CREATE A BETTER WORLD OF LOTTERY

Annual Report 2014

ZEAL

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ZEAL Network SE ("ZEAL Network" or "the Company") and its consolidated companies ("ZEAL" or "the Group") specialise in the area of online lottery. ZEAL offers consumer-facing lottery-based games as well as Business-to-Business (B2B) solutions, under several brands. Our vision is to create a better world of lottery. ZEAL Network was founded in Germany in 1999 and transferred its registration to London in February 2014. ZEAL operated until November 2014 under the name Tipp24 SE. Its shares are listed in the Prime Standard segment of the Frankfurt Stock Exchange and are included in the SDAX index.

€140.7m
Revenue 2014 +8.3%

€19.2m
EBIT 2014 -1.6%

€2.5bn
Stakes since 1999

>€650m
Taxes and gaming duties since 1999

133.2m
Employee wages since 1999

WHY "ZEAL"?

Our strategic focus has widened – ZEAL has expanded beyond the original lottery betting business (secondary lottery). ZEAL's business strategy today rests on three pillars:

1. **The well-established consumer-facing secondary lottery business,**
2. **B2B services to licensed lottery operators and private enterprises,**
3. **Running our own lotto games as an operator.**

EXECUTIVE REVIEW

Dr. Helmut Becker, Dr. Hans Cornehl, Jonas Mattsson

DEAR SHAREHOLDERS

2014 was a year of substantial change – not only did we relocate the Company to London, the centre of the European online gaming industry, we also significantly widened our strategic focus. In future, we aim to expand in international business activities – especially in Europe and North America – and to further develop these activities from our UK base. We also renamed the former Tipp24 SE as ZEAL Network SE to reflect our broader strategy. We intend to keep our legal form as an "SE" and to maintain ZEAL's listing in the Prime Standard segment of the Frankfurt Stock Exchange.

FINANCIAL PERFORMANCE

In 2014, revenue amounted to €140.7 million – up 8.3% on the previous year's figure and reaching the target of €135 to 145 million. Customer activity and thus revenue was negatively affected by the FIFA World Cup, which distracted players from participating in lotteries, unusually good weather in Germany, and low volume of high jackpots in the German Lottery market. A more competitive environment was also observed.

In view of higher personnel expenses and increased other operating costs, consolidated EBIT at €19.2 million was 1.6% lower than the prior-year figure. Due to additional costs for the preparation of new business activities, extra marketing expenses and costs for renewing hedging structures in the secondary lottery business, consolidated EBIT failed to reach the forecast €25 to 35 million announced on 26 March 2014.

On 30 April 2014, ZEAL Network distributed a one-off special dividend in the form of an interim dividend amounting to €7.50 per share.

STRATEGY AND OPPORTUNITIES

Today, ZEAL is active in three units of business: Firstly, the Group consolidates revenue from the well-established consumer-facing secondary lottery business conducted by its UK-based minority shareholdings. Secondly, ZEAL offers B2B services for licensed lottery operators such as state lotteries under the brand Lottovate and for non-governmental organisations under the brand Lotto Network. Our investment in Spain, Ventura24 S.L., has been operating as a cooperation partner for the Spanish lottery ONCE and is responsible for designing and marketing its online sales channel. Our current geographical focus is in Europe as well as in North America. Thirdly, we focus on operating our own lotto games in the future.

Lottery is a highly regulated market with different requirements in every country. Numerous business models around the world are significantly restricted or not clearly regulated. The restrictions' effectiveness or validity is also often dubious – Germany is certainly a prominent example. Currently, we are observing strong changes in the regulations of several markets and are systematically analysing various business opportunities arising from this rather uncertain regulatory environment. We are continuing to monitor any future growth opportunities in our historic core business of lottery brokerage and are continuously considering business opportunities in Europe.

A further consequence of changing regulatory conditions in Europe could be the increased privatisation of state owned market participants which may lead to a consolidation of European markets. ZEAL will monitor the resultant opportunities for non-organic growth through acquisitions. We are well positioned to capitalise on these opportunities given our knowledge, our experience and our strong financial position.

JOINT VENTURE AND ASSOCIATE

In the UK, ZEAL has an investment in UK-based Geonomics Global Games Limited (Geonomics) that has its own licence to operate and market GeoLotto – a lotto game based on a virtual map regarded as one of the outstanding product innovations in the lottery business of the last ten years.

OUTLOOK: ATTRACTIVE PROSPECTS

We want to create a better world of lottery that offers customers an attractive playground while at the same time raising tax and charity income. To make our vision a reality, we actively promote clear, coherent and consistent regulation for the sake of consumer satisfaction and sustainable income for good causes, while efficiently managing youth protection, problem gambling and fraud prevention. We aim to develop new lottery opportunities and deliver excellent service to our B2B, Business-to-Consumer (B2C) and Business-to-Government (B2G) customers.

Overall, for 2015, we expect revenue to reach between €135 and 145 million while EBIT should grow to between €35 and 45 million.

The Executive Board has proposed, and the Supervisory Board has approved, with immediate effect, a revised dividend policy under which the Company will pay regular interim dividends, which are expected to amount to a total of at least €2.80 per share in the current year, 2015. Interim dividends are expected to be paid in four installments in 2015 and on a quarterly basis in 2016 and thereafter: an announcement of the amount of each dividend, and the record date for entitlement to the dividend, will be made in advance of payment of the dividend. The record date for this year's first interim dividend, amounting to €0.70 per share, will be 30 March 2015 and the payment and ex-dividend date will be 31 March 2015. Accordingly, no final dividend for 2014 will be proposed to this year's AGM. The Company's dividend policy is subject to periodic review and may be amended in the future depending on the earnings and financial position of the Company as well as other relevant factors.

The Executive Board

Dr. Hans Cornehl
Chairman

Dr. Helmut Becker

Jonas Mattsson

» Like no other company we have the benefit of over 15 years of online experience in lotteries. We know the markets, the products and the customers. We actively participate in shaping the future of our markets – to create a better world of lottery. «

OUR VISION

CREATE A BETTER WORLD OF LOTTERY

ZEAL's vision is to create a better world of lottery. A world that our customers and business partners deserve. We strongly believe that the worldwide lottery market today performs below its potential. We want to release this potential by creating exciting and innovative products. Products which are easily accessible any time and delightful to interact with. We want to enable business partners to enter and drive the future of interactive lotteries. We offer a broad range of innovative services – from dedicated customer analyses to a full digital proposition. Like no other company we have the benefit of over 15 years of online experience in the world of lotteries. We know the markets, the products and the customers. We believe in the future and that a better world of lottery is coming soon.

$334bn
Worldwide lottery sales 2017

$17.5bn
US potential annual sales

62.7m
US potential audience

SIGNIFICANT MARKET POTENTIAL

Lottery is a very attractive business – according to the World Lottery Association, the market grew on average by 6% per year over the last two years. We believe that the digital age provides significant opportunities for lottery operators around the globe. In many countries, they have only scratched the surface: just 1% of the worldwide lottery market is online.[1] Provided there is sufficient bandwidth, online sales account for a much higher proportion of book sales – as much as 44% in the USA and 38% in the UK.[2]

A recent survey describes the huge potential in the US, for example, where a significant section of the market is attracted to playing digitally. In the US,

- Digital lottery could be worth as much as $17.5 billion in incremental annual sales,
- The digital target audience is 62.7 million or 27% of the adult population,
- 19.2 million players who are currently not playing in retail would be interested in online lotteries.

[1] *Source: LaFleur's 2013*
[2] *Source: digitalbookworld.com 2013*

LOTTOVATE

offers digital services to licensed lottery operators around the world (lottovate.com)

Tipp24.com

offers consumer-facing secondary lottery products (tipp24.com)

Ventura24.es

is a lottery ticket broker in Spain (ventura24.es)

GEO LOTTO .COM

is an innovative geographical based lotto game in the UK by our joint venture partner (geolotto.com)

Lotto Network
the biggest draw in gaming

enables private business partners to host their own branded lotto products (lottonetwork.com)

MyLotto24.co.uk

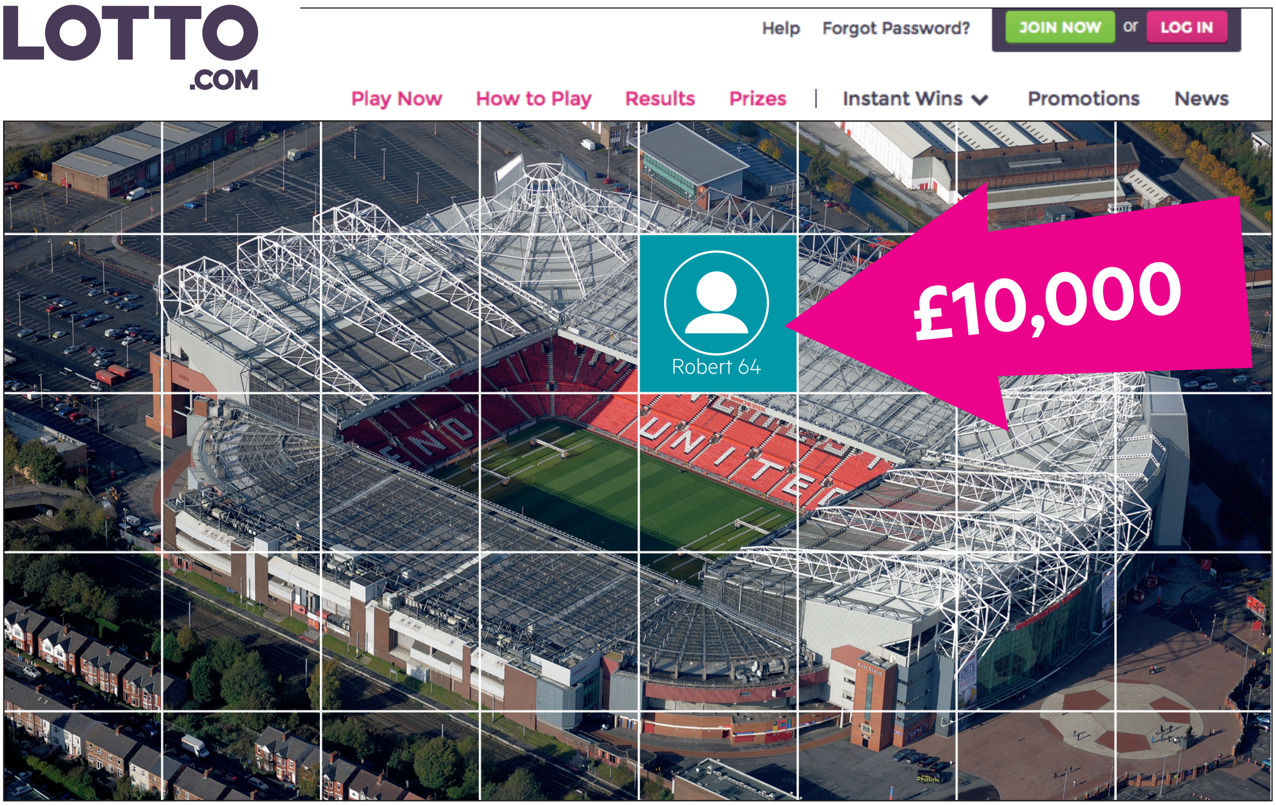
offers consumer-facing secondary lottery products (mylotto24.co.uk)

EVERYBODY BENEFITS FROM BROADER ONLINE OFFER

We believe that introducing more lottery products via different sales channels will be beneficial for all stakeholders. A study in the Netherlands which cites experiences in Sweden and the UK found that a lottery system with various differentiated lotteries is more likely to appeal to a larger number of customers, leading to increased overall lottery revenue and thus to rising tax income.[1] The online sales channel offers many advantages: it reaches future customers while at the same time offering more comfort for the customers.

In the UK, the "National Lottery", one of the world's most modern lotteries, generates 17% of its sales (of £7bn) online.[2] The three primary operators in the Netherlands already sell the majority of their tickets via online channels. In Sweden, the "Post-code Lottery", introduced in 2005, grew revenue by an annual average of 70% from 2006–2010 and has donated €115 million to charities. Despite the market entry of this new product, the revenue of Sweden's existing lotteries also grew.

[1] *Source: RBB Economics 2013*
[2] *Source: Press release by Camelot for the 2013/14 financial year*



Robert 64

YEAH!

... I've won £10,000! I'm very happy with this win, it's brilliant news! I picked a few lucky locations, such as my house and then I thought I'd pick the Old Trafford grounds given that I support Manchester United.

I was just sitting up in bed on Sunday morning and going through my emails when I picked up the email from geolotto.com and I screamed at my partner, I've won £10,000! I'm going to Brands Hatch to watch the British Superbikes final with the grandkids next weekend, so I'm looking forward to celebrating properly with my family then and it will be a nice chance to spoil the grandkids.

Robert Jones

LAUNCHING NEW PRODUCTS

In addition to our lottery offerings for consumers, the ZEAL Group supports governments and charities in bringing their lotteries online. In Spain, we did exactly that for the lottery ONCE (national organisation for the blind). In the UK, we run online lotto games for famous football clubs including Arsenal and for famous rugby clubs.

Through Geo24 UK Limited (Geo24), its joint venture with Geonomics Global Games (Geonomics), ZEAL offers GeoLotto in the UK – an innovative geo-based online game of chance (lotto game). GeoLotto lets customers claim a digital piece of Britain, such as a piece of their football team's stadium, a famous landmark or even their own back garden. Every piece claimed is entered in a draw with a chance to win cash prizes ranging from £5 up to the £1 million jackpot.

GeoLotto is a new product innovation in the UK market. We intend to develop our own products including own lotto games for the international market in the long run.

DELIGHTING OUR CUSTOMERS

One of our main goals has always been to improve the user experience of our customers. We will continue to do so by offering them as many attractive products as possible in the most appealing way. We are experts in this business and know what our customers want and how they like to play. We will optimise further their lotto experience by offering all kinds of easy to use online and mobile platforms as well as best-in-class services. Last but not least, it is our vision to broaden the global lottery market place by continuing to influence regulation and developing new products.

~21m
Winning Geos per week

£1m
Jackpot every week

>45%
Gross margins

~40m
Geos per week

BASIC PRINCIPLES OF THE GROUP

BUSINESS MODEL AND STRUCTURE

ZEAL's activities are performed in the two "Abroad" and "Germany" segments. Notwithstanding significant structural changes within ZEAL in the course of the year 2014 – amongst others the relocation of ZEAL Network to UK – we have for reasons of consistency decided to keep the names of the segments for the purpose of the current Annual Report and accounts. For clarity of understanding these are defined below.

"ABROAD" SEGMENT

The "Abroad" segment comprises the activities of MyLotto24 Limited ("MyLotto24") and its consolidated companies ("the MyLotto24 sub group"). MyLotto24 organises secondary lotteries based on various European lotteries, whereby it bears the bookmaking risk itself. MyLotto24 sells its products through its own website as well as through various national and international sales partners.

"GERMANY" SEGMENT

The "Germany" segment comprises:

- The lottery brokerage business in Spain.
- The international services business for lottery operators including online operation of the lottery games of the Spanish lottery operator ONCE (a national organisation for the blind).
- The UK broker business that enables private business partners to host their own branded draw-based lotto products.
- The business of marketing the German class lotteries NKL and SKL in Germany.
- Our investments in associates and joint ventures.

ADAPTING THE FORMER BUSINESS MODEL IN GERMANY

Following the implementation of the second stage of the German State Treaty on Games of Chance (GlüStV 2008), which completely prohibited the brokering of state-run lotteries via the Internet as of 1 January 2009, ZEAL Network discontinued its lottery brokerage activities in Germany. We continue to fight in the courts for the resumption of business in Germany.

On 1 January 2009 ZEAL Network transferred assets no longer required in Germany to the MyLotto24 sub group. This included both the online brokerage of state-run German lottery products, and the subsidiaries in Spain. In addition, ZEAL Network transferred the majority voting rights in the form of preference shares excluding their main economic rights in 2009 in both MyLotto24 Limited and its subsidiary Tipp24 Services Limited to a Swiss foundation set up by ZEAL Network. The transferred shares have a guaranteed limited right to dividends of up to a total of £30k p.a. The MyLotto24 sub group is consolidated in the ZEAL Network Group financial statements because the relevant criteria under IFRS 10 are met, as set out on page 62 of this report.

RELOCATION AND RENAMING

The Company promptly initiated the implementation of its relocation to the UK, as resolved by its shareholders at the Annual General Meeting on 28 June 2013, and completed the move on 7 February 2014 with its registration as a UK company. This step is a logical consequence of ZEAL's strategic development: in the future we aim to focus on our international business activities – especially in Europe and North America – and to further develop these activities from our base in the UK. The Company kept its legal form as an "SE" after the relocation and also retained its listing in the Prime Standard segment of the Frankfurt Stock Exchange and inclusion in the SDAX index. The Executive Board and Supervisory Board continue to exercise their functions. Any partially remaining functions in Germany are gradually being relocated to the UK in a socially compatible manner, including for example consultation with employees. The German registered shares ("Namensaktien") were converted to Registered Shares under the laws of England and Wales. In order to maintain a collective safe deposit of the Registered Shares, the legal ownership of these Registered Shares was transferred to Clearstream Banking AG as the central depositary in exchange for Clearstream Interests (CIs). Shareholders received a corresponding number of CIs in exchange for transferring their legal ownership of the Registered Shares to Clearstream.

At an extraordinary shareholder meeting on 19 November 2014, the shareholders approved the renaming of Tipp24 SE to ZEAL Network SE – thus ushering in the next step of the Company's development. The name change reflects the Company's wider strategic focus, which has expanded over the past few years beyond the original consumer-facing business.

OUR STRATEGY

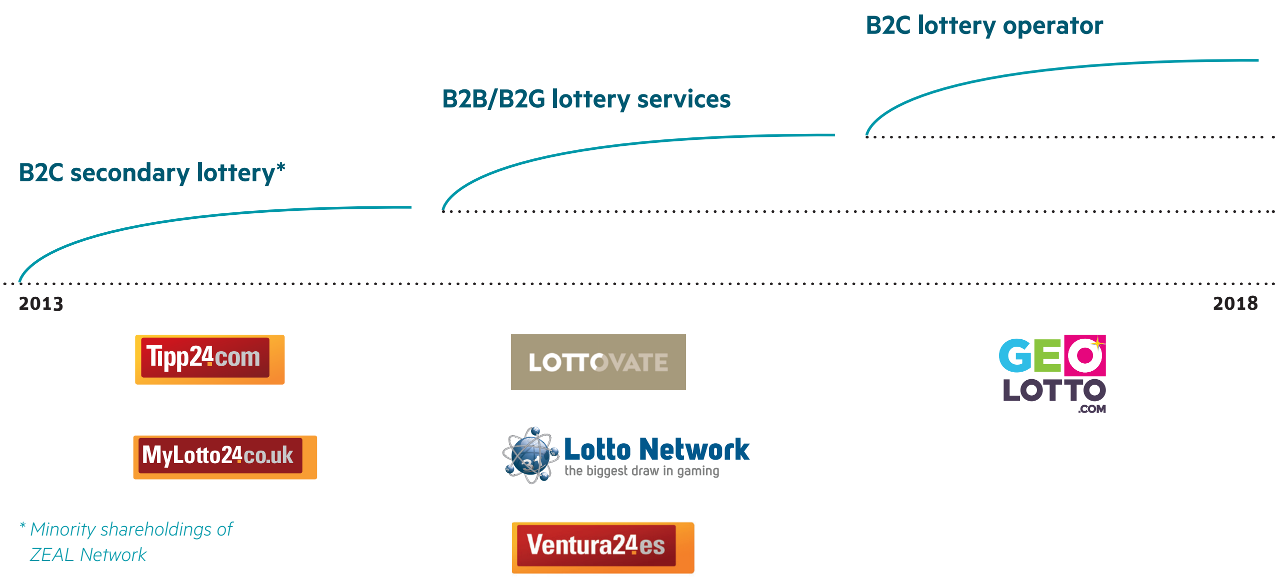
ZEAL is focusing on three main strategic horizons:

- **The first is the B2C business of secondary lottery**, which is independently organised by the MyLotto24 sub group.
- **Our second horizon is our B2B/B2G activity**, which operates under the brands Lotto Network and Lottovate, respectively. We aim to efficiently tap the online lottery market as a partner of state lottery companies as well as private enterprises by offering our leading technological and marketing expertise as a service provider. We have been operating as a service partner for ONCE's lottery since the third quarter of 2013 and are responsible for designing and marketing its online sales channel. We also operate a brokerage business in Spain via the website ventura24.es. In addition, we are monitoring closely any other opportunities in Europe. In North America, there are particularly clear signs of changing regulation following the Federal Wire Act ruling by the Department of Justice. We are therefore placing a focus on this particular market.
- **Finally, we aim to organise our own lotto games in the long run.** With its extensive experience in interactive markets and products as well as state-of-the-art technology, ZEAL is ideally positioned to identify and seize such short- or medium-term business opportunities in this market.

Strategy is determined independently in the respective business segments.

STRATEGY IMPLEMENTATION IN 2014

- As planned, the MyLotto24 sub group was able to start growth initiatives in the secondary lottery market and will continue them going forward. However, the impact of these growth initiatives was offset in 2014 by increased competition and the impact on customer activity levels of external factors such as the low volume of high jackpots in the German lottery market and unusually good weather in Germany in conjunction with the FIFA World Cup.
- For our B2B/B2G lottery services, we focused – as announced at the beginning of the year – on the preparation of the new business activity. Ramp-up costs were incurred in line with planning. These ramp-up costs resulted mainly from investments in the IT platform and the recruitment of new staff. Despite the significant progress we made, additional revenue has not yet been generated. Nevertheless, the development of business with the Spanish ONCE lottery has been as expected.



Minority shareholdings of ZEAL Network

THE REGULATORY ENVIRONMENT

A decisive factor for the implementation of growth strategies in the international online lottery business is the respective national regulatory environment: numerous business models around the world are still significantly restricted, or either unclearly regulated or not regulated at all. The effectiveness or validity of restrictions is also partly ambiguous – Germany is certainly a prominent example of this. We are also observing strong changes in the regulation of several markets – with developments which cannot always be clearly predicted and certainly not controlled. However, we do observe a general trend towards clearer regulation, in particular in the still underdeveloped segment of global interactive lottery markets.

A further possible consequence of changing regulatory conditions in Europe is the increased privatisation of currently state-owned market participants which may lead to consolidation of European lotteries. ZEAL will monitor the resultant opportunities for non-organic growth through acquisitions. We are well positioned to capitalise on these opportunities given our strong financial position.

We systematically analyse various business opportunities arising from developments in the regulatory environment. At the same time, ZEAL also monitors any future growth opportunities in our historic core business of lottery brokerage.

INVESTMENTS IN ASSOCIATE AND JOINT VENTURE (GEONOMICS AND GEOLOTTO)

In the UK, Geonomics has its own licence to operate and market GeoLotto – a lotto game based on a virtual map and regarded as one of the outstanding product innovations in the lottery business of the last ten years. In 2013, ZEAL formed Geo24, a joint venture with Geonomics to launch GeoLotto in the UK. In 2014, the strategic focus of Geonomics and Geo24 was on optimising the lotto game GeoLotto for the UK end-consumer market. In September 2014, the revised product was launched. During 2015, start-up activities will continue, including further development and testing of the marketing strategy.

