and interested parties in German, English and Spanish. All executives are obliged to 'set the tone from the top', in other words to shape our corporate culture through their own behaviour in such a way that all employees are motivated to comply with the applicable regulations and to report any (potential) violation through one of the channels offered by ZEAL, for example our whistleblower tool. Those executives whose areas of responsibility have particular contact with the focus topics of our CMS meet regularly in workshops to analyse and assess possible risks and determine appropriate risk-reducing measures. The Compliance Officer is responsible for the CMS and risk management and reports directly to the Management Board.

Based on our regular risk analysis, we constantly optimise our compliance programme. It not only includes basic principles such as the dual control principle for processes, but also specific Group policies on relevant compliance topics, such as the handling of gifts and invitations. We have also set up various reporting channels for possible compliance violations, whereby employees can also report anonymously or to our external compliance consultant. The various channels are also available to our business partners, as ZEAL attaches particular importance to ethical behaviour in dealing with third parties and thus also checks relevant business partners before entering into a contractual relationship.

We believe that creating an open, transparent and participatory corporate culture is an indispensable prerequisite for effective compliance management, as rules and processes alone are not sufficient. In order to promote a dialogue, create trust and communicate the reasons for and contents of internal guidelines, ZEAL is therefore developing a training concept for all employees.

ZEAL actively invites all employees to contact our Compliance Officer with questions, doubts or improvement suggestions regarding compliance-relevant processes. In conjunction with our risk analysis, this enables us to keep track of current challenges throughout the year and to quickly adapt our compliance programme where necessary. We deliberately formulate policies in a practical manner with the aim of serving as a working aid for our employees. We communicate compliance requirements in a way that is appropriate for the target group, partly in online courses, personal workshops and in the context of daily business. The application of compliance requirements communicated in this way leads to a high level of compliance competence among employees at the operational level and is suitable for preventing compliance violations at an early stage in their development. We are convinced that this lean and practical ethics and compliance management approach gives ZEAL a competitive advantage, as it not only positions us as a trustworthy gaming provider and reliable business partner, but also as a highly attractive employer with a low level of bureaucracy.

The ZEAL Group processes the data of several million customers. As a leading online provider of state lottery products and a service provider for the operation of lotteries, the security and protection of our customers' personal data is our top priority. ZEAL strictly adheres to the legal requirements, in particular the General Data Protection Regulation (GDPR). An in-house specialist department is responsible for ensuring compliance with IT security. Data protection requirements are continuously monitored both internally and by an external data protection officer. The legal department and IT security department work closely together to ensure data protection and IT security. ZEAL operates an Information Security Management System (ISMS) and its essential data processing systems are certified according to ISO 27001. The ISMS defines and regulates the processing of personal data as well as the security of business-critical information, access controls and business continuity requirements. It is based on various guidelines that are implemented in the respective departments. Best practices and standards are continuously developed and integrated into the relevant processes.

Risk Matrix



- Critical negative impact on business operations and profitability**
- Serious negative impact on business operations and profitability**
- Material negative impact on business operations and profitability**
- Moderate negative impact on business operations and profitability**
- Low negative impact on business operations and profitability**

- 5) Risk threatens achievement of key corporate objectives. Significant impact on corporate objectives. Significant legal or regulatory consequences and impact on company's reputation expected.
 - 4) Prolonged operational downtime and/or loss of connectivity/compromising of large data volumes or services.
 - 3) Significant expenditure on resources required/damage to reputation and trust.
 - 2) Noticeable damage, additional expenditure to rectify/low damage to reputation and trust.
 - 1) No additional expenditure to eliminate the risk/no damage to reputation and trust.
-
- A) Occurrence is unlikely. Rare, may occur in exceptional cases. No or little experience with similar error.
 - B) It may occur at a specific time, perhaps once or twice every 5 years. There are conditions in which this can happen, but there are effective controls.
 - C) It may happen once or twice a year.
 - D) It might happen once a quarter.
 - E) It is expected to occur, almost certainly. It may occur several times a month.

MARKET AND SECTOR RISKS

Stronger competition

It cannot be ruled out that competition within the gambling sector in Germany will increase in the medium term. The state lottery companies could excessively expand their own online sales within the framework of their monopoly position. International sports betting and casino providers might enter the lottery brokerage business or compete with ZEAL in other strategic business areas. At the same time, a greater variety of alternative online gaming offerings could lead to a decline in lottery revenues. However, the increased enforcement of legal restrictions in recent years has put the secondary lottery business model under considerable pressure. We therefore expect weaker competition from foreign secondary lottery providers in the future. The medium-term success of the business model of these competitors has therefore been fundamentally challenged and its further growth will be hampered. It will become increasingly difficult for the remaining providers to enter into successful advertising collaborations in order to ensure further growth. But, providers of secondary lotteries that have not been licensed to date could discontinue their current business model and seek to be granted a licence for lottery brokerage in Germany.

Default of strategic service providers

Strategically relevant service providers such as Amazon, Apple, Google or Facebook could refuse to cooperate with gambling providers or terminate existing agreements due to a shift in their internal corporate policies. There is therefore a risk that those companies cease to provide their services to us. In this case, LOTTO24's and Tipp24's advertising and the relevant use of cloud services would be subject to significant limitations, or apps would no longer be available in the respective app stores, which may result in a significant reduction of revenues and new customer figures. In addition, the interfaces to individual or several state lottery companies could temporarily fail, which could result in some of our offerings being unavailable, too. In the case of outages lasting several days or in times of high jackpots, this could lead to significant declines in revenue and the number of new customers.

Lower frequency of high lottery jackpots

Jackpots occur by chance due to certain conditions during lottery draws. It cannot be excluded, therefore, that there will be no such high lottery jackpots over a longer period of time. This could in particular lead to lower revenue and new customer figures due to a reduced interest to participate in lotteries.

Change in consumer climate due to macroeconomic uncertainties

The general consumer climate continued to deteriorate in 2022. High inflation and economic uncertainty have dampened consumer sentiment. We anticipate further uncertainty among the relevant customer groups in 2023. The current uncertainties may have a negative impact on average spending on our offerings and result in lower revenue.

LEGAL RISKS FROM THE REGULATORY DEVELOPMENT

Future development of legal situation in Germany remains uncertain

We have already reported on the general legal conditions and the resulting possible uncertainties in the section Legal Conditions. Since the entry into force of the new State Treaty on Games of Chance in July 2021, the regulatory risk has decreased slightly. Although significant restrictions for online offers continue to exist under the new State Treaty. However, we believe that the legal certainty and predictability of the administrative enforcement of future ancillary provisions has improved. Nevertheless, given that the new State Treaty continues to contain uncertain enabling provisions, the following risks may continue to endanger the Group's future survival:

In Germany, the online offering of games of chance is only possible if the relevant licences and the advertising restrictions they contain have been granted. In the past, ZEAL Group entities were granted the respective licences without any significant objections to the application documents, especially the concepts submitted. As in the past, the licences granted under the new State Treaty on Games of Chance are limited in time and subject to general revocation. We assume that licences to be granted for other gambling offers in the future will also contain such restrictions and uncertainties. It is unlikely, but cannot be excluded, that the existing licences may be withdrawn or not prolonged, or that future licences may only be granted after a considerable delay. Such a revocation, non-prolongation or delay in granting licences would significantly impede or even prevent the continued operation and expansion of business activities.

Due to the variety of indeterminate ancillary licence provisions and in some cases indeterminate legal bases for authorisation which are still anticipated, there will continue to be a considerable degree of legal uncertainty in the future compared to other sectors. Due to the broad discretionary powers of the authorities and the partial lack of clarity regarding the basis for authorisation, there is no effective temporary legal protection against regulatory measures. Enforceable restrictions of our offerings introduced by the authorities must be regularly observed initially – despite requests for temporary legal protection. This may lead to a temporary or permanent decline in revenue and new customer figures.

TAX RISKS

In the past, ZEAL was subject to various tax laws across several jurisdictions. The relocation of the registered office from the UK to Germany in particular required the consideration of various tax aspects, especially with regard to the valuation of company assets. We believe that we correctly assessed all aspects involved with the relocation of the registered office. Depending on the application and interpretation of British and German tax laws and administrative guidance, however, it is not possible to predict with certainty whether tax authorities may subsequently apply different assessment or measurement methods that could lead to a future tax burden.

LEGAL DISPUTES AND REGULATORY PROCEEDINGS

ZEAL Group entities are parties in various legal proceedings in connection with different aspects of gambling and tax law.

Appeal against the assessment of gambling duties in Austria

MyLotto24 Ltd and Tipp24 Services Ltd are parties in tax proceedings in Austria. MyLotto24 Limited and Tipp24 Services Ltd are appealing against assessments on the levying of gaming taxes on stakes in connection with secondary lottery services provided until 2019. In our opinion, the Austrian tax authorities are applying an unlawful basis for assessment. We assume that the assessment of gambling duties will be corrected by the court in such a way that only the stakes of participants resident in Austria will be taxed. This corresponds to applicable law in Austria, which is based on participation from within the country and taxes this with a gambling duty of 40%. Based on our detailed analysis of the disputed matter and the assessment of our advisors in the proceedings, we assume that our appeal has an overwhelming chance of success. In this case, we anticipate a fixed gambling duty and suspension interest totalling €2.3 million. Further explanations can be found in note 22 to the Consolidated Financial Statements.

Appeals against decisions on licences and costs

LOTTO24 AG has initiated various court proceedings to review the legality of what it considers to be indeterminate and disproportionate restrictions of the licences as well as the licence fees charged – also under the new legislation. In proceedings brought against the order to pay costs for the granting of the brokerage licence in 2021, both the Administrative Court of Hamburg ('VG Hamburg') and the Higher Administrative Court of Hamburg ('OVG Hamburg') confirmed our legal position and reduced the assessed costs by half. The judgements are not legally binding. We expect the supervisory authority to file an appeal with the Federal Administrative Court. With regard to the other pending proceedings against the licence restrictions, we do not expect any material negative impact on future business in the short and medium term.

OPERATING RISKS

Risks from gaming operations

- Dependency on complex IT systems: We are dependent on the use of automated processes for handling gaming agreements. Despite our extensive security provisions currently in place, based on ISO 27001, the processing of the gaming agreements may be materially impacted by breakdowns of or disruptions to the IT systems. This may result from the destruction of hardware, system crashes, software problems, virus attacks, and the intrusion of unauthorised persons on the system, the encrypting of software due to a so-called ransomware attack, or similar disruptions and the automated generation of mass mailing requests on a server via the Internet with the aim of significantly limiting its availability by overloading (denial of service attacks). Any adverse effect could, depending on its extent, result in damage to our reputation and financial losses.
- Data abuse by unauthorised persons: In the course of the registration process, our customers provide us with their personal details which are stored electronically and can be viewed on our website via the respective player account section. We have taken exhaustive steps to secure the data we store, which are regularly checked by independent security experts and continually adapted to state-of-the-art requirements. Despite these high security precautions, it cannot be fully excluded that unauthorised persons illegally gain access to our customer database or the customer database of our partners. This may lead to loss of revenue, damage claim obligations and considerable damage to our assets.
- Cooperation with external service providers: For the processing of our business, we depend on the cooperation with external service providers who have the specialist know-how and technologies. This applies to data and voice communication, procurement, installation, ongoing development, updating and maintaining hardware and software, data centre services, payment processing, text messaging and emailing. There is a possibility that one or more of the external service providers we use does not render the services, or not on time or not without errors. It is therefore possible that we may be unable to provide our own services on time or without error due to errors or oversights of the external service providers we have commissioned. This may lead to loss of income, damage claim obligations and considerable damage to our reputation.

Jackpot risk

We conduct various charity lotteries in Germany on behalf of BildungsChancen gGmbH. As executor, we bear the economic risk of prize payment obligations to the lottery participants. There is a risk that, especially during the start-up period, lower stakes will not be sufficient to pay out high prize amounts in particular. In order to reduce the corresponding risk, we have taken out insurance to cover the largest pay-out risks – especially of the highest prize category.

Counterparty default

ZEAL frequently holds significant cash balances on deposit with financial institutions or has it invested on a short-term basis. These deposits, cash equivalents and other short-term equity funds and other contractual arrangements give rise to credit risks on amounts due from counterparties, including financial institutions. ZEAL may experience write-downs or severe delays in payments by counterparties or from investments made in start-ups. The financial failure of certain financial institutions where ZEAL holds balances could lead to a partial or complete loss of its deposits. Similarly, the collapse of individual issuers of cash equivalents may lead to the partial or complete loss of these cash equivalents.

OPPORTUNITY REPORT

INCREASING DIGITISATION OF MEDIA USAGE AND COMMERCE

The volume of services provided digitally and media consumed online is also growing from year to year in Germany. Consumers are increasingly switching from offline to online services. Online lottery services in particular, however, are still used less than average in Germany compared to the proportion of online retail sales. This constant change and pent-up demand gives us the opportunity to benefit from the digital trend and possibly tap new marketing channels which will accelerate our growth by enabling easier access to our product offerings.

FREQUENCY OF UNUSUALLY HIGH LOTTERY JACKPOTS

Jackpots arise by chance on the basis of certain lottery draw events. Based on our experience, we expect particularly strong customer growth, as well as an increase in billings of our registered customers, in times of high jackpots. A higher frequency of maximum jackpots (€45 million for 'LOTTO 6aus49' and €120 million for 'Eurojackpot') may lead to rising customer growth and higher revenue.

EXPANDED PRODUCT PORTFOLIO

The new version of the State Treaty on Games of Chance in effect since 1 July 2021 provides for the possibility of offering additional gaming products, in particular virtual slot machine games and sports betting via the Internet. When the new State Treaty on Games of Chance came into force, we applied for a licence to offer virtual slot machines. We are continuously reviewing whether further innovative products are eligible for approval and suitable for attracting additional customer groups. The expansion of the product portfolio might lead to further customer growth and higher revenues and margins.

ASSESSMENT OF THE RISKS AND OPPORTUNITIES

We believe that the probability of the above mentioned risks occurring varies and regard the overall risk position as moderate. In particular, material risks such as regulatory uncertainties or IT security risks were reduced. The protracted court case concerning the question of whether German VAT is payable on revenue generated by the previously offered secondary lottery was brought to a successful and legally binding conclusion for myLotto24 Limited in August 2022. As a result, there was a further normalisation of the overall risk in 2022. We regard the likelihood of risks that could jeopardise the continued existence of the Group – such as the non-prolongation or revocation of licences granted – as small. Moreover, in the case of legal risks, we would exhaust the existing legal protection options. We are not aware of any other risks which might endanger the Group's continued existence. Overall, we believe that the opportunities that the Group has significantly outweigh the risks that we face.

FEATURES OF THE GENERAL AND ACCOUNTING-BASED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

THE GENERAL INTERNAL CONTROL SYSTEM

Our definition of the internal control (ICS) and risk management system corresponds to that of the Internal Control Framework – COSO I Model issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Moreover, a further enhancement was also implemented by means of the Enterprise Risk Management Integrated Framework COSO-II model. Consequently, a control environment has been defined, a risk assessment has been carried out, control measures have been defined and it has been ensured that continuous information, documentation and constant monitoring of the control system are guaranteed. The Management Board has the responsibility to define the scope and structure of the ICS at its own discretion. It is continuously developed and adapted to internal and external circumstances.

To this end, we first defined the control objectives. These related in particular to the adequacy of the:

- Functionality and efficiency of business processes.
- Reliability of operational information.
- Asset protection.
- Compliance with rules.

In strategic, operational, accounting-related and sustainability-related areas, the primary objective of our ICS is to avoid risks resulting from non-execution or incorrect execution, to detect material misstatements and to ensure compliance with the relevant regulations.

All of these measures were designed to maximise the effectiveness of the ICS. During the establishment, ongoing development and maintenance of the ICS, the main focus was on protecting the Group's assets and ensuring the reliability of internally generated data. In doing so, we made sure that the ICS was compatible with our guiding philosophy and was flexible enough to keep pace with ongoing changes. Moreover, attention was paid to an appropriate cost-benefit ratio.

The ICS implementation is also ensured by means of personnel-related measures. On the one hand, this relates to the recruitment of employees. We screen our potential employees to ensure they have the necessary skills, training or certificates to perform their jobs in accordance with the requirements. We also require all new employees to submit a police clearance certificate. On the other hand, the effectiveness of our employees is ensured by offering a wide range of training and education programmes, as well as a commitment to regular holidays.

In addition, we ensure a strict segregation of duties for important business transactions such as purchases, monitoring and executing customer payments, and the payment of invoices. The following responsibilities are segregated for these areas:

- Execution of transactions.
- Authorisation or approval of transactions.
- Recording of transactions.
- Safekeeping of assets.

Finally, we carried out an extensive analysis and documentation of our key business processes and identified all risks in the above-mentioned areas in order to prevent them.

We continuously review our ICS in order to avoid failures. Irrespective of its specific structure, however, an ICS cannot provide absolute assurance that these objectives will be achieved. However, there was no indication in the fiscal year 2022 that the ICS essentially failed in the prevention of errors or fraud. The Management Board has therefore no indications that the individual ICS components were not appropriate or not effective.