In addition to this B2C model in the UK, Geonomics plans to sell the end-user product as a B2G solution to state lottery companies and gaming companies. The first contracts are already under negotiation – in addition to set-up fees, revenue will be generated here from ongoing charges based on the stakes received. We are considering further investment in Geonomics with a possible view to acquiring a majority shareholding in the Company in the medium-term.

MAIN ECONOMIC AND LEGAL TRENDS AND FACTORS

INCONSISTENT IMPLEMENTATION OF EU LAW PRIMACY IN GERMANY

Despite the rulings of the European Court of Justice (ECJ) in 2010 and the introduction since then of a somewhat revised State Treaty on Games of Chance, the legal situation for lotteries in Germany remains unclear: the First State Treaty to revise the State Treaty on Games of Chance (GlüStV 2012) now in effect throughout Germany updates the former State Treaty on Games of Chance, whose gaming monopoly and attendant legal regulations were found by the ECJ rulings of September 2010 to be in breach of EU law.

Following the ECJ verdicts of 2010, the German judiciary has slowly begun to recognise that the GlüStV 2008 was largely in contravention of EU law and was therefore inapplicable. This mostly concerned the state's gaming monopoly, which did not strictly pursue its stated objectives. The courts also criticised the fact that Germany's lottery companies (DLTB) had in practice disregarded those regulations which were meant to justify their monopolistic position and in reality had pursued fiscal objectives, also for lotteries, rather than the regulatory aims of the State Treaty. We believe that this position on sports gambling can also be applied to lotteries and the current situation. This view is shared by renowned law professors, but there have been no High Court verdicts on the subject as yet. In contrast to this, there have been some verdicts on the Internet ban and permit obligation, which have often – but not uniformly – been declared consistent and lawful.

The new GlüStV 2012 in force since mid-2012 has left key regulations regarding lotteries unchanged. We are therefore just as critical of its content: German authorities are now permitted to allow online sports betting and lotteries without exceptions – but are not obliged to do so. Verdicts passed so far concerning the Internet ban for sports betting give no insight into the legality of the new regulation. More recent court decisions, however, assume that online sports betting, also without a permit, is no longer to be treated as forbidden per se as long as no sports betting concessions have been granted according to the new law. All in all, the legal situation has not become any clearer.

In Schleswig-Holstein, there was a completely different and more liberal regulation in force during 2012: online casinos and online sports betting were permitted and online lotteries were even allowed without the need for a permit.

This ended in February 2013 with the new state government's accession to the GlüStV 2012. Many of the permits for online sports betting and online casinos issued in the meantime will remain valid in Schleswig-Holstein for seven years. This led the German Federal Supreme Court to initiate a first referral procedure with the ECJ regarding the new GlüStV 2012. To this end, the ECJ ruled that in this specific case the mere contradiction of the two regulatory models did not constitute an incoherence as it only applied to a very limited and already completed period and the state in question was relatively small compared to Germany as a whole. The ECJ did not make any statement regarding the appropriateness and coherency of German legislation per se. However, it did take the opportunity to remind the German judiciary of its obligations under EU law to examine any restrictions of fundamental freedoms imposed by gambling legislation with regard to the principles of appropriateness and coherency as well as the rulings of the ECJ.

The European Commission has also been carefully monitoring the new German regulations and has expressed further criticism. The EU Commission repeated and extended its objections in 2012, when Schleswig-Holstein also registered its intention to accede to the GlüStV 2012. The EU Commission's reservations did not only concern Schleswig-Holstein, but also the new GlüStV 2012 as a whole and these still remain today.

VARYING LEGAL MARKET SITUATIONS

The development of legal conditions in the other jurisdictions in which we operate or are interested in entering also varies greatly:

In the UK, the regulatory environment remains stable although some changes were noted in the course of 2014. The UK government has revised the national Gambling Act to improve consumer protection by requiring companies based offshore, but seeking to market gaming products in the UK, to be licensed by the Gambling Commission. Separately, HM Treasury amended gaming taxation, which was implemented on a point-of-consumption basis in December 2014.

The legal situation in Spain remains unclear. Unequivocal regulations concerning the online brokerage of lotteries – especially product marketing – are not in sight at present.

In the Netherlands, the government has announced its intention to overhaul national gambling legislation and regulations to allow online gambling (sports betting, casinos, poker).

On 11 July 2014, the government submitted the Remote Gambling Bill to parliament, which seeks to regulate remote gambling. The government issued a Lottery Letter stating it would allow new lottery initiatives and companies as of 1 January 2017.

In the USA, the Department of Justice ruled in late 2011 that online sales of lottery products were fundamentally allowed and did not constitute a contravention of the "Federal Wire Act" of 1961. The Department of Justice ruled that the federal states have responsibility for lotteries. Since the Department of Justice ruling, several states have examined the possibility of introducing an online lottery – or have already launched one. At the moment, there is an opposition lobby at the federal level which is attempting to overturn the Department of Justice ruling of 2011. The outlook for this anti-online gambling push remains stable and we do not expect that an anti-gambling bill will be passed in its current form.

JACKPOTS

ZEAL regularly experiences a strong increase in gaming activity when large jackpots are likely, as a result of roll-overs or guaranteed minimum jackpots for special dates or events. Larger gaming volumes often involve increased hedging costs, depending on the product and the size of the jackpot.

LOW DEPENDENCY ON ECONOMIC CYCLE

The gaming behaviour of customers in all ZEAL's markets has been largely unaffected by macroeconomic fluctuations since the launch of gaming operations in 2000. Gaming behaviour is neither particularly active during economic boom periods nor particularly weak in times of economic downturn, nor has any inverse correlation been observed.

CATCH-UP POTENTIAL FOR INTERACTIVE LOTTERIES

The global penetration of lotteries sold through interactive channels represents just 1% of global lottery markets. This compares to penetration of other markets which are higher by an order of magnitude or more (e.g. book market, banking transaction). We believe that the market development in interactive lotteries was mainly held back before now by regulation as well as the lack of competition which would foster more customer orientation and innovation. We expect a significant catch-up of the interactive lottery markets in the coming years which would be a significant growth driver to our business.

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FINANCIAL REVIEW

STATISTICAL FLUCTUATION DIFFERENCES

In the lotteries on whose results ZEAL relies, there are fixed underlying pay-out ratios (ratio of pay-outs to stakes) for ongoing lottery draws, usually 50%. The expected pay-out ratio for secondary lotteries is the same.

There may be deviations from this expected pay-out ratio during the actual draws. The difference between the actual pay-out and the expected prize pay-out is referred to as "statistical fluctuation differences" in this report.

In order to aid comprehension of the financial statements and earnings position, we disclose the effect of deviations between the expected and actual pay-out ratio by presenting adjusted revenue and EBIT, calculated as they would have been had pay-outs been at the expected ratio levels.

LARGE JACKPOT PAY-OUTS

When comparing figures with those of the previous year, the following large jackpot pay-outs should be taken into consideration: MyLotto24 Limited recorded one large jackpot pay-out of €6.7 million in 2014 compared to two large jackpot pay-outs in 2013 totalling €22.5 million. Including these amounts, total pay-outs for secondary lotteries in 2014 were €8.9 million below the expected pay-out value (in 2013 the comparable figure was €3.1 million above the expected pay-out value) with an impact on revenue of the same amount. This benefited EBIT by an amount of €1.9 million (in the previous year EBIT was reduced by €7.9 million).

	01/01–31/12/2014	01/01–31/12/2013	
in €k			Change %
Revenue	140,702	129,933	8.3
Other operating income	4,949	3,820	29.6
Personnel expenses	-20,701	-11,090	86.7
Other operating expenses	-99,153	-95,668	3.6
Exchange differences	1,032	-179	676.5
Operating expenses	**-113,873**	**-103,118**	**10.4**
EBITDA	**26,829**	**26,815**	**0.1**
Amortisation and depreciation	-7,673	-7,357	4.3
EBIT	**19,156**	**19,459**	**-1.6**
Financial result	-6,679	-628	963.5
Earnings before taxes	**12,477**	**18,831**	**-33.7**
Income taxes	-7,160	-8,109	-11.7
Profit for the year from continuing operations	**5,317**	**10,722**	**-50.4**
Profit after tax from discontinued operations	0	-535	100.0
Profit for the year	**5,317**	**10,187**	**-47.8**
Breakdown of other operating expenses			
Marketing expenses	-10,729	-6,768	58.5
Direct operating expenses	-53,906	-51,718	4.2
Other expenses of operations	-34,518	-37,182	-7.2
Other operating expenses	**-99,153**	**-95,668**	**3.6**

REVENUE

In 2014, ZEAL generated revenue of €140,702k (2013: €129,933k). Revenue was thus in line with the target of €135 to 145 million. Before taking into account consolidation eliminations of €924k, the "Abroad" segment accounted for €139,466k (2013: €128,877k) and the "Germany" segment for €2,159k (2013: €1,616k).

Customer activity and thus revenue was negatively affected by several external factors: Germany's success in the FIFA World Cup which distracted players from participating in lotteries, unusually good weather in Germany and the low volume of high jackpots in the German lottery market. Revenue was also impacted by a more competitive environment. On the other hand, revenue was positively impacted by lower pay-outs than statistically expected (in the previous year revenue was negatively impacted due to higher than statistically expected pay-outs).

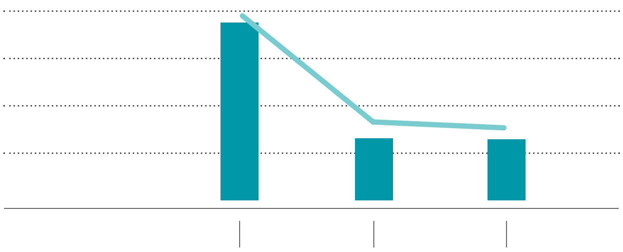
Adjusted for statistical fluctuation differences, consolidated revenue fell by 0.9% to €131,799k (2013: €133,058k).

EBIT

Despite the lower impact of large jackpot pay-outs described above, increased personnel and other operating expenses, as explained below, led to consolidated EBIT in 2014 of €19,156k being slightly below the figure for 2013 of €19,459k. All in all, EBIT was in line with the adjusted EBIT forecast of €15 to 25 million announced on 6 August 2014. The EBIT margin fell by 1.4 percentage points, from 15.0% to 13.6%. Consolidated EBIT failed to reach the original forecast of €25 to 35 million announced on 26 March 2014 due to additional costs for the development of the B2B/B2G business, higher than expected hedging costs for Euromillones against the backdrop of unusually frequent large jackpots, and additional marketing costs incurred mainly to gain new customers. After adjusting for statistical deviations from the expected level of pay-outs, adjusted EBIT amounted to €17,253k (2013: €27,321k) and the adjusted EBIT margin to 13.1% (2013: 20.6%).

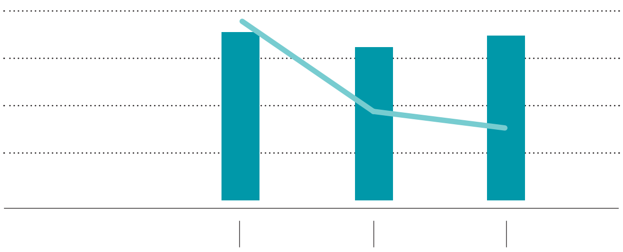
Before taking into account consolidation eliminations of €2,159k, the "Germany" segment posted an EBIT result of €-15,374k (2013: €-13,337k), while the "Abroad" segment achieved EBIT of €32,371k (2013: €36,032k). The increased loss of the "Germany" segment resulted mainly from additional personnel expenses and consulting costs. The lower EBIT of the "Abroad" segment resulted mainly from higher marketing expenses and hedging transaction costs.

EBIT/EBIT MARGIN



	2012	2013	2014
EBIT in €k	56,464	19,459	19,156
EBIT margin in %	39.6	15.0	13.6

REVENUE/NET OPERATING MARGIN



	2012	2013	2014
Revenue in € million	142.7	129.9	140.7
Net operating margin in %	28.6	7.8	3.8

EXPENSES

In 2014, personnel expenses were 86.7% up at €20,701k (2013: €11,090k). The year-on-year increase in personnel expenses resulted mainly from (i) a cost shift from other operating expenses due to the acquisition of a former technical service provider (€7,269k), (ii) organic headcount growth (€1,004k), and (iii) additional Members of the Executive Board (€1,338k).

Compared to the previous year, other operating expenses rose from €95,668k to €99,153k. The most significant factors were:

- €3,961k increase in marketing expenses (2014: €10,729k),
- €3,017k increase in hedging transactions of MyLotto24 Limited due to an unusually high frequency of Euromillones jackpots,
- €7,269k decrease due to the cost shift to personnel expenses noted above,
- €3,075k of additional costs for the planned renewal of the hedging structure.

FINANCIAL RESULT

The share of the losses of the associate and joint venture (Geonomics and Geo24) contributed €-6,642k (2013: €-971k) to the financial result in 2014. The majority of the start-up costs in these companies were personnel related costs and marketing spending.

TAX

At 57.4%, the consolidated tax rate in 2014 was much higher than in the previous year (43.1%) as a result of the effects of changes in the Group's share of results from associated companies and joint ventures, which are accounted for on an after tax basis and do not form part of the ZEAL tax group. The consolidated tax rate based on EBIT largely remains stable at 37.4% in 2014 and 41.7% in 2013. As the two segments are treated as different tax units – due to the orphanised structure of the Group – losses of the "Germany" segment cannot be offset against earnings of the "Abroad" segment. Fluctuations in the mix of losses and earnings between these two segments year on year therefore have a direct result on the Group's consolidated tax rate and contribute to instability in the rates realised each year.

Return on equity stood at 4.5% (2013: 5.8%) while earnings per share from continuing operations (basic and diluted) decreased from €1.30 to €0.63.

KEY PERFORMANCE INDICATORS

The Executive Board and Supervisory Board use a range of indicators to continually assess performance; to ensure performance is delivering on the Group's stated strategy; and to ensure continued alignment with shareholder interests. The key performance indicators are set out below.

Peformance indicator	Definition and relevance	2014 performance
EBIT	Monitoring this trend provides a measure of our ability to increase the economic value of our operating activity over a period of time.	EBIT in 2014 was €19,156k, 1.6% lower than in 2013 (€19,459k).
Earnings per share (EPS)	Monitoring EPS trend provides a measure of our ability to increase the inherent value of our business for our shareholders over a period of time.	The EPS from continuing operations in 2014 of €0.63 was 51.5% below 2013 (€1.30).
Net cash position	Net cash position defined as: Cash (without pledged cash) + Short-term financial assets + Other current assets and prepaid expenses - Trade payables - Other liabilities - Income tax liabilities - €50 million hedging reserve Monitoring this KPI provides a measure of our ability to reinvest profits or to pay dividends to our shareholders.	Net cash position of €34.9 million was €57.2 million lower than 2013 due to a one-off special interim dividend of €7.50 per share (totalling €62.9 million).

DIVIDEND POLICY

The Executive Board has proposed, and the Supervisory Board has approved, with immediate effect, a revised dividend policy under which the Company will pay regular interim dividends, which are expected to amount to a total of at least €2.80 per share in the current year, 2015. Interim dividends are expected to be paid in four installments in 2015 and on a quarterly basis in 2016 and thereafter: an announcement of the amount of each dividend, and the record date for entitlement to the dividend, will be made in advance of payment of the dividend. The record date for this year's first interim dividend, amounting to €0.70 per share, will be 30 March 2015 and the payment and ex-dividend date will be 31 March 2015. Accordingly, no final dividend for 2014 will be proposed to this year's AGM. The Company's dividend policy is subject to periodic review and may be amended in the future depending on the earnings and financial position of the Company as well as other relevant factors.

CASH FLOWS AND CAPITAL MANAGEMENT

PRINCIPLES AND OBJECTIVES OF CAPITAL MANAGEMENT

ZEAL operates a decentralised capital management system. While the Executive Board of ZEAL Network takes all major decisions concerning the financial structure of the "Germany" segment, capital management activities of the "Abroad" segment are handled by MyLotto24 Limited – with the exception of Tipp24 Services Limited, which operates its own capital management system.

The principles and objectives of ZEAL's capital management are as follows (the risks to which ZEAL is exposed are described in the current risk report on pages 17 to 21):

- 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 overriding objective of our investment strategy is to preserve capital – even at the expense of expected returns.
- Equity in excess of those funds required to ensure the Company's stable financial position is to be used for investments in line with our growth strategy. In the medium-term, it is possible that ZEAL may also leverage its financial position by means of interest-bearing debt. In future, liquid equity capital not required for the Company's strategic objectives could be used to pay dividends to our shareholders.

ZEAL's equity fell in total by €58,303 to €117,253k in 2014 due mainly to the fact that ZEAL distributed a one-off special interim dividend of €7.50 per share (totalling €62.9 million) on 30 April 2014. Over the same period, the equity ratio decreased by 6.8 percentage points to 75.4%.

ZEAL did not make use of any interest-bearing debt in 2014.

INVESTMENT ANALYSIS

In 2014, investing activities resulted in cash outflows of €8,938k (2013: cash outflows of €8,038k). The main investments came from acquisitions, software, hardware and office equipment.

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LIQUIDITY ANALYSIS

in €k	31/12/2014	31/12/2013
Key cash flow positions		
Cash from operating activities	23,838	16,751
Cash used in investing activities	-8,938	-8,038
thereof investments in company acquisitions	-6,424	-5,069
thereof operative investments	-2,514	-2,969
Cash used in/from financing activities	-62,888	15,337
Changes in cash and pledged cash and short-term deposits	**-47,988**	**24,050**
Cash and pledged cash and short-term deposits at the beginning of the year	156,129	132,079
Cash and pledged cash and short-term deposits at the end of the year	**108,140**	**156,129**

At €23,838k, cash from operating activities in 2014 was €7,087k above the 2013 figure of €16,751k. This was mainly due to less tax paid.

As explained in the investment analysis section above, cash used in investing activities amounted to €-8,938k in the period under review (2013: €-8,038k). Due to the payment of the one-off special interim dividend in April 2014, cash used in financing activities amounted to €-62,888k. In the prior year, the figure amounted to €15,337k due to a cash inflow from the additional share capital issued in April 2013.

As of 31 December 2014, ZEAL had cash and pledged cash and short-term deposits of €108,140k (2013: €156,129k). This includes funds that ensure that MyLotto24 Limited is sufficiently financed to effect payments of potential relevant jackpot winnings.

FINANCIAL POSITION

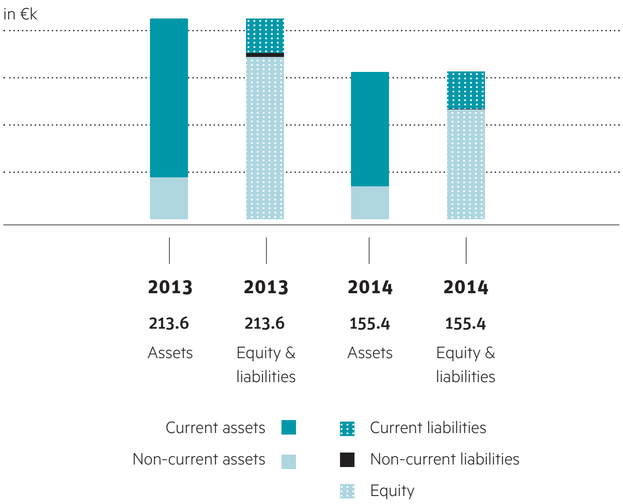
ASSETS NOT RECOGNISED

ZEAL does not recognise self-developed assets, such as customer lists, brands and gaming software, in its financial statements. The considerable costs incurred for the internal development of new gaming software – especially personnel expenses – were not capitalised as they do not meet all criteria of IAS 38.57.

OFF-BALANCE-SHEET FINANCIAL INSTRUMENTS

Off-balance-sheet financial instruments did not play a significant role in financing ZEAL in 2014. A bank guarantee facility in the amount of €357k was taken out to secure future obligations under rental agreements for office space. At 31 December 2014, ZEAL had off-balance-sheet future obligations from operating lease agreements for offices and technical equipment in the amount of €10,214k (2013: €5,659k). ZEAL has future obligations of €22,343k from agreements containing obligations from services, insurance, maintenance and licence agreements.

BALANCE SHEET STRUCTURE



OVERALL STATEMENT ON ECONOMIC POSITION

ZEAL's situation is generally robust: ZEAL has sufficient resources to successfully prevail even in the face of significant regulatory restrictions.

We see the opportunity for sustained encouraging growth in the medium-term: in comparison with other sectors, the global online lottery market is still underdeveloped and offers significant growth potential in the coming years.

ZEAL is well positioned to benefit strongly from such growth. Furthermore, we also see additional potential in new product categories and in the opportunities that may result from more consistent and coherent regulation of the international lottery markets.

With its flexible organisational structures, ZEAL is ideally positioned to identify and seize such short- or medium-term business opportunities. ZEAL has financial liquidity, mainly from equity capital, which provides considerable scope to grasp future growth opportunities through internal development or by means of acquisitions.

FORECAST AND RISK REPORT

EXPECTED EARNINGS POSITION

For 2015, ZEAL Network expects consolidated revenue to remain unchanged in the range of €135 to 145 million with an increase in consolidated EBIT to between €35 and 45 million.

The stated ranges for revenue and earnings also take into account statistic fluctuations in pay-outs for the secondary lottery business.

RISK REPORT

RISK MANAGEMENT

The day-to-day responsibility for risk management is delegated to the management teams within the two business segments. In addition to the risks specific to ZEAL Network, its Executive Board assesses the risk position of the consolidated companies in the "Germany" segment and in the "Abroad" segment on the basis of risk reports provided as part of regular reporting duties, as well as special reports about the occurrence or change of particular risks and process or control recommendations from the external auditors. Risk management as a whole and the implementation of a risk early warning system mainly follow the same guidelines in the individual segments.

In summary, ZEAL is exposed to the typical sector and market risks associated with the economic activities of an international company operating in the Internet sector. In addition, there are market-typical regulatory risks in individual lottery markets from possible changes in the respective legal and political situations. Finally, there are specific risks associated with the organisation of secondary lotteries. This concerns the risk of large pay-outs as well as the increased risk of fraud compared to the pure brokerage of lottery products.

The management teams of the respective segments take these risks very seriously and consider them in their operating and strategic decision making processes. The relevant risks are regularly monitored, both current and potential future risks are considered with the focus on early recognition, evaluation, prevention and control.

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The systems put in place enable ZEAL to quickly recognise the relevant risks in its segments and overall, as well as to evaluate such risks and take measures to mitigate them as quickly as possible.

ZEAL's risk management process operates as follows:

Operating risks are monitored by regularly reviewing financial and other key ratios. The monitoring frequency, designated controlling responsibility and determined rules of procedure for defined deviations from target values are stipulated for each ratio. In the case of technology risks, emergency back-up procedures are defined and documented and can be quickly implemented if required. Security standards are regularly monitored and adjustments are regularly made to security systems.

Legislation changes in those markets in which ZEAL operates are regularly evaluated by the Company's own experts, and additionally with the help of external legal advisors where necessary. In this way, unusual events can be swiftly recognised and suitable measures initiated.

The statistical risks of organising secondary lotteries, i.e. the expected pay-out ratios over the long-term are monitored by the statistical assessment of the gaming systems offered and the corresponding expected stakes. We use hedging instruments, such as jackpot insurance-linked securities, to ensure sufficient liquidity to pay out jackpots.

The risk management system is firmly anchored in the respective segments at management level and regularly monitored and updated. The Executive Board regularly monitors the results and effectiveness of the risk assessment procedures delegated to the business segment management teams. We believe that the early warning and risk management systems which we have implemented are well suited to quickly recognising and mitigating risks for ZEAL. The risk early recognition systems have been formally documented and are regularly monitored and adapted where necessary.

We have identified the following main specific risks for ZEAL's business:

Market and sector risks

General market risks

Business is dependent on the development of the markets in which ZEAL operates. In particular, a negative development of these lottery markets, due for example to a decline in advertising, a reduction in the product portfolio of game operators or a statistically unusually long period without relevant jackpots may all negatively impact growth. The entry of further competitors into the lottery markets, especially online, may also restrict further growth. Finally, there is a possibility that use of the Internet itself may decline. This would also have a significant detrimental effect on ZEAL's business activities. We believe, however, that this is unlikely to happen.

Risk from economic downturn

The gaming behaviour of online customers in the markets of ZEAL's consolidated companies has so far been largely unaffected by macroeconomic fluctuations experienced since the launch of gaming operations in 2000. Nevertheless, a possible, exceptionally strong economic downturn may adversely affect the gaming behaviour of our customers in certain or all countries in which ZEAL operates, and thus also impact its financial position and performance.

Currency risks

As ZEAL conducts a significant proportion of its business in Euro, there is no significant currency risk for its core activities. However, the UK companies are exposed to a currency risk regarding the British Pound and their profit margins may be affected by fluctuations of GBP against the Euro. The MyLotto24 sub group is economically autonomous within its respective markets. This is underlined by the fact that it has local managers who are responsible for controlling the currency risks.

Risks from the processing of gaming operations

ZEAL is dependent on the use of automated processes for handling customer transactions whose efficiency and reliability is in turn dependent on the functionality and stability of the underlying IT infrastructure. The functional ability of the servers and the related hardware and software infrastructure – in particular specially created gaming software – is of considerable significance for ZEAL's business, its reputation and the attractiveness of its services to customers. The risk of a failure of IT components for gaming operations (e.g. database servers, application servers, web servers, firewalls, routers) is countered by either using duplicated systems or entering into maintenance contracts with rapid response times.

Tax risks

As the result of a tax audit, there was a dispute with the relevant tax authority regarding the validity of tax assessments for two items in the inspection period (business years 2005 to 2007 inclusive). The relevant tax authority issued a tax assessment and respective payment demand amounting to €3.6 million (including interest). ZEAL Network appealed against the assessment and only accepted and paid additional demands totalling €0.2 million. An application for suspension of execution was filed with the tax authorities for the remaining payment demand. This application was granted. On 27 December 2013, while one of the items was concluded in ZEAL Network's favour the relevant tax office rejected the appeal regarding the other item. ZEAL Network has taken legal action against this finding. Although we have grounds to believe that the item queried by the tax authority is correctly assessed in accordance with the relevant regulations, the possibility cannot be excluded that the relevant tax office may continue to challenge this view through the relevant courts – and may prevail. As a result, there is a remaining tax risk of up to €3.2 million, plus the corresponding time-related interest on arrears (6% p.a.) which might have a correspondingly negative effect on the financial position and performance of ZEAL and is currently considered to be a contingent liability and has not been recognised on the balance sheet.

VAT risk

As a result of amendments to the German VAT Act (UStG) which implement amendments to the EU Directive on the common system of value added tax (EU VAT Directive) that took effect from 1 January 2015, there is a potential risk that MyLotto24 Limited and/or its minority shareholding Tipp24 Services Limited may be subjected to German value added tax (VAT) if and to the extent to which the services provided via the website Tipp24.com are accessed by German customers.

In essence, the new tax regulation provides that the place of supply for "electronically supplied services" to non-entrepreneurs in cross-border service situations shall be the place of residence of the customer. MyLotto24 Limited and Tipp24 Services Limited have sought tax advice on their potential liability to pay VAT in Germany from a renowned expert on German and European tax law. The expert expects neither company to become liable to pay VAT in Germany on their respective revenue generated by the services provided via the website Tipp24.com to customers resident in Germany, except for the specific VAT liability of Tipp24 Services Limited for its own service fee charged to the customers. The latter, however, will replace the existing VAT liability for this service in the UK, effectively reducing the tax rate by 1 percentage point (from currently 20% in the UK to 19% in Germany). We agree with this assessment.

It is possible, however, that the German fiscal authorities will hold a different opinion, which would require MyLotto24 Limited and/or Tipp24 Services Limited to engage in legal disputes on their VAT liability.

Should the courts rule that the revenue generated by the services provided via the website Tipp24.com to customers resident in Germany are subject to VAT in their entirety, such VAT liability could substantially lower the consolidated results, which would have a significant negative impact on the financial position and performance of ZEAL. On the basis of the information provided by MyLotto24 Limited and Tipp24 Services Limited, however, we believe that this is unlikely to happen.

Similar risks could arise with respect to revenue generated from customers resident in other EU member states. The effect of such risks materialising, however, would be significantly smaller.

Risks from payment transactions

National or international payment transaction restrictions may be introduced in connection with the further regulation of gaming markets. The number of available payment service providers for the gaming market is restricted. As a consequence, there is a risk that such providers may leave this market segment and no suitable replacement may be available for ZEAL, even at a higher cost. Cost increases for payment transactions would have a negative effect on the profitability of individual or even all ZEAL companies and payment transaction restrictions or a lack of available payment service providers might have a significant adverse effect on the business activities of ZEAL. Against the backdrop of recent media reports on the subject of payment blocking, the Executive Board reviewed the risk and came to the conclusion that its assessment of risks from payment transactions remains unchanged as reported above.

Regulatory risks

There is a risk that the restrictive legal framework in Germany continued by the GlüStV 2012 may be upheld fully or partly in the medium-term. For example, the Internet ban has been upheld in principle and private gaming offerings are forbidden or subject to the issue of permits without any legal claim to such permits. There are also no objective and predictable criteria regarding these permits. ZEAL Network is making efforts to obtain permits in order to resume the operations in Germany that it was forced to discontinue at the end of 2008. However, considering the many years of legal wrangling between ZEAL Network and the authorities and that the permit application process has been under way for more than two years, we assume that any permit application process involving ZEAL Network will be a challenge. In view of the restrictions for those providers who have already received permits, we also assume that permits will either not be available at short notice or not on terms acceptable to ZEAL, and that initially we will be forced to engage in (further) legal arguments. Against this backdrop, we do not expect to regain sufficient access to the attractive potential of the German gaming market in the near future.

Following the repeal in 2011 of a prohibition order addressed to ZEAL Network regarding the products and services offered by its minority shareholdings in the MyLotto24 sub group ("sub group companies"), there have been no further attempts by the German authorities to challenge ZEAL Network about the operations of the sub group companies. In 2011, the Administrative Court of Wiesbaden (Verwaltungsgericht – VG) ruled that no action could be taken against ZEAL Network regarding the offerings of its legally independent sub group companies as it does not wield the legal power to influence their operative business decisions. However, the possibility cannot be completely excluded that certain authorities will once again issue prohibition orders against ZEAL Network, or impose coercive payments and regulatory fines which may be upheld in court.

There is also the risk that German authorities may succeed in their attempts to prevent the sub group companies from operating their own business model. Even if the legal basis for such action is difficult to comprehend and its effect questionable, it cannot be excluded that such measures – e.g. payment blocking measures as discussed in the German media from time to time – would hinder or prevent the business activities of the sub group companies. As in the past, it is possible that the state lottery companies may claim the sub group companies are being anticompetitive, as they allegedly contravene the GlüStV 2012. Although we assume that the sub group companies are acting legally on the basis of valid concessions explicitly allowing the activity performed, it cannot be ruled out that they will fail to assert their rights in German courts. We also cannot exclude the possibility that the UK regulatory authorities may include restrictions in the licences in view of possible competition proceedings or administrative measures in Germany.

Overall, we believe it is probable that the courts will continue to rule that the German monopoly regulations are incoherent and disproportional. A coherent implementation of restrictions intended to prevent gambling addiction would not ignore the most dangerous games in this respect (commercial gaming machines) – even though some aspects of gaming arcades have been subjected to stricter regulations. Policy regarding casinos has hardly been changed. Moreover, the liberalisation of sports betting affects an area of gaming which is more dangerous than lotteries. Current advertising methods of state-run lotteries still contradict the aim of preventing gambling addiction and are instead aimed at gaining new customers – as repeatedly criticised by the relevant courts. Such incoherencies may result in further rulings which declare the legislation inapplicable. It is unclear to what extent the views held by several courts in the past will be upheld, namely that only the monopoly is ineffective, while the permit requirement and Internet ban are effective. The consequences of these views for the present situation are equally unclear – not least with regard to several recent court rulings that the legal practice of the state monopolists and supervisory authorities is incoherent, e.g. regarding advertising for games of chance. There is a strong possibility that these questions in respect of the past may never be settled.

Following the changes introduced by the GlüStV 2012, many German authorities may now again take the standpoint that the monopoly regulations are (or have become) compliant with EU law. Despite the initial criticism from some courts, it is unclear how the courts will rule in these cases in the long run. Our reservations in this matter continue.

In summary, it cannot be excluded that the above mentioned risks and the ongoing legal uncertainties arising from regulatory developments in Germany will lead to temporary or sustained restrictions for the existing or future business activities of ZEAL. This may have a significant negative impact on the financial position and performance of ZEAL.

Risks from cash and financial investments

At the end of the reporting period, ZEAL had cash in Germany, Spain and UK totalling €92,585k held in accounts with various major European banks. Theoretical default risks resulting from the current financial market development are limited by regular thorough analysis of the relevant credit institutions. Nevertheless, certain financial institutions where ZEAL holds balances may default which could lead to the partial or complete loss of our cash deposits. Short-term financial assets of €15,555k are invested widely and comprise mainly investments with high credit ratings. The collapse of individual issuers of such securities may lead to the partial or complete loss of these financial assets. The financial assets and cash deposits currently held also bear a significant interest risk. Further reductions in interest rates may mean that no income can be generated from cash deposits and financial assets.

Geonomics and Geo24 (accounted for as an associate and joint venture respectively) are in an early maturity state. Their development is thus subject to significant uncertainty and may fall substantially short of our growth expectations. This could lead to the necessity to impair the valuation of these investments on ZEAL's balance sheet, which in turn could have a significant negative impact on the financial position and performance of ZEAL.

Personnel risks

Even with careful selection and responsible staff management, it cannot be ruled out that a significant number of experienced employees may leave ZEAL within a short period of time. The recruitment of replacement staff might be time-consuming and costly, this could have a material effect on ZEAL's financial position and performance. New staff are carefully selected, often with the help of personnel consultants. Responsibilities, goals and key success parameters are discussed on a regular basis with each employee. Performance checks are carried out to ascertain whether these goals and parameters have been fulfilled and feedback is given to employees in regular performance reviews. Specific reviews are used to determine employee satisfaction. The results of these reviews are regularly evaluated in order to counter any undesired trends.

General business risks

As the business grows there is a risk that the risk monitoring system particularly in the area of IT does not develop as quickly as required. Further expansion of business in new markets and new product areas is planned for the years ahead. The challenge will continue to be to identify existing and new risks, and to assess them correctly in a timely manner, as well as to further develop the existing risk monitoring system appropriately and promptly. Failure to do so could lead to an impaired ability to recognise and manage risks, trends and undesirable developments in a timely manner.

Bookmaking risks of MyLotto24 Limited

MyLotto24 Limited bears the bookmaking risks for its secondary lottery business based on various European lotteries, whereby the pay-out ratios are based on those offered by the organisers of the primary lotteries. Due to statistical fluctuation differences, these ratios may be greater than the expected value for pay-out ratios determined by the gaming systems of the primary lotteries – for example, around 50% in the case of the German Lotto. They may even be temporarily greater than the stakes received by MyLotto24 Limited – as was the case in September 2009. Insofar as they are not covered by existing effective hedging arrangements, higher than expected pay-out fluctuations may have a significant negative effect on the financial position and performance of MyLotto24 Limited, and the ZEAL consolidated position and performance. In 2011, MyLotto24 Limited set up a catastrophe bond (CAT bond) via an insurance-linked-security (ILS) vehicle to transfer a large amount of its jackpot payment risks to the capital market. In September 2014, that structure was amended and renewed. Upon completion of initial verification checks MyLotto24 Limited informs ZEAL Network immediately about individual pay-outs of €5 million or more. ZEAL Network has communication guidelines which generally lead to the publication of such notifications.

Risks of non-payment by insurers

There is a risk that insurers may fail to fulfil their payment obligations in future and that such claims may have to be pursued through the courts. Such refusals to pay could have a significant impact on ZEAL's financial position and performance.

Should one or more of these risks occur, it may materially impact ZEAL's business and have significant adverse effects on its financial position and performance.

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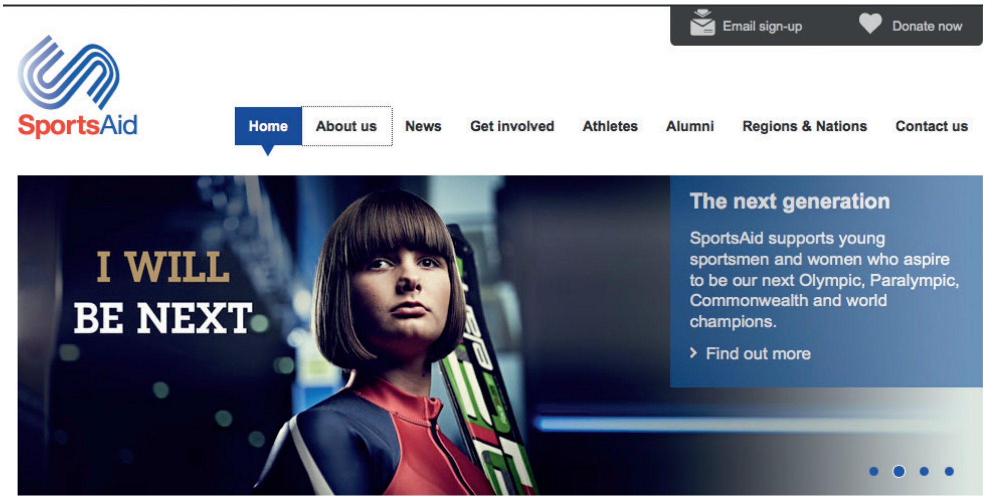
CR REPORT

GIVING BACK IS PART OF OUR BUSINESS MODEL

ZEAL is a socially responsible company committed to its stakeholders. We adopt a holistic approach to our decision-making process, ensuring that we give due consideration to the social and environmental impact of our business. Since 2007, we have been reflecting this responsibility in our comprehensive CSR strategy. Our social commitment stems from dedication and self-motivation and we help where our support enables significant changes. Its focal point is to enable people and to support grass-roots initiatives.

EMPOWERING NEIGHBOURHOODS

The "Good Neighbourhood Fund", launched in July 2014 by MyLotto24 strives to help on a local level by supporting the implementation of projects for a better society. We pursue this aim via our own fund because we believe that all great changes start from small beginnings – in our case, directly in our neighbourhood. This is precisely why the first "Good Neighbourhood Fund" starts directly on our doorstep, here in London, and is organised in collaboration with very capable partners – the London Community Foundation – which has the necessary insight and access to the community.



PROMOTING SPORTS WITH SPORTSAID

Whilst many young people are enthusiastic about sport, few are prepared to fully commit and dedicate their time to excel in their chosen discipline. Often their skills are neither recognised nor promoted and they receive no financial support despite being among the best in the country at what they do. In partnership with SportsAid, MyLotto24 supports these emerging top athletes by providing them with financial awards, which enable them to practice sport at a high level in those critical early years of their careers. This support is available to disabled and non-disabled athletes alike. They are Britain's hope for future success in the next Olympic and Paralympic Games, and as such are the perfect inspiration for dreams coming true and role models for the promotion of an active lifestyle.

CORPORATE VOLUNTEERING

Our employees bear and shape the social commitment of our Company. A survey at the beginning of 2014 confirmed their support of our CSR programme: 93% of ZEAL employees expressed a wish to volunteer for and participate in our CSR activities. Today, they engage in our CSR programmes by volunteering through our community activities. A mentoring program will start in 2015.

50
Sportsaid athletes

30
Organisations

WE CARE FOR OUR "RESOURCES"

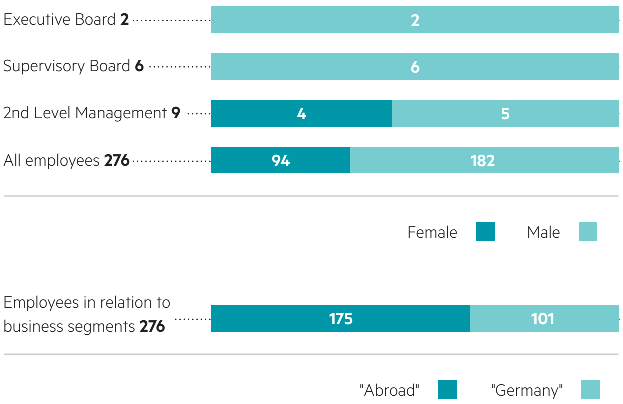
We take the well-being of our employees very seriously – from work-life balance to diversity and lifelong learning. And we are committed to handling all resources in an environmentally conscious way, trying to reduce our CO_2 footprint.

HAPPY DIVERSE EMPLOYEES

We have created a working environment which stimulates both creativity and enthusiasm, and in which our staff can be open and treat each other with respect. Our culture is characterised by regular get-togethers and we live our values in our daily work together. ZEAL employees are truly diverse, which makes for an exciting and inspiring working environment.

We want to help make work and family life more compatible for our employees with children. Therefore, we offer flexible working hours and the possibility to work from home. For us, it's completely natural that women should have the same opportunities as their male colleagues. We consider continuous learning as essential and offer every employee the opportunity to extend their knowledge through new challenges on the job as well as by attending external seminars. Annual performance reviews help guarantee fairness with regard to assessment, feedback, strengths, development areas and salary.

In the fiscal year 2014, ZEAL invested €347k (2013: €171k) in external training activities. In addition, all employees have taken part in regular training activities within their respective departments.



DIVERSITY

Our industry continues to be male dominated. We work hard to attract and retain a diverse, inclusive and representative workforce where everyone is treated with dignity and respect. The table on page 24 is a breakdown by gender of our board, 2nd level management and all employees as at 31 December 2014.

RESOURCE CONSERVATION

In compliance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 requirements, the Group is reporting on greenhouse gas (GHG) emissions for the first time. As an online business, ZEAL's activities have a relatively small impact on the environment. Our carbon footprint currently includes GHG emissions generated from our office buildings in London, Hamburg and Madrid (predominantly through heating fuel, air conditioning and purchased electricity).

We have used revenue as our intensity ratio, as this provides the best comparative measure over time and is the most relevant indication of our growth.

Approval of the Strategic Report
By order of the Executive Board and the Supervisory Board

Dr. Hans Cornehl
Chief Executive Officer
25 March 2015

276
Employees

638.9
CO_2 (metric tonnes)*

€140.7m
Group revenue

4.5%
Intensity ratio

**Includes electricity purchased by direct use or proportional charge by landlord. Emissions calculated using UK Government and international GHG conversion factors and building emission rates according energy performance certificates.*

ZEAL SHARE

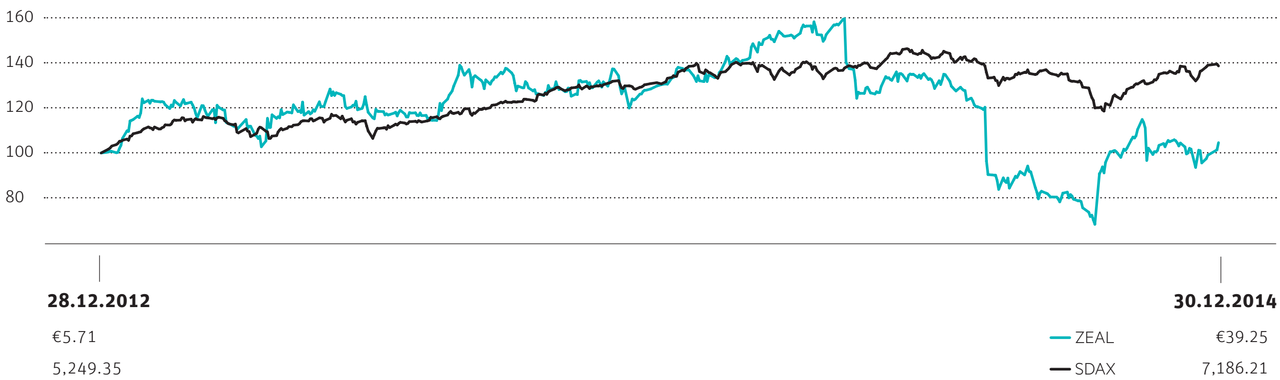
SIGNIFICANT SHAREHOLDERS

The provisions of the UK Disclosure Rules and Transparency Rules (DTR) require that any person or fund acquiring a direct or indirect interest of 3% or more of a class of shares issued by the Company – with voting rights at the Company's General Meeting – must inform the Company of its interest within two working days. If the 3% interest is exceeded, the shareholder must inform the Company of any increase or decrease of one percentage point in its interest. In accordance with DTR 5.1.5 with respect to voting rights attached to shares held by investment managers (on behalf of clients), by scheme operators and ICVCs, the first threshold for disclosure is set at 5%, with the next level set at 10% and every percentage above 10%. Once the Company is notified, it must then notify the German Federal Financial Supervisory Authority (BaFin) and the Frankfurt Stock Exchange. Under Section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz) transactions in the Company's shares carried out by Members of the Executive Board and the Supervisory Board and their family members (directors' dealings) are reported and published without delay. The Company's shares are listed with Clearstream Banking AG as legal owner. As far as the Company is aware, based on TR-1 notifications as well as notifications received pursuant to Section 21 of the German Securities Trading Act prior to the transfer of the Company's corporate seat to the UK and further based on directors' dealings notifications received, those holding a significant beneficial interest (i.e. greater than 3%) in the Company as of 31 December 2014 and as of the date of this report were:

20.22%[1]	Oliver Jaster (held indirectly through a chain of controlled undertakings: Günther GmbH, Günther Holding GmbH, Othello Drei Beteiligungs-Management GmbH, Othello Drei Beteiligungs GmbH & Co. KG)
7.43%	Schroders plc (held through a chain of controlled undertakings: Schroder Investment Management Limited, Schroder Investment Management North America Limited)
4.82%	Marc Peters
4.17%[1]	Jens Schumann
4.02%	BNP Paribas Investment Partners S.A.

[1] Percentage of interest calculated taking into account directors' dealings notifications received

PERFORMANCE OF ZEAL SHARE (INDEX 28.12.2012 = 100)



Key share figures

Day of initial listing	**12/10/2005**
Year-opening price	**€48.63**
Market capitalisation (year-opening)	**€408 million**
Year-end price	**€39.25**
Market capitalisation (year-end)	**€329 million**
Highest price (29/04/2014)	**€59.00**
Lowest price (10/10/2014)	**€26.24**
Number of outstanding shares (31/12/2014)	**8,385,088**
Average daily trading	**€2.1 million**
Dividend (per share)	**€7.50**

Shareholder information

WKN	**TPP024**
ISIN	**GB00BHD66J44**
Ticker symbol	**TIM.DE**
Stock exchange	**Frankfurt Stock Exchange**
Market segment	**Regulated Market, Prime Standard**
Designated sponsor	**ODDO SEYDLER BANK AG**
Coverage	**Berenberg Bank** **Bankhaus Lampe** **Deutsche Bank** **Kepler Cheuvreux** **M.M. Warburg**
Reuters	**TIMGn.DE**
Bloomberg	**TIM GR**

WHY INVEST?