THE ACCOUNTING-RELATED INTERNAL CONTROL SYSTEM

By means of defined organisational, control and monitoring structures, the accounting-related ICS of ZEAL ensures the complete recording of group-related matters and their proper presentation in the Consolidated Financial Statements. The principles, procedures and measures introduced for this purpose are regularly reviewed and continuously developed.

ZEAL Network SE prepares its Annual Financial Statements in accordance with German accounting standards and its Consolidated Financial Statements in accordance with the requirements of IFRS, as adopted by the EU. Changes to the relevant legal regulations are constantly monitored and examined for any adjustments that might be required.

We consider the following elements of the internal control and risk management system to be significant with respect to the (consolidated) financial reporting process:

- Identification of all significant financial reporting-related processes and risk areas including supporting IT systems and definition of corresponding key controls.
- Continuing analysis of new or changing accounting principles, laws and other regulations and assessment of their effect on the financial statements. Regular update of Group-wide accounting and reporting directives in the form of accounting guidelines, charts of accounts and reporting procedures.
- Support of Group companies in implementation of adequate accounting processes and systems, for example by providing accounting services, guidelines and checklists for financial statement closing as well as key risks and standard controls within the business processes.
- Centralised preparation of the Consolidated Financial Statements (including Group Management Report), employing manual and automated controls and quality checks.
- Assuring requisite expertise of employees involved in the financial accounting and reporting process by means of appropriate selection procedures and training as well as employing specialists for specific valuation and IFRS topics such as valuation of investments and share-based payments.
- Finance division staff are responsible for the preparation of the Consolidated Financial Statements. The process of preparing the Consolidated Financial Statements is carried out in accordance with a time schedule agreed with the staff of those departments providing information. Individual items are accounted for based on the input of external specialists/appraisers.

We monitor the accounting-related ICS mainly by controls integrated into processes. These internal controls comprise both preventive as well as detective activities. The following controls are embedded in the process: IT-based and manual data matching, the segregation of functions, the dual checking principle and monitoring controls.

FORECAST REPORT

EXPECTED EARNINGS POSITION

In the fiscal year 2023, we plan to further extend our market leadership as an online provider of lottery products and to launch new products, including online games under the licence for virtual slot machine games we applied for. Depending on the general conditions – and an average jackpot development – we expect billings in the range of €800 million to €830 million for the Germany segment. Moreover, we expect revenue to be in the range of €110 million to €120 million in the fiscal year 2023. EBITDA is expected to be in the range of €30 million to €35 million. Compared to the previous year, we plan to invest significantly more in the acquisition of new customers and expect marketing expenses of €34 million to €39 million.

	2023	2022
in € million	Guidance	Actual
Billings (Germany segment)	800–830	758.4
Revenue (including reimbursements from jackpot insurance)	110–120	105.2
Adjusted EBITDA ¹	30–35	31.7

¹ Earnings before financial result, taxes, depreciation and amortisation

Takeover-Relevant Information and Explanations

The following disclosures are made pursuant to sections 315a and 289a of the German Commercial Code (HGB) as well as section 176 of the German Stock Corporation Act (AktG), whereby matters not applicable to ZEAL Network SE are not mentioned:

Composition of Subscribed Capital

As of 31 December 2022, the Subscribed Capital of ZEAL Network SE amounted to €22,396,070, divided into 22,396,070 no-par value registered shares. Pursuant to section 67 (2) AktG, only those persons registered as shareholders in the share register are considered to be shareholders of the Company. With the exception of treasury shares, which do not grant any rights to the Company, all shares confer the same rights. Each share confers one vote and, with the possible exception of any new shares with no dividend rights, an equal share in the profits in accordance with the dividend distribution adopted by the General Meeting of shareholders. The rights and obligations arising from the shares are derived from the provisions of applicable law, in particular article 9(1)(c)(ii) of Council Regulation (EC) No. 2157/2001 of 8 October 2001 on the Statute for a European company (SE) ('SE Regulation') in conjunction with sections 12, 53a et seq., 118 et seq. and 186 AktG. As of 31 December 2022, ZEAL Network SE held 743,118 treasury shares.

Restrictions concerning voting rights or the transfer of shares

The Company's treasury shares do not entitle it to any rights. In the cases of section 136 AktG, the voting rights of the shares concerned are excluded by law. Violations of disclosure obligations pursuant to sections 33, 38 or 39 German Securities Trading Act (WpHG) can also result in the – at least temporary – loss of rights from shares, including the right to vote, pursuant to section 44 WpHG.

Insofar as Management Board members acquire ZEAL shares in a fiscal year for up to 10% of their base salary, for which they receive a corresponding increase in their base salary, they are obligated to hold the corresponding shares for a minimum period of three fiscal years from 1 January of the year of acquisition.

Direct or indirect shareholdings which exceed 10% of voting rights

With regard to shareholdings which exceed 10% of voting rights (reported shareholding), please refer to section 33.3 of the notes to the Consolidated Financial Statements ('Disclosures according to section 160 (1) no. 8 AktG').

Legal regulations and provisions of the Articles of Association regarding the appointment and dismissal of Management Board members and amendments to the Articles of Association

ZEAL Network SE is a European company (SE) with a two-tier system within the meaning of article 38 lit. b) first alternative SE Regulation. The appointment and dismissal of Management Board members is governed by article 9 (1), article 39 (2) and article 46 SE Regulation, sections 84, 85 AktG and the Articles of Association. The members of the Management Board (management organ) of the Company are appointed by the Supervisory Board (supervisory organ) for a period of no more than five years. Members may be reappointed for further periods of no more than five years (section 6 (2) of the Articles of Association). Members of the Management Board are appointed with a simple majority of the votes cast by the Supervisory Board. If a vote results in a tie, the Chairman has two votes in the event of a new vote on the same item if that also results in a tie (section 13 (6) of the Articles of Association). This procedure applies in the same way to a dismissal of Management Board members.

The Management Board consists of one or more persons pursuant to section 6 (1) of the Articles of Association. The number of members is determined by the Supervisory Board. Pursuant to section 84 (2) AktG, the Supervisory Board can appoint a Management Board member as Chairman. If the Management Board lacks an obligatory member, the competent court may appoint a member in urgent cases and on application of a person involved in accordance with section 85 (1) AktG. Pursuant to section 84 (3) AktG, the Supervisory Board can dismiss a member of the Management Board and revoke the appointment as the Chairman of the Management Board for cause.

The scope of activities which the Company may carry out is defined in section 2 of the Articles of Association. Amendments to the Articles of Association are governed by article 59 SE Regulation, section 179 AktG and the Articles of Association. Unless otherwise prescribed by law, resolutions of the General Meeting are adopted by a simple majority of votes cast (pursuant to section 133 German Stock Corporation Act (AktG), section 20 (1) of the Articles of Association) and where necessary by a simple majority of the share capital represented. In accordance with section 179 (2) German Stock Corporation Act (AktG), a majority of 75% of the share capital represented is required to change the purpose of the Company; no use is made in the Articles of Association of the possibility to determine a larger capital majority for this purpose. The Supervisory Board is authorised to resolve amendments to the Articles of Association that only concern the formal wording (section 16 of the Articles of Association). Pursuant to section 181 (3) German Stock Corporation Act (AktG), amendments to the Articles of Association become effective when entered in the Commercial Register.

Powers of the Management Board to issue or buy back shares

The Management Board is not currently authorised to issue new shares. In particular, the Company does not have any authorised or conditional capital.

By resolution of the General Meeting of shareholders of 25 September 2019, the Management Board is authorised to use all treasury shares held by the Company at this time, under the exclusion of shareholders' subscription rights, for, among other things, corporate mergers and acquisitions or to sell them for cash to third parties at a price that is not significantly below the market price at the time of the sale. The shares can furthermore be issued to employees of the Company and affiliated companies, including managers at affiliated companies, in the scope of share-option and/or employee profit-sharing plans. The Company's own shares can also be cancelled. In 2022, 3,736 treasury shares were sold to employees of the Group.

By resolution of the General Meeting of shareholders of 30 June 2022, the Management Board is authorised – with prior approval of the Supervisory Board – to purchase treasury shares in the period ending 29 June 2027 up to a total of 10% of the Company's existing share capital at the time of this resolution or – if lower – at the time of utilising the authorisation. Together with other treasury shares held by the Company or attributable to it according to sections 71a et seq. AktG, the acquired shares may at no time account for more than 10% of the share capital. The share repurchase may be effected in various ways as specified in more detail in the authorisation. The Management Board is authorised to use the shares acquired in this way, also with the exclusion of subscription rights, for all legally permissible purposes, in particular for the purposes specified in detail in the authorisation. Among other things, the Management Board is authorised according to section 71 (1) number 8 AktG to cancel the shares without requiring a further resolution of the General Meeting. In 2022, 714,285 treasury shares were acquired by the Company on the basis of this authorisation as part of a voluntary public share repurchase offer.

Hamburg, 22 March 2023

The Management Board

Helmut Becker Chief Executive Officer	Paul Dingwitz Chief Technology Officer
Sönke Martens Chief Operations Officer	Jonas Mattsson Chief Financial Officer

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement

for the period 1 January to 31 December

		2022	2021
in € thousand	Note		
Revenue	4	105,201	83,334
Other operating income	5	2,309	4,610
Personnel expenses	25	-18,892	-19,048
Other operating expenses	6	-56,965	-41,115
Marketing expenses		-34,126	-22,359
Direct operating expenses		-10,652	-9,579
Indirect operating expenses		-12,187	-9,177
Exchange rate differences		6	-48
EBITDA¹		31,659	27,734
Amortisation/depreciation on intangible assets and property, plant and equipment	9; 11	-8,061	-7,942
Depreciation of right-of-use assets	27.1	-670	-747
Result from operating activities (EBIT)		22,928	19,045
Income from financial activities	7	1,439	167
Expenses from financial activities	2.9	-746	-1,972
Gain/loss on financial assets		-621	-286
Financial result		72	-2,091
Share of loss from associates		-190	-300
Net profit before taxes		22,810	16,654
Income taxes	8	-6,238	-5,251
Net profit		16,572	11,404
Attributable to:			
Shareholders of the parent company		15,962	10,787
Non-controlling interest		610	616
Earnings per share for profit attributable to shareholders of the parent company	23.6	€	€
Basic and diluted earnings per share (in €/share)		0.72	0.48

¹ Results from operating activities before share of loss from associates, financial result, taxes, depreciation/amortisation of intangible assets, property, plant and equipment and right-of-use assets.

Consolidated Statement of Comprehensive Income
for the period 1 January to 31 December

		2022	2021
in € thousand	Note		
Net profit		16,572	11,404
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	14	593	9,088
Other comprehensive income (after taxes)		593	9,088
Total comprehensive income (after taxes)		17,165	20,491
Attributable to:			
Shareholders of the parent company		16,555	19,876
Non-controlling interest		610	616

Consolidated Statement of Financial Position

		31 December 2022	31 December 2021
ASSETS in € thousand	Note		
Non-current assets			
Property, plant and equipment	9	1,155	617
Right of use assets	27.1	2,661	3,838
Goodwill	10	158,585	158,585
Intangible assets	11	128,350	135,551
Deferred tax assets	12	6,948	11,908
Interest-bearing bond	13	5,000	0
Other investments	14	15,424	14,666
Shares in associated companies	15	675	272
Receivables from finance lease	27.2	1,399	1,630
Total non-current assets		320,197	327,067
Current assets			
Income tax receivables		118	125
Trade receivables		1,433	1,791
Receivables from finance lease	27.2	894	1,196
Prepaid expenses		1,454	1,498
Other financial assets	16	17,694	25,972
Other assets	17	56,736	55,649
Cash and cash equivalents	18	61,209	90,100
Total current assets		139,538	176,331
ASSETS		459,736	503,398

EQUITY & LIABILITIES in € thousand		Note	31 December 2022	31 December 2021
Non-current liabilities				
Deferred tax liabilities	12		46,314	48,437
Interest-bearing loans	19		22,938	7,613
Other financial liabilities	20		4,272	4,821
Provisions	22		3,983	4,001
Lease liabilities	19		3,630	4,924
Total non-current liabilities			81,137	69,796
Current liabilities				
Trade payables			3,792	3,699
Interest-bearing loans	19		4,675	1,088
Other financial liabilities	20		21,786	31,102
Other liabilities	21		6,904	6,461
Income tax liabilities			5,810	3,942
Provisions	22		104	358
Lease liabilities	19		1,492	2,009
Total current liabilities			44,562	48,660
Equity				
Subscribed capital	23.1		22,396	22,396
Capital reserves	23.3		279,952	279,971
Treasury shares	23.5		-21,250	-1,411
Other reserves	23.7		11,066	10,473
Retained earnings	23.8		35,785	66,794
Equity attributable to shareholders of the parent company			327,950	378,223
Non-controlling interest	23.4		6,087	6,719
Total equity			334,037	384,942
EQUITY & LIABILITIES			459,736	503,398

Consolidated Statement of Cash Flows
for the period 1 January to 31 December

		2022	2021
in € thousand	Note		
Net profit before tax		22,810	16,654
Adjustments for			
Amortisation/depreciation	9; 11	8,061	7,942
Depreciation of right-of-use assets	27.1	670	747
Share of loss from associates	15	190	300
Impairment of associates	7	-	266
Impairment reversal of associates	7	-411	-
Interest income from finance leases and gains from the disposal of right-of-use assets	27.2	-123	-128
Other income from financial activities	7	-905	-38
Expenses from financial activities – from lease liabilities	27.1	227	288
Other expenses from financial activities	7	333	1,146
Adjustment of fair values of other investments	14	246	-
Translation differences		14	-49
Other non-cash income/expenses		99	-21
Changes in			
Trade receivables		357	-491
Prepaid expenses		44	-635
Other financial assets ¹	16	8,713	-11,511
Other assets ²	17	-276	185
Trade payables		92	92
Other financial liabilities	20	-9,865	14,478
Other liabilities	21	443	-292
Provisions	22	-272	-2,249
Interest received	7	123	166
Interest paid		-560	-498
Income taxes paid		-1,521	-356
Net cash inflow from operating activities		28,489	25,996

		2022	2021
in € thousand	Note		
Cash flow from investing activities			
Payments for the acquisition of financial instruments	13; 16	-5,400	-
Receipts from the repayment portion of subleases (finance lease)	27.2	1,186	1,040
Payments for the acquisition of intangible assets	11	-558	-231
Payments for the acquisition of property, plant and equipment	9	-871	-171
Payments for the acquisition of associated companies	15	-594	-404
Dividends received		59	-
Disposal from the deconsolidation of subsidiaries		-14	-773
		-6,192	-539
Cash flow from financing activities			
Payments for the repayment portion of lease liabilities	27.1	-1,974	-1,536
Payments for the acquisition of treasury shares	23.6	-20,000	-
Receipts from the sale of treasury shares	23.6	114	138
Receipts from the taking out of loans	19	20,000	8,700
Payments for the redemption of loans	19	-1,088	-
Payments for the acquisition of non-controlling interests	23.4	-	-8,699
Dividend payments	28	-48,213	-20,131
Net cash outflow from financing activities		-51,161	-21,528
Net increase/decrease in cash and cash equivalents		-28,863	3,929
Exchange rate-related changes in cash and cash equivalents		-28	109
Available funds at the beginning of the period		90,100	86,061
Available funds at the end of the period		61,209	90,100
Composition of available funds		-	-
Cash and cash equivalents according to the statement of financial position at the end of the period		61,209	90,100

¹ Excluding accrued interest from an interest-bearing bond of €35 thousand and acquisition of financial instruments of €400 thousand. Further details are presented in notes 13 and 16 to the Consolidated Financial Statements.

² Excluding accrued interest from a tax prepayment of €811 thousand. Further details are presented in note 17 to the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

for the period 1 January to 31 December

	Subscribed capital	Capital reserve	Treasury shares	Other reserves	Currency translation adjustments	Retained earnings	Equity attributable to shareholders of the parent company	Non-controlling interest	Total equity
in € thousand									
As at 1 January 2021	22,396	280,132	-1,591	1,385	-	83,043	385,365	7,897	393,262
Net profit	-	-	-	-	-	10,788	10,788	616	11,404
Other comprehensive income	-	-	-	9,088	-	-	9,088	-	9,088
Total comprehensive income	-	-	-	9,088	-	10,788	19,876	616	20,491
Dividend payment	-	-	-	-	-	-20,127	-20,127	-4	-20,131
Purchase of non-controlling interest	-	-	-	-	-	-6,910	-6,910	-1,789	-8,699
Sale of treasury shares	-	-161	180	-	-	-	19	-	19
As at 31 December 2021	22,396	279,971	-1,411	10,473	-	66,794	378,223	6,719	384,942
Net profit	-	-	-	-	-	15,962	15,962	610	16,572
Other comprehensive income	-	-	-	593	-	-	593	-	593
Total comprehensive income	-	-	-	593	-	15,962	16,555	610	17,165
Dividend payment	-	-	-	-	-	-46,971	-46,971	-1,242	-48,213
Purchase of treasury shares	-	-	-20,000	-	-	-	-20,000	-	-20,000
Sale of treasury shares	-	-19	162	-	-	-	143	-	143
As at 31 December 2022	22,396	279,952	-21,250	11,066	-	35,785	327,950	6,087	334,037

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General Information

ZEAL Network SE, Hamburg (hereinafter also referred to as 'ZEAL' or 'the Company'), is a listed company under German law domiciled in Hamburg and entered in the Commercial Register of the District Court of Hamburg under the registry number HRB 159581. Its domestic business address is Straßenbahnring 11, 20251 Hamburg, Germany. The Consolidated Financial Statements were prepared for the fiscal year ending 31 December 2022.