- **Excellent track record as expert for lotteries online since foundation in 1999**
- **Sustainable and highly profitable core business (operations of secondary lotteries*)**
- **Highly attractive new business opportunities: B2G services, operator businesses**
- **Strong financial position and cash flow to finance future growth and dividends**

** Minority shareholdings of ZEAL Network*

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GOVERNANCE

EXECUTIVE BOARD AND SUPERVISORY BOARD

The Executive Board and Supervisory Board currently comprise a total of nine Directors. This includes three Executive Directors and six Supervisory Directors. The Executive Board and Supervisory Board comprise a mix of the necessary skills, knowledge and experience required to provide leadership, control and oversight of the management of the Company and to contribute to the development and implementation of the Company's strategy. Director biographies are set out below and further details on the composition of the Board, and the Board's various sub-committees are detailed on pages 30 to 31.

1. DR. HANS CORNEHL

Executive Director (CEO)

Hans Cornehl has been a Member of the Executive Board of ZEAL since June 2002 and was appointed Chairman of the Executive Board in July 2011. Before joining ZEAL, Hans Cornehl was Senior Investment Manager at the venture capital company Earlybird, where he specialised in investments in the media and telecommunications sector. He had previously gained management experience as a turnaround manager at a hospital. Hans Cornehl started his career as a consultant at McKinsey with a focus on advising start-up, high-tech and spin-off companies. Hans Cornehl studied chemistry at the Technical University of Munich and gained his doctorate at the Technical University of Berlin.

2. DR. HELMUT BECKER

Executive Director (CMO)

Helmut Becker has been Chief Marketing Officer of ZEAL since 1 June 2013. He was a Member of the Supervisory Board of ZEAL from mid-2011 to 31 May 2013 and Chief Commercial Officer of XING AG from September 2009 to 31 May 2013. In this capacity he was responsible for Product, Marketing and Revenue divisions. Before taking up this position at 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 Deutschland 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, where he gained his PhD.

3. JONAS MATTSSON

Executive Director (CFO)

Jonas Mattsson has been Chief Financial Officer of ZEAL since 1 February 2015. He has more than a decade of senior management experience with 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 played a key role in raising $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.

4. ANDREAS DE MAIZIÈRE

Supervisory Director (Chairman)

Business graduate Andreas de Maizière has been Chairman of the Supervisory Board of ZEAL since 2011. He worked for 30 years for Commerzbank AG: from 1999–2005 as Member of the Executive Board and in his last position as Chief Operating Officer (COO). He is a self-employed Partner of the investment company Doertenbach & Co. GmbH, Frankfurt. Andreas de Maizière holds numerous seats on supervisory boards and councils of various companies and institutions. He studied business administration at Cologne University.

Committee Membership: Chairman's Committee, Audit Committee

5. THORSTEN H. HEHL

Supervisory Director

Business graduate Thorsten H. Hehl has been a Member of the Supervisory Board of ZEAL since June 2013. He has been an investment manager at Günther Holding GmbH since 2008. Prior to this, he worked for Bankhaus Metzler and HSH Nordbank in the field of corporate finance. After completing his vocational bank training, Thorsten H. Hehl studied business administration in Giessen and Atlanta (USA) as well as at Handelshochschule Leipzig (HHL).

Committee Membership: Audit Committee

6. OLIVER JASTER

Supervisory Director

Business graduate Oliver Jaster has been a Member of the Supervisory Board of ZEAL since 2008. He has been a managing director of the Günther Group since 2004. He previously held various positions in the banking sector for several years. Oliver Jaster studied banking and business administration at the Hochschule für Bankwirtschaft in Frankfurt and in Edinburgh.

Committee Membership: Chairman's Committee

7. BERND SCHIPHORST

Supervisory Director

Economics graduate Bernd Schiphorst has been a Member of the Supervisory Board of ZEAL since June 2013. He was previously an Executive Board Member and Senior Consultant of WMP EuroCom AG in Berlin. From 1979 onwards, he spent over two decades working for Bertelsmann, initially as Head of the Executive Affairs Office and Press Spokesperson of the magazine subsidiary Gruner + Jahr AG & Co, was then heavily involved as head of Ufa Film- und Fernseh GmbH with the establishment of commercial television (including RTL, Vox, Sky, Sportfive) and radio (Antenne Bayern, Radio Hamburg) and as President and CEO of AOL Europe and Bertelsmann New Media with the introduction of digital media. In 2000, he briefly entered the world of politics as Media Advisor for the states of Berlin and Brandenburg. After completing his studies in economics, politics and publishing in Berlin, Bernd Schiphorst began his career as Managing Director and Member of the Executive Board of märkte & medien Verlag.

8. JENS SCHUMANN

Supervisory Director

Law school graduate Jens Schumann, has been a Member of the Supervisory Board of ZEAL since July 2011. He is one of the two founders of today's ZEAL and was Managing Director and an Executive Board Member from 1999 to 2009. In March 2008, he was appointed Chairman of the Executive Board. From December 1998 to the formation of ZEAL, he worked as a business consultant at Icon Medialab AG. Mr. Schumann studied law at the University of Münster from 1993 to 1998 and finished his studies with the first State Exam.

Committee Membership: Chairman's Committee

9. PETER STEINER

Supervisory Director

Business graduate Peter Steiner has held a seat on the Supervisory Board of ZEAL since June 2013. He is a self-employed auditor and advises company owners, large corporations and financial investors. He was previously a partner of the investment company One Equity Partners LLC. He worked for MG Technologies AG as CFO. At Dyckerhoff AG, he was successively CFO, COO and finally CEO. Following his many years as an auditor for Arthur Andersen & Co., he was appointed CFO of Süba Bau AG. Peter Steiner studied business administration in Mannheim and Cologne.

Committee Membership: Audit Committee

CORPORATE GOVERNANCE REPORT

COMPLIANCE

Neither the German Corporate Governance Code nor the UK Corporate Governance Code is directly applicable to the Company. Furthermore, the Company will not publish any further declarations of conformity pursuant to section 161 of the German Stock Corporation Act since this provision is no longer applicable following the transfer of the Company's registered office to the UK.

Nevertheless, the Supervisory Board and the Executive Board of the Company are committed to maintaining high Corporate Governance Standards to protect the interests of all stakeholders, and the Company has adopted and published its own voluntary Corporate Governance Principles, which are available on the Company's website. They fundamentally reflect the principles of the German Corporate Governance Code (GCGC) which used to be applicable before the transfer of the Company's registered office to the UK. However, amendments have been made where necessary to comply with UK law or where principles of the GCGC were not applicable to the Company.

Although the Company is now registered as a UK company it has chosen to maintain the existing Board structure whereby it is split into an Executive Board and a Supervisory Board.

THE EXECUTIVE BOARD

ROLE

The Executive Board is the management organ of the Company. It is responsible for managing the Company in the interest of its shareholders and other stakeholders with the objective of sustainable value creation. The Executive Board develops the Company's strategy and ensures its implementation. It coordinates the Company's strategic approach with the Supervisory Board and discusses the current state of strategy implementation with the Supervisory Board at regular intervals.

COMPOSITION

The Executive Board currently has three members. Its members are appointed and removed by the Supervisory Board. Rules of procedure laid down by the Supervisory Board govern the work of the Executive Board, in particular the allocation of duties among individual Executive Board Members, matters reserved for the Executive Board as a whole, and the required majority for Executive Board resolutions (unanimity or resolution by majority vote). The Chairman of the Executive Board has a casting vote in the event of a tie.

Dr. Hans Cornehl is Chairman of the Executive Board and has been a Member of the Executive Board since 2002. He is responsible for corporate strategy, communication, legal affairs and compliance, HR and IT. He is also responsible for setting the Executive Board's agenda.

Dr. Helmut Becker has been a Member of the Executive Board since 2013. He is responsible for marketing, distribution, brand management and product.

Jonas Mattsson was appointed as a Member of the Executive Board with effect from 1 February 2015. As Chief Financial Officer, he is responsible for finance, accounting, taxes, controlling, risk management, asset management, banking relations, external auditing, monthly reporting to the Supervisory Board and investor relations.

THE SUPERVISORY BOARD

ROLE

The Supervisory Board is the supervisory organ of the Company. The Statutes of the Company provide that the approval of the Supervisory Board is required for transactions of fundamental importance. These include actions of the Executive Board that materially change the assets or financing of the Company. As well as its involvement in these decisions of fundamental importance to the Company, the Supervisory Board advises and supervises the Executive Board in the management of the Company.

COMPOSITION

The Supervisory Board currently has six members. Its members are appointed and removed at General Meetings of the Company by the shareholders. The Members of the Supervisory Board have the appropriate balance of skills, experience, independence and knowledge of the Company to enable the Supervisory Board to discharge its duties and responsibilities effectively. The Supervisory Board includes what it considers to be an adequate number of independent members.

Andreas de Maizière is Chairman of the Supervisory Board and has been Chairman of the Supervisory Board since 2011. He is responsible for coordinating work within 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 Chairman of the Executive Board and informing the Supervisory Board of important events in relation to the management of the Company and, if required, convening extraordinary meetings of the Supervisory Board. The other Members of the Supervisory Board are: Peter Steiner (Deputy Chairman), Thorsten Hehl, Oliver Jaster, Bernd Schiphorst and Jens Schumann.

DIVERSITY

The Company recognises the value that diversity brings to its management. The Executive Board, when filling managerial positions in the Company, and the Supervisory Board, when appointing Members of the Executive Board, will always give consideration to diversity including the aim for an appropriate degree of female representation.

BOARD MEETINGS 2014

The Executive Board held weekly meetings throughout the year (except for holidays), which were generally attended by all board members. In addition, the Executive Board held ad-hoc meetings when required.

The Supervisory Board held a total of 10 meetings in 2014, which were attended by all members (with the exception of one meeting from which Bernd Schiphorst was absent).

BOARD SUPPORT

Both the Executive Board and the Supervisory Board are committed to appropriate and timely exchange of information between and within the Boards and their committees. If necessary, members of both Boards have access to independent professional advice at the Company's expense whenever they judge such advice necessary to discharge their responsibilities as members of those Boards.

The Company's Statutes do not provide for a company secretary as, under the laws of England and Wales as applicable to a European public limited-liability company (an "SE") with registered office in England and Wales, there is no provision for such an officer of the Company. The Executive and Supervisory Boards are further of the opinion that the appointment of a company secretary is not necessary to assist the Boards in ensuring that board procedures and Corporate Governance Principles are complied with.

BOARD EVALUATION

The performance of the Executive Board and its individual members is regularly reviewed by the full Supervisory Board. The Supervisory Board examines the efficiency of its own activities on a regular basis.

BOARD COMMITTEES

The Supervisory Board has established a Chairman's Committee and an Audit Committee consisting of three members each. The respective committee chairmen report regularly to the Supervisory Board on the work of the committees. The Supervisory Board periodically reviews the adequacy of the committee structure.

CHAIRMAN'S COMMITTEE

The Chairman's Committee handles, in particular, the preparation for Supervisory Board meetings, the coordination of committee meetings and ongoing exchanges with the Executive Board. It also performs the functions of nomination and remuneration committees.

The members of the Committee that served during the year were:

Name	Appointment Date	Committee Role
Andreas de Maizière	23 August 2011	Chairman
Oliver Jaster	23 August 2011	Member
Jens Schumann	23 August 2011	Member

The Committee meets as required. It held two meetings in 2014, which were attended by all members.

Details of the Group's internal control and risk management systems are included in the Audit Committee Report on pages 33 to 34 and disclosures required in relation to the takeover directive are included in the Directors' Report on page 48.

Approval of the Corporate Governance Report
By order of the Executive Board and the Supervisory Board

Dr. Hans Cornehl
Chief Executive Officer
25 March 2015

AUDIT COMMITTEE REPORT

The Audit Committee's primary function is to assist the Supervisory Board in fulfilling its monitoring responsibilities in relation to internal and external audits and the internal control environment. The Audit Committee handles, in particular, the monitoring of the Company's financial reporting process; the effectiveness of its internal control system, risk management system and internal audit system; and the audit of its annual financial statements, including in particular the independence of the external auditor, the additional services rendered by the external auditor, the issuing of the mandate to the external auditor, the determination of auditing focal points and the fee agreement. A proposal to appoint an external auditor may only be based on the recommendation of the Audit Committee.

The members of the Committee that served during the year were:

Name	Appointment Date	Committee Role
Peter Steiner	28 June 2013	Chairman
Andreas de Maizière	23 August 2011	Member
Thorsten Hehl	28 June 2013	Member

Peter Steiner serves as chairman of the Audit Committee. The chairman has specialist knowledge and experience in the application of accounting principles and internal control procedures in compliance with the Company's Corporate Governance Principles. He is independent and has not been a Member of the Executive Board in the last two years.

The Supervisory Board has satisfied itself that the members of the Committee have recent and relevant financial experience.

The Committee meets as required. The Audit Committee held a total of nine meetings in the course of 2014, which were attended by all members (with the exception of two meetings from which Andreas de Maizière was absent). The Chief Financial Officer attends the Audit Committee's meetings. Members of the Supervisory Board and Executive Board or senior executives may attend meetings upon invitation from the Committee. The meetings in which the Committee reviewed and discussed the annual accounts for the year 2013 and the audit plan for 2014 were also attended by the external auditor, Ernst & Young LLP.

AUDIT COMMITTEE'S WORK IN 2014

The Audit Committee discharged its obligations in the year 2014 as follows:

- Review of the Annual Report and financial statements – including the report of the external auditor – for the year ended 31 December 2013 issued in February 2014,
- Review of the quarterly financial statements issued in May, August and November 2014,
- Deliberation about whether or not to recommend the reappointment of the external auditor,
- Review of the external audit plan and review of internal audit in advance of the audit for the year ended 31 December 2014,
- Approval of the annual internal audit plan and received and reviewed internal audit reports including the annual assessment and review of internal controls, and
- Review and monitoring of the effectiveness of the Group's risk management process.

EXTERNAL AUDITOR AND NON-AUDIT WORK

The external auditor has committed to inform the Company immediately of any grounds for its disqualification or threats to its independence or objectivity occurring during the audit, unless such grounds are eliminated immediately.

The external auditor has committed to report to the Audit Committee, without delay, on all facts and events of importance that should be brought to the attention of the Executive Board and Supervisory Board, which come to light during the performance of the audit, including the Company's financial performance and compliance with the Company's Corporate Governance Principles.

The external auditor takes part in Audit Committee meetings on the annual consolidated financial statements and reports on the results of its audit.

Prior to submitting a proposal for election of an external auditor, the Supervisory Board or, respectively, the Audit Committee will obtain a statement from the proposed auditor stating whether, and where applicable, which business, financial, personal and other relationships exist between the auditor on the one hand, and the Company and the members of its executive bodies on the other hand, that could call its independence into question. This statement will include the extent to which other services were performed for the Company in the past year, especially in the field of consultancy, or which are contracted for the following year.

Details of the amounts paid to the external auditor during the year for audit and other services are set out on page 76 of this Annual Report.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

The Executive Board ensures appropriate risk management and risk control in the Company. At least annually, the Executive Board conducts a review of the effectiveness of the Company's risk management and internal control systems, covering all material controls including financial, operational and compliance controls. The Executive Board is satisfied that the Company had appropriate risk management and risk control procedures in place throughout the year and up to the date of approval of this Annual Report. These procedures are summarised below.

ZEAL regards internal control and risk management as a comprehensive system based on definitions with regard to an accounting-related internal control system and risk management system. These define an internal control system as the principles, procedures and measures introduced by the management of a company, which are geared towards the organisational implementation of management decisions

- To ensure the effectiveness and efficiency of business activities (including the protection of assets, including the prevention and disclosure of asset impairment),
- To ensure the quality and reliability of internal and external accounting, and
- To ensure compliance with the legal provisions relevant to the Company.

The risk management system includes all organisational regulations and measures for risk detection and the handling of risks involved with business activity.

The following structures and processes have been implemented by ZEAL with regard to the accounting and consolidated accounting processes:

The Executive Board bears full responsibility for the internal control and risk management system with regard to the accounting and consolidated accounting processes.

The reporting structure relating to all the companies included in the consolidated financial statements requires that significant risks are to be reported immediately to the Executive Board on identification.

The principles, structure and process organisation, and procedures of the accounting-related internal control and risk management system are documented in guidelines and organisational directives which are regularly adapted to current external and internal developments and which are fully compatible with each other in the respective segments.

Certain accounting-related processes – in particular payroll accounting – are outsourced.

Regarding the accounting and consolidated accounting processes, we consider those significant elements of the internal control and risk management which can have a material effect on the Group's accounting and the overall consolidated financial statements. In particular, these include the following:

- Identification of significant risk fields and control areas of relevance to the Group-wide accounting process,
- Controls to monitor the consolidated accounting process and its results at the level of the Executive Board and at the level of the companies included in the consolidated financial statements,
- Preventative control measures in the finance and accounting system of the Group and of the companies included in the consolidated financial statements and in the operative, performance-oriented Company processes that generate significant information for the preparation of the consolidated financial statements including the Group management report, including a separation of functions and pre-defined approval processes in relevant areas,

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- Measures that safeguard proper IT-based processing of matters and data relevant to Group accounting,
- Reporting information of the foreign companies which enable the parent company to prepare consolidated financial statements including the Group management report.

ZEAL has also implemented a risk management system for the consolidated accounting process that contains measures to identify and assess significant risks and corresponding risk-mitigating measures to ensure the correctness of the consolidated financial statements.

The tasks of the internal audit system to monitor the internal control and risk management system related to consolidated accounting are not undertaken by a staff department (Internal Audit), but by the controlling and accounting departments. Moreover, the Supervisory Board commissioned the external auditors to conduct additional audits.

The Executive Board and Supervisory Board also continually seek possibilities to develop the processes of the risk management system.

The Group's specific risks and uncertainties may be found on pages 17 to 21.

Peter Steiner
Member of the Supervisory Board and Chairman of the Audit Committee

DIRECTORS' REMUNERATION REPORT

ANNUAL STATEMENT

The Chairman's Committee, in its function as the Company's remuneration committee, submits its proposals to the full Supervisory Board. During 2014 the Chairman's Committee was comprised of the Members of the Supervisory Board listed on page 29 of this Annual Report.

The full Supervisory Board resolves on the Executive Board compensation system and reviews it regularly. It also determines the respective total compensation of the individual Executive Board Members.

The Chairman's Committee closely monitors the compensation of the Executive Board, in respect of personal performance against predetermined objectives, competitive pressures, as well as – at all times – the ongoing development, success, health and vitality of the Company.

The full Supervisory Board is focused at all times on ensuring that pay practices for Executive Directors serve in the best long-term interests of the Company and its shareholders.

The following principles characterise our key compensation objectives:

- Paying for performance at all times, aligning reward appropriately for the achievement of demanding targets,
- Ensuring that pay metrics are competitive when compared to market practices,
- Observing and always striving to meet best practice transparency and governance standards.

The Chairman's Committee considers it essential to ensure that Executive Directors' pay arrangements are fully aligned with the Executive and Supervisory Boards' ambitions for the Company and at the same time recognise the need to apply a clear commitment to governance and shareholder engagement so that Executive Directors' pay reflects the views of shareholders and good corporate governance.

Andreas de Maizière
Chairman of the Supervisory Board and Chairman of the Chairman's Committee

STATEMENT ON REMUNERATION

The following sections set out the Company's Directors' Remuneration Statement. The Company's Directors' remuneration policy will be submitted to the 2015 Annual General Meeting for the first time. Subject to shareholder approval, the effective date of the remuneration policy is the Annual General Meeting on 18 June 2015.

ZEAL's remuneration statement for Executive Directors is set by the Supervisory Board, in accordance with section 4.3 of our Corporate Governance Principles.

The Supervisory Board reviewed its remuneration objectives and determined that they remained fit-for-purpose during 2014. The Supervisory Board believes that a simple approach is most effective and the key elements of executive remuneration are fixed pay – including base salary and benefits – and a short-term, mid-term and long-term incentive. The individual remuneration elements operated for executives are described in more detail in the remuneration table on page 36. The Supervisory Board reviews the remuneration package of the Executive Board both in the context of Company performance and against a range of peer companies. In reviewing the pay arrangements of the Executive Board, the Supervisory Board takes into account:

- The history and growth profile of the Company,
- The Company's UK incorporation and associated corporate governance expectations,
- The Company's international focus, operations and talent market, and
- The general external environment and the market context for executive pay.

For the avoidance of doubt, it is the Company's intention to honour in full any pre-existing obligations that have been entered into prior to the effective date of this statement. Therefore, the Supervisory Board and the Chairman's Committee, which also performs the function of remuneration committee, reserves the right to make any remuneration payments and payments for loss of office notwithstanding that they may not be in line with this statement.

For these purposes, payments include the Supervisory Board satisfying awards of variable remuneration and the terms of payment agreed at the time the award was granted.

The following sections set out the elements of the Company's remuneration policy for Members of the Executive Board and the Supervisory Board. The Company's remuneration policy with respect to Members of the Supervisory Board is to pay such amounts as are approved by the Company's shareholders from time to time, as set out in the Company's Statutes. For information, the current amounts approved for payment by the Company's shareholders are set out on page 44.