ZEAL is the parent company of an e-commerce group of companies that offer online lottery experiences to their customers. It is mainly active in online lottery brokerage.

These Consolidated Financial Statements were prepared by the Management Board on 22 March 2023 and thus approved for publication.

2 Accounting Policies

The main information on the accounting methods used by ZEAL in preparing the Consolidated Financial Statements are presented below. Unless otherwise stated, the figures are shown in thousands of euros (€ thousand), which may result in rounding differences in individual cases.

2.1 BASIS OF PREPARATION

The Consolidated Financial Statements of ZEAL and its subsidiaries ('the ZEAL Group' or 'the Group'), as at 31 December 2022 were prepared in accordance with the valid International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board (IASB) which have to be applied in the EU as of the statement of financial position date, and additionally in accordance with the applicable commercial law regulations as stated in section 315e HGB.

The Consolidated Financial Statements have been prepared under the historical cost principle, except for the cash equivalents and other financial assets, which are measured at fair value as described in the accounting policies below.

2.2 RECENT ACCOUNTING DEVELOPMENTS

New standards, amendments and interpretations of existing standards to be adopted by the Group for the first time had no material impact on the Consolidated Financial Statements.

New published standards which are not yet mandatory

Standards and interpretations of potential relevance for the Group which had been published at the time of publishing these Consolidated Financial Statements but which were not yet mandatory are presented below. The Group does not intend to adopt the amendments to these standards before their effective date:

- Amendment to IAS 1 'Presentation of Financial Statements' – Classification of Liabilities as Current or Non-current effective from 1 January 2023.
- Amendment to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' – Definition of accounting estimates effective from 1 January 2023.
- Amendment to IAS 12 'Income Taxes' – Deferred Tax related to Assets and Liabilities arising from a Single Transaction effective from 1 January 2023.
- Amendment to IFRS 16 'Leases' – Lease Liability in a Sale and Leaseback effective from 1 January 2024.
- Amendment to IAS 1 'Presentation of Financial Statements' – Classification of Liabilities as Current or Non-current effective from 1 January 2024.

We do not expect the application of these new standards to have any significant impact on the Consolidated Financial Statements.

2.3 SIGNIFICANT JUDGEMENTS AND ESTIMATES

IFRS accounting requires that estimates and assumptions be made that underlie the amounts recognised in the Consolidated Financial Statements and notes to the Consolidated Financial Statements.

Significant assumptions and estimates were made for the standard useful lives of non-current assets, the impairment of goodwill, the realisability of accounts receivable and the accounting treatment and valuation of provisions. Actual figures may differ from these estimates. In addition, the following assumptions as of the statement of financial position date mean that there is a risk that the carrying amounts of assets and liabilities may need to be amended in future.

TAXATION AND OTHER DUTIES

Due to periodic changes in the tax landscape of the industry in which the Group operates, estimates are required to determine the provision for certain taxes and other duties. The treatment of these items is often by its nature complex and cannot be finally determined until a formal resolution has been reached with the relevant tax authority, which may take several years. Amounts provided are accrued taking into account legal and tax professional's assessment and the Management Board's interpretation of specific tax laws. Actual liabilities could differ from the amount provided, which could have an impact on the results and net position of the Group.

The majority of tax and other duty positions taken by the Group are routine and not subjective. However, the Management Board has made estimates and judgements in certain specific tax- and other duty-related areas. This concerns the following areas in particular:

Austrian Gaming Duty

In January 2011, gaming duty in Austria became payable on a point of consumption basis. There is judgement over whether the correct Austrian gaming duty should be payable based on 4% of stakes from 1 January 2018 (2% prior to 1 January 2018), which is the rate for 'betting' or 40% of gross gaming revenue, which is the rate for 'gaming' activities.

The Austrian Tax Office for Duties, Transfer Taxes and Gaming argues that since lotteries qualify as gaming, the organising of bets on the outcome of lotteries also qualifies as a gaming activity. Appeals have been lodged against the corresponding assessments. A provision of €2.3 million (2021: €2.1 million) was recognised as at 31 December 2022 for the taxation of 40% of gross gaming revenue expected by the Management Board. Further explanations can be found in note 22 to the Consolidated Financial Statements.

Deferred tax assets

Deferred tax assets are recognised for all unused tax loss carry-forwards to the extent that it appears probable that taxable income will be available, so that the loss carry-forwards can actually be used. When determining the amount of the deferred tax assets, the Management Board must make estimates regarding the expected time and size of the future taxable income, as well as future tax planning. Further details are provided in note 12 to the Consolidated Financial Statements.

UK exit tax due to relocation of registered office

As of the 31 December 2022, the Management Board reviewed the appropriateness of the UK exit tax paid in connection with the relocation of the Company's registered office from London to Hamburg in October 2019, as uncertainty has arisen over the tax treatment of a registered office relocation in the context of the UK's exit from the EU ('Brexit').

Following this assessment, the Management Board continues to believe that there is no overwhelming probability of an outflow of funds. Consequently, a corresponding provision has not been recognised in the statement of financial position. As there is a residual risk of payment, a contingent liability of €2.7 million was recognised. This corresponds to the theoretical taxation of the difference between the share acquisition price paid and the weighted three-month average price of the LOTTO24 shares before the relocation of the registered office. There was no change to this assessment in 2022.

GOODWILL

Goodwill and indefinite-life intangible assets are tested at least annually for impairment. For the purpose of testing for impairment, goodwill is allocated to the lowest level of cash-generating units at which it is monitored for internal management purposes. An impairment charge is recognised when the recoverable amount of the asset falls below its carrying amount. The recoverable amount corresponds to the higher of the net realisable value and the value in use. In order to test goodwill for impairment, the value in use is determined on the basis of forward-looking estimates and assumptions, for example with regard to billings and revenue, cost items, headcount, funding needs and growth rates. These estimates and assumptions are set by the Management Board and continuously monitored and updated. Further details are presented in note 10 to the Consolidated Financial Statements.

FAIR VALUE OF FINANCIAL ASSETS

At each reporting period, the fair value of the external investments is calculated. If market transactions relating to these equity instruments took place less than twelve months prior to the end of the reporting period (e.g. in the form of a representative financing round), fair value is derived from such market transactions (level 2), provided that the circumstances relevant for the valuation have not changed significantly. If there were no such market transactions, a discounted cash flow model (level 3) is utilised to determine the fair value (enterprise value) of the underlying businesses that ZEAL has invested in. The fair value of ZEAL's share of each participation has been measured using an option pricing model. The option pricing model allocates the enterprise value of the investment amongst the individual shareholders. Key estimates and assumptions in the model include; the discount rate, the perpetual growth rate, the growth rate of billings and the development of margins. Further details can be found in note 14 to the Consolidated Financial Statements.

PROVISIONS FOR LITIGATION

At each reporting period, the Management Board is required to estimate the expected outflow of cash resulting from the Group's legal cases. If it is considered probable (in other words, with a probability of over 50%) that a case will be lost then the Management Board will estimate the expected costs to be incurred and will record a provision. The determination of the probability that a case will be lost and the estimation of the expected costs can be carried out together with external legal experts, taking into account the applicable law. The Management Board will estimate what percentage of these costs to provide if it is determined that it is probable a case will be lost. The estimate is based on experience from similar cases and information from the courts and/or regulators or other third parties involved in the case. Details of the year-end provisions for litigation can be found in note 22 to the Consolidated Financial Statements.

2.4 BASIS OF CONSOLIDATION

The Consolidated Financial Statements include the financial information of the subsidiaries owned by the Company:

CONSOLIDATION OF SUBSIDIARY COMPANIES

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

The subsidiaries included in the Consolidated Financial Statements as at 31 December 2022 and 2021 are all wholly owned, directly or indirectly, with the exception of LOTTO24 AG (94.86%).

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

If the Group loses control of the subsidiary, the related assets (including goodwill), liabilities, non-controlling interests and other equity components are derecognised. Any resulting gain or loss is recognised in the Consolidated Income Statement. Any retained interest is recognised at fair value.

2.5 CLASSIFICATION OF CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

The ZEAL Group presents assets and liabilities in the Consolidated Statement of Financial Position based on the assessment of whether they meet the classification as current or non-current balances.

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities

2.6 REVENUE

In the fiscal year 2022, the Group had the following main revenue streams: revenue from commissions and fees from the lottery brokerage business, revenue from charity lotteries and other revenue.

(I) LOTTERY BROKERAGE REVENUE

Revenue is generated from commissions and fees which the Group receives for brokering stakes on behalf of customers. The Group generates revenues in the following areas:

- Commissions provided by the respective lottery operators for brokered tickets and stakes to be forwarded.
- Additional/ticket fees incurred in connection with the lottery brokerage of stakes.

Under IFRS 15, the Group is considered to be an agent based on the following points:

- Another third party holds the licence to organise lotteries and is responsible for fulfilling the contract. This is stipulated in the terms and conditions agreed with the customer.
- The bookmaking risk is held by another party.
- The Group does not have discretion in establishing prices.
- The revenue received is in the form of fees and commissions.

For providing a brokerage service on lottery tickets, the Group receives commissions and additional ticket fees at the time when the control of the ticket is transferred to the lottery operator. Commissions and additional/ticket fees are recognised as revenues when the bets have been made, the lottery ticket information passed on to the lottery operator and confirmation of receipt has been obtained. Where advanced payments are received from customers for subscriptions, these are deferred as liabilities to customers, as a refund may be demanded from them. Revenue is only recognised when the conditions mentioned above are met.

Some of the agreements with state lottery companies contain proportional commission rates which are triggered when agreed size criteria are exceeded. The increased proportional commission rates represent variable consideration and apply either to the excess amounts as of the fulfilment date or retroactively for the complete past time period and are recognised accordingly. The commissions and additional fees do not contain financing components and are due either immediately or in the short term according to the agreement.

Billings consist of the accumulated stakes received from customers for game participation and additional fees. In the course of the online lottery brokerage of lottery products, amounts owed by customers are collected by the Group via direct debit or credit card charges. LOTTO24 AG transfers the brokered stakes directly to the lottery companies without the involvement of third parties. The difference between stakes to be remitted (less commission) and billings represent revenue. As billings determine the commission rates, this figure also has a direct influence on the size of revenues.

(II) LOTTERY BROKERAGE REVENUE FROM CHARITY LOTTERIES

ZEAL conducts as an agent the charity lotteries 'freiheit+' and 'Die Deutsche Traumhauslotterie' on behalf of and for the benefit of BildungsChancen gGmbH, Essen. The Group provides services in connection with the planning and administration of the charity lotteries and runs them. Both lotteries hold a weekly draw. In addition to smaller cash prizes, the charity lotteries offer the following jackpot prizes:

- 'freiheit+': one-time payment of €250,000 and monthly payments of €5,000 for the following 15 years.
- 'Die Deutsche Traumhauslotterie': one-time payment of €1,000,000.

For the services provided, ZEAL receives fixed ticket fees per lottery ticket sold as well as other fees for defined costs incurred in the provision of the services. Revenue for these services is recognised when they are rendered.

Furthermore, ZEAL is responsible for running the charity lotteries and thus also for providing the jackpot winnings from them. The resulting revenue is accounted for in accordance with IFRS 9.

The purchase of a ticket is accounted for as a derivative pursuant to IFRS 9 Financial Instruments, as for the underlying contracts:

- Payments are linked to the outcome of an event.
- The value of the contract, compared to the potential pay-out, is relatively low.
- The contract is in place before the event has occurred.
- In the case of a win, the pay-out is made in the future after the event has occurred.

The derivative is measured at expected present value in accordance with IFRS 13, based on the expected prize payouts for the tickets that have not yet been played. This is recognised in the Consolidated Statement of Financial Position under other financial liabilities. Gains or losses from a change in the fair value of these derivatives are recognised in the Consolidated Income Statement as revenue.

If the total amount won by customers does not reach the minimum profit distribution according to the State Treaty, the remaining stakes are retained on a security fund (a bank account in ZEAL's name) and disclosed in the corresponding amount as a financial liability. The security fund will be used to fund jackpot payments from future draws and is disclosed under other financial assets.

ZEAL forwards the stakes less the agreed fixed amounts for the lottery tickets sold, as well as the expected minimum prize distribution, to BildungsChancen gGmbH, Essen.

(III) OTHER REVENUE

Other revenue mainly relates to services in connection with online marketing, user experience and customer acquisition which are realised at the time the service is rendered.

Customer acquisition costs are expensed in accordance with IFRS 15.91-94. In addition, use is made of the practical expedient under IFRS 15.121 and the remaining benefit obligations are not disclosed, as the contracts have an expected term of one year or less.

2.7 OTHER OPERATING INCOME

Other operating income includes revenue from all other operating activities which are not related to the principal activities of the Company, such as reimbursements from jackpot insurance, gains/losses from disposals, income from operating sublease etc.

2.8 OTHER OPERATING EXPENSES

Other operating expenses are recognised when services have been provided to the Group.

2.9 INCOME FROM FINANCIAL ACTIVITIES

Interest income (including interest income from finance leases) is recognised on an accruals basis using the effective interest rate method.

2.10 INCOME TAXES

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

Current tax expense is based on the results for the year as adjusted for items that are not taxable or not deductible and taking into account deductible losses carried forward. The Group's liability for current taxation is calculated using the tax rates and laws of the respective countries in which individual companies are domiciled which have been enacted or substantively enacted by the Consolidated Statement of Financial Position date.

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

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

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

Deferred tax is measured on an undiscounted basis at the tax rates expected to apply in the periods in which the timing differences are expected to reverse based on tax laws that have been enacted or substantively enacted at the Consolidated Statement of Financial Position date.

2.11 FOREIGN CURRENCY

(I) TRANSACTIONS AND BALANCES

Transactions in foreign currencies are converted into their functional currency at the rate of exchange ruling at the date of the transaction. Monetary items denominated in foreign currencies are retranslated at the exchange rate of the reporting date. Translation differences of shares in equity funds and other deposits are recorded within financial income or expense. Translation differences on tax balances are recorded in the income taxes line item. The translation differences of all other items are included in the other operating result in the Consolidated Income Statement.

(II) FOREIGN CURRENCY TRANSLATION

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Consolidated Financial Statements are presented in euros, which is the Group's reporting currency. The functional currency of all subsidiaries included by means of full consolidation in the Consolidated Financial Statements as at 31 December 2022 and 2021 is the euro.

2.12 INTANGIBLE ASSETS

Intangible assets are stated at cost less accumulated amortisation on a straight-line basis (if applicable) and impairment losses. Cost is usually determined as the amount paid by the Group, unless the asset has been acquired as part of a business combination. Intangible assets acquired as part of a business combination are recognised at their fair value at the date of acquisition. Amortisation and impairment amounts are included within depreciation and amortisation in the Consolidated Income Statement. Internally generated intangibles comprise computer software and development costs referred to under computer software and research and development below.

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

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

An intangible asset is derecognised on disposal. Any gain on disposal or arising on disposal is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the income statement.

(I) COMPUTER SOFTWARE AND LICENCES

Where computer software is not an integral part of a related item of property, plant and equipment, the software is capitalised as an intangible asset. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring them to use.

Direct costs incurred in connection with the production of identifiable and unique internally generated software controlled by the Group are capitalised if it is likely that they will generate future economic benefits. Direct costs include software development employment costs (including those of contractors used) and an appropriate portion of overheads that are directly attributable to the development of the asset. Capitalised computer software, licence and development costs are amortised over their useful economic lives of between three and five years.

(II) ACQUIRED BRANDS

Acquired brands are capitalised on the basis of the fair value of the costs incurred to acquire them. The brand LOTTO24 acquired by the Group is considered to be indefinite as no contractual, legal, competitive, economic or other factor limits its useful economic life. The LOTTO24 brand has high brand awareness and there are no indicators that its useful life should not be indefinite.

(III) ACQUIRED CUSTOMER LISTS

Acquired customer lists are capitalised on the basis of the fair value of the costs incurred to acquire them and amortised over their useful economic lives of twelve years.

(IV) RESEARCH AND DEVELOPMENT

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

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

- Where there is a clearly defined project.
- Where there is separately identifiable expenditure.
- Where expenditure can be reliably measured.
- Where an outcome can be assessed with reasonable certainty (in terms of feasibility and commerciality).
- When expected revenues exceed expected costs and the Group has the resources to complete the task.
- Where there is a definable economic benefit through revenue generation or cost reduction.

As in the previous year, no development costs were capitalised in the fiscal year 2022.

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

2.13 PROPERTY, PLANT AND EQUIPMENT

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

Cost includes expenditure made to enable the asset to operate in a manner as intended by management. Subsequent costs are included in the asset's carrying value or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the specific asset will flow to the Group and the cost can be measured reliably.

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

An item of property, plant and equipment is derecognised upon disposal. Any gain or loss arising on the disposal is determined as the difference between the sales or scrap proceeds and the carrying value of the asset and is recognised in the income statement.

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

	Years
Technical equipment/hardware	2-6
Office equipment and fit-out	3-12

Leasehold improvements are depreciated over the lower of the lease term and 3-12 years.

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

2.14 IMPAIRMENT

This following policy on impairment covers all non-current assets except financial assets and deferred tax assets.

The Group assesses at each reporting date whether there is any indication that non-financial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required as in the case of goodwill and intangible assets with indefinite useful lives or development projects not yet ready for use, an estimate is made of the asset's recoverable amount. The recoverable amount of an asset is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use.

The recoverable amount is determined for each individual asset, unless an asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, the asset is impaired and written down to its recoverable amount. For the purpose of determining any impairment, goodwill and the brand LOTTO24 are allocated to the lowest level of cash-generating units at which it is monitored for internal management purposes.

To determine value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market expectations about the interest effect and the risks specific to the asset.

The fair value less costs of disposal is considered to be the amount that could be obtained on disposal of the asset, and therefore is determined from a market participant perspective. Fair value less costs of disposal is also measured using a DCF calculation, but on an after-tax basis.

The Group bases its impairment assessment on the most recent budget and forecast calculations, which are prepared separately for each of the Group's cash-generating units to which individual assets are allocated. Such budget and forecast calculations usually extend over five years. After the fifth year, a long-term growth rate is determined and applied to forecast future cash flows.

An impairment loss is taken first against any specifically impaired assets. Where an impairment is recognised against a cash-generating unit (CGU), the impairment is first taken against goodwill balances and if there is a remaining loss it is set against the remaining intangible and tangible assets on a pro-rata basis.

In the case of non-financial assets, we carry out a review on each reporting date to ascertain whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited to the extent that the carrying amount of an asset may not exceed its recoverable amount nor the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised for the asset in prior years. We recognise reversals in the income statement. An impairment loss recognised for goodwill may not be reversed in subsequent reporting periods.

2.15 LEASING

AS A LESSEE

The Group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments.
- Variable payments that depend on an index or rate, initially measured using the index or rate as at the commencement date.
- Amounts expected to be payable under a residual value guarantee.
- The exercise price under a purchase agreement that the Group is reasonably certain to exercise.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

A number of property leases contain renewal and termination options. Such contract terms are used to give the Group maximum operational flexibility with respect to the contract portfolio. The majority of the existing renewal and termination options can only be exercised by the ZEAL-Group and not by the respective lessor. As a rule, the Group can consider the probability of exercise/non-exercise of an option to be sufficiently certain at the latest 2 years before its exercise date.

SHORT-TERM LEASES AND LEASES OF LOW-VALUE ASSETS

The Group has elected not to recognise right of use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low value assets (net acquisition cost less than €5 thousand when new). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

AS A LESSOR

The Group subleases some of its office space in London and Germany. As an intermediate lessor, it accounts for its interest in the head lease and the sublease separately. In view of the fact that the sublease was concluded for the major part of the remaining term of the main lease, it is generally classified as a finance lease. The Group recognises lease payments received under the operating lease as income on a straight-line basis over the lease term as part of other operating income. If a lease is determined to be a finance lease, the Group recognises a net investment for the present value of the expected future lease income. The lease receivable is measured at amortised cost using the effective interest method.

2.16 BUSINESS COMBINATIONS

The acquisition method is used to account for business combinations.

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

When a company or business is acquired, the identifiable assets and liabilities are generally recognised at their fair values.

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

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

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

2.17 ASSOCIATED COMPANIES

Associated companies are those companies over which the Group has significant influence but no control, generally accompanied by a shareholding of 20% to 50%. Shares held in associated companies are accounted for using equity accounting.

Under equity accounting, the investment in the associated company is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of the net assets of the associate from the acquisition date.

The income statement reflects the Group's share of the results of operations of the associated company. When there has been a change recognised directly in the equity of the associated company, the Group recognises its share of any changes, when applicable, in its Consolidated Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Group and the associated company are eliminated to the extent of the interest in the associated company.

The Group's share of the associated company's result for the period is shown on the face of the Consolidated Income Statement. The financial statements of the associated company are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies of the associated company into line with those of the Group.

2.18 FINANCIAL ASSETS AND LIABILITIES

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity

1) FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss.

The classification of financial assets in the form of debt instruments at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables, the Group initially measures a financial asset that is not measured at fair value through profit or loss at its fair value plus transaction costs. Trade receivables are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or FVOCI it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

(1) Fair value through profit and loss (FVPL)

Financial assets of the Group at fair value through profit or loss comprise short-term deposits and investments in the companies eSailors Limited, Smartgames Technologies Limited and Lottovate Limited, which are in liquidation thus no longer consolidated companies. These financial assets have cash flows that are not solely payments of principal and interest and as such are classified and measured at fair value through profit or loss. These are initially recognised at fair value. Movements in fair value are recognised in gains/losses from financial assets within the income statement.

(II) Financial assets at amortised cost (AC)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- 1) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- 2) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Trade receivables

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

(III) Equity instruments at fair value through other comprehensive income (FVOCI)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other operating income in the Consolidated Income Statement when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Management Board has decided to allocate other investments in companies held as long-term strategic investments to FVOCI. Each investment is initially recognised at fair value plus transaction costs. Investments are measured on the basis of observable market prices. Insofar as the investments are not traded on active markets or the last financing round is more than 12 months in the past, a discounted cash flow (DCF) model is utilised to determine their fair value (enterprise value). The fair value of ZEAL's share of each business is measured using an option pricing model (Black-Scholes) if no current market prices based on actual investment rounds or from comparable market transactions are available.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach to calculating ECLs. It does not therefore track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The simplified approach uses the amounts historically written off for each customer, adjusted for forward-looking factors and the economic environment and uses this as the basis for the ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

10 FINANCIAL LIABILITIES

Financial liabilities held at amortised cost include trade payables, accrued financial liabilities and liabilities from lottery operations as well as borrowings.

Financial liabilities are initially recognised at fair value and subsequently remeasured at amortised cost, using the effective interest rate.

2.19 EQUITY AND DISTRIBUTIONS

(I) SHARE CAPITAL, DEBT AND EQUITY INSTRUMENTS ISSUED

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

Treasury shares are recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

(II) DIVIDEND DISTRIBUTIONS

Dividend distributions to equity holders of ZEAL are recognised as a liability in the Group's Consolidated Financial Statements in the period in which the dividends are approved by the Company's shareholders. Dividends declared after the Consolidated Statement of Financial Position date are not recognised as there is no present obligation at that date and the Consolidated Statement of Financial Positions forms the basis to determine dividend allowance.

2.20 PROVISIONS

Provisions are recognised when there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. On initial recognition, non-current provisions are calculated on a discounted basis where the effect is material and compounded accordingly in subsequent measurements. The unwinding of the discount is recognised in expenses from financial activities.

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

2.21 CONTINGENT LIABILITIES

Contingent liabilities are not recognised in the Consolidated Financial Statements. However, they are disclosed in the notes to the Consolidated Financial Statements if the possibility of an outflow of resources embodying economic benefits is not remote.

2.22 EMPLOYEE BENEFITS

The Group operates various employee benefits, bonus plans and other employment schemes including termination benefits, cash settled share-based payments, defined contribution pension plans and an Employee Stock Purchase Plan.

(I) EMPLOYEE BONUS

The Group recognises a liability and an expense for bonuses, based on a formula that takes into account the achievement of individual goals as well as the Group performance.

(II) TERMINATION BENEFITS

Termination benefits are payable when employment is terminated by the Group before the normal retirement date and whenever an employee accepts a redundancy settlement offer. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for restructuring within the scope of IAS 37, which involves the payment of termination benefits. As a rule, the termination benefits are measured based on the number of months employees worked for the Group.

(III) DEFINED CONTRIBUTION PENSION PLANS

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

(IV) A CASH-SETTLED SHARE-BASED PAYMENTS

For cash-settled share-based payment schemes, a liability is recognised based on the fair value of the payment award at the Consolidated Statement of Financial Position date. The fair value of the virtual share options granted is recognised in the Consolidated Income Statement as personnel expenses over the vesting period to reflect the value of the employee services received.

The fair value is measured at initial recognition and at each reporting date as well as at the settlement date. Changes in fair value are recognised in personnel expenses. Further details are presented in note 26 to the Consolidated Financial Statements.

(V) EMPLOYEE STOCK PURCHASE PLAN

The Group created an Employee Stock Purchase Plan in 2020. In the years 2022 and 2021, it offered all employees who were permanent and based in the UK, Germany or Spain the opportunity to buy shares of ZEAL. In the fiscal year 2022, shares representing a total of 0.02% of ZEAL's shares (2021: 0.02%) were acquired by employees under this plan. The Group contributes 20% of the purchase price and covers the taxes and social security contributions for the 20%. The related costs are recognised as personnel expenses.

3 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 Management Board. The following segments are used:

Germany

This operating segment comprises the results of the online lottery brokerage business and the Group's charity lotteries in Germany. Its cost base includes direct operational costs as well as the Group's shared costs.

Other

The Other segment comprises the remaining elements of our business, including our online lottery operation for the charitable organisation ONCE in Spain and our investments in start-ups under ZEAL Ventures.

Segment Reporting 2022	Germany	Other	Total
in € thousand			
Revenue	100,298	4,903	105,201
Other operating income	1,005	1,304	2,309
Personnel expenses	-17,257	-1,635	-18,892
Other operating expenses and exchange rate differences	-54,323	-2,637	-56,959
EBITDA	29,724	1,935	31,659
Amortisation/depreciation			-8,730
EBIT			22,928
Financial result			72
Share of loss from associates			-190
Net profit before taxes			22,810
Income taxes			-6,238
Net profit			16,572

Segment Reporting 2021	Germany	Other	Total
in € thousand			
Revenue	78,473	4,862	83,334
Other operating income	4,596	14	4,610
Personnel expenses	-17,967	-1,081	-19,048
Other operating expenses and exchange rate differences	-38,609	-2,553	-41,163
EBITDA	26,493	1,242	27,734
Amortisation/depreciation			-8,689
EBIT			19,045
Financial result			-2,091
Share of loss from associates			-300
Net profit before taxes			16,654
Income taxes			-5,251
Net profit			11,404

4 Revenue

	2022	2021
in € thousand		
Ticket fees	43,236	33,677
Commissions	53,346	47,020
Lottery brokerage revenue	96,582	80,698
Other revenue	6,848	6,279
Revenue according to IFRS 15 from contracts with customers	103,430	86,977
Revenue according to IFRS 9 for operating charity lotteries	1,771	-3,642
Revenue	105,201	83,334

Revenue according to IFRS 15

Ticket fees and commissions comprise the revenue from the lottery brokerage business described in note 2.6 to the Consolidated Financial Statements, including ticket fees from the charity lotteries. Other revenue mainly includes the revenue from the lottery services for the charity lottery of the Organización Nacional de Ciegos de España ('ONCE') in Spain.

Revenue according to IFRS 9

Revenue according to IFRS 9 for operating the charity lotteries corresponds to the net presentation of revenue described in note 2.6 (II) to the Consolidated Financial Statements. Depending on the amount of winnings and especially the number of jackpot wins in a given year, these revenues can be either positive or negative.

5 Other operating income

	2022	2021
in € thousand		
Income from insurance	-	3,450
Income from the release of dormant customer accounts	1,200	130
Income from winning tickets	479	480
Sublease income	215	293
Release of provisions	153	-
Other income	261	257
Other operating income	2,309	4,610

Income from insurance refers to reimbursements received by the Group in 2021 for three jackpot winnings of the charity lottery 'freiheit+', each amounting to €1,150 thousand.

In 2022, the Group recognised income of €1,200 thousand (2021: €130 thousand) relating to customer account balances in Spain (2021: the UK) where no activity had been recorded at least in the last 36 months and all procedures have been completed to contact the customer.

In the reporting period, income of €479 thousand (2021: €480 thousand) was recognised from winnings of tickets which the Group had purchased itself as part of lottery club offering.

Sublease income relates to the recharging of ancillary costs from the subletting of offices rented by the Group in London and Hamburg.

6 Other operating expenses

	2022	2021
in € thousand		
Marketing expenses	34,126	22,359
Direct operating expenses	10,652	9,579
Indirect operating expenses	12,187	9,177
Other operating expenses	56,965	41,115

Among other things, marketing expenses include costs for the acquisition of new customers, as well as for customer loyalty measures and brand marketing.

Direct operating expenses are those expenses which are mainly incurred in operating the Group's lottery brokerage activities and primarily relate to product and payments processing costs. Indirect operating expenses are costs which are not directly related to the Group's operations and include legal and regulatory costs, office expenses and freelancer costs, as well as travel, training and entertaining costs.

The indirect operating expenses also include fees charged by the auditor, Ernst & Young, GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, and its affiliates, as presented in the table below:

	2022	2021
in € thousand		
Audit of financial statements	514 ¹	498 ¹
Other assurance services	4	4
Tax advisory services	-	26
Total auditor remuneration	518	528

¹ Thereof for the audit of financial statements in the previous year 2021: €47 thousand (in 2021 for the previous year 2020: €69 thousand).

7 Income and expenses from financial activities

	2022	2021
in € thousand		
Income from financial activities		
Interest from tax prepayments	811	-
Impairment reversal of associates	411	-
Interest income from finance leases and gains from the disposal of right-of-use assets	123	128
Other income from financial activities	94	39
	1,439	167
Expenses from financial activities		
Interest from tax prepayment	-	-937
Interest expenses from lease liabilities	-227	-288
Impairment of associates	-	-266
Expenses from negative interest	-185	-272
Other expenses from financial activities	-333	-209
	-746	-1,972

Interest income from tax prepayment relates to the interest accrued on the payment of €54.3 million made to the 'Hannover-Nord' tax authority in January 2020. Following a decision by the Federal Constitutional Court published on 18 August 2021, according to which the statutory interest rate of 6.0% per annum on tax arrears is unconstitutional, the Group adjusted the interest rate in the fiscal year 2021. In addition, a law passed on 15 February 2021 extended the interest-free grace period for the 2019 assessment period from 15 months to 21 months. Due to these changes, a net expense of €937 thousand was recognised in the fiscal year 2021. Further details are provided in note 17 to the Consolidated Financial Statements.

In the reporting period, the impairment losses of €411 thousand recognised in previous years for the associated company Cloud Canyon Limited were reversed. The write-up was made as part of the contribution of the held shares to SEVENCANYON Limited in exchange for shares in this company. The recoverable amount of Cloud Canyon Limited is based on the net realisable value of the shares received from SEVENCANYON Limited. Further details are provided in note 14 to the Consolidated Financial Statements.

In the fiscal year 2021, the Group recognised an impairment of €266 thousand on its associate Furlong Gaming Limited, as the carrying amount is no longer covered by expected future cash flows.

Interest income from finance leases and and gains from the disposal of right-of-use assets relate to office spaces in London and Hamburg, which the Group started subletting in 2020. Further details on this finance leases as well as on the lease liabilities are provided in note 27.2 to the Consolidated Financial Statements.

8 Income taxes

Income taxes paid or payable as well as deferred taxes and withholding taxes are recognised within the income taxes line item. The Company is subject to German corporate income and German trade tax. As in the previous year, the applicable corporate income tax rate in 2022 was 15.0%. The solidarity surcharge was 5.5% of corporate income tax.

In addition, trade tax on income is levied on commercial profit, which is calculated by taking the taxable income according to corporate income tax law and making required additions or subtractions according to German trade tax law. The effective trade tax on income rate depends on the municipality in which the entity maintains a permanent establishment for carrying on its operations. As in the previous year, the effective trade tax on income rate for Hamburg in fiscal year 2022 was 16.45%. As a result, the total tax rate amounts to 32.28% as in the previous year.

In the case of foreign companies, the respective country-specific regulations and tax rates are used for the calculation of current income taxes. The impact of higher foreign tax rates is included as a reconciling item in the reconciliation below.

Deferred taxes are calculated at the average tax rate at the time the differences are expected to reverse. For the calculation of deferred taxes as at 31 December 2022, a total tax rate of 32.28% was used (31 December 2021: 32.28%). In the case of foreign companies, the respective country-specific regulations, enacted and substantively enacted tax rates were used to calculate deferred taxes.

Taxation expense	2022	2021
in € thousand		
Current taxation:		
Charge for the year	3,400	2,771
Adjustments in respect of prior years	-	-199
Total current taxation	3,400	2,572
Deferred taxation:		
Charge for the year	2,838	2,679
Total deferred taxation	2,838	2,679
Total taxation expense (income statement)	6,238	5,251

	2022	2021
in € thousand		
Net profit before taxes	22,810	16,654
Expected tax charge at average tax rate of 32.28% (2021: 32.28%)	7,363	5,376
Non-deductible expenses	447	426
Adjustments in foreign tax rates	-249	-221
Adjustments in respect of prior years	-	-199
Tax loss utilisation	-460	-329
Effect from amortisation of consolidated intangible assets and from unrecognised tax losses carried forward	-852	-129
Deconsolidation effects	-	405
Other	-10	-77
Total taxation expense	6,238	5,251

9 Property, plant and equipment

Cost	Office equipment	Hardware	Total
in € thousand			
As at 1 January 2021	1,665	5,275	6,940
Additions	163	8	171
Disposals	-1	-272	-273
As at 31 December 2021	1,826	5,011	6,838
Additions	5	866	871
Disposals	-	-56	-56
As at 31 December 2022	1,831	5,821	7,653

Accumulated depreciation	Office equipment	Hardware	Total
in € thousand			
Accumulated depreciation as at 1 January 2021	-999	-5,019	-6,018
Provided during the year	-463	-11	-474
Disposals	-	272	272
Accumulated depreciation as at 31 December 2021	-1,462	-4,758	-6,220
Provided during the year	-39	-293	-332
Disposals	-	56	56
Accumulated depreciation as at 31 December 2022	-1,501	-4,995	-6,496

Book value	Office equipment	Hardware	Total
in € thousand			
As at 31 December 2021	364	252	617
As at 31 December 2022	330	826	1,155

There are no restrictions on rights of disposal for the above-mentioned tangible assets. No assets were pledged as collateral for liabilities.