Information not subject to audit

DIRECTORS' REMUNERATION TABLE

Base salary	Executive Directors
Purpose and link to strategy	Facilitate recruitment and retention of the best executive talent globally. Executives with the experience and expertise to deliver our strategic objectives at an appropriate level of cost.
Maximum opportunity	Base salary increases will not ordinarily exceed those for other UK-based ZEAL employees with comparable levels of individual performance and potential. In cases where an Executive Director's base salary lies materially below the appropriate market competitive level, and where such positioning is not sustainable in the view of the Supervisory Board, annual increases may exceed those for other employees described above. The rationale for any such increase will be described in the Annual Report on remuneration for the relevant year.
Operation	Salary is reviewed per year in accordance with the terms of contract. A number of factors are considered including, but not limited to, market pay levels among international industry peers, and base salary increases for other ZEAL employees.
Performance framework	None

Other benefits	Executive Directors
Purpose and link to strategy	Provide market competitive benefits at an appropriate cost which help foster loyalty and retention. Relocation benefits may also be provided based on business need, individual circumstances and location of employment.
Maximum opportunity	The Supervisory Board retains discretion to approve a higher cost in exceptional circumstances or where factors outside the Company's control have changed materially. In the case of relocation, additional benefits may be provided, including but not limited to cost of relocation expenses, real estate fees, tax equalisation to home country and tax return filing assistance. The Supervisory Board has discretion to determine the value of such benefits and details of any such benefits provided will be disclosed in the Annual Report on remuneration covering the year in which they were provided.
Operation	Executive Directors are eligible to receive benefits in line with those for other UK employees, including, but not limited to, services to assist with preparation of tax returns where necessary due to the international nature of work completed.
Performance framework	None

Annual bonus plan	Executive Directors
Purpose and link to strategy	Motivate Executive Directors to achieve stretching financial and commercial objectives consistent with and supportive of ZEAL's growth plans. Create a tangible link between annual performance and individual pay opportunity.
Maximum opportunity	The Supervisory Board retains discretion to adjust the overall bonus to take account of performance outside the normal bounds. Awards of up to 200% can be granted in respect of any financial year. The Short-Term-Incentive (STI) Bonus is limited in total to a maximum gross annual amount of €400k in the case of Dr. Hans Cornehl, €300k in the case of Dr. Helmut Becker, €280k in the case of Andreas Keil and €480k in the case of Jonas Mattsson. The Mid-Term-Incentive (MTI) Bonus is limited in total to a maximum gross annual amount of €400k in the case of Dr. Hans Cornehl, €300k in the case of Dr. Helmut Becker, €220k in the case of Andreas Keil and €260k in the case of Jonas Mattsson. The Long-Term-Incentive (LTI) Bonus is limited in total to a maximum gross annual amount of €900k in the case of Dr. Hans Cornehl, €300k in the case of Dr. Helmut Becker, €300k in the case of Andreas Keil and €150k in the case of Jonas Mattsson. In addition, a "supplementary bonus" may be paid if specific commercial goals are achieved.
Operation	Awards in respect of performance up to 100% above target are paid in cash. The Supervisory Board may vary the performance measures and mix used to adapt to changing Company circumstances. Financial measures will be a significant portion.
Performance framework	Performance metrics include: ■ Financial goals (which determine a significant portion of the bonus each year), ■ Commercial goals, and ■ Organisational goals. The annual bonus performance measures are chosen to provide an appropriate balance between incentivising Executive Directors to meet financial targets for the year and to deliver specific strategic, operational and individual goals. This balance allows the Chairman's Committee to effectively reward performance against key elements of our strategy. The precise bonus targets are set by the Supervisory Board each year in the case of the STI scheme to ensure that Executive Directors are appropriately focused on the key objectives for the next twelve months. For the MTI and LTI schemes, targets are set by the Supervisory Board for several years. In doing so, the Supervisory Board intends to take into account a number of internal and external reference points, including the Company's business plan. For financial metrics, performance is set in line with the target annual budget. Full details of performance measures and targets will be disclosed in the Annual Report on remuneration following expiration of the relevant performance period, except where the Supervisory Board considers them to be commercially sensitive. In cases where details are commercially sensitive, the Supervisory Board will explain its rationale and commit to disclosure in the future where appropriate.

Termination arrangements	Executive Directors
Purpose and link to strategy	To limit the Company's liability for payments in cases of termination, and to provide a fair and equitable settlement where appropriate.
Maximum opportunity	The Company will provide six months' notice of termination or payment in lieu of notice. Payment in lieu of notice will be limited to the pro rata value of base salary and the other benefits described in the Other Benefits sections above. In the event that the service contract of an Executive Director is terminated during a financial year, his/her entitlement to an annual bonus award in respect of that year will be limited as follows: The Company will make a payment in lieu to her/him in the amount of 90% of her/his gross compensation (salary and annual bonus calculated on the basis that the bonus targets STI/MTI/LTI have been 100% achieved), which the Company would have had to pay to her/him at the time of the expiry date, provided that the compensation payment is limited to a maximum amount of 90% of two years gross compensation. The amount of the compensation is due and payable by the termination date. If a Member of the Executive Board agrees to be reappointed on the basis of the contractual conditions offered, the member shall receive maximum compensation of half an annual gross salary if the Company is then culpable in failing to reappoint said member. If an appointment to the Executive Board is effectively revoked, the Executive Board Member has the right to claim compensation: ■ In the case of Executive Board Member Dr. Hans Cornehl in the amount of his remaining gross salary, but limited to two year's gross salary, ■ In the case of Executive Board Member Dr. Helmut Becker limited to 18 month's gross salary, ■ In the case of Executive Board Member Andreas Keil limited to 12 month's gross salary, ■ In the case of Executive Board Member Jonas Mattsson limited to 12 month's gross salary. Should another enterprise gain control over the Company and the appointment of an Executive Board Member is revoked within one year, the Executive Board Members have the right to claim compensation: ■ In the case of Executive Board Member Dr. Hans Cornehl in the amount of his remaining gross salary, but limited to three year's gross salary, ■ In the case of Executive Board Member Dr. Helmut Becker limited to 18 month's gross salary, ■ In the case of Executive Board Member Andreas Keil limited to 12 month's gross salary, ■ In the case of Executive Board Member Jonas Mattsson limited to 12 month's gross salary.

	Supervisory Board (Chairman's Fee)
Purpose and link to strategy	The Chairman of the Supervisory Board has the appropriate balance of skills, experience, independence and knowledge of the Company to discharge his respective duties and responsibilities effectively.
Maximum opportunity	The Chairman of the Supervisory Board receives for every full financial year a fixed annual remuneration of €136.5k and for membership of one or several committees of the Supervisory Board, the Chairman of the Supervisory Board receives an additional annual remuneration up to €35.0k.
Operation	Fees are provided entirely in cash. The Supervisory Board remuneration is set in the Statutes of the Company and is subject to amendment by shareholder resolution.
Performance framework	None

	Supervisory Board
Purpose and link to strategy	The Supervisory Board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively.
Maximum opportunity	The Members of the Supervisory Board receive for every full financial year a fixed annual remuneration of €45.5k. The remuneration is multiplied by 2 in respect of the deputy chairman of the Supervisory Board. For their membership of one or several committees of the Supervisory Board, Members of the Supervisory Board receive an additional annual remuneration of €17.5k. The remuneration is multiplied by 2 in respect of a chairman of a committee.
Operation	Fees are provided entirely in cash. The Supervisory Board remuneration is set in the Statutes of the Company and is subject to amendment by shareholder resolution.
Performance framework	None

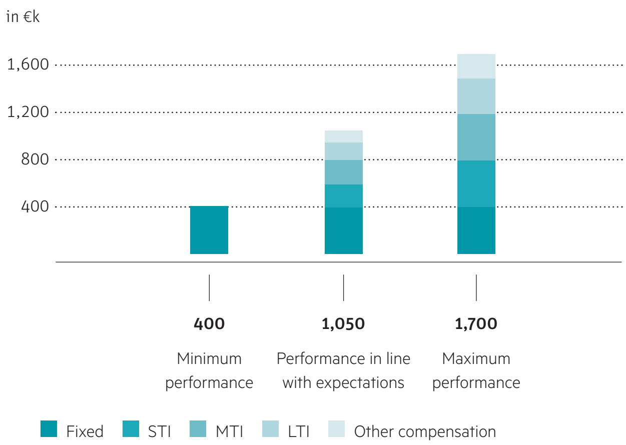
INDICATIVE REMUNERATION LEVELS RESULTING FROM POLICY

The graphs below represent the pay mix between the different elements of remuneration for the CEO, CFO and CMO, assuming threshold, target and maximum performance.

The scenarios shown below are based on the following assumptions:

- Minimum performance fixed pay only (base salary),
- Target performance: fixed pay and annual bonus of half maximum opportunity (100%), and
- Maximum performance: fixed pay, maximum annual bonus of 200%. Note that this scenario assumes maximum performance is achieved under both the annual bonus and the long-term incentive plans.

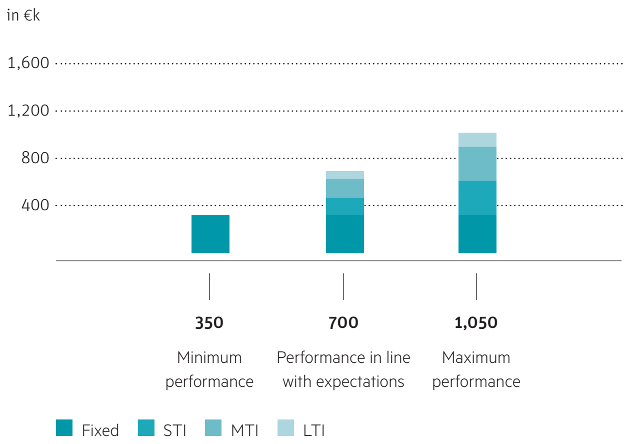
CEO – DR. HANS CORNEHL



Percentage of total remuneration

	Minimum performance	Performance in line with expectations	Maximum performance
Fixed pay (base salary and other benefits)	100.0%	38.2%	23.6%
Remuneration relating to STI	0.0%	19.0%	23.5%
Remuneration relating to MTI	0.0%	19.0%	23.5%
Remuneration relating to LTI	0.0%	14.3%	17.6%
Remuneration relating to other compensation	0.0%	9.5%	11.8%

CMO – DR. HELMUT BECKER



Percentage of total remuneration

	Minimum performance	Performance in line with expectations	Maximum performance
Fixed pay (base salary and other benefits)	100.0%	50.1%	33.3%
Remuneration relating to STI	0.0%	21.4%	28.6%
Remuneration relating to MTI	0.0%	21.4%	28.6%
Remuneration relating to LTI	0.0%	7.1%	9.5%

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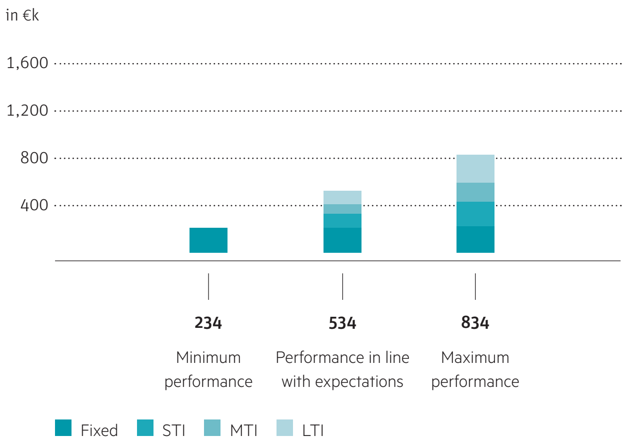
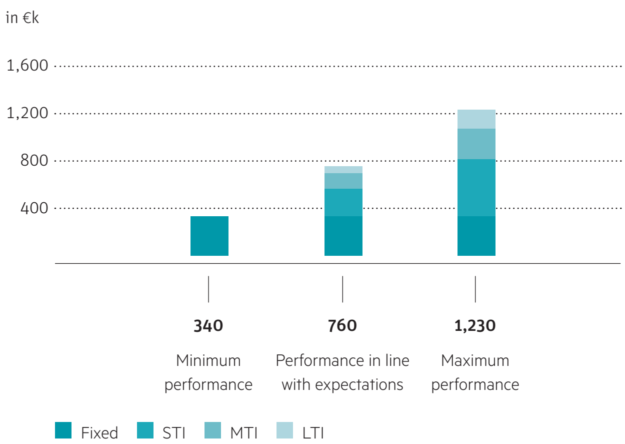
FORMER CFO – ANDREAS KEIL



Percentage of total remuneration

	Minimum performance	Performance in line with expectations	Maximum performance
Fixed pay (base salary and other benefits)	100.0%	21.6%	16.9%
Remuneration relating to STI	0.0%	9.7%	15.2%
Remuneration relating to MTI	0.0%	7.6%	11.9%
Remuneration relating to LTI	0.0%	10.4%	16.3%

CFO – JONAS MATTSSON



Percentage of total remuneration

	Minimum performance	Performance in line with expectations	Maximum performance
Fixed pay (base salary and other benefits)	100.0%	44.7%	27.6%
Remuneration relating to STI	0.0%	31.6%	39.1%
Remuneration relating to MTI	0.0%	17.1%	21.1%
Remuneration relating to LTI	0.0%	6.6%	12.2%

EXECUTIVE DIRECTOR'S REMUNERATION

The Company provides a compensation package that reflects the respective Executive Director's level of responsibility and contribution to the Company's level of success in a competitive environment. The Company also considers, where appropriate, a comparison of executive pay and remuneration and changes in pay level throughout the ZEAL Group. The compensation package for the Executive Directors who served on the Board in 2014 comprised a combination of basic salary, variable bonus scheme and benefits in kind.

Subject to the attainment of pre-defined benchmarks, the Executive Directors who served on the Board in 2014 may receive an annual bonus as determined by the Supervisory Board. Such a bonus is capped at a pre-determined maximum amount contractually agreed with the Executive Directors. The bonus is intended to incentivise these individuals to achieve certain annual operational and financial goals, thereby aligning the relevant Executive Director's interests with those of the Company's shareholders. The Supervisory Board agrees in advance with the Executive Directors the terms for awarding bonus compensation. A weighted combination of several factors is considered. At the end of the agreed performance period the Supervisory Board determines at its reasonable discretion the performance of the Executive Directors with respect to the agreed terms and thus the payment of any such bonus compensation.

SERVICE CONTRACTS

Service contracts govern the Company's relationship with the Executive Directors. Supervisory Board Members are appointed by shareholder resolution and their compensation is set by the Statutes.

All Executive Director's service contracts are available for inspection at the Company's registered office during normal hours of business, and at the place of the Company's 2014 Annual General Meeting on 18 June 2015 from 9.00 am until the close of the meeting. As at 31 December 2014, only Dr. Becker's service contract contained special termination rights in the case of a change of control of ZEAL Network. Within a period of twelve months after a change of control, Dr. Becker can terminate his service agreement with a notice period of three months to the end of the month. Should Dr. Becker make use of this special termination right, he shall receive compensation in the amount of three months' gross salary.

In addition, the service contract of Dr. Hans Cornehl expires on 31 December 2015. The service contract of Dr. Helmut Becker expires on 30 May 2016. The service contract of Jonas Mattsson has indefinite terms.

As a Societas Europeae, ZEAL Network can only appoint individuals to the Executive Board for a fixed term of no longer than five years. Should an appointment be revoked or not extended beyond the agreed term, service agreements will be ended synchronously.

REMUNERATION OF SUPERVISORY BOARD MEMBERS

In addition to the reimbursement of their expenses, the Members of the Supervisory Board receive for every full financial year a fixed annual remuneration of €45.5k, which shall be multiplied by 3 in respect of the chairman of the Supervisory Board and by 2 in respect of the deputy chairman. For every membership in a committee of the Supervisory Board, Members of the Supervisory Board shall receive an additional annual remuneration of €17.5k, which shall be multiplied by 2 in respect of a chairman of a committee.

REMUNERATION OF DIRECTORS ON RECRUITMENT AND APPOINTMENT

ZEAL Network is an international company and competes for executive talent on a global basis. In order to recruit and retain Directors of the calibre needed to execute the Company's growth objectives it may be necessary to provide remuneration and benefits consistent with practice among other internet-based companies. The following principles apply in the case of the external recruitment of Directors and the appointment of internal candidates who may be promoted to the Supervisory Board.

- As far as possible, the remuneration of new Directors will be set in accordance with the existing Directors' remuneration statement described in the table above.
- The Supervisory Board will seek to pay no more than is necessary while ensuring that it can attract the best candidates on a global basis.
- The remuneration package provided will take account of a range of factors including but not limited to the calibre of a candidate, the level of existing remuneration, the jurisdiction the candidate is recruited from, and the individual's skills and experience.
- The remuneration package will take account of comparable internal remuneration and appropriate international market comparisons.
- The Supervisory Board has the discretion to determine the fixed elements of a remuneration package (comprising base salary, retirement and other benefits) as it deems necessary and in shareholders' interests. Exercise of such discretion may be necessary for example in the event of a new appointment to the Executive Board following an acquisition or where commitments have been made as part of a transaction. The Supervisory Board will in all cases be guided by reasonable market practice and will take appropriate advice where necessary.

This represents the end of the report on the Company's remuneration policy.

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AUDITED INFORMATION

The following table sets out the total remuneration for Executive Directors for the year ended 31 December 2014, with prior-year figures also shown.

Executive Directors	Year	Total salary (a)	LTI award (b)	MTI award (c)	STI award (d)	Further bonus (e)	Total variable pay	Payments for loss of office	**Total**
in €k									
Dr. Hans Cornehl	2014	400	0	38	160	200	398	0	**798**
Dr. Hans Cornehl	2013	400	0	101	262	156	519	0	**919**
Dr. Helmut Becker	2014	350	0	29	138	0	167	0	**517**
Dr. Helmut Becker [1]	2013	203	0	44	130	0	174	0	**377**
Andreas Keil [2]	2014	234	83	82	106	0	271	550	**1,055**
Andreas Keil [3]	2013	253	0	51	165	0	216	0	**469**

[1] *Dr. Helmut Becker has been Chief Marketing Officer of ZEAL since June 2013.*
[2] *Andreas Keil has left the Company effectively with 30 September 2014.*
[3] *Andreas Keil has been Chief Financial Officer of ZEAL since February 2013.*

METHODOLOGY

(a) Total salary – this represents the base salary of fees paid in respect of the relevant financial year (basic gross fixed remuneration). No sums were paid to third parties in respect of any Executive Board Member's services.

(b) Long-term incentives – this figure represents the value of long-term incentive plans with a performance period ending in the relevant year. The LTI be based on the following figures: If the Stock has reached on the calculation date a final stock price of €47.50 (the "Target Price"), the Executive Board Members have a claim for a gross annual amount for each full year of service (1 January – 31 December) for the Company and, thus, a cumulative gross amount at the end of the full contract term (the "LTI Target Bonus"). The claim is increased or decreased as follows in the case of exceeding or falling short of the Target Price: If the stock has a final stock price of less than or equal to €39.00 (the "Floor"), the Executive Board Members have no claim for an LTI Bonus. If the stock has a final stock price greater than or equal to €53.20 on the calculation date (the "Ceiling"), the Executive Board Members have a claim for a maximum gross amount (the "Cap"). The exact increase or reduction of the claim in the case of exceeding or falling short of the Target Price will otherwise be determined using a linear interpolation between the above mentioned final stock prices (€39.00 to €53.20).

(c) Mid-term incentives – this figure represents the value of mid-term incentive plans with a performance period ending in the relevant year. The Executive Board Members have a claim for an annual bonus that depends on achieving mid-term targets. The amount of the MTI Bonus results from a retrospective, three year assessment based on key numbers. This basis is the product from achieving certain sales numbers (the "MTI Bonus Component 1") as well as a certain EBIT, defined as earnings before interest and taxes (the "MTI Bonus Component 2"), in each case according to the certified consolidated financial statements of the Company. When determining the MTI Bonus Component 1, the amount of the sales in respective last fiscal year that is relevant for the bonus will be used as a basis. The achieving of the target involving the MTI Bonus Component 1 is defined in accordance with the following MTI Table 1, whereby there will be in each case a linear interpolation between the levels for 50%–100% and 100%–200%. The minimum value for the MTI Bonus Component 1 is 50%.

MTI Table 1	2013	2014	2015
Sales in € million			
Thresholds			
200%	145	150	165
100%	140	145	150
50%	135	140	140

When determining the MTI Bonus Component 2, the average value of the EBIT values for three years, the respective last fiscal year that is relevant for the bonus, the previous year and the year before that, will be used as a basis. Achieving the target for the MTI Bonus Component 2 is defined in accordance with the following MTI Table 2, whereby there will be a linear interpolation between the threshold of 0%–100% and 100%–200%. The threshold values are the same for each fiscal year that is relevant for the bonus.

MTI Table 2	2013	2014	2015
EBIT in € million			
Thresholds			
200%	40	40	40
100%	30	30	30
0%	20	20	20

(d) Short-term incentives – this figure represents the value of short-term incentive plans with a performance period ending in the relevant year. The Executive Board Members have a claim for an annual bonus, the amount of which is based on achieving short-term targets. The amount of the STI Bonus is based on achieving quantitative and qualitative targets. The quantitative targets are economic targets, such as the generated sales or the profit in a newly acquired company, securing the financing for the Company etc. The qualitative targets are strategic targets such as implementation of an appropriate organisational setup to reflect the corporate strategy, implementation of growth initiatives etc.

(e) Supplementary bonus – this reflects the bonus awarded in respect of a special single performance in this year.

ADDITIONAL DISCLOSURES IN RESPECT OF THE SINGLE FIGURE TABLE

Payments for loss of office

Andreas Keil resigned as an Executive Board Member of the Company on 30 September 2014. The Company took legal advice to determine the most appropriate treatment with reference to his contractual entitlements. The Committee carefully considered the best interests of the Company and its shareholders when determining his exit payments.

The main features of his treatment upon cessation of employment are as follows:

- During the period to 30 September 2014, he remained in service on his existing terms and conditions and as such continued to be eligible for salary and benefits, plus incentive participation prorated for time and performance as appropriate (see below),
- Under the STI/MTI/LTI bonus plan, the Committee determined that Andreas Keil's 2014 bonus should be subject to time pro-ration to reflect the period of employment during the year and should continue to be subject to the Company and individual performance targets set at the beginning of 2014. His payment of €271k was made in October 2014,
- In settlement of all claims, he is eligible for a compensation payment of €550k which relates to salary and benefits, his bonus for the remaining notice period and compensation for statutory claims. The full payment was made in October 2014.

Supervisory Board	Year	Total fees	Other remuneration	Total
in €k				
Andreas de Maizière	2014	172	10	**182**
Andreas de Maizière	2013	134	11	**145**
Prof. Willi Berchtold	2014	0	0	**0**
Prof. Willi Berchtold [1]	2013	47	4	**51**
Peter Steiner	2014	126	13	**139**
Peter Steiner [2]	2013	47	7	**54**
Oliver Jaster	2014	63	2	**65**
Oliver Jaster	2013	60	0	**60**
Dr. Helmut Becker	2014	0	0	**0**
Dr. Helmut Becker [3]	2013	17	0	**17**
Hendrik Pressmar	2014	0	0	**0**
Hendrik Pressmar [4]	2013	20	0	**20**
Thorsten Hehl	2014	63	1	**64**
Thorsten Hehl [5]	2013	30	0	**30**
Bernd Schiphorst	2014	46	3	**49**
Bernd Schiphorst [6]	2013	20	0	**20**
Jens Schumann	2014	63	8	**71**
Jens Schumann	2013	60	0	**60**

[1] *until 28 June 2013*
[2] *since 28 June 2013*
[3] *until 31 May 2013*
[4] *until 28 June 2013*
[5] *since 28 June 2013*
[6] *since 28 June 2013*

DIRECTORS' INTERESTS IN SHARES

Details of the Directors' share interests as at 31 December 2014, or at date of cessation of Directorship, are as follows:

Beneficially owned		2013	Changes	2014
Shares				
Dr. Hans Cornehl	Member of the Executive Board	57,389	0	57,389
Andreas Keil [1]	Member of the Executive Board	800	N/A	N/A
Oliver Jaster indirect [2]	Member of the Supervisory Board	1,695,842	0	1,695,842
Jens Schumann	Member of the Supervisory Board	350,000	0	350,000

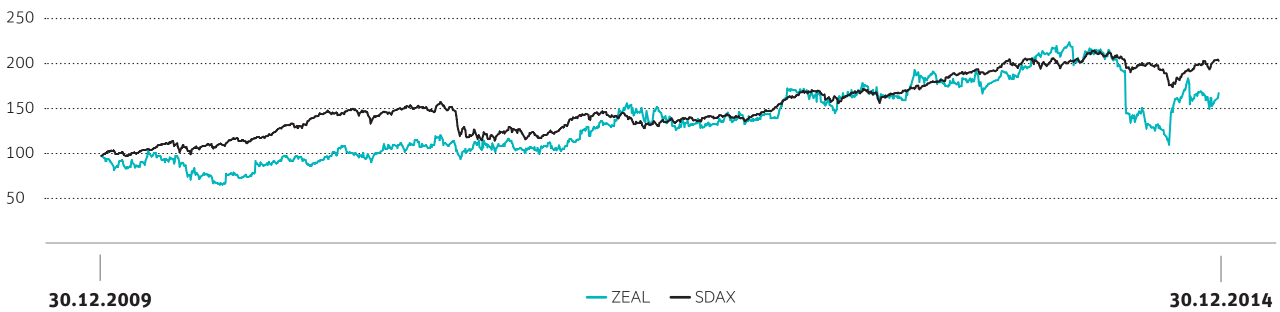
[1] *Andreas Keil has left the Company effectively with 30 September 2014.*
[2] *Details are set out on page 26 of this Annual Report.*

This represents the end of the audited section of the report.