10 Goodwill

On each reporting date, the ZEAL Group checks whether there are indications for an impairment of goodwill amounting to €158,585 thousand (2021: €158,585 thousand). Goodwill is tested for impairment at least once at the end of the fiscal year. 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 budgets for several years.

For the purpose of determining any impairment, goodwill is allocated to the lowest level of CGU which is monitored for internal management purposes. The Group has identified two CGUs, which correspond to the two segments 'Germany' and 'Other'. For Internal management purposes, goodwill is fully allocated to the CGU 'Germany'. Budget calculations are based on a detailed planning period of five years, as the standard planning period of the Group.

In the detailed planning period, the Management Board expects medium single-digit percentage growth of billings, depending on the general conditions and especially the jackpot development (2021: low double-digit percentage range). Moreover, it assumes an average jackpot development. For the detailed planning period, the Management Board also expects that the underlying revenue growth will be in the high single-digit percentage range (2021: low double-digit percentage range) and, with regard to EBITDA, anticipates high marketing investments for new customer acquisition as in the previous year.

For the discounting of cash flows in the detailed planning period, the Company used pre-tax cost of capital rates of 15.50% (2021: 14.44%) and 11.52% after taxes (2021: 10.86%), which were determined using the Capital Asset Pricing Model (CAPM).

At the end of the detailed planning period, for the years after 2027 the ZEAL Group applies a reconciled perpetual annuity based on the CAPM discounted with a weighted average pre-tax cost of capital (WACC) of 14.50% (2021: 13.44%) and 10.52% after taxes (2021: 9.86%). The calculation of the perpetual annuity is based on a sustainable, average growth rate of 1.0%.

We continually monitor and update the relevant technical, market-based, economic and legal parameters and conditions for the impairment test. As in the previous year, no non-scheduled write-downs were recognised in the fiscal year 2022 as no impairment was detected in the course of the impairment test.

The EBITDA margin and the WACC are the factors with the most significant influence on value in use. A sensitivity test of the planning assumptions revealed that ceteris paribus merely non-expected changes in the applied parameters EBITDA margin and WACC would lead to impairment. As a result, subsequent adjustments to the assumptions do not yet lead to an impairment:

- Decrease in the EBITDA margin of 25%.
- Increase in cost of capital rates of 5.4 percentage points.
- Decrease in the EBITDA margin of more than 15% and increase in the cost of capital rates of 2.3 percentage points.

11 Intangible Assets

Cost	Brand	Customer list	Software	Total
in € thousand				
As at 1 January 2021	66,007	88,387	34,063	188,457
Additions	-	-	231	231
Disposals	-	-	-4,857	-4,857
As at 31 December 2021	66,007	88,387	29,437	183,831
Additions	500	-	58	558
Disposals	-	-	-2,221	-2,221
As at 31 December 2022	66,507	88,387	27,274	182,168

Accumulated depreciation	Brand	Customer list	Software	Total
in € thousand				
Accumulated amortisation as at 1 January 2021	-	-12,019	-33,650	-45,669
Provided during the year	-	-7,366	-102	-7,467
Disposals	-	-	4,857	4,857
Accumulated amortisation as at 31 December 2021	-	-19,384	-28,895	-48,279
Provided during the year	-250	-7,366	-113	-7,729
Disposals	-	-	2,190	2,190
Accumulated amortisation as at 31 December 2022	-250	-26,750	-26,818	-53,818

Book value	Brand	Customer list	Software	Total
in € thousand				
As at 31 December 2021	66,007	69,003	542	135,552
As at 31 December 2022	66,257	61,637	456	128,350

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

12 Deferred taxation

Deferred tax assets	Tax losses carried forwards	Other temporary differences	Total
in € thousand			
As at 1 January 2021	15,452	1,400	16,852
Credited/charged to Consolidated Income Statement	-4,585	-358	-4,943
As at 31 December 2021	10,867	1,042	11,908
Credited/charged to Consolidated Income Statement	-4,867	-94	-4,961
As at 31 December 2022	6.000	948	6,948

Deferred tax liabilities	Temporary differences		Total
in € thousand			
As at 1 January 2021		-50,701	-50,701
Credited/charged to Consolidated Income Statement		2,264	2,264
As at 31 December 2021		-48,437	-48,437
Credited/charged to Consolidated Income Statement		2,123	2,123
As at 31 December 2022		-46,314	-46,314

Deferred tax assets due to timing differences mainly result from the recognition of loss carryforwards of €6,000 thousand (2021: €10,867 thousand), as well as from differences between IFRS and tax accounting recognition of lease liabilities of €948 thousand (2021: €1,042 thousand).

Deferred tax liabilities mainly result from the recognition of intangible assets acquired in the course of the takeover of LOTTO24 AG amounting to von €41,197 thousand (2021: €43,575 thousand) and from the different valuations of goodwill under IFRS and tax law amounting to €4,259 thousand (2021: €3,853 thousand), as well as from the recognition of a right of use asset from leases amounting to €859 thousand (2021: €954 thousand).

Total tax losses carried forward amount to €33,880 thousand as of 31 December 2022 (2021: €48,927 thousand). The tax losses predominately arose in the UK, Germany and Spain. The tax losses do not expire. With the exception of €19,089 thousand and €16,466 thousand relating to LOTTO24 AG corporate tax and trade tax, respectively, and the €1,086 thousand relating to ZEAL Iberia S.L.U corporate tax, deferred tax assets have not been recognised in respect of these losses as there is currently uncertainty as to whether the related entities will generate sufficient taxable profit in the future against which the losses of €13,374 thousand at present (2021: €12,284 thousand) could be utilised.

As at 31 December 2022, the temporary difference between net assets and the tax bases of subsidiaries and associated companies (outside basis differences) amount to €97 million (2021: €126 million). Accordingly, €1.7 million (2021: €2.0 million) in deferred tax liabilities were not recognised as ZEAL is able to control the timing of their reversal and the temporary difference will not reverse in the foreseeable future.

13 Interest-bearing bond

On 10 October 2022, LOTTO24 AG purchased a bond amounting to €5,000 thousand with Hamburger Sparkasse, which was recognised as an interest-bearing loan and developed as follows:

	31.12.2021	Purchased	Cash Repaid	Interest paid	Accrued interest	Non-cash Change in fair value	Transfers	31.12.2022
in € thousand								
Interest-bearing bond (short-term)	-	-	-	-	35	-	-	35
Interest-bearing bond (long-term)	-	5,000	-	-	-	-	-	5,000
Total interest-bearing bond	-	5,000	-	-	35	-	-	5,035

The effective interest rate is 3.1%. The bond matures on 30 April 2025 and is repayable in one instalment on maturity. Expired interest is recognised as other financial assets.

14 Other investments

	2022	2021
in € thousand		
As at 1 January	14,666	4,588
Additions	411	989
Fair value adjustment through profit or loss	-246	-
Fair value adjustment through OCI	593	9,088
thereof Omaze Inc.	749	9,011
thereof Pick Media Limited	-140	-
thereof SEVENCANYON Limited	-16	77
As at 31 December	15,424	14,666

14.1 RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS

In December 2021, the companies eSailors Limited, Smartgames Technologies Limited and Lottovate Limited were put into liquidation. As they were placed under the administration of a liquidator, the Group lost control over these three companies and deconsolidated them. The Group had recognised the fair value of these companies amounting to €989 thousand as other investments. The fair value at the date of deconsolidation was measured using a present value technique (level 3) and essentially corresponded to the cash and cash equivalents held by these companies of

€773 thousand. The Group lost control over assets of €1,832 thousand and liabilities of €756 thousand and thus recognised a loss of €85 thousand from deconsolidation, which is disclosed in other operating expenses under indirect operating expenses. As at 31 December 2022, fair value was restated at €743 thousand. The adjustment of €246 thousand was recognised through profit or loss in the financial result (gain/loss on financial assets).

14.2 RECOGNISED AT FAIR VALUE THROUGH OCI

ZEAL holds investments in Omaze Inc ('Omaze'), Pick Media Limited ('Pick my Postcode' or 'PMP') and SEVENCANYON Limited. As the investments were acquired for long term strategic purposes, they are recognised at fair value through other comprehensive income.

OMAZE INC.

In 2017, the Group invested €1,843 thousand (US\$2,000 thousand) in Los Angeles-based start-up Omaze, Culver City, USA. Omaze offers an online house lottery under the 'Omaze' brand in the UK to support charities. The Group received preferred shares representing a 2.5% interest and various rights to protect its shareholding. Following additional investments made by other investors between 2019 and 2022, the Group's interest as at 31 December 2022 amounts to 1.6% as a result of dilution.

PICK MEDIA LIMITED

In 2016, the Group acquired for €1,198 thousand (£1,000 thousand), a 10% interest in Pick Media Limited, London, UK. Pick Media Limited operates one of the world's largest free ad-and survey-funded daily draws, Pick My Postcode, and operates the survey site 'Findoutnow'.

SEVENCANYON LIMITED

In 2018, the Group invested €113 thousand (£100 thousand) for a 5% interest in Cloud Canyon Limited, London, UK. Cloud Canyon Limited owned and operated various online gaming sites including wshful.com (lottery syndicates) and odurn.com (charity raffles in the luxury fashion sector). In 2019, the Group increased its investment in Cloud Canyon Limited from 5% to 20%. Following the increase, the stake was accounted for as an investment in an associate using the equity method in the Consolidated Financial Statements. At 31 December 2020, it was determined that the carrying value of Cloud Canyon Limited was no longer supported by its expected future cash flows. The previously existing carrying amount of €418 thousand was therefore completely impaired. On 25 May 2022, the stake in Cloud Canyon Limited was contributed to a new company, SEVENCANYON Limited, London, UK. In return, ZEAL received 3.5% of SEVENCANYON Limited. The fair value of the Group's interest in the new company of €411 thousand was determined using a DCF method and recognised in profit or loss as financial income from the impairment reversal of associates.

VALUATION OF OTHER INVESTMENTS

Measurement of the fair value of ZEAL's investments is based on market prices (level 2) if these are available. As the last investment round for Omaze was held in September 2021, no market price was available (in contrast to the previous year) and the fair value of the investment (enterprise value) was calculated using a discounted cash flow model. The same model was used for PMP, as no recent market price was available for this company either.

For SEVENCANYON Limited, the last available market price was the one determined during the share swap in May 2022. As there are no indications of impairment, this market price was used to determine the fair value on 31 December 2022.

The fair value of ZEAL's shares in PMP were measured using an option pricing model (OPM). This model allocates the enterprise value of the investment amongst the individual shareholders, to determine the fair value of their investment.

The discounted cash flows forecast earnings before interest and tax for the next 5 years as well as cash flow projections. These budgets are based on past experience, planned developments and marketing strategies. The underlying growth rate varies between the investments. After year five a long-term growth rate has been applied in perpetuity. This growth rate is based on estimated long-term growth rates for the markets in which the investments operate. As in the previous year, a terminal value has been applied to the specific cases using an underlying perpetual growth rate of 1%. The cash flows are discounted to present value using a weighted average cost of capital ('WACC'). This WACC is considered to appropriately account for the uncertainty of how early start-up businesses will develop.

The key inputs in the Omaze and PMP reference valuation as at 31 December 2022 and their sensitivity are shown below:

Investment	Valuation technique	Significant unobservable input	Value	Range	Sensitivity of the input to fair value
Omaze	OPM	WACC	25%	3%	A 3% increase (decrease) in the WACC would result in a decrease in fair value of around €1,848 thousand (increase of around €3,694 thousand).
Omaze	OPM	EUR/USD exchange rate	1.07	10%	An increase (decrease) in the value of the euro against the USD would result in a decrease in fair value of €1,166 thousand (increase of €1,426 thousand).
PMP	OPM	WACC	20%	3%	A 3% increase (decrease) in WACC would result in a decrease in fair value of around €142 thousand (increase of around €16 thousand).
PMP	OPM	EUR/GBP exchange rate	0.89	10%	An increase (decrease) in the value of the euro against the GBP would result in a decrease in fair value of €131 thousand (increase of €161 thousand).
SEVEN-CANYON	OPM	EUR/GBP exchange rate	0.89	10%	An increase (decrease) in the value of the euro against the GBP would result in a decrease in fair value of €36 thousand (increase of €44 thousand).

The key inputs in the Omaze and PMP reference valuation as at 31 December 2021 and their sensitivity are shown below:

Investment	Valuation technique	Significant unobservable input	Value	Range	Sensitivity of the input to fair value
Omaze	OPM	Volatility	25%	5%	A 5% increase (decrease) in the volatility would result in a decrease (increase) in fair value of < €5 thousand (<€5 thousand).
Omaze	OPM	EUR/USD exchange rate	1.13	10%	An increase (decrease) in the value of the euro against the USD would result in a decrease in fair value of €1,098 thousand (increase of €1,342 thousand).
PMP	OPM	WACC	20%	3%	An increase (decrease) in WACC of 3% would result in a decrease (increase) in fair value of < €1 thousand (< €1 thousand).
PMP	OPM	EUR/GBP exchange rate	0.84	10%	An increase (decrease) in the value of the euro against the GBP would result in a decrease in fair value of €144 thousand (increase of €176 thousand).

There was dividend income from investments of €59 thousand in 2022 (2021: nil).

15 Shares in associated companies

The Group has made investments in two associated companies: Furlong Gaming Limited and TH Travel Limited. In the fiscal year 2022, shares in associated companies developed as follows:

	2022	2021
in € thousand		
Stand 1 January	272	433
Additions	594	405
Disposals	-411	-
Share in losses of associated companies	-190	-300
Impairment reversal	411	-
Impairment	-	-266
As at 31 December	675	272

In the fiscal year 2022, the Group increased its investment in TH Travel Limited from 34.0% to 37.6% by €594 thousand in total (£500 thousand). In the previous year, the Group recognised an impairment of €266 thousand for its associate Furlong Gaming Limited as the carrying amount of the company is no longer covered by expected future cash flows.

In the reporting period, the impairment losses of €411 thousand recognised in previous years for the associated company Cloud Canyon Limited were reversed. The write-up was made as part of the contribution of the held shares to SEVENCANYON Limited in exchange for shares in this company. The recoverable amount of Cloud Canyon Limited is based on the net realisable value of the shares received from SEVENCANYON Limited. Further details are provided in note 14 to the Consolidated Financial Statements.

16 Other current financial assets

Other current financial assets include the following:

	2022	2021
in € thousand		
Receivables from gaming operations	12,263	22,569
Security retainers	2,798	2,738
Security fund	1,660	270
Securities	327	-
Other	646	395
Other current financial assets	17,694	25,972

Receivables from gaming operations include receivables from state lottery companies for customer winnings to be remitted as well as receivables from ongoing payment processing and own brokerage commission. Security retainers include, in particular, security deposits to the state lottery operators. The security fund contains the remaining gaming fees from the draws of charity lotteries which must be distributed at a later date. Further details on the security fund are presented in note 2.6 (II) to the Consolidated Financial Statements.

As in the previous year, all current financial assets have a remaining term of less than one year. Also as in the previous year, no impairment losses were recognised as at the balance sheet date since no significant losses were expected.

17 Other current assets

Other current assets include the following:

	2022	2021
in € thousand		
Advance payment to the tax office	56,344	55,534
Other VAT receivables	358	115
Miscellaneous other current assets	33	-
Other current assets	56,736	55,649

Following an agreement of myLotto24 Limited with the tax authority 'Hannover-Nord' in December 2019, myLotto24 Limited made an interim payment of €54,316 thousand on the disputed VAT liability to the German tax authorities in January 2020. The payment was made to eliminate the risk of potential fines for late payment of taxes and to significantly reduce the amount of potential interest payments. The Management Board assumed that the finance court proceeding would be settled in the last instance in favour of the Group. In its ruling on 12 August 2022, the German Federal Fiscal Court dismissed the appeal of the Hannover-Nord tax authority against the decision of the Hanover Fiscal Court of November 2019 with final effect in favour of myLotto24 Limited. In compliance with section 233a (2) of the German Tax Code ('Abgabenordnung' – AO), the VAT paid was refunded to myLotto24 Limited in early 2023. The accrued interest of €2,028 thousand is still outstanding.