HISTORICAL TSR PERFORMANCE AND CEO REMUNERATION OUTCOMES

As the Company's share is listed in the German SDAX index, the SDAX provides an appropriate indication of market movements against which to benchmark the Company's performance. The chart below summarises the Company's total shareholder return (TSR) performance against the SDAX index over the five-year period to 30 December 2014.

5-YEAR TSR PERFORMANCE



We also present in the table below the annual change in the single figure total remuneration provided to the Company's CEO over the same period.

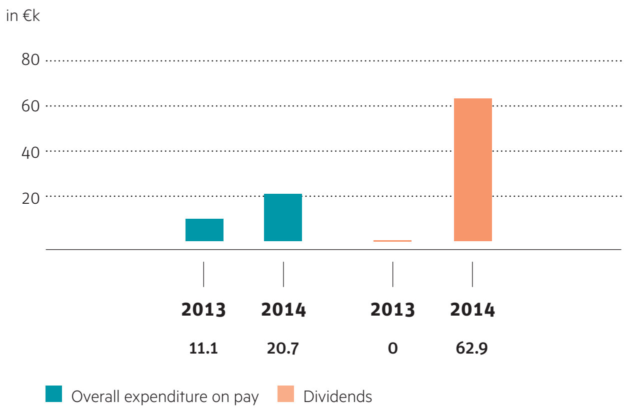
	2010	2011	2012	2013	**2014**
in €k					
Total remuneration	982	1,016	993	919	**798**
Short-term incentives (% of maximum)	64.4%	65.6%	64.8%	65.5%	**40.0%**
Mid-term incentives (% of maximum)	N/A	N/A	N/A	25.3%	**9.6%**
Long-term incentives (% of maximum)	N/A	N/A	N/A	N/A	**N/A**

RELATIVE IMPORTANCE OF THE SPEND ON PAY

The chart below illustrates the current-year and prior-year overall expenditure on pay and dividends paid.

The figures presented have been calculated on the following bases:

- Overall expenditure on pay – represents total staff costs.
- Dividends – dividends paid (or declared to be paid) in respect of the year.



PERCENTAGE CHANGE IN REMUNERATION OF THE CHIEF EXECUTIVE OFFICER

The following table shows the percentage change in remuneration comprising basic salary, benefits and bonus between the financial year ended 31 December 2013 and the financial year ended 31 December 2014 for the CEO compared to the average of all ZEAL Group employees during each year.

	% change in base salary 2014/2013	% change in annual bonus 2014/2013
CEO	0%	-29.1%
All colleagues	5.6%	12.0%

Andreas de Maizière
Chairman of the Supervisory Board and
Chairman of the Chairman's Committee

DIRECTORS' REPORT

The Directors of ZEAL Network present their Annual Report and audited financial statements for the year ended 31 December 2014. These accounts have been prepared under IFRS and are available on the Company's website: www.zeal-network.co.uk.

ZEAL is a holding company specialised in the area of online lottery. We offer consumer-facing lottery-based and other lotto games as well as B2B solutions and employ over 250 people.

The Company is listed on the Frankfurt (FSE: TIM.DE) Stock Exchange (Regulated Market, Prime Standard, ISIN GB00BHD66J44) and is a member of the German SDAX index. The Company is registered in England and Wales and its registered number is SE000078.

Further information on the principal activities of the business and the factors affecting future developments are detailed in the Group's Strategic Report set out on pages 1 to 25.

FUTURE DEVELOPMENTS

ZEAL's stated objective is to create a better world of lottery. The key aspects of the Group's strategy are set out in the Strategic Report on pages 1 to 25.

CORPORATE SOCIAL RESPONSIBILITY

ZEAL is a socially responsible company committed to its stakeholders. We adopt a holistic approach to our decision-making-process, ensuring that we give due consideration to the social and ecological impact of our business. Further details on our CSR activities are set out on pages 22 to 25.

GOING CONCERN

The Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that ZEAL has adequate resources to continue for the foreseeable future. The Group holds €92.6 million in cash at the year end (2013: €85.8 million). The Group expects to deliver revenue and profit growth in the period ahead. For these reasons, the Directors have adopted the going concern basis in preparing the financial statements.

DIVIDENDS

The Executive Board has proposed, and the Supervisory Board has approved, with immediate effect, a revised dividend policy under which the Company will pay regular interim dividends, which are expected to amount to a total of at least €2.80 per share in the current year, 2015. Interim dividends are expected to be paid in four installments in 2015 and on a quarterly basis in 2016 and thereafter: an announcement of the amount of each dividend, and the record date for entitlement to the dividend, will be made in advance of payment of the dividend. The record date for this year's first interim dividend, amounting to €0.70 per share, will be 30 March 2015 and the payment and ex-dividend date will be 31 March 2015. Accordingly, no final dividend for 2014 will be proposed to this year's AGM. The Company's dividend policy is subject to periodic review and may be amended in the future depending on the earnings and financial position of the Company as well as other relevant factors.

PURCHASE OF OWN SHARES

ZEAL is currently not authorised to acquire its own shares.

SHARE CAPITAL

Details of the movements in the authorised and issued share capital are set out in Note 21 to the consolidated financial statements.

The rights and obligations attaching to the Company's ordinary registered shares of the Company are set out in the Statutes.

VOTING RIGHTS AND RESTRICTIONS ON THE TRANSFER OF SHARES

There are no ordinary registered shares that carry special rights in relation to the control of the Company.

A shareholder register (electronic register of CI Holders) is established and maintained by the Company.

MAJOR SHAREHOLDINGS

Details of major shareholdings are provided on page 26 of this Annual Report.

DIRECTORS

The Directors, together with their biographies, are listed on pages 28 to 29 of this report.

POWERS OF DIRECTORS

The Executive Board is generally and unconditionally authorised, with and subject to the approval of the Supervisory Board, to exercise all the powers of the Company to allot ordinary shares and grant rights to subscribe for, or to convert any security into, ordinary shares ("Subscription or Conversion Rights") up to an aggregate nominal amount of €1,197,017 provided that this authority shall expire on 28 June 2016, save that the Company may before such expiry make offers or agreements which would or might require ordinary shares to be allotted or Subscription or Conversion Rights to be granted after such expiry and the Directors may allot ordinary shares and grant Subscription or Conversion Rights in pursuance of any such offers or agreements as if the authority conferred hereby had not expired.

DIRECTORS' REMUNERATION AND INTERESTS

Directors' remuneration and interests are detailed in the Directors' Remuneration Report on pages 34 to 46 of this report. Material interests in any contract of significance with any Group company during the year ended 31 December 2014 are set out on page 88.

DIRECTORS' THIRD-PARTY INDEMNITY PROVISIONS

Each of the Members of the Executive Board and Supervisory Board and majority of the Directors of the subsidiary companies have been provided with a qualifying third-party indemnity from the Company. The Company maintains Directors' and officers' liability insurance.

ELECTION AND RE-ELECTION OF DIRECTORS

In accordance with the Corporate Governance Principles, all Members of the Supervisory Board will be re-elected at regular intervals, subject to continued satisfactory performance.

CORPORATE GOVERNANCE

The Company's Corporate Governance Report is set out on pages 28 to 49 of this report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is exposed to a number of risks and uncertainties that could affect the performance of the Company and its prospects. The Executive Board and specifically the Supervisory Board's Audit Committee are responsible for the Company's process of internal control and risk management and for reviewing its continuing effectiveness. They ensure, to the extent possible, that the system of internal procedures and controls is appropriate to the nature and scale of the Company's activities and that appropriate processes and controls are in place to effectively manage and mitigate strategic, operational, financial and other risks facing the Company. A detailed list of risks and their management are set out on pages 17 to 21 of this report.

FINANCIAL INSTRUMENTS

The Group's financial risk management policies, and exposures to risk – especially credit risk, liquidity risk and cash flow risk – can be found in Note 26 of this report.

TAKEOVERS DIRECTIVE

As at 31 December 2014, the Company's issued share capital comprised a single class of share referred to as ordinary shares. Details of the share capital can be found in Note 21 to the consolidated financial statements. On a show of hands at a General Meeting of the Company, every holder of shares present in person and entitled to vote shall have one vote, and on a poll every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. The notice of the General Meeting specifies deadlines for exercising voting rights either by proxy notice or by presence in person or by proxy in relation to resolutions to be passed at a General Meeting. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced at the Annual General Meeting and published on the Company's website after the meeting. There are no securities carrying special rights, nor are there any restrictions on voting rights attached to the ordinary shares. There are no restrictions on the transfer of shares in the Company other than:

- Certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws), and
- Employees of the Company are not allowed to trade in shares or exercise options in certain quiet periods (such close periods normally start from the end of each quarter to the beginning of the second day of trading following publication of the results for the respective reporting quarter/year).

Details of changes in share capital can be found in Note 21 to the consolidated financial statements. The Company did not purchase its own shares during 2014.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and for voting rights.

In the case of a change in control of the Company, only the contract of Dr. Helmut Becker has a change of control clause.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occur because of a takeover bid. The agreement between the Company and its Directors for compensation for loss of office are given in the Directors' Remuneration Report on pages 34 to 46 of this report.

The Statutes may only be amended by a special resolution at a General Meeting of shareholders.

ANNUAL GENERAL MEETING

The notice convening the Annual General Meeting will be published separately and posted on the Company's website. The meeting is planned to be held in London on 18 June 2015 at 9.00 am.

AUDITOR

In accordance with Section 384 of the Companies Act 2006, a resolution for the reappointment of Ernst & Young LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

AUDITOR AND DISCLOSURE OF INFORMATION TO THE AUDITOR

Each of the Directors in office as of the date of approval of this report confirms that, so far as he or she is aware, there is no relevant audit information (being information needed by the auditor in connection with preparing its report) of which the auditor is unaware and that he or she has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the auditor is aware of that information.

The Annual Report was approved by the Executive Board and Supervisory Board and authorised for issue on 26 March 2015 and signed on behalf of the Executive Board and the Supervisory Board:

By order of the Executive Board and the Supervisory Board

Dr. Hans Cornehl
Chief Executive Officer
25 March 2015

ZEAL Network SE
5th Floor – One New Change, London EC4M 9AF, United Kingdom
Registered number SE000078

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with the applicable law and regulations. UK company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under the law the Directors are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU and have elected to prepare the parent company financial statements on the same basis.

The Group and parent company financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position of the Group and the parent company and the financial performance and cash flows for that period; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of the Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and parent financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently,
- Make judgements and estimates that are reasonable and prudent,
- For the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU,
- For the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL REPORT

The Directors confirm, to the best of their knowledge, that:

- In accordance with the applicable reporting principles, the consolidated financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit and loss of the issuer and undertakings included in the consolidation.
- The Annual Report and accounts include a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties associated with the expected development of the Company and the Group.

By order of the Executive Board and the Supervisory Board

Dr. Hans Cornehl
Chief Executive Officer
25 March 2015

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZEAL NETWORK SE

We have audited the financial statements of ZEAL Network SE for the year ended 31 December 2014 which comprise the Consolidated and Company Statements of financial position, the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Company statement of cash flows and the Consolidated and Company statements of changes in equity and the related notes 1 to 27 and A to G. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' responsibility statement set out on page 49, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2014 and of the Group's profit for the year then ended; and
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance statement set out on page 33 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance statement has not been prepared by the Company.

Cameron Cartmell
(Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
London
25 March 2015

CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2014

		2014	2013
in €k	Notes		
Revenue		140,702	129,933
Other operating income	7	4,949	3,820
Total operating performance		**145,651**	**133,753**
Personnel expenses	8	-20,701	-11,090
Amortisation/depreciation on intangible assets and property, plant and equipment	14, 15	-7,673	-7,357
Exchange rate differences		1,032	-179
Other operating expenses	9	-99,153	-95,668
Marketing expenses		-10,729	-6,768
Direct costs of operations		-53,906	-51,718
Other costs of operations		-34,518	-37,182
Result from operating activities (EBIT)		**19,156**	**19,459**
Income from financial activities		172	675
Financing costs		-209	-332
Share of result from associated companies		-2,573	-857
Share of result from joint ventures		-4,069	-114
Financial result	10	**-6,679**	**-628**
Profit from ordinary activities		**12,477**	**18,831**
Income taxes	11	-7,160	-8,109
Profit from continuing operations		**5,317**	**10,722**
Profit after tax from discontinued operations		0	-535
Consolidated net profit[1]		**5,317**	**10,187**
Earnings per share (basic and diluted, in €/share)		0.63	1.23
Earnings per share from continuing operations (basic and diluted, in €/share)		0.63	1.30

[1] *The consolidated net profit is attributable to the owners of ZEAL Network, London, UK.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2014

	2014	2013
in €k		
Net profit/loss for the year	**5,317**	**10,187**
Other comprehensive income		
Other comprehensive income to be reclassifed to profit or loss in subsequent periods:		
Loss on available-for-sale financial assets (AFS)	-412	-446
Income tax effect	-103	103
Other comprehensive income, net of tax	**-515**	**-343**
Total comprehensive income for the year, net of tax	**4,802**	**9,845**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

ASSETS in €k	Notes	31/12/2014	31/12/2013
Current assets			
Cash and pledged cash	12	92,585	85,822
Short-term financial assets	12	15,555	70,307
Trade and other receivables		1,810	473
Income tax receivables		710	0
Other current assets and prepaid expenses	13	10,637	12,386
Total current assets		**121,297**	**168,988**
Non-current assets			
Intangible assets	14	7,614	12,905
Other equipment, furniture & fixtures and leased assets	15	2,942	2,143
Financial assets		0	4,511
Shares in associated companies	16	14,965	17,538
Shares in joint ventures	17	7,428	5,069
Other assets and prepaid expenses		20	435
Deferred tax assets	11	1,140	1,992
Total non-current assets		**34,109**	**44,593**
ASSETS		**155,406**	**213,581**

EQUITY & LIABILITIES in €k	Notes	31/12/2014	31/12/2013
Current liabilities			
Trade payables	26	7,505	9,812
Other liabilities	18	21,406	17,971
Financial liabilities		109	108
Deferred income	19	2,895	3,783
Income tax liabilities		4,862	3,607
Short-term provisions	20	694	1,540
Total current liabilities		**37,471**	**36,821**
Long-term liabilities	18	682	0
Deferred tax liabilities	11	0	1,204
Total non-current liabilites		**682**	**1,204**
Equity			
Subscribed capital	21	8,385	8,385
Capital reserves	21	21,578	22,741
Other reserves		-606	-209
Retained earnings		87,896	144,639
Total equity		**117,253**	**175,556**
EQUITY & LIABILITIES		**155,406**	**213,581**

These financial statements were approved by the Executive Board on 25 March 2015 and were signed on its behalf by:

Dr. Hans Cornehl
Member of Executive Board

Dr. Helmut Becker
Member of Executive Board

Jonas Mattsson
Member of Executive Board

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2014

	2014	2013 restated
in €k		
Profit from continuing operations before tax	12,477	18,831
Profit from discontinued operations after tax	0	-54
Result before tax	**12,477**	**18,776**
Adjustments for		
Amortisation/depreciation on non-current assets	7,673	7,357
Result from disposal of non-current assets	0	84
Result from foreign exchange transactions	0	-177
Revenue from financial activities	-172	-675
Expense from financial activities	209	331
Share of result of associated companies	2,573	857
Share of result of joint ventures	4,069	114
Other non-cash changes	-202	66
Changes in		
Trade and other receivables	412	-3,271
Financial assets	4,511	3,765
Non-current other assets or prepaid expenses	415	-166
Trade payables	-2,307	3,244
Other liabilities	3,435	-2,037
Short-term provisions	-846	-893
Deferred income	-888	323
Interest received	172	679
Interest paid	-209	-350
Taxes paid	-7,484	-11,276
Cash flow from operating activities	**23,838**	**16,751**

in €k	2014	2013 restated
Payments for investments in company acquisitions	-6,424	-5,069
Payments for investments in intangible assets	-1,008	-939
Proceeds from sale of intangible assets	0	282
Payments for investments in property, plant and equipment	-2,195	-1,255
Other investing activities	0	-1,060
Acquisition of a subsidiary, net of cash acquired	689	0
Cash flow from investing activities	**-8,938**	**-8,038**
Capital increase	0	16,000
Payments for transaction costs	0	-663
Dividends paid	-62,888	0
Cash flow from financing activities	**-62,888**	**15,337**
Changes in cash and pledged cash and short-term deposits	-47,988	24,050
Cash and pledged cash and short-term deposits at the beginning of the year	156,129	132,079
Cash and pledged cash and short-term deposits at the end of the year	**108,140**	**156,129**
Composition at the end of the year		
Cash and pledged cash	92,585	85,822
Short-term deposits	15,555	70,307
	108,140	**156,129**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2014

	Subscribed capital	Capital reserves	Other reserves	Retained earnings	**Total equity**
in €k					
As at 1 January 2013	**7,985**	**7,805**	**134**	**134,451**	**150,374**
Capital increase	400	15,600	0	0	16,000
Transaction costs for capital increase	0	-663	0	0	-663
Other results	0	0	-343	0	-343
Net profit 2013	0	0	0	10,188	10,188
Total comprehensive income	0	0	-343	10,188	9,845
As at 31 December 2013	**8,385**	**22,741**	**-209**	**144,639**	**175,556**
As at 1 January 2014	**8,385**	**22,741**	**-209**	**144,639**	**175,556**
Dividend	0	0	0	-62,888	-62,888
Other reserves movements (Note 21.3)	0	-1,163	0	946	-217
Other results	0	0	-397	-118	-515
Net profit 2014	0	0	0	5,317	5,317
Total comprehensive income	0	0	-397	5,199	4,802
As at 31 December 2014	**8,385**	**21,578**	**-606**	**87,896**	**117,253**

NOTES

to the consolidated financial statements as at 31 December 2014 according to International Financial Reporting Standards (IFRS)

1 GENERAL INFORMATION

ZEAL Network SE (formerly Tipp24 SE) is incorporated and domiciled in London, UK, under the registration number of England and Wales SE000078. ZEAL Network SE relocated its registered office to London, UK, on entry in the commercial register of the UK's Companies House on 7 February 2014.

ZEAL Network SE shares (ISIN GB00BHD66J44) are traded in the Prime Standard segment of the Frankfurt Stock Exchange and are listed in the German SDAX index.

At the Extraordinary General Meeting in London on 19 November 2014, the decision was made to change the name of Tipp24 SE to ZEAL Network SE. The shareholders accepted the proposal with the requisite majority. On 20 November 2014 the renaming was registered with Companies House.

The consolidated financial statements of ZEAL Network SE and its consolidated companies (collectively, ZEAL) for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Executive Board and subsequently forwarded to the Supervisory Board for examination and adoption on 17 March 2015.

The balance sheet date is 31 December 2014. Fiscal year 2014 covered the period from 1 January 2014 to 31 December 2014.

2 ACCOUNTING PRINCIPLES

The significant accounting principles applied by the Group in preparing the consolidated financial statements are presented below. The methods described were consistently applied to the reporting periods, unless otherwise indicated.

2.1 AMENDMENTS TO IFRSs AND THE NEW INTERPRETATION THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments to IFRS 10 define an investment entity and introduce an exception from the requirement to consolidate subsidiaries for an investment entity. In terms of exception, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities.

Consequential amendments to IFRS 12 and IAS 27 have been made to introduce new disclosure requirements for investment entities. In general, the amendments require retrospective application, with specific transitional provisions. These amendments have no impact on ZEAL, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Amendments of IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement". The amendments require retrospective application. These amendments have no impact on ZEAL, since none of the entities in the Group has any offsetting arrangements.

Amendments of IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

This amendment removes the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, the amendment requires disclosure of the recoverable amounts for the assets of cash generating units for which impairment loss has been recognised or reversed during the period. These amendments have no impact on ZEAL as no impairment has been recognised or reversed during the current or prior year.

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

As a result of the amendment to IAS 39, derivatives are still designated as hedging instruments in existing hedging relationships when a novation meets certain criteria. These amendments have no impact on ZEAL as ZEAL has not novated derivatives during the current or prior periods.

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IFRIC 21 Levies

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs (e.g. bank levies). In this case, the obligation event for the recognition of a liability is identified as the activity that triggers payment under the relevant legislation. Levies are only recognised in the balance sheet when the obligating event occurs. The obligating event may also occur gradually over a period of time so that the liability is recognised pro rata. These amendments have no impact on ZEAL.

2.2 NEW AND REVISED IFRSs IN ISSUE BUT NOT YET EFFECTIVE

IFRS 9	Financial Instruments [4, 5]
IFRS 15	Revenue from Contract with Customers [3, 5]
Amendments to IFRS 11	Accounting for Acquisition of Interests in Joint Operations [2, 5]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation [2, 5]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants [2, 5]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions [1]
Amendments to IAS 27	Equity Method in Separate Financial Statements [2, 5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [2, 5]
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle [1]
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle [1]
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle [2, 5]

[1] *Effective for annual periods beginning on or after 1 July 2014*
[2] *Effective for annual periods beginning on or after 1 January 2016*
[3] *Effective for annual periods beginning on or after 1 January 2017*
[4] *Effective for annual periods beginning on or after 1 January 2018*
[5] *Not yet endorsed by the EU*

IFRS 9 – Financial Instruments

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments.

IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit and loss.

The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedged ratio" to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

ZEAL anticipates that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of ZEAL's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect from IFRS 9 until ZEAL finalises its detailed review.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations.

The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

The impact of the amendment is currently being assessed by management.

IFRS 11 – Amendments to Joint Arrangements – Acquisitions of Interests in Joint Operations

Amends IFRS 11 to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 "Business Combinations") to:

Apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with guidance in IFRS 11. Disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

The impact of the amendment is currently being assessed by management.

IFRS 10 and IAS 28 – Amendments to Consolidated Financial Statements and Investments in Associates and Joint Ventures

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The impact of the amendment is currently being assessed by management.

IFRSs – Annual Improvements 2010–2012 Cycle

IFRS 2 – Share-Based Payments – Amends the definitions of "vesting conditions" and "market conditions" and adds definitions for "performance conditions" and "service conditions".

IFRS 3 – Business Combinations – Requires contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

IFRS 8 – Operating Segments – Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliation of segment assets only required if segment assets are reported regularly.

IFRS 13 – Fair Value Measurements – Clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusion only).

IAS 16 and IAS 38 – Property, Plant and Equipment and Intangible Assets – Clarifies that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

IAS 24 – Related Party Disclosures – Clarifies how payments to entities providing management services are to be disclosed.

The impact of the annual improvements are currently being assessed by management.

IFRSs – Annual Improvements 2012–2014 Cycle

IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations – Addresses changes in methods of disposal.

IFRS 7 – Financial Instruments: Disclosures – Addresses servicing contracts and the applicability of the amendments to IFRS 7 to condensed interim financial statements.

IAS 19 – Employee Benefits – Clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).

IAS 34 – Interim Financial Reporting – Addresses disclosure of information "elsewhere in the interim financial report".

The impact of the annual improvements are currently being assessed by management.

IAS 27 – Amendments to Separate Financial Statements

Amends IAS 27 to restore the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

The impact of the amendment is currently being assessed by management.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.3 BASIS OF PREPARATION

The consolidated financial statements of ZEAL as of 31 December 2014 were prepared in accordance with the valid IFRS and IFRIC of the International Accounting Standards Board (IASB) which have to be applied in the EU as of the balance sheet date. The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts for fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The financial statements are prepared on a going concern basis. The Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that ZEAL has adequate resources to continue for the foreseeable future. The Group holds €92,585 million in cash at the year end (2013: €85,822k). The Group expects to deliver revenue and profit growth in the period ahead. For these reasons, the Directors have adopted the going concern basis in preparing the financial statements.

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

The information in the 2013 Income Statement has been represented to separately show exchange differences.

In the 2013 cash flow statement, cash and cash equivalents was presented without short term financial assets of €70,307k which do meet the cash equivalents definition. In the current period the 2013 cash flow statement has therefore been restated to include these in cash and cash equivalents which reduced the cash flow from investing activities from €23,988k to €8,038k and increased cash and cash equivalents from €85,465 to €156,129k.

2.4 BASIS OF CONSOLIDATION

All entities (including structured entities) over which the ultimate parent company has control are to be consolidated as subsidiaries. According to IFRS 10 an entity is controlled when the group of companies it belongs to is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Full consolidation applies from the date on which control begins. Deconsolidation is applied from the date that control ceases.

The consolidated financial statements include the financial statements of ZEAL Network, its subsidiaries and interests in associates and joint ventures. In the consolidated financial statements, standard accounting policies are applied for like transactions and other events in similar circumstances.The financial statements of the consolidated entities have been prepared as of the balance sheet date of the parent company, which corresponds to ZEAL's balance sheet date.

Companies of which ZEAL Network holds (directly or indirectly) the majority of the voting shares are consolidated as subsidiaries.

ZEAL Network holds 40% of the voting shares in MyLotto24. MyLotto24 is the parent of a group of companies in which it itself holds the majority of the voting shares except for Tipp24 Services in which it holds 40% of the voting shares (the MyLotto24 sub group).

On 30 April 2009, ZEAL Network sold 60% of the voting shares in both MyLotto24 and Tipp24 Services to a Swiss foundation set up by ZEAL Network in the form of preference shares stripped of their main economic rights. As a consequence, ZEAL Network owns no more than half the voting rights in MyLotto24, while MyLotto24 owns no more than half the voting rights in Tipp24 Services. The affiliate companies and their respective subsidiaries are consolidated in the ZEAL Network group financial statements because the relevant criteria in IFRS 10 are met:

ZEAL Network has a right to repurchase the majority of voting rights for an amount of £30k for each company. ZEAL Network has veto rights with regard to changes in the articles of MyLotto24 and Tipp24 Services.

The owner of the majority of voting rights receives a preliminary annual dividend of up to £15k for each company. In the case of liquidation, the owner of the majority of voting rights is entitled to receive previously agreed liquidation proceeds of £30k. ZEAL Network alone is entitled to the entire remaining profits and any remaining liquidation proceeds.

The Group manages its risk exposure with regard to large jackpots through the use of an insurance-linked-security (ILS) vehicle set up specifically to provide insurance cover to the MyLotto24 sub group. The ILS vehicle is not consolidated as the Group assessed the relevant criteria in IFRS 10 and concluded that it does not control the ILS vehicle on the basis that it does not have power over it.

2.5 ASSOCIATED COMPANIES AND JOINT VENTURES

Associated companies are those companies over which ZEAL has significant influence but no control, generally accompanied by a shareholding of 20 to 50%.

A joint venture is a company over whose business activities ZEAL and one or more partners have joint control, which has been founded by a contractual agreement and which requires unanimous consent for strategic financial and operating decisions.

Interests in associates and jointly controlled entities are accounted for using the equity method and initially recognised at cost. The cost of the investment includes transaction costs.

Under the equity method, the investment in the company is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in ZEAL's share of net assets of the company since the acquisition date. Goodwill relating to the company is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

On 21 December 2012, Tipp24 Investment 1 Limited acquired a 25.7% interest in Geonomics Global Games Limited (formerly Roboreus Limited) with registered offices in London, UK. This investment is disclosed as an associated company.

On 1 October 2013, Tipp24 Investment 2 Limited acquired 50% of the shares in Geo24 UK Limited, based in London, UK. Geo24 UK Limited was formed as a joint venture to market GeoLotto via the Internet to end-users in UK as an independent B2C business.

The financial statements of the associate and joint venture are prepared for the same reporting period as ZEAL.

Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF (discounted cash flow) model. The cash flows are derived from the budget and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to the investments in the joint venture and associate. These businesses are at the development/start-up phase and it is intrinsically difficult to accurately predict cash flows. We used a discount rate of 20% and the budgeted cash flows include growth rates in excess of 100% due to the businesses being in the start-up phase.

The consolidated financial statements include ZEAL's share of profit or loss and other comprehensive income of those companies accounted for using the equity method, after adjustments to align the accounting policies with those of ZEAL, from the date on which the significant influence or joint control begins to the date on which the significant influence or joint control ends.

Unrealised gains and losses resulting from transactions between ZEAL and the associated company/joint venture are eliminated to the extent of the interest in the associated company/joint venture.

When ZEAL's share of the losses exceeds the value of its interest in a company accounted for using the equity method, the carrying value of this share including all non-current portions attributable to it, is reduced to zero and further losses are no longer recognised except to the extent that ZEAL has an obligation or has made payments for the investment company.

2.6 CLASSIFICATION IN CURRENT AND NON-CURRENT

ZEAL presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is 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, or
- It 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.

All other assets are classified as non-current.

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A liability is 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, or
- The Company has no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

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

2.7 FAIR VALUE MEASUREMENT

ZEAL measures financial instruments such as derivatives at each balance sheet date. The fair values of financial instruments measured at amortised cost are disclosed in Note 26.1.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to ZEAL.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

ZEAL uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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.

For assets and liabilities that are recognised in the financial statements on a recurring basis, ZEAL determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.8 REVENUE

Revenue is recognised when

- Services have been rendered,
- It is probable that the economic benefits attributable to the transaction will flow to the entity, and
- The amount of revenue can be reliably measured.

Revenue is disclosed net of VAT, winnings pay-outs, discounts, customer bonuses and rebates.

Secondary Lottery Revenue

Revenue which MyLotto24 generates as the organiser of secondary lotteries based on various European lotteries, where the Company bears the bookmaking risk, are recognised at the moment the draw results of the respective lotteries are announced. Stakes received as of the balance sheet date, but which are intended for games whose draw results are not available until after the balance sheet date, are accrued.

A contract to participate in a secondary lottery based on various European lotteries is to be treated as a derivative. The definition of a derivative is to be applied to contracts where payments are linked to the outcome of a random event. In comparison with the possible pay-out amount, the contract also requires relatively low stakes. The contracts are concluded before the event occurs and, in the case of a win, the pay-out is made in the future after the event has occurred.

Profits or losses from a change in the fair value of derivatives are to be recognised in the income statement. Stakes and payouts are therefore not regarded as separate income and expenditure, but determine in total the fair value.

A possible term for such items in the income statement could be "Changes in the fair value of contracts for participation in English secondary lotteries". Throughout the sector, however, this item is generally termed "Revenue", as it refers to the ordinary activity of a company in the gaming industry.

Revenue results from the stakes received less discounts granted, and winnings to be distributed.

In line with industry practice gaming duties are carried as "Other operating expenses" and not as sales tax within revenue.

Brokerage revenue

Revenue also results from commissions and fees which ZEAL receives for brokering bets. In the brokerage business, revenue is recognised when the bets have been made, the lottery ticket information passed on to the lottery organiser and confirmation of receipt of the information has been obtained. Ventura24 receives advance payments from some of its customers for subscriptions. Payments received are deferred and the revenue pursuant to IAS 18 is only recognised when the lottery ticket information has been passed on to the lottery organiser and confirmation of receipt of the information has been obtained.

Revenue generated by ZEAL from selling "Klassenlotterie"-tickets (a single raffle lottery played over a number of months where players' tickets are entered into monthly draws with winnings increasing over time) is recognised at the time the draw takes place. This is due to the different arrangement made in the sales agreement.

Other revenue

Finally, ZEAL receives revenue from servicing lottery operators. Insofar as this revenue is related to end consumer wagers, it is recognised when the bets have been made.

2.9 INTEREST INCOME

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2.10 INCOME TAXES

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current and deferred taxes are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.10.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. ZEAL's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.10.2 Deferred taxes

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the consolidated financial statements.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where ZEAL is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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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 liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which ZEAL expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.11 OPERATING EXPENSES

Operating expenses are recognised at the time the products or goods are delivered or the services provided.

2.12 BORROWING COSTS

Borrowing costs are recognised as an expense in the period in which they are incurred.

2.13 FOREIGN CURRENCY TRANSLATION

The consolidated annual financial statements are prepared in Euro. Each company within ZEAL Network determines its own functional currency. All currency differences from foreign exchange transactions are recognised in profit and loss. ZEAL's functional currency (Euro) is also the functional currency of all fully consolidated companies. All values are in (€k's) rounded to the nearest k except where otherwise indicated.

2.14 INTANGIBLE ASSETS

a) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately, i.e. not as part of a business combination, are carried at cost less accumulated amortisation and accumulated impairment losses. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The following useful lives were used to calculate amortisation:

	years
Patents, trademarks	3–5
Licenses	3–5
Software	3

b) Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale,
- The intention to complete the intangible asset and use or sell it,
- The ability to use or sell the intangible asset,
- How the intangible asset will generate probable future economic benefits,
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset,
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

In fiscal year 2014, research and development expenditure of €1,124k was recognised, compared to €568k in the previous year.

c) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset. They are recognised in profit or loss when the asset is derecognised.

The amount is carried in other operating income or other operating expenses.

2.15 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost, net of accumulated depreciation and recognised impairment losses. Property, plant and equipment relate exclusively to items of office equipment.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The following useful lives have been assumed for the various groups of property, plant and equipment:

	years
Technical equipment	2–14
Office equipment	3–25

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the residual amount of the asset and is recognised in profit or loss.

2.16 IMPAIRMENT OR WRITE-BACKS OF NON-CURRENT ASSETS

ZEAL assesses on every balance sheet date whether there is any indication of impairment of its non-financial assets. If there is any indication of impairment, ZEAL makes an estimation of the recoverable amount of the respective asset.

The recoverable amount of an asset is the higher of the fair value of an asset or cash-generating unit less selling costs and its value in use. The recoverable amount must be determined for each individual asset, unless the asset does not generate cash inflows that are largely independent from other assets or groups of assets. If the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount.

In order to calculate the value in use of the asset, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market expectations of interest and the specific risks of the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

A review of non-financial assets is carried out 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 not the carrying value that would have been determined, net of depreciation, if no impairment loss had been recognised for the asset in prior years. A reversal is recognised in the income statement.

2.17 LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating leases

Lease payments under an operating lease in which all main risks associated with the leasing object are retained by the lessor, are recognised as an expense on a straight-line basis over the lease term.

ZEAL does not have any finance leases.

2.18 BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss.

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.

2.19 RECOGNITION AND MEASUREMENT OF FINANCIAL ASSETS

Financial assets are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets are classified into the following specified categories:

- Financial assets "at fair value through profit or loss",
- "held-to-maturity" investments,
- "available-for-sale" financial assets,
- "loans and receivables".

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

2.19.1 Classification and valuation

a) Financial assets "at fair value through profit or loss"

Financial assets are classified as "at fair value through profit or loss" when the financial asset is either held for trading or it is designated as "at fair value through profit or loss".

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term, or
- On initial recognition it is part of a portfolio of identified financial instruments that ZEAL manages together and has a recent actual pattern of short-term profit-taking, or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as "at fair value through profit or loss" upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with ZEAL's documented risk management or investment strategy, and information about the grouping is provided internally on that basis, or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as "at fair value through profit or loss".

Financial assets "at fair value through profit or loss" are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item in the consolidated income statement.

b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as

a) loans and receivables or

b) held-to-maturity financial instruments or

c) financial assets at fair value through profit or loss.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the "available-for-sale" reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the "available-for-sale" reserve to the statement of profit or loss in finance costs. Interest earned whilst holding available-for-sale financial assets is reported as interest income using the effective interest rate method.

ZEAL evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, ZEAL is unable to trade these financial assets due to inactive markets, ZEAL may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the "available-for-sale" category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

c) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, and others) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

2.19.2 Impairment of financial assets
Financial assets, other than those "at fair value through profit or loss", are assessed for indicators of impairment at the end of each reporting period.

Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For "available-for-sale" equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty, or
- Breach of contract, such as a default or delinquency in interest or principal payments, or
- The disappearance of an active market for that financial asset because of financial difficulties.

Certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include ZEAL's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an "available-for-sale" financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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In respect of "available-for-sale" equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss.

Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

In respect of "available-for-sale" debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

2.19.3 Derecognition of financial assets

ZEAL derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset.

2.20 FINANCIAL LIABILITIES

a) Initial recognition and measurement

On initial recognition, financial liabilities are recorded at fair value. ZEAL's financial liabilities include trade and other payables, as well as loans and derivative financial instruments. Trade and other payables and loans are carried at amortised costs while derivative financial instruments are carried at fair value through profit and loss.

2.21 CASH AND CASH EQUIVALENTS

The balance sheet item "Cash and pledged cash" includes cash on hand and cash at bank. Short-term financial assets are bank deposits with terms of less than three months. Cash and bank deposits are carried at cost.

2.22 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 ZEAL are recognised at the proceeds 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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Debt and equity instruments issued by a Group company are classified as financial liabilities or equity depending on the economic purpose of the contractual agreement and the definitions.

2.23 PROVISIONS

Provisions are recognised when ZEAL has a present obligation (legal or constructive) as a result of a past event, it is probable that ZEAL 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. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

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.

2.24 CONTINGENT LIABILITIES

Contingent liabilities are not recognised in the annual financial statements. Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

2.25 EMPLOYEE BENEFITS

ZEAL operates various post-employment schemes, including termination benefits and profit-sharing and bonus plans.

a) Termination benefits

Termination benefits are payable when employment is terminated by ZEAL before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. ZEAL recognises termination benefits at the earlier of the following dates: (a) when ZEAL can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for restructuring within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of months employees worked for ZEAL. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

b) Profit-sharing and bonus plans

ZEAL recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. ZEAL recognises a provision contractually obliged or where there is a past practice that has created a constructive obligation.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are listed below, details being provided in the respective sections.

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Judgements which do not involve estimations:

- Consolidation and non-consolidation of companies within ZEAL (Section 2.5),
- No recognition of usage fee (Section 11).

Judgements which do involve estimations:

- Impairment considerations for investments in associated companies and joint ventures (Section 2.6),
- Recognition of deferred tax assets (Section 11),
- Disclosures relating to the Group's exposure to financial risks (Section 26).

4 SEGMENT REPORTING

ZEAL's activities are performed in the two "Abroad" and "Germany" segments. Notwithstanding significant structural changes within ZEAL in the course of the year 2014 – amongst others the relocation of ZEAL Network to UK – we have for reasons of consistency decided to keep the names of the segments for the purpose of the current annual statements. For clarity of understanding these are defined below.

"ABROAD" SEGMENT

The "Abroad" segment comprises the activities of the MyLotto24 sub group. MyLotto24 organises secondary lotteries based on various European lotteries, whereby it bears the bookmaking risk itself. MyLotto24 sells its products through its own website as well as through various national and international sales partners.

"GERMANY" SEGMENT

The "Germany" segment comprises:

- *The lottery brokerage business in Spain,
- *The international services business for lottery operators including online operation of the lottery games of the Spanish lottery operator ONCE (a national organisation for the blind),
- *The UK broker business that enables private business partners to host their own branded draw-based lotto product,
- The business of marketing the German class lotteries NKL and SKL in Germany,
- *The investments in associates and joint ventures.

The elements of this segment marked with an asterisk were transferred from the "Abroad" segment to the "Germany" segment on 1 October 2014. The comparable figures for 2013 have been restated to reflect this change.

No segments were pooled together to form the above reportable business segments. The identification of each segment is evaluated on the basis of revenue and EBIT. Financial expenses and income and income taxes are controlled separately within the segments ("Germany" and "Abroad") and recorded in the individual business segments. Transfer prices between segments were calculated on an arm's length basis.

Segment reporting	"Germany"		"Abroad"		Consolidation eliminations		Consolidated	
	01/01–31/12		01/01–31/12		01/01–31/12		01/01–31/12	
	2014	2013 restated	**2014**	2013 restated	**2014**	2013 restated	**2014**	2013 restated
in €k								
Revenue	**2,159**	**1,616**	**139,466**	**128,877**	**-923**	**-560**	**140,702**	**129,933**
Depreciation/amortisation	125	154	14,462	4,877	-6,914	2,326	7,673	7,357
EBIT	**-15,374**	**-13,337**	**32,371**	**36,032**	**2,159**	**-3,236**	**19,156**	**19,459**
Financial result	73,500	-1,655	649	783	-80,828	244	-6,679	-628
Share of result from associated companies	-2,573	-857					-2,573	-857
Share of result from joint ventures	-4,069	-114					-4,069	-114
Income tax	-1,083	166	-6,192	-8,958	115	683	-7,160	-8,109
Profit from continuing operations	**57,043**	**-14,826**	**26,828**	**27,857**	**-78,555**	**-2,309**	**5,317**	**10,722**
Assets	**66,215**	**65,404**	**139,215**	**134,910**	**-67,429**	**-59,055**	**138,001**	**141,259**
Reconciliation to balance sheet								
Deferred taxes							1,140	1,992
Income tax receivables							710	23,000
Short-term financial assets							15,555	70,307
Total assets							**155,406**	**213,581**
Debts	**45,194**	**41,565**	**24,597**	**26,863**	**-36,500**	**-35,214**	**33,291**	**33,214**
Reconciliation to balance sheet								
Deferred taxes							0	1,204
Tax liabilities							4,862	3,607
Total debts							**38,153**	**38,025**
Investments	**49**	**5,101**	**3,154**	**2,158**		**-12**	**3,203**	**7,247**

Segment assets do not include deferred taxes, income tax receivables or short-term financial assets. Segment liabilities do not include deferred taxes, tax liabilities or interest-bearing liabilities.

5 GROUP INFORMATION

The consolidated financial statements of ZEAL include:

Name	Country	Principal activities	% equity interest	
			2014	2013
MyLotto24 Limited[1]	United Kingdom	Bookmaker	40	40
Tipp24 Services Limited	United Kingdom	Lottery	16	16
Tipp24 Deutschland GmbH[1]	Germany	Lottery	100	100
Ventura 24 S.L.[1]	Spain	Lottery	100	40
Ventura24 Games S.A.[1]	Spain	Lottery	100	40
Smartgames Technologies Limited	United Kingdom	Services	40	40
Lottovate Limited[1]	United Kingdom	B2B Business	100	100
Lottovate Nederland B.V.	Netherland	B2B Business	100	100
Lottovate United States Incorporated	United States of America	B2B Business	100	100
Tipp24 Investment 1 Limited[2]	United Kingdom	Holding company	85	85
Tipp24 Investment 2 Limited[2]	United Kingdom	Holding company	85	85
Lotto Network Limited[1]	United Kingdom	B2B Business	100	40
Lotto Network Services S.r.L.	Italy	Services	40	40
Tipp24 Limited	United Kingdom	Dormant	100	100
eSailors IT Solutions GmbH	Germany	Services	40	40
eSailors IT Solutions Limited	United Kingdom	Holding company	40	40
Schumann e.K.	Germany	Lottery	0	0

[1] *These subsidiaries are held directly by ZEAL Network.*
[2] *At 31 December 2014 ZEAL Network held 75% of these subsidiaries directly, the remainder indirectly.*

ASSOCIATE

ZEAL has a 21.83% interest in Geonomics Global Games Limited, London, UK.

JOINT VENTURE

ZEAL has a 53.42% interest in Geo24 Limited, London, UK.

Tipp24 Investment 1 Limited, Tipp24 Investment 2 Limited, Lottovate Limited, Tipp24 Deutschland GmbH, eSailors IT Solutions Limited, Lottovate Nederland B.V., Lottovate United States Incorporated and Tipp24 Limited are exempt from the requirements of this Act relating to the audit of the individual accounts by virtue of s479A.

Section 479a audit exemption

Tipp24 Investment 1 Limited and Tipp24 Investment 2 Limited will take the exemption available by virtue of section 479a of the Companies Act 2006 which exempts them of the requirements of an audit for the individual accounts.

6 BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS

ACQUISITIONS IN 2014

On 10 April 2014 Smartgames Technologies Limited, based in London, acquired 100% of eSailors Limited, an unlisted company based in London, which provides IT and accounting services. ZEAL has acquired eSailors Limited in order to improve the technical know-how of ZEAL. The acquisition has been accounted for using the acquisition method.

The fair values of the identifiable assets and liabilities of eSailors Limited at the date of acquisition were:

in €k	Fair value recognised on acquisition
Assets	
Property, plant and equipment	626
Intangible assets	31
Trade receivables	60
Cash and cash equivalents	1,669
Other assets	723
	3,109
Liabilities	
Income tax liabilities	319
Trade payables	64
Other liabilities	577
Provision for bonuses	431
Other provisions	738
	2,129
Total identifiable net assets at fair value	**980**
Purchase consideration transferred	**980**

Prior to the acquisition a loan from Smartgames Technologies Limited to eSailors Limited of €1,700k was settled at no gain or loss.

The fair value of trade receivables acquired is €60k. The gross amount of trade receivables is €60k. None of the trade receivables has been impaired and it is expected that the full contractual amounts can be collected.

The fair value cash and cash equivalents is €1,669k. There was also a security deposit amounting to €245k. As the fixed deposit is a security deposit for rent and therefore restricted from being used to settle a liability ("pledged cash") we do not consider this amount (€245k) as "cash and cash equivalents acquired".

ANALYSIS OF CASH FLOW ON ACQUISITION

in €k	Fair value recognised on acquisition
Cash and cash equivalents acquired	1,669
Consideration payable	-980
Net cash flow on acquisition	689

From the date of acquisition, eSailors has contributed €1,117k of revenue and €2k profit before tax to the continuing operations of ZEAL. If the acquisition had taken place at the beginning of the year, revenue from continuing operations would have been €141,944k and profit before tax would have been €13,091k. Transaction costs of €5k have been expensed and are included in administrative expenses in the statement of profit and loss and are part of operating cash flows in the statement of cash flows.

7 OTHER OPERATING INCOME

in €k	2014	2013
Income from hedging transactions	3,526	3,285
Other	1,423	535
Other operating income	**4,949**	**3,820**

8 PERSONNEL EXPENSES

The average number of employees is shown below:

	Germany	Abroad	Total
Executive Board	2	0	**2**
General Managers	1	6	**7**
Employees	95	165	**260**
Trainees	2	4	**6**
Temporary personnel	1	0	**1**
Total	101	175	**276**

in €k	2014	2013
Wages and salaries	17,829	9,481
Social security costs	2,872	1,609
Total employee benefit expense	**20,701**	**11,090**

These figures include remuneration for the Executive Board, further details of which are in included in the Directors' Remuneration Report on pages 34 to 46.