In the fiscal year 2020, the Group recognised an asset for this payment. The effective interest rate originally used for measurement was 4.33% and took into account the interest rate applied by the tax authority in 2020 (6.0% per annum), an interest-free grace

period of 15 months (from the end of the year when the VAT was due according to the tax authority) as required by German tax law, and an estimated date of repayment on 30 June 2022. On 18 August 2021, the Federal Constitutional Court published its ruling that the statutory interest rate of 6.0% per annum on tax arrears was unconstitutional and no longer applicable for interest periods from 2019 onwards. As a result of an amendment to section 238 AO that entered into force on 22 July 2022, the interest rate for periods after 1 January 2019 has now been set at 1.8% per annum. In the previous year, the interest-free grace period had already been legally extended from 15 months to 21 months for the assessment period 2019.

The accrued interest asset was adjusted accordingly in 2021. As at 31 December 2021, these changes resulted in a reduction of €3,384 thousand in the receivable, which had a corresponding impact on the financial result. The present value of the receivable from the tax authority at 31 December 2022 amounted to €56,344 thousand.

The asset value for the advance payment developed as follows:

	2022	2021
in € thousand		
As at 1 January	55,534	56,470
Interest income/expense from tax prepayments	811	-937
thereof interest originally recognised (6.0%)	-	2,448
thereof adjustment of the interest rate from 6.0% to 1.8%	-	-3,211
thereof adjustment of the interest-free grace period for the assessment period 2019	-	-174
As at 31 December	56,344	55,534

18 Cash and cash equivalents

	2022	2021
in € thousand		
Bank balances	60,641	71,900
Cash on hand	1	1
Pledged cash	-	179
Short term deposits	567	18,021
Cash and cash equivalents	61,209	90,100

Total cash and cash equivalents on 31 December 2022 amounted to €61,209 thousand (2021: €90,100 thousand).

Bank balances mainly comprise term deposits on short-term call and with variable interest rates held at various major European banks.

Included within the bank balances of €60,641 thousand (2021: €71,900 thousand) is an amount of €15,721 thousand (2021: €28,436 thousand) to cover customer liabilities. At the end of the reporting period, there was no longer any pledged cash (2021: €179 thousand).

At 31 December 2022, the ZEAL Group held shares in short-term deposits amounting to €567 thousand (2021: €18,021 thousand). Movements in shares in short-term deposits for the period are as follows:

	2022	2021
in € thousand		
As at 1 January	18,021	30,243
Acquired	585	10,985
Sold	-17,737	-22,921
Fair value movement	-302	-286
As at 31 December	567	18,021

19 Liabilities from financing activities

	31.12.2021	Cash			Non-cash			31.12.2022
		Drawn	Repaid	Interest paid	Accrued interest	Change in fair value	Transfers	
in € thousand								
Interest-bearing loans (short-term)	1,088	-	-1,088	-161	161	-	4,675	4,675
Interest-bearing loans (long-term)	7,613	20,000	-	-	-	-	-4,675	22,938
Total interest-bearing loans	8,700	20,000	-1,088	-161	161	-	-	27,612
Lease liabilities (short-term)	2,009	-	-1,974	-227	227	66	1,391	1,492
Lease liabilities (long-term)	4,924	-	-	-	-	97	-1,391	3,630
Total lease liabilities	6,933	-	-1,974	-227	227	163	-	5,122

	31.12.2020	Cash			Non-cash			31.12.2021
		Drawn	Repaid	Interest paid	Accrued interest	Change in fair value	Transfers	
in € thousand								
Interest-bearing loans (short-term)	-	-	-	-25	25	-	1,088	1,088
Interest-bearing loans (long-term)	-	8,700	-	-	-	-	-1,088	7,613
Total interest-bearing loans	-	8,700	-	-25	25	-	-	8,700
Lease liabilities (short-term)	1,741	-	-1,536	-288	288	72	1,732	2,009
Lease liabilities (long-term)	6,405	-	-	-	-	252	-1,732	4,924
Total lease liabilities	8,145	-	-1,536	-288	288	324	-	6,933

As at year-end 2022, ZEAL had drawn €28,700 thousand (2021: €8,700 thousand) of an instalment loan negotiated in the previous year with a total volume of €50,000 thousand. The remaining amount of €21,300 thousand can be drawn up to June 2023.

Further details on lease liabilities are presented in note 27 to the Consolidated Financial Statements.

20 Other financial liabilities

Other non-current financial liabilities include the following:

NON-CURRENT	2022	2021
in € thousand		
Non-current share of winnings from 'freiheit+'	4,272	4,821
Other non-current financial liabilities	4,272	4,821

The non-current liabilities to customers amounting to €4,272 thousand (2021: €4,821 thousand) relate to the present value of future payments to be made to jackpot winners of the 'freiheit+' charity lottery due in more than one year.

Other current financial liabilities include the following:

CURRENT	2022	2021
in € thousand		
Liabilities to customers and game brokers	21,278	30,520
Current share of winnings from 'freiheit+'	325	420
Contract liabilities	182	162
Other current financial liabilities	21,786	31,102

21 Other current liabilities

Other current liabilities include the following:

	2022	2021
in € thousand		
VAT	2,156	1,458
Share-based remuneration	1,252	1,838
Other employee benefits	2,308	2,132
Supervisory Board remuneration	627	637
Payroll related taxes and social security contributions payable	368	242
Other current liabilities	192	154
Total other current liabilities	6,904	6,461

22 Provisions

	Opening balance 01.01.2022	Utilised	Transfer	Release	Additions	Discounting	Closing balance 31.12.2022
in € thousand							
Provisions for Austrian gaming duty	-	-	104	-	-	-	104
Provisions for litigation	40	-40	-	-	-	-	-
Provisions for severance costs	62	-62	-	-	-	-	-
Provisions for outstanding invoices	257	-104	-	-153	-	-	-
Total short-term provisions	358	-206	104	-153	-	-	104
Provisions for Austrian gaming duty	2,087	-	-104	-	424	-201	2,206
Provisions for share-based payments	1,725	-	-1,252	-	1,039	-	1,512
Provisions for dismantling obligations	189	-	-	-	77	-	266
Total long-term provisions	4,001	-	-1,356	-	1,540	-201	3,983
Total provisions	4,360	-206	-1,252	-153	1,540	-201	4,087

PROVISION FOR OUTSTANDING INVOICES

The provision for outstanding invoices amounted to €257 thousand in the previous year (2022: nil) and related to service charges and other costs related to empty offices rented by the Group in London. As of May 2022, the Group has sublet these offices and the corresponding ancillary costs have since been borne by the subtenant.

PROVISIONS FOR AUSTRIAN GAMING DUTY

The provision for €2,310 thousand at 31 December 2022 (2021: €2,087 thousand) represents the Management Board's best estimate of the probable eventual cash outflow resulting from tax investigations. In the fiscal years 2020 and 2021, no more revenue was generated from the secondary lottery business. Against this background and because the risk of a cash outflow still exists, the estimate of the gaming duty to be paid remains unchanged. The addition of €424 thousand relates to the estimated costs of the proceedings plus interest. The Management Board expects the cash outflow to occur after more than one year and has therefore classified the provision as non-current.

PROVISION FOR SHARE-BASED PAYMENTS

The Group operates a long-term incentive plan arrangement for certain employees. Further details are disclosed in note 26 to the Consolidated Financial Statements. The compensation to be paid in 2023 under this programme was transferred to other current liabilities.

PROVISIONS FOR DISMANTLING OBLIGATIONS

The provision for €266 thousand at 31 December 2022 (2021: €189 thousand) represents the Management Board's best estimate of the probable eventual cash outflow resulting from the expiry of the Group's office leases. The provision covers the estimated cost of the contractual obligation to return the offices to their state at the origination of the lease.

23 Equity

23.1 SHARE CAPITAL

The Company's share capital as at 31 December 2022 consists of 22,396,070 issued and fully paid no-par value ordinary shares (2021: 22,396,070). The shares have an imputed share of share capital of €1 each. With the exception of treasury shares held by the Company, each share has the right to dividends and there are no preference shares or restrictions.

23.2 AUTHORISED CAPITAL

The Management Board is not currently authorised to issue new shares. In particular, the Company has neither authorised nor conditional capital.

23.3 CAPITAL RESERVES

The balance of capital reserves represents amounts received in excess of the nominal value of ordinary shares. As at 31 December 2022, capital reserves amounted to €279,952 thousand (2021: €279,971 thousand). The decrease of €19 thousand is due to the sale of treasury shares under the Employee Stock Purchase Plan. Further details are presented in note 2.22 (V) to the Consolidated Financial Statements.

23.4 NON-CONTROLLING INTEREST

In 2019, following the acquisition of LOTTO24 AG, the Group recognised a non-controlling interest. This is the proportion of equity of LOTTO24 AG, Hamburg, Germany which is not attributable to the ZEAL Group but is instead attributable to the holders of the 5.1% non-controlling interest (2021: 5.1%).

In 2021, ZEAL offered the shareholders of LOTTO24 AG to acquire all shares in LOTTO24 AG not directly held by ZEAL Network SE against payment of €380.97 per LOTTO24 share. The idea behind this purchase offer was to enable LOTTO24 AG to apply for a delisting of the LOTTO24 share. The offer was accepted for 22,834 LOTTO24 shares (corresponding to 1.42% of share capital). By the close of 13 September 2021, LOTTO24 shares ceased to be listed on the stock exchange. Following settlement of the offer on 23 September 2021, ZEAL holds 1,527,520 of the total 1,610,326 LOTTO24 shares.

In line with the requirements of IFRS 12, the Group has disclosed the key financial information of LOTTO24 AG, as a standalone company at 31 December 2022:

	2022	2021
in € thousand		
Non-current assets	143,313	150,131
Current assets	57,965	71,299
Non-current liabilities	48,779	51,179
Current liabilities	34,100	39,565
Equity	118,399	130,687
Revenue	104,049	87,196
EBITDA	26,596	24,472
EBIT	18,109	16,078
Net profit	11,868	10,371

	2022	2021
in € thousand		
Cash flow from operating activities	26,908	23,136
Cash flow from investing activities	-6,753	-154
Cash flow from financing activities	-24,783	-581
Change in available funds	-4,628	22,401

23.5 TREASURY SHARES

Treasury shares developed as follows:

	2022	2021
As at 1 January	32,569	36,715
Purchase in the course of the share repurchase offer	714,285	-
Sale to employees	-3,736	-4,146
As at 31 December	743,118	32,569

With a resolution of the Annual General Meeting on 30 June 2022, the Management Board was authorised to acquire treasury shares amounting to up to 10% of the share capital of ZEAL Network SE in the period up to 29 June 2027. In 2022, the Management Board made partial use of this authorisation by means of a share repurchase offer and acquired 714,285 treasury shares at a price of €28.00 per share, corresponding to a total purchase price of €20,000 thousand.

In 2022, the Group sold 3,736 (2021: 4,146) treasury shares to its employees for a price of €38.24 per share (2021: €41.52).

23.6 EARNINGS PER SHARE

Earnings per share (basic and diluted) amounted to €0.72 (2021: €0.48) for the year ended 31 December 2022.

The weighted average number of shares in 2022 was 22,304,795 (2021: 22,362,465). The development results exclusively from the change in treasury shares.

Basic earnings per share is calculated by dividing net profit or loss for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing net profit or loss for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year (increased to account for the diluting effects from stock options, warrant agreements or any other plans in place at the Consolidated Statement of Financial Position date, which may lead to the issuance of an additional number of shares in the future). In fiscal year 2022, there was no dilutive effect as there were no such programs (2021: no dilutive effect).

23.7 OTHER RESERVES

Other reserves at 31 December 2022 amount to €11,066 thousand (2021: €10,473 thousand).

Other reserves include; the legal reserve in Ventura24 of €82 thousand (2021: €82 thousand) and the cumulative fair value movement in equity instruments (as recorded within other investments) of €10,984 thousand (2021: €10,391 thousand).

23.8 RETAINED EARNINGS

Retained earnings represents the cumulative income and expenses recorded by the Group since inception. Cumulative net income generated since inception has been derived from transactions settled with qualifying consideration.

24 Subsidiaries

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

Name and registered office	Country	Principal activities	Nature of relationship with ZEAL	% effective interest	
				2022	2021
myLotto24 Limited, London	United Kingdom	Lottery	Subsidiary	100	100
Tipp24 Services Limited, London	United Kingdom	Support services	Subsidiary	100	100
Tipp24 Deutschland GmbH, Hamburg	Germany	Lottery	Subsidiary	100	100
Lottovate Deutschland GmbH, Hamburg	Germany	Lottery	Subsidiary	100	100
Zeal Iberia S.L.U. ¹ , Madrid	Spain	Lottery	Subsidiary	100	100
Smartgames Technologies Limited ² , London	United Kingdom	In liquidation	Subsidiary	100	100
Lottovate Limited ² , London	United Kingdom	In liquidation	Subsidiary	100	100
eSailors Limited ² , London	United Kingdom	In liquidation	Subsidiary	100	100
Schumann e. K. ^{2, 3} , Hamburg	Germany	Lottery	Subsidiary	-	-
Geonomics Global Games Limited ² , London	United Kingdom	In liquidation	Subsidiary	100	100
myLotto24 South Africa Pty Ltd, Cape Town	South Africa	In liquidation	Subsidiary	100	100
myLotto24 Limited (Malta), Valletta	Malta	Support services	Subsidiary	100	100
LOTTO24 AG, Hamburg	Germany	Subsidiary	Tochter- unternehmen	95	95

¹ The company name of Ventura24 S.L.U. was changed to Zeal Iberia S.L.U. in fiscal 2021.

² Deconsolidated company. Further details can be found in note 14 to the Consolidated Financial Statements.

³ ZEAL Network SE does not have any indirect or direct shareholding in Schumann e.K.. Due to an exclusive agreement with the Group, however, ZEAL was able to exercise a controlling influence over it in accordance with IFRS 10 until 30 May 2022. Schumann e.K. was therefore included in the consolidated group in the fiscal year 2021. It was deconsolidated in the fiscal year 2022.

25 Personnel expenses

The table below shows the full-time equivalent average number of employees (without students and temps) over the year.

Director and employee numbers	2022	2021
Management Board	4	3
General Managers	3	3
Employees	154	151
Trainees	-	1
Total	161	157

Personnel expenses incurred during 2022 are included in the table below:

	2022	2021
in € thousand		
Salaries	15,689	16,079
Pension expenses	887	873
Social security contributions	2,316	2,096
Total personnel expenses	18,892	19,048

These figures include remuneration for the Management Board, further details of which are provided in note 33.1 to the Consolidated Financial Statements and the Remuneration Report. Pension expenses include employer contributions to the statutory pension scheme and contributions to direct insurance policies.

26 Share-based payments

The Group operates a long-term incentive plan arrangement for certain employees that provides a cash payment to the those entitled based on an individual base amount. This amount is broken down into a number of virtual shares by using the volume weighted average ZEAL share price in XETRA trading on the Frankfurt Stock Exchange in the last three months before the reporting date of the year in which the scheme is granted. The amount is vested over one to three years and is then payable after three years. The final pay-out is valued using the individual virtual shares multiplied by the average share price of the last three months of the third year. The provision is valued during the holding period using the last available share price (less expected dividends over the remaining term) multiplied with the individual number of virtual

shares. The carrying amount of the liability relating to the long-term incentive plan at 31 December 2022 was €2,764 thousand (2021: €3,563 thousand). Of this amount, €1,252 thousand (2021: €1,838 thousand) represents virtual shares exercisable on 31 December 2022 and is recognised as other current liabilities. The total expense recognised for the long-term incentive plan was €1,004 thousand (2021: €1,492 thousand), of which €37 thousand relate to virtual shares exercisable on 31 December 2022 (2021: €423 thousand). Movements in the number of virtual shares awarded can be found below:

	2022	2021
Outstanding at the beginning of the year	130,046	148,574
Granted during the year	29,130	35,038
Exercised in the year	-47,501	-49,009
Forfeited in the year	-	-4,556
Outstanding at the end of the year	111,675	130,046
Exercisable at 31 December	47,507	47,403

The weighted average remaining contractual life of the outstanding awards is 0.83 years (2021: 0.90 years).

The following share prices were used to calculate the provision:

	2022	2021
Share price used to determine the number of virtual shares granted		
Plan 2020	20.22	20.22
Plan 2021	40.61	40.61
Plan 2022	38.60	n.a
Share price used to determine the final payout – Plan 2020 (2021: Plan 2019)	26.88	38.60
Share price used to calculate the provision during the vesting period	28.45	40.30

27 Leases

27.1 AS A LESSEE

The Group leases assets including office space and machinery.

The Group has leased office space in London. The lease ends in July 2028, the terms state however that the Group can terminate it prematurely on 23 June 2025. The Group expects to exercise the early termination option and the IFRS 16 calculation has been prepared based on the lease ending in 2025. Should the Group not exercise the termination option, an amount of €3,044 thousand would be due for the period 23 June 2025 to the end of the lease.

The Hamburg offices leases contain a clause that annually increases by the consumer price index for Germany as determined by the Federal Statistical Office (base 2010 = 100) compared to the status in the month of the start of lease ('first basis month'). Annually, the rent increases by index changes between the last adjustment-based index status and the index status in the last month of the elapsed rental year. In line with the requirements of IFRS 16 the variable payments have been included in the calculation of the initial lease liability and right of use asset, based on the CPI rate on the date the contract was entered into. The lease liability and right of use asset are annually adjusted once the change in rent is known. The Group has no other variable lease payments.

Information about leases for which the Group is a lessee are presented below:

Cost	Property	Total
in € thousand		
As at 1 January 2021	6,302	6,302
Additions	71	71
As at 31 December 2021	6,373	6,373
Additions	270	270
Disposals	-2,143	-2,143
As at 31 December 2022	4,500	4,500

Accumulated depreciation and impairment	Property	Total
in € thousand		
As at 1 January 2021	-1,788	-1,788
Additions	-747	-747
As at 31 December 2021	-2,535	-2,535
Additions	-669	-669
Disposals	1,365	1,365
As at 31 December 2022	-1,839	-1,839

Book value	Property	Total
in € thousand		
As at 31 December 2021	3,838	3,838
As at 31 December 2022	2,661	2,661

The Group has recognised lease liabilities on the face of the Consolidated Statement of Financial Position. A maturity analysis of the contractual undiscounted rental payments for the lease liability is shown in note 32.3 to the Consolidated Financial Statements.

The following amounts have been recognised in the Consolidated Income Statement:

	2022	2021
in € thousand		
Interest on lease liabilities	227	288
Expenses relating to leases of low value assets, excluding short-term leases of low value items	14	14
Depreciation on right of use assets	670	747

The effect on the Consolidated Statement of Cash Flows was as follows:

	2022	2021
in € thousand		
Cash inflow/outflow from operating activities	-290	-338
Cash outflow from financing activities	-1,974	-1,536

27.2 AS A LESSOR

From December 2019 to April 2022, the Group subleased part of its Hamburg office. This was classified as a finance lease. In fiscal 2019, this resulted in the recognition of a receivable from finance leases of €392 thousand and a long-term receivable from finance leases of €654 thousand.

In March 2020, the Group entered into an agreement to sublet a part of its London office. This lease was classified as a finance lease as the sublease was concluded for the major part of the remaining term of the main lease agreement. As a result, the Group released the corresponding right of use asset, amounting to €2,410 thousand, in 2020 and recognised a receivable of

€3,481 thousand (€432 thousand short-term and €3,049 thousand long-term). This resulted in a disposal gain of €1,071 thousand. In May 2022, the Group entered into an agreement to sublet the remaining part of its office space and as a result derecognised the corresponding right-of-use asset amounting to €778 thousand in 2022 and recognised a net investment of €813 thousand (€89 thousand current and €724 thousand non-current). This resulted in a gain on disposal of €35 thousand.

In 2022, the Group recognised interest income of from these subleases of €123 thousand (2021: €128 thousand).

The following table sets out a maturity analysis of payments from finance leases as at 31 December 2022:

	Future payment from finance lease	Unrealised finance income (compounding)	Present value of the lease payment at the balance sheet date
2022			
in € thousand			
In the first year	971	-77	894
Short-term receivable from finance lease	971	-77	894
In the second year	1,212	-35	1,177
In the third year	224	-2	222
Long-term receivable from finance lease	1,436	-37	1,399
Total	2,407	-114	2,293

The following table sets out a maturity analysis of payments from finance leases as of 31 December 2021:

	Future payment from finance lease	Unrealised finance income (compounding)	Present value of the lease payment at the balance sheet date
2021			
in € thousand			
In the first year	1,280	-83	1,196
Short-term receivable from finance lease	1,280	-83	1,196
In the second year	661	-53	608
In the third year	881	-25	856
In the fourth year	168	-1	167
Long-term receivable from finance lease	1,710	-79	1,630
Total	2,990	-163	2,827

28 Dividends

At the Annual General Meeting on 9 May 2023, the Management Board and Supervisory Board will propose a dividend of €3.60 per share (2021: €2.10 per share), representing a total payout to shareholders of around €78.0 million (2021: €47.0 million). Cash flows from dividends paid are classified under financing activities in the Consolidated Statement of Cash Flows and the dividends paid are deducted from retained earnings in the Consolidated Statement of Changes in Equity.

29 Commitments and contingencies

CONTINGENT LIABILITIES

On 31 December 2022, the Management Board reviewed the appropriateness of the UK exit tax paid in connection with the relocation of the Company's registered office from London to Hamburg in October 2019, as uncertainty had arisen over the tax treatment of a registered office relocation in the context of the UK's exit from the EU ('Brexit').

Following this assessment, the Management Board continues to believe that there is no overwhelming probability of an outflow of funds. Consequently, a corresponding provision has not been recognised in the statement of financial position. As there is a residual risk of payment, a contingent liability of €2,700 thousand was recognised. This corresponds to the theoretical taxation of the difference between the acquisition price paid and the weighted three-month average price of the LOTTO24 shares before the relocation of the registered office. There was no change to this assessment in 2022.

OTHER FINANCIAL COMMITMENTS

In the fiscal year 2022, the Group had financial commitments from contracts, including cooperation agreements. As at 31 December 2022, the ZEAL Group had other commitments of €6,160 thousand (2021: €6,610 thousand), mainly relating to the cooperation agreement with ONCE, which are due between 2023 and 2026.

30 Related parties

The members of the Management Board and Supervisory Board of ZEAL, as well as their immediate relatives are regarded as related parties in accordance with IAS 24 'Related party disclosures'.

Note 24 to the Consolidated Financial Statements provides information about the Group's structure, including details of each subsidiary.

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 €48 thousand for the fiscal year 2022 (2021: €150 thousand). Schumann e.K. was again included in the consolidated group. With a termination agreement dated 8 February 2022, ZEAL's business with Schumann e.K. was terminated as of 30 May 2022, thus also terminating the cooperation with Günther Direct Services GmbH.

As of June 2014, LOTTO24 AG has a cooperation agreement with Staatliche Lotterie-Einnahme Günther KG. The shareholder with power of representation (general partner) of Staatliche Lotterie-Einnahme Günther KG, Oliver Jaster is a 'related party' as defined by IAS 24 with regard to both Staatliche Lotterie-Einnahme Günther KG and ZEAL and its affiliate, LOTTO24 AG. The cooperation agreement relates to the sale of the NKL and SKL class lotteries via the LOTTO24 AG website (lotto24.de, since 2020 also tipp24.com) with effect from 1 July 2014. Customers selecting class lottery products on lotto24.de or tipp24.com and enter further data for purchase and registration on a special landing page are subsequently redirected to the guenther.de site, where they can purchase these class lottery products. For successful redirecting, LOTTO24 AG receives a permanent fixed percentage of the class lottery revenue generated by these customers. In addition, advertising allowances are settled for joint advertising campaigns. Prior to signing the agreement, LOTTO24 AG had solicited several offers from various class lottery brokers in order to gauge standard market conditions and ultimately decided in favour of the offer made by the Günther companies. In the fiscal year 2022, the Group generated income of €252 thousand (2021: €154 thousand) from this business relationship. Receivables at the end of the year amounted to €48 thousand (2021: €18 thousand).

Jens Schumann is a Member of the Supervisory Board and 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 to natural persons or companies in which neither the liability of the company nor its direct and indirect partners is limited. A cooperation agreement between ZEAL and Schumann e.K. governing the processing of game participation of class lottery customers by Schumann e.K. was in place from 2 June 2009. Under the terms of the agreement, Schumann e.K. had to pay all commissions and other lottery brokerage fees collected in this context to ZEAL. ZEAL provided Schumann e.K. with services in the field of controlling, bookkeeping, marketing and technical services and bore the costs incurred by Schumann e.K. in running its operations.

As Jens Schumann operated Schumann e.K. in the interest of ZEAL, ZEAL had 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 was limited to the extent that fulfilment of this indemnification should 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 year.

The cooperation agreement was terminated by means of a termination agreement dated 8 February 2022 as of 30 May 2022.

Key Management Personnel disclosures have been made in the Remuneration Report and note 33 to the Consolidated Financial Statements.

There were no other significant transactions with related parties during the fiscal year.

31 Capital management

Neither the segments nor the Group as a whole have 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 is to maintain investor, creditor and market confidence and sustain future development of the business. Specific principles and objectives of capital management are as follows:

- The capital of the Germany segment consists of shareholders' equity and €27,612 thousand (2021: €8,700 thousand) of external debt. The capital of the Other segment consists solely of shareholders' equity.
- The amount of each segment's surplus equity (in other words, the proportion 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 can continue to leverage its financial position to secure funding to finance organic and inorganic growth as well as further equity measures. ZEAL has a revolving credit facility for an amount of €7,000 thousand. As at 31 December 2022, this facility had not been drawn. As at year-end 2022, ZEAL had drawn €28,700 thousand of an instalment loan with a volume of €50,000 thousand.

The capital capacities and requirements of each segment are reviewed on at least a quarterly basis by the Management 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. Moreover, all external minimum capital requirements to which ZEAL was subject were met in the fiscal year.

The risks to which ZEAL is exposed are described in the risk report section of the Management Report.

32 Disclosures relating to financial instruments

32.1 FAIR VALUE

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

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table shows the carrying amounts and fair values by category of all the Group's financial instruments included in the Consolidated Financial Statements, except for those whose carrying amounts are reasonable approximations of fair value:

in € thousand	Level	Valuation technique	2022		2021	
			Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Interest-bearing bond	3	AC	5,035	4,933	-	-
Other investment	2	FVOCI	396	396	12,086	12,086
Other investment	3	FVOCI	14,285	14,285	1,590	1,590
Other investment	3	FVPL	743	743	989	989
Advance payment to the tax office	3	AC	56,344	56,344	55,534	55,534
Securities	1	FVPL	327	327	-	-
Short-term deposits	1	FVPL	567	567	18,021	18,021
			21,353	21,251	32,686	32,686
Financial liabilities						
Interest-bearing financial loans	3	AC	-27,612	-27,612	-8,700	-8,700
Winnings from 'freiheit+'	3	FVPL	-4,597	-4,597	-5,241	-5,241
			-32,209	-32,209	-13,941	-13,941

Other investments have been designated as FVOCI with the exception of investments in liquidation, which are recognised at fair value through profit or loss. At 31 December 2022, the fair value of these investments was €15,424 thousand (2021: €14,666 thousand). For an explanation of the method used to determine the fair value (enterprise value) of the underlying businesses ZEAL has invested in, please see note 14 to the Consolidated Financial Statements.

For all level 1 financial instruments the carrying amount approximates the fair value and are classified as held at amortised cost, with the exception of cash equivalents. Cash equivalents have been designated as fair value through profit or loss.

In the fiscal year 2022, the other investment Omaze was reclassified from level 2 to level 3. There were no further transfers between level 1, level 2 and level 3 fair value measurements.

32.2 CREDIT RISK

The scope of the credit risk of ZEAL equals the sum of cash, cash equivalents and other short-term equity funds, trade receivables and other receivables. The maximum credit risk at the reporting date is the carrying amount of trade receivables and other financial assets, as well as cash and cash equivalents disclosed in the Consolidated Statement of Financial Position.

Impairment losses on cash equivalents and other short-term equity funds recognised in profit or loss were as follows:

	2022	2021
in € thousand		
Impairment loss on receivables from gaming operations	-	-
Impairment loss on trade receivables	614	457
Impairment loss on cash and other financial assets	-	-
Total impairment loss	614	457

CASH AND CASH EQUIVALENTS

There may be a default risk both in respect of the cash and cash equivalents themselves, as well as the related interest accrued.

Due to the high total amount of cash and cash equivalents held by ZEAL, and their resulting absolute and relative importance, extensive management processes have been established to steer and regularly monitor the Company's investment strategy.

Cash, cash equivalents and other short-term equity funds 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 the Group's investment strategy is to preserve capital – even at the expense of expected returns.

ZEAL's investment strategy is aimed at spreading and minimising risk by means of multi-dimensional diversification. Firstly, funds are divided into differing investment products, such as short-term deposits, highly fungible government bonds of Eurozone states and short-term investment fund units. Secondly, we restrict our choice to those investments with good credit ratings.

Cash equivalents and other short-term equity funds are held at fair value through profit or loss and therefore not assessed for impairment.

TRADE RECEIVABLES

The Group mainly collects the amounts owed by customers directly, via direct debit or credit card. Missing amounts from such returned direct debits or credit card charges are booked as trade account receivables and due immediately. 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 cost is recognised directly in the income statement in the event of payment default by a customer.

At 31 December 2022, €352 thousand (2021: €382 thousand) of receivables from customer direct debits or credit card payments were impaired. The Group recognises impairments for failed payments as soon as they occur. Efforts to recover the amounts are continued for six weeks. The respective receivables are fully written off if payment cannot be expected. The Group has considered this in determining the appropriate level of lifetime credit losses for amounts owed by customers.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2022	2021
in € thousand		
As at 1 January	382	596
Net re-measurement of loss allowance	614	457
Amounts written off	-644	-671
As at 31 December	352	382

In the fiscal year 2022, no doubtful receivables were sold (2021: €326 thousand).

RECEIVABLES FROM GAMING OPERATIONS

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

CONTINGENT ASSETS

There are no contingent assets.

32.3 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 its liabilities at any time.

Financial liabilities are mainly due immediately and do not accrue interest. The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

As at 31 December 2022	Within 1 year	Within 1–3 years	Within 3–5 years	Over 5 years	Total
in € thousand					
Trade payables	3,792	–	–	–	3,792
Interest-bearing loans	6,396	16,513	9,039	–	31,948
Other financial liabilities	21,929	840	840	3,515	27,124
Lease liability	1,666	2,571	1,248	–	5,485
Total	33,783	19,924	11,127	3,515	68,349

As at 31 December 2021	Within 1 year	Within 1–3 years	Within 3–5 years	Over 5 years	Total
in € thousand					
Trade payables	3,699	–	–	–	3,699
Interest-bearing loans	1,179	6,673	1,092	–	8,944
Other financial liabilities	31,301	840	840	3,935	36,916
Lease liability	2,009	3,353	1,478	555	7,395
Total	38,188	10,865	3,410	4,490	56,953

32.4 INTEREST RATE RISK

The ZEAL Group invests the majority of its funds in a combination of fixed term deposits. There is no general risk from changing interest rates for these funds as the interest rates are contractually defined and not dependent on market rates. A fixed term and fixed interest rates were also agreed for the subscribed bond in 2022. By contrast, an interest rate based on the EURIBOR was agreed for the instalment loan concluded in 2021; accordingly, the ZEAL Group also bears the risk of an increase in the base rate. A sensitivity analysis was taken for the portfolio of cash, cash equivalents and loans held on 31 December 2022 with an interest rate increase or decrease of 100 basis points. Assuming no changes are made to the portfolio in response to the interest rate increase, the net interest expense would rise by €267 thousand (2021: fall by €181 thousand).

32.5 CURRENCY RISK

Due to certain exchange rates, the Company is exposed to a currency risk arising from payments received and made in foreign currencies which differ from the Company's functional currency. These are not always offset by payments in the same currency of the same amount and with the same maturities.

For the presentation of currency risks, IFRS 7 requires sensitivity analyses, which display the effects of hypothetical changes of the relevant risk variables on earnings and equity. In order to determine the currency risk, a fluctuation of 10% of the Euro against currencies where the earnings of the Company are exposed to was assumed at 31 December 2022.

On the basis of this assumption, a 10% increase in the value of the euro against the British pound would result in a positive effect of €66 thousand (2021: €81 thousand) on earnings. A devaluation of 10% would result in a negative effect of €45 thousand (2021: €41 thousand) on earnings.

In the year ended 31 December 2022, there was a loss from foreign exchange movements on financial instruments of €6 thousand (2021: €48 thousand).

Short-term investments currently held do not bear any material currency risk.

33 Other disclosures

33.1 MANAGEMENT BOARD

In the fiscal year 2022, the Management Board of ZEAL comprised the following members:

- Helmut Becker (Chief Executive Officer)
- Paul Dingwitz (Chief Technology Officer)
- Sönke Martens (Chief Operations Officer)
- Jonas Mattsson (Chief Financial Officer)

The members of the Management Board work on a full-time basis. Their remuneration in fiscal year 2022 comprised the following elements and is included in current other liabilities and non-current provisions.

Management board remuneration	2022	2021
in € thousand		
Short-term benefits	2,310 ¹	2,214
Post-employment benefits (pension benefits and medical care)	23	13
Share-based payments	929	1,356
Total Management Board remuneration	3,262	3,583

¹ Subject to final appraisal by the Supervisory Board

The amounts disclosed in the table were recognised as an expense in the reporting period. As at 31 December 2022, short-term benefits of €455 thousand (2021: €745 thousand) and share-based payments of €2,370 thousand (2021: €2,986 thousand) were outstanding. Total remuneration according to section 314 (1) no. 6 HGB (excluding pension expenses) amounts to € 3,239 thousand (2021: € 3,570 thousand).

33.2 SUPERVISORY BOARD

The following persons held seats on the Supervisory Board of ZEAL in fiscal year 2022:

- Peter Steiner (Chairman of the Supervisory Board)
- Oliver Jaster (Deputy Chairman)
- Thorsten Hehl (regular member)
- Jens Schumann (regular member)
- Marc Peters (regular member until resignation from office on 30 November 2022)
- Frank Strauß (regular member)

Kenneth Chan was appointed by court as a member of the Supervisory Board on 26 January 2023.

The total remuneration of the Supervisory Board of ZEAL amounted to €627 thousand in the fiscal year 2022 (2021: €637 thousand); this includes €88 thousand (2021: €88 thousand) for Supervisory Board remuneration granted by other Group companies. As at 31 December 2022, €627 thousand was outstanding (2021: €637 thousand).

33.3 DISCLOSURES ACCORDING TO SECTION 160 (1) NO. 8 AKTG

In accordance with section 160 (1) no. 8 of the German Stock Corporation Act (AktG), shareholdings in the Company notified to us in accordance with section 33 (1) of the German Securities Trading Act (WpHG), respectively section 21 (1) of the German Securities Trading Act (WpHG; superseded version) and published by us in accordance with section 40 (1) of the German Securities Trading Act (WpHG), respectively section 26 (1) of the German Securities Trading Act (WpHG; superseded version) are reproduced below. Please note that the total number of voting rights of the Company has changed from 8,872,319 at the time of the first stock exchange listing on 12 October 2005 to 7,985,088 as of 23 January 2009, 8,385,088 as of 30 April 2013 and 22,396,070 as of 8 May 2020.

Oliver Jaster notified us that his proportion of voting rights in the Company on 8 February 2023 amounted to 35.17% (7,875,610 voting rights of 22,396,070). According to section 34 WpHG, 35.17% (7,875,610 voting rights) are attributable to Oliver Jaster. 3% or more of voting rights are held by Cassio I GmbH & Co. KG, Othello Vier Beteiligungs GmbH & Co. KG and MAX Automation SE at the stated time.

UBS Group AG, Zurich, Switzerland, notified us that on 19 December 2022 its share of voting rights in the Company amounted to 15.47% (3,465,359 voting rights of 22,396,070). According to section 34 WpHG, 15.67% (3,465,359 voting rights) are attributable to UBS Group AG. 3% or more of voting rights are held by UBS AG at the stated time. In addition, UBS Group AG holds instruments within the meaning of section 38 (1) number 1 WpHG in respect of 43,258 voting rights (0.19%) and instruments within the meaning of section 38 (1) number 2 WpHG in respect of 71 voting rights (0%).

Walter Manfred Günther notified us that his proportion of voting rights in the Company on 14 April 2022 amounted to 29.47% (6,601,016 voting rights of 22,396,070). According to section 34 WpHG, 29.47% (6,601,015 voting rights) are attributable to Walter Manfred Günther. 3% or more of voting rights are held by Oliver Jaster and Othello Vier Beteiligungs GmbH & Co. KG at the stated time.

Morgan Stanley, Wilmington, Delaware, United States of America, notified us that on 18 June 2021 its share of voting rights in the Company amounted to 10.13% (2,268,021 voting rights of 22,396,070). According to section 34 WpHG, 10.13% (2,268,021 voting rights) are attributable to Morgan Stanley. 3% or more of voting rights are held by Morgan Stanley & Co. International plc at the stated time.

Marc Peters notified us that on 3 July 2012 his percentage of voting rights in the Company via shares fell below the threshold of 5% and on this day amounted to 4.82% (corresponding to 384,715 voting rights).

ADDITIONAL INFORMATION ON NOTIFIED SHAREHOLDINGS IN THE COMPANY

From 7 February 2014 to 25 October 2019, the registered office of the Company was in the United Kingdom. During this period, notifications of major holdings in the Company were subject to the provisions of the British Disclosure and Transparency Rules (DTR). The following major holdings in the Company notified to us in accordance with DTR5.1.2 R and published by us in accordance with section 40 (1) of the German Securities Trading Act (WpHG) are voluntarily reproduced in addition to the information required under section 160 (1) no. 8 of the German Stock Corporation Act (AktG):

Working Capital Advisors (UK) Limited, London, United Kingdom, notified us that its proportion of voting rights in the Company on 25 September 2019 amounted to 20.18% (4,511,693 voting rights). On this date, 20.18% of voting rights are held indirectly (article 10 of Directive 2004/109/EC) (DTR5.2.1). Also on this date, 3% or more of the voting rights are held directly by Working Capital Partners, Limited (11.55%) and High Street Partners, Limited (8.63%).

Jens Schumann notified us that his proportion of voting rights in the Company on 14 May 2019 amounted to 3.58% (800,209 voting rights of 22,352,160¹). On this date, 3.58% of voting rights are held directly (article 9 of Directive 2004/109/EC) (DTR5.1).

Lottoland Holdings Limited, Gibraltar, notified us that its proportion of voting rights in the Company on 11 January 2019 amounted to 5.53% (463,499 voting rights of 8,385,088). On this date, 5.53% of voting rights are held directly (article 9 of Directive 2004/109/EC) (DTR5.1).

¹ Number of shares in the company excluding the 43,910 treasury shares held by the Company at the date referred to in the notification.

33.4 DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE ACCORDING TO SECTION 161 AKTG

In accordance with section 161 AktG, the Supervisory Board and Management Board have issued a Declaration of Conformity with the German Corporate Governance Code and made it permanently available to shareholders on page 25 of this Annual Report and via the Company's website (zealnetwork.de).

34 Events after the statement of financial position date

No reportable events occurred up to the date of preparation of the Consolidated Financial Statements.

Hamburg, 22 March 2023

The Management Board

Helmut Becker Chief Executive Officer	Paul Dingwitz Chief Technology Officer
Sönke Martens Chief Operations Officer	Jonas Mattsson Chief Financial Officer

TO ZEAL NETWORK SE

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Opinions

We have audited the consolidated financial statements of ZEAL Network SE, Hamburg, and its subsidiaries (the Group), which comprise the consolidated income statement and the consolidated statement of comprehensive income for the fiscal year from 1 January to 31 December 2022, consolidated statement of financial position as at 31 December 2022, consolidated statement of cash flows and consolidated statement of changes in equity for the fiscal year from 1 January to 31 December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of ZEAL Network SE for the fiscal year from 1 January to 31 December 2022. In accordance with the German legal requirements, we have not audited the content of the Group Corporate Governance Statement that is part of the group management report and was published on the website indicated in the group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ['Handelsgesetzbuch': German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2022 and of its financial performance for the fiscal year from 1 January to 31 December 2022, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. We do not express an opinion on the Group Corporate Governance Statement referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as 'EU Audit Regulation') and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report' section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. IMPAIRMENT OF GOODWILL AND OF OTHER INTANGIBLE ASSETS

Reasons why the matter was determined to be a key audit matter

Goodwill and other intangible assets with indefinite useful lives are reported in the consolidated financial statements of ZEAL Network SE as a result of the acquisition of LOTTO24 AG, Hamburg.

To test these material items, which comprise goodwill and the brand of LOTTO24 AG, for impairment, the executive directors of ZEAL Network SE determine the fair value less costs to sell of the cash-generating units (CGU) as of 31 December each year or ad hoc. The executive directors determine fair value less costs to sell using valuation models according to the discounted cash flow method on the basis of the corporate planning for multiple years

approved by the Supervisory Board. The assumptions underlying the valuation model (especially the discount rates, forecast cash inflows, growth rates and return on capital employed) are determined by the executive directors of ZEAL Network SE and are subject to judgment.

The fair values less costs to sell have a significant effect on the recognition of goodwill and intangible assets in the consolidated financial statements as of 31 December 2022. In light of its materiality, the complexity of the valuation models and the executive directors' use of judgment in making assumptions, we consider the determination of fair values to be a key audit matter.

Auditor's response

As part of our audit, we analyzed the process implemented by ZEAL Network SE's executive directors and the recognition and measurement policies applied to determine the fair values of the cash-generating unit and obtained an understanding of the process steps.

We analyzed the corporate planning by comparing it with the results actually achieved in the past and the current development of business figures. We discussed the significant assumptions underlying the business growth and business performance forecasts with the executive directors and assessed them on the basis of the information received.

The other significant valuation assumptions, such as the discount and growth rates, were analyzed with the support of internal valuation specialists on the basis of an analysis of market indicators. As even minor changes in the discount rate can have a significant effect on the fair value, we obtained an understanding of the inputs used to determine the discount rate by comparing them with publicly available market information. With the aid of sensitivity analyses, we assessed impairment risks arising when significant valuation assumptions change. We also checked the clerical accuracy of the valuation models.

Our procedures did not lead to any reservations relating to the determination of the fair values.

Reference to related disclosures

The Company provides information on goodwill and the other intangible assets in the notes to the consolidated financial statements in sections '10. Goodwill' and '11. Intangible assets.' Further information on recognition and measurement policies is contained in the notes to the consolidated financial statements in section '2. Accounting policies' under '2.12 Intangible assets,' '2.14 Impairment' and '2.3 Significant judgments and estimates.'

2. RECOGNITION OF LOTTERY BROKERAGE REVENUE

Reasons why the matter was determined

to be a key audit matter

In the consolidated financial statements of ZEAL Network SE, revenue is recognized, in particular, from commissions received by the Group for brokering and transmitting lottery tickets and stakes to the state lottery companies and from the additional charges paid by customers less cash discounts, customer bonuses and rebates. In view of the different contractual arrangements relating to staggering of commission amounts, cash discounts, customer bonuses and rebates, we consider the recognition of revenue from commissions to be complex.

In light of the materiality and complexity, we consider revenue recognition to be a key audit matter.

Auditor's response

As part of our audit, we assessed the recognition and measurement policies applied in the consolidated financial statements of ZEAL Network SE for the recognition of revenue on the basis of the five-step model defined in the standard for revenue recognition, IFRS 15. During our audit we obtained an understanding of the processes implemented by the executive directors for revenue recognition and the deferral of expected cash discounts, customer bonuses and rebates by reference to individual transactions from the receipt of the order to recognition in the consolidated financial statements of ZEAL Network SE and tested the controls in place in this process. In addition, we tested on a sample basis whether the amount of the contractually agreed staggered commissions was recognized in revenue on an accrual basis. We examined whether the revenue items for fiscal year 2022 correlate with the corresponding trade receivables to identify any irregularities in the development of revenue. We also analyzed the correlation of revenue in fiscal year 2022 with the related transaction volume, with reference to the development of the jackpot, to identify any irregularities.

Our procedures did not lead to any reservations relating to revenue recognition.

Reference to related disclosures

The Company provides information on revenue in the notes to the consolidated financial statements in section '4. Revenue.' With regard to the recognition and measurement policies applied, we refer to the Company's disclosures in the notes to the consolidated financial statements in section '2. Accounting policies' under '2.6 Revenue.'

Other information

The Supervisory Board is responsible for the Supervisory Board Report. The executive directors and the Supervisory Board are responsible for the declaration pursuant to Sec. 161 AktG ['Aktien-gesetz': German Stock Corporation Act] on the German Corporate Governance Code, which is part of the Group Corporate Governance Statement. In all other respects, the executive directors are responsible for the other information. The other information comprises the remaining parts of the annual report, except for the audited consolidated financial statements and group management report, in particular

- The Supervisory Board Report pursuant to Sec. 171 (2) AktG
- The Declaration of Conformity with the Corporate Governance Code in accordance with Sec. 161 AktG, which is published outside the group management report
- The Responsibility Statement pursuant to Sec. 297 (2) Sentence 4 HGB and Sec. 315 (1) Sentence 6 HGB
- The sections 'Strong performance despite global uncertainty,' 'ZEAL continues development,' 'We make big winners,' 'We expand our reach,' 'Nothing ventured, nothing gained,' 'At ZEAL we care,' 'The ZEAL Share,' 'Corporate Governance Statement,' 'Executive Review,' 'Sustainability Report,' and 'Key group figures'.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

REPORT ON THE ASSURANCE ON THE ELECTRONIC RENDERING OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT PREPARED FOR PUBLICATION PURPOSES IN ACCORDANCE WITH SEC. 317 (3A) HGB

Opinion

We have performed assurance work in accordance with Sec. 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the group management report (hereinafter the 'ESEF documents') contained in the file 'ZEAL_Network_SE_KA-KLB_ESEF-2022-12-31.zip' and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ('ESEF format'). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying group management report for the fiscal year from 1 January to 31 December 2022 contained in the 'Report on the audit of the consolidated financial statements and of the group management report' above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the file identified above in accordance with Sec. 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Sec. 317 (3a) HGB (IDW AsS 410 (06.2022)). Our responsibility in accordance therewith is further described in the 'Group auditor's responsibilities for the assurance work on the ESEF documents' section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the executive directors and the Supervisory Board for the ESEF documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 328 (1) Sentence 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group auditor's responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.
- Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Arts. 4 and 6 of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the Annual General Meeting on 30 June 2022. We were engaged by the Supervisory Board on 15 December 2022. We have been the auditor of ZEAL Network SE since fiscal year 2019.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

We have provided the following services which are disclosed in the consolidated financial statements as audit-related services in accordance with Sec. 314 (1) No. 9 a) and b) HGB in conjunction with Sec. 315e (1) HGB in addition to the audit of the financial statements for the group companies:

- Audit of the Remuneration Report pursuant to Sec. 162 (3) AktG
- Preparation of an ISAE 3000 assurance report for a subsidiary of ZEAL Network SE

The services in question are permitted non-audit services within the meaning of Art. 4 (2) of the EU Audit Regulation.

Other matter – Use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be published in the Unternehmensregister [German Company Register] – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Carl-Heinz Klimmer.

Hamburg, 22 March 2023

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Möbus
Wirtschaftsprüfer
[German Public Auditor]

Klimmer
Wirtschaftsprüfer
[German Public Auditor]

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Hamburg, 22 March 2023

The Management Board

Note on forward-looking statements

This report contains forward-looking statements that are based on our current intentions, beliefs or expectations. Forward-looking statements involve significant risks and uncertainties that could cause actual results to differ materially from those predicted or anticipated. We assume no obligation to update the information and forward-looking statements contained in this report unless required to do so by law.

Key consolidated figures

		2022	Q4 2022	Q3 2022
Customers				
Cost per lead ¹ , Germany segment	€	35.97	34.86	34.76
New registered customers ¹ , Germany Segment ¹		702,891	202,196	208,391
Average billings per user per month ¹ , Germany segment	€	59.09	60.73	58.90
Average monthly active users, Germany segment ¹	Tsd.	1,070	1,175	1,053
Income statement				
	€ thousand			
Billings ¹		758,425	214,053	186,052
Revenue		105,201	30,750	25,076
Gross margin ¹ , Germany segment		12.9%	13.0%	13.0%
EBITDA		31,659	9,666	5,546
EBIT		22,928	7,453	3,330
EBT		22,810	7,325	3,238
Profit for the year		16,572	4,430	2,710
Statement of financial position				
	€ thousand			
Cash, cash equivalents and securities (incl. pledged cash, cash equivalents and securities)		61,209	61,209	55,586
Total non-current assets		320,197	320,197	321,273
Assets		459,736	459,736	448,086
Current liabilities		44,562	44,562	32,096
Non-current liabilities		81,137	81,137	65,103
Equity		334,037	334,037	350,886
Equity and liabilities		459,736	459,736	448,086
Cash flow				
	€ thousand			
Cash flow from operating activities		28,489	12,217	2,075
Cash flow from investing activities		-6,192	-5,319	-378
Cash flow from financing activities		-51,161	-1,276	-47,389
Personnel				
Number of employees (full time equivalents)	no.	161	164	163
Personnel expenses	€ thousand	-18,892	-4,957	-3,655
Expenses per employee	€ thousand	117	30	22
Share				
Average number of shares (undiluted)	no.	22,304,795	22,345,729	22,367,237
Earnings per share (undiluted)	€	0.72	0.19	0.11
Operating cash flow per share (undiluted)	€	1.28	0.55	0.09
Ratios				
	%			
EBITDA margin		30.1	31.4	22.1
Net operating margin		15.8	14.4	10.8
Return-on-equity (ROE)		4.96	1.33	0.77

¹ The definitions of the financial measurements and indicators disclosed above can be found in the Management System section on pages 74 and 75 of this Annual Report.

Q2 2022	Q1 2022	2021	Q4 2021
37.07	38.09	27.94	29.61
138,355	153,949	544,436	98,670
58.18	58.31	56.77	58.02
1,015	1,036	964	938
177,135	181,185	656,474	163,282
24,261	25,114	83,334	18,281
13.0%	13.0%	12.2%	12.0%
7,516	8,932	27,734	10,085
5,354	6,792	19,045	7,969
5,657	6,591	16,654	5,895
4,426	5,007	11,404	4,060
101,306	98,001	90,100	90,100
322,381	323,788	327,067	327,067
495,025	491,704	503,398	503,398
81,275	34,188	48,660	48,660
66,689	67,311	69,796	69,796
347,061	390,205	384,942	384,942
495,025	491,704	503,398	503,398
5,715	8,482	25,996	-41,849
-734	239	-539	-546
-1,676	-820	-21,528	-540
160	156	157	155
-6,164	-4,116	-19,048	-4,563
39	26	121	29
22,367,237	22,363,501	22,362,465	22,363,501
0.20	0.22	0.48	0.12
0.26	0.38	1.16	-1.87
31.0	35.6	33.3	55.2
18.2	19.9	13.7	22.2
1.28	1.28	3.0	1.05

Financial calendar

9 May 2023	Annual General Meeting
11 May 2023	Publication of Quarterly Statement Q1
10 August 2023	Publication of Half-Year Report
9 November 2023	Publication of Quarterly Statement Q1–3

Picture credits

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