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9 OTHER OPERATING EXPENSES

in €k	2014	2013
Marketing expenses	**10,729**	**6,768**
Cost of hedging transactions	24,988	22,261
Licence and operator fees	17,773	18,194
Non-deductible input tax	4,088	4,218
Handling of customer payments	2,682	2,965
Traffic	1,944	1,371
Service/maintenance of online application	1,211	1,367
Bad debt	415	856
Product processing	805	486
Direct costs of operations	**53,906**	**51,718**
Third-party capacities/services	7,235	17,120
Consulting	15,687	7,993
Other expenses	2,096	6,742
Rent & leasing	4,016	2,444
Travel, training and representation costs	2,772	1,416
Non-deductible expenses	1,163	601
Office expenses and insurance	802	579
PR, CSR and lobbying expenses	747	287
Other costs of operations	**34,518**	**37,182**
Other operating expenses	**99,153**	**95,668**

Marketing expenses rose by 58.5% to €10,729k (2013: €6,768k).

Direct operating expenses increased by 4.2% to €53,906k in the period under review (2013: €51,718k), mainly due to increases in gaming duties, cost of hedging and non-deductible VAT – all three associated with the processing of gaming operations of MyLotto24.

Other costs of operations include total fees of €610k (2013: €663k) charged by the auditors, Ernst & Young LLP and its affiliates. Of the total amount €400k (2013: €398k) relates to the statutory audit of the consolidated financial statements and other statutory audits, €115k (2013: €nil) relates to audit related assurance services, €49k (2013: €218k) relates to tax compliance services, €22k (2013: €nil) relates to tax advisory services and €24k (2013: €47k) relates to other assurance related services.

Other costs of operations fell by 7.2% to €34,518k (2013: €37,182k).

10 FINANCIAL INCOME AND RESULT

	2014	2013
in €k		
Income from financial activities		
Other interest and similar income	67	240
Income from other long-term securities and loans	105	434
Financial income	**172**	**675**
Costs from financial activities		
Interest expenses and similar expenses	-209	-332
Financial costs	**-209**	**-332**
Share of result from associated companies	-2,573	-857
Share of result from joint ventures	-4,069	-114
	-6,679	**-628**

The disclosed share of the loss of associates accounted for using the equity method represents ZEAL's share (25.7%) of the loss of Geonomics Global Games Limited.

The disclosed share of the loss of joint ventures accounted for using the equity method represents ZEAL's share (50.0%) of the loss of Geo24 UK Limited.

11 INCOME TAX EXPENSE

Income taxes paid or payable as well as deferred taxes are recognised as income taxes.

Income taxes of ZEAL as a separate company comprise corporate income tax.

The corporate income tax rate in the UK amounts to 21.5% (in 2013, the Group was headquartered in Germany where the tax rate was 32.28%).

In the case of foreign companies, the respective country-specific regulations and tax rates are used for the calculation of current income taxes.

The same percentages are used to calculate deferred taxes.

Deferred taxes under IAS 12 are calculated at the anticipated average tax rate at the time the differences are reversed. For the calculation of deferred taxes, the total tax rate for domestic companies amounted to 20% (prior year tax rate in Germany: 32.28%). In the case of foreign companies, the respective country-specific regulations and tax rates were used to calculate deferred taxes.

Tax reconciliation	2014	2013
in €k		
Current tax expense	-8,148	-9,036
Current tax adjustments in respect of previous years	558	76
Total current taxes	**-7,590**	**-8,960**
Tax expense/income from the use/recognition of deferred tax assets on loss carryforwards	40	151
Tax expense/income from the recognition/reversal of deferred tax liabilities due to temporary differences	-102	220
Deferred tax effects of reduction in UK corporation tax rate	-87	0
Deferred tax adjustments in respect of previous years	579	0
Deferred taxes	**430**	**371**
Total current and deferred income taxes	**-7,160**	**-8,588**
Earnings before taxes from continuing operations	12,477	18,831
Result before taxes from discontinued operations	0	-54
Earnings before taxes	**12,477**	**18,777**
Income tax rate in %	21.5	32.275
Expected tax expense	-2,683	-6,060
Utilisation of unrecognised tax losses brought forward	13	0
Income/expense IFRS without deferred tax	0	214
Additions acc. to § 8 GewStG (see tax calculation)	0	-3
Tax effects from not fully deductible operating expenses	-153	-62
Tax loss carryforwards not capitalised	-3,971	-4,933
Tax rate difference of foreign subsidiaries	21	2,710
Non-taxable expenses/income from consolidation	-1,427	-517
Deferred tax assets no longer recognised	-81	0
Adjustments in respect of previous years	1,137	76
Others	-16	-14
Income taxes	**7,160**	**8,588**
Tax expense disclosed in the consolidated income statement	7,160	8,109
Tax expense attributable to discontinued operations	0	480
	7,160	**8,588**

Deferred tax assets and liabilities developed as follows:

in €k	01/01/2014	Income/expense	Neutral (via equity)	31/12/2014
Deferred tax assets				
Deferred tax assets on fixed asset and temporary differences	1,951	-1,325	-103	523
Deferred tax assets on other short-term temporary differences	0	536	0	536
Deferred tax assets on tax loss carryforwards	41	40	0	81
	1,992	**-749**	**-103**	**1,140**

The deferred tax assets on temporary differences in the table above relate to fixed assets.

in €k	01/01/2014	Income/expense	31/12/2014
Deferred liabilities			
Deferred liabilities on temporary differences	1,204	-1,204	0
	1,204	**-1,204**	**0**

Of the deferred tax assets carried by ZEAL, an amount of €81k (2013: €41k) refers to tax loss carryforwards, and an amount of €1,059k (2013: €1,951k) to temporary differences. Based on current business planning of the companies concerned, except for ZEAL, positive results and cash flows are expected in future and thus taxable income will be generated.

Of total tax loss carryforwards amounting to €20,321k as of 31 December 2014 (2013: €28,679k), ZEAL did not form deferred taxes for an amount of €19,893k (2013: €27,200k). Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in ZEAL, they have arisen in subsidiaries that have been loss-making for some time, and there are no other tax planning opportunities or other evidence of recoverability in the near future. If ZEAL were able to recognise all unrecognised deferred tax assets, the profit would increase by €5,095k.

At 31 December 2014, there was no recognised or unrecognised deferred tax liability (2013: €nil) for taxes that would be payable on the unremitted earnings of certain of ZEAL's subsidiaries, associates or joint ventures. ZEAL has determined that undistributed profits of its subsidiaries, joint ventures or associates will not be distributed in the foreseeable future.

In the course of a tax inspection, there is currently a dispute with the relevant tax authority regarding the validity of tax assessments for various items in the inspection period (fiscal years 2005 to 2007 inclusive).

Although we have grounds to believe that all the items queried by the tax authority were correctly assessed in accordance with the relevant regulations, the possibility cannot be excluded that the relevant authority may come to a different conclusion and successfully uphold this view in any respective legal proceedings. As a result, there is a total tax risk of up to €3.2 million, which might have a correspondingly negative effect on the earnings, financial position and net assets of ZEAL.

There are no income tax consequences attached to the payment of dividends by the Group to its shareholders in 2014 and 2013.

Under the terms of an intra-group agreement entered into in 2009 a fee may become payable to ZEAL from one of its subsidiaries, for the use of certain assets, if the criteria set out in that agreement are met prior to 31 December 2015. Some of these criteria relate to the legal situation in Germany with regard to internet gambling. The key assumptions take into consideration that likelihood of a relevant change in German legislation prior to 31 December 2015. The Group has assessed this likelihood to be low and hence the subsidiary company has reversed the previously held accrual for the intra-group fee. This has had the effect of the elimination of a deferred tax liability previously arising on consolidation.

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12 CASH AND SHORT-TERM FINANCIAL ASSETS

	2014	2013
in €k		
Bank balances	92,219	85,460
Cash on hand	9	5
Pledged cash	357	357
Cash and pledged cash	**92,585**	**85,822**
Short-term financial assets	15,555	70,307
Cash and cash equivalents	**108,140**	**156,129**

Bank balances mainly comprise term deposits on short-term call and with variable interest rates held at various major European banks.

In addition, ZEAL held available-for-sale short-term financial assets amounting to €2,357k as of the balance sheet date (2013: €17,594k). They comprise shares and fixed-income funds. These securities are broadly spread and of high quality.

A negative change in equity of €397k (2013: €343k) was recognised after consideration of deferred taxes. There were held-to-maturity financial assets of €6,297k as of the balance sheet date (2013: €52,713k).

13 OTHER ASSETS AND PREPAID EXPENSES

	2014	2013
in €k		
Receivables from lottery companies	133	121
Receivables from payment systems	1,282	2,266
Receivables from players	584	268
Security retainers	101	2,509
Receivables from gaming operations	**2,100**	**5,164**
Prepaid expenses	**5,494**	**5,156**
Receivables from tax authorities for sales tax	**65**	**184**
Receivables from loan granted	0	1,700
Receivables from employees	16	22
Refunds due	2,508	56
Other	453	104
Others	**2,978**	**1,882**
Other assets and prepaid expenses	**10,637**	**12,386**

All other assets and prepaid expenses are due in less than one year. As of the balance sheet date, there were no indications of impairment which would have entailed the recognition of an impairment loss.

14 INTANGIBLE ASSETS

	Software	Other software	Licences	Total
in €k				
Costs				
Balance as at 1 January 2013	**23,792**	**6,952**	**451**	**31,195**
Additions	0	935	0	935
Disposals	0	-750	-268	-1,018
Balance as at 31 December 2013	**23,792**	**7,137**	**184**	**31,113**
Additions	0	1,039	0	1,039
Disposals	0	-227	0	-227
Balance as at 31 December 2014	**23,792**	**7,949**	**184**	**31,925**

	Software	Other software	Licences	Total
in €k				
Amortisation				
Accumulated amortisation as at 1 January 2013	**-9,064**	**-3,811**	**-267**	**-13,141**
Amortisation	-4,765	-1,299	-14	-6,078
Disposals	0	744	267	1,011
Accumulated amortisation as at 31 December 2013	**-13,829**	**-4,365**	**-14**	**-18,207**
Amortisation	-4,765	-1,359	-18	-6,142
Disposals	0	39	0	39
Accumulated amortisation as at 31 December 2014	**-18,594**	**-5,685**	**-32**	**-24,311**

	Software	Other software	Licences	Total
in €k				
Book value				
As at 31 December 2013	**9,963**	**2,772**	**169**	**12,905**
As at 31 December 2014	**5,198**	**2,264**	**152**	**7,614**

The item "Software" refers to the value of gaming software. The item "Other software" contains all other software products.

There are no restrictions on rights of disposal for the above mentioned intangible assets. Once again, no assets were pledged as collateral for liabilities. The remaining useful lives of intangible assets are between one and five years.

15 PROPERTY, PLANT AND EQUIPMENT

in €k	Office equipment	Hardware	Office equipment under construction	Total
Costs				
Balance as at 1 January 2013	**1,221**	**6,352**	**–**	**7,573**
Additions	32	629	595	1,255
Disposals	-261	-2,287	–	-2,549
Balance as at 31 December 2013	**992**	**4,693**	**595**	**6,279**
Additions	2,102	340	515	2,958[1]
Disposals	-390	-592	-596	-1,578
Transfers within this category	351	4	-355	–
Balance as at 31 December 2014	**3,055**	**4,445**	**159**	**7,659**

[1] *This includes €626k acquired in a business combination (Note 6).*

in €k	Office equipment	Hardware	Office equipment under construction	Total
Accumulated depreciation				
Depreciation as at 1 January 2013	**-986**	**-4,362**	**0**	**-5,348**
Depreciation	-211	-1,068	0	-1,279
Disposals	225	2,266	0	2,491
Depreciation as at 31 December 2013	**-968**	**-3,168**	**0**	**-4,136**
Depreciation	-485	-1,037	0	-1,522
Disposals	432	504	0	936
Depreciation as at 31 December 2014	**-1,021**	**-3,702**	**0**	**-4,722**

in €k	Office equipment	Hardware	Office equipment under construction	Total
Book value				
As at 31 December 2013	**24**	**1,524**	**595**	**2,143**
As at 31 December 2014	**2,034**	**749**	**159**	**2,942**

There are currently no assets held under finance leases.

16 INVESTMENT IN AN ASSOCIATE

The Group holds a stake of 25.7% in Geonomics Global Games Limited, London, UK. Geonomics has its own licence to operate and market GeoLotto – a lotto game based on a virtual map. In addition to this B2C model in the UK, Geonomics plans to sell the end-user product as a B2G solution to state lottery companies and gaming companies.

	2014	2013
in €k		
Summary of the assets and liabilities of the associated company		
Current assets including cash and cash equivalents of €2,980k (2013: €6,925k)	3,561	9,742
Non-current assets [1]	55,349	59,318
Current liabilities	-680	-819
Net assets	**58,230**	**68,241**
25.7% share of the net assets	14,965	17,538
Group's carrying amount of the investment	**14,965**	**17,538**

[1] *Non-current assets includes intangible assets (predominantly goodwill) arising on the Group's investment in Geonomics.*

	2014	2013
in €k		
Summary of profit or loss of the associated company		
Revenue	1,569	1,274
Loss from continuing operations, after depreciation and amortisation of €1,683k (2013: €1,043k), finance income of €49k (2013: €22k), finance expense of €1k (2013: €nil) and income tax credit of €395k (2013: €581k)	-9,031	-4,295
Total comprehensive income	-9,031	-4,301

Geonomics Global Games Limited is accounted for in the consolidated financial statements using the equity method.

The fiscal year of Geonomics Global Games Limited ends on 31 December.

As part of the purchase agreement a contingent consideration was agreed. There will be additional cash payments of £1.9m (approximately €2,439k) if certain revenue and adjusted earnings targets are met for the three years ending 31 December 2015. This is recorded at fair value in the balance sheet in accordance with IAS 39. At 31 December 2013 and 31 December 2014 the Directors assessed the likelihood of the target being met as nil and hence the fair value of the contingent consideration is nil.

17 INTEREST IN A JOINT VENTURE

On 1 October 2013, Tipp24 Investment 2 Limited acquired 50% of the shares in Geo24 UK Limited in London, UK. Geo24 UK Limited operates GeoLotto, a lotto game based on a virtual map. In 2014 Tipp24 Investment 2 Limited invested an additional €6.2 million in Geo24 UK Limited.

Geo24 UK Limited is accounted for in the consolidated financial statements using the equity method.

The fiscal year of Geo24 UK Limited ends on 31 December.

	2014	2013
in €k		
Summary of the assets and liabilities of the associated company		
Current assets including cash and cash equivalents of €3,710k (2013: €4,234k)	3,802	4,291
Non-current assets [1]	11,838	8,488
Current liabilities	-783	-2,640
Net assets	**14,856**	**10,138**
50% share of the net assets	7,428	5,069
Group's carrying amount of the investment	**7,428**	**5,069**

[1] Non-current assets includes goodwill arising on the Group's investment in Geo24 Limited.

	2014	2013
in €k		
Summary of profit or loss of the associated company		
Revenue	234	109
Loss from continuing operations, after depreciation of €493k (2013: €114k), finance income of €17k (2013: €nil), finance expense of €nil (2013: €nil) and income tax of €nil (2013: €nil)	-8,137	-3,374
Total comprehensive income	-8,137	-4,301

18 OTHER LIABILITIES

in €k	2014	2013
Current		
Liabilities to players	13,664	13,117
Liabilities to game brokers	180	683
Liabilities from gaming duty	20	196
Liabilities from gaming operations	**13,864**	**13,996**
VAT	1,508	1,165
Wage & church tax	360	299
Tax liabilities	**1,868**	**1,464**
Social security contributions	161	122
Liabilities from social security	**161**	**122**
Outstanding invoices	2,174	600
Other liabilities	3,339	1,787
Other liabilities	**5,513**	**2,387**
Total current other liabilities	**21,406**	**17,971**
Non-current		
Accrued rent	682	0

All other liabilities are due in less than one year.

19 DEFERRED INCOME

Deferred income of €2,895k (2013: €3,783k) relates to payments for gaming orders and stakes received prior to 31 December 2014, yet which can only be recognised on the date of the respective draw in the following year.

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20 PROVISIONS

in €k	Opening balance 01/01/2014	Usage/Releases	Additions	**Closing balance 31/12/2014**
Provisions for bonuses	935	-935	0	0
Provisions for lawsuits	550	-550	694	694
Other provisions	55	-55	0	0
Total	**1,540**	**-1,540**	**694**	**694**

Provisions for lawsuits amounting in total to €694k (2013: €550k) represent management's best estimate of the probable cash outflow related to ongoing legal cases.

21 EQUITY

21.1 SHARE CAPITAL

The Company's share capital equals its capital stock of €8,385k. It is fully paid and divided into 8,385,088 no-par value registered shares.

21.2 AUTHORISED CAPITAL

On 16 April 2013, the Executive Board of ZEAL Network – with the approval of the Supervisory Board – resolved on a capital increase for cash of 5.01% of share capital under the exclusion of shareholder subscription rights.

The Company's share capital was increased by €400,000, from €7,985,088 to €8,385,088, by making partial use of the Company's authorised capital as adopted by the Annual General Meeting of 29 June 2011. To this end, the Company issued 400,000 new, registered, no-par value shares with dividend entitlement as of 1 January 2012.

Following the resolution and successful implementation of the capital increase on 16 April 2013, the Executive Board is authorised, subject to the approval of the Supervisory Board, to increase share capital in the period up to 28 June 2016 by up to a total of €1,197k by issuing on one or more occasions in whole or in partial amounts new no-par value shares in return for cash or contribution in kind (allotment of shares).

21.3 CAPITAL RESERVES

Capital reserves amount to €21,578k (2013: €22,741k). The capital reserve predominantly includes the share premium account.

The other reserves movements include a transfer of €1,163k from the capital reserve to retained earnings which is no longer required under UK law with the relocation of ZEAL Network to the UK in early 2014.

21.4 EARNINGS PER SHARE

Earnings per share (basic and diluted) decreased in the past fiscal year from €1.30 to €0.63 per share. In comparison with the previous year, the average number of weighted outstanding shares increased by 116,667 – from 8,268,421 to 8,385,088.

Development of outstanding shares	
As at 31 December 2012	**7,985,088**
Change in 2013	+400,000
As at 31 December 2013	**8,385,088**
Change in 2014	0
As at 31 December 2014	**8,385,088**

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year (increased to account for the diluting effects from stock options). In fiscal year 2014, there was no dilutive effect as there is no active stock option program at present. In fiscal year 2013, there was no significant dilutive effect from stock options.

22 DIVIDENDS

On 27 February 2014, the Executive Board of ZEAL announced that it was considering the payment of a one-off special dividend in late April 2014 in the form of an interim dividend amounting to €7.50 per share.

The Executive Board has proposed, and the Supervisory Board has approved, with immediate effect, a revised dividend policy under which the Company will pay regular interim dividends, which are expected to amount to a total of at least €2.80 per share in the current year, 2015. Interim dividends are expected to be paid in four installments in 2015 and on a quarterly basis in 2016 and thereafter: an announcement of the amount of each dividend, and the record date for entitlement to the dividend, will be made in advance of payment of the dividend. The record date for this year's first interim dividend, amounting to €0.70 per share, will be 30 March 2015 and the payment and ex-dividend date will be 31 March 2015. Accordingly, no final dividend for 2014 will be proposed to this year's AGM. The Company's dividend policy is subject to periodic review and may be amended in the future depending on the earnings and financial position of the Company as well as other relevant factors.

Cash flows from dividends paid are classified under financing activities in the cash flow statement.

23 OPERATING LEASES

ZEAL has concluded several leases which were classified as operating leases pursuant to IAS 17.

ZEAL expensed rental payments for offices amounting to €4,016k (2013: €2,444k).

The future minimum lease payments for the above non-cancellable operating leases are as follows:

Minimum lease payment	31/12/2014	31/12/2013
in €k		
Within 1 year	718	670
>1–5 years	3,855	2,428
>5 years	5,641	2,561
Minimum lease obligations	**10,214**	**5,659**

OTHER FINANCIAL OBLIGATIONS

In addition, other significant financial obligations arising from other contracts, including cooperation agreements, insurance contracts, licence agreements and maintenance agreements are as follows:

	2015	2016	2017	2018	2019 and beyond	Total
in €k						
Other contracts	**11,727**	**5,308**	**5,308**			**22,343**

24 RELATED PARTIES

The Members of Executive Board and Supervisory Board of ZEAL Network, as well as their immediate relatives, are regarded as related parties in accordance with IAS 24. 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 €131k in the period under review (2013: €148k).

At the Annual General Meeting for fiscal year 2010 held on 29 June 2011, Jens Schumann was elected Member of the Supervisory Board with effect from 1 July 2011. Jens Schumann is the sole shareholder of Schumann e.K. This structure has existed in comparable form since 2002 and was chosen because class lotteries only issue sales licenses at present to natural persons or companies in which neither the liability of the company or its direct and indirect partners is limited. A cooperation agreement is in place between ZEAL and Schumann e.K., which governs the processing of game participation of class lottery customers by Schumann e.K. Under the terms of the agreement, Schumann e.K. must pay all commissions and other brokerage fees collected in this context to ZEAL. ZEAL provides Schumann e.K. with services in the field of controlling, bookkeeping, marketing and technical services and bears the costs incurred by Schumann e.K. in running its operations.

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

The charitable foundation "Fondation enfance sans frontières", Zurich, owner of the preference shares of MyLotto24 Limited and Tipp24 Services Limited, has been identified as a related party. According to its disclosures, it did not receive any remuneration from ZEAL in the reporting period.

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

Please refer to Remuneration Report for details on Executive Board and Supervisory Board remuneration.

25 CAPITAL MANAGEMENT

ZEAL operates a decentralised capital management system. All major decisions concerning the financial structure of the "Germany" segment are taken by the Executive Board of ZEAL Network. Capital management activities of the "Abroad" segment are handled by MyLotto24, with the exception of Tipp24 Services which operates its own capital management system. The principles and objectives of capital management are as follows, while the risks to which ZEAL is hereby exposed are described in the current risk report.

Equity which exceeds the amount required to secure the Company's stable financial position is to be used for investments and further growth finance in line with our growth strategy as well as for distribution to shareholders through payment of dividends. In the medium-term, ZEAL may also leverage its financial position by means of interest-bearing debt.

26 DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

26.1 FAIR VALUE

The financial instruments included in the following balance sheet items can be allocated to the following categories:

Financial instruments 2014	Amortised cost	Fair value recognised in equity	Non-financial assets/ liabilities	Total	Book value 31/12/2014	Fair value 31/12/2014
in €k						
Assets						
Cash and pledged cash						
Receivables	92,575	0	0	92,575		
Non-financial assets	0	0	9	9	92,584	92,584
Short-term financial assets						
Available-for-sale financial assets	0	9,258	0	9,258		
Held-to-maturity financial assets	6,297	0	0	6,297	15,555	15,555
Trade receivables						
Receivables	583	0	0	583	583	583
Other assets						
Receivables	5,079	0	5,559	10,638		
Loans	0	0	0	0	10,638	10,638
Long-term financial assets						
Financial assets held-to-maturity	0	0	0	0	0	0
Long-term other assets						
Receivables	0	0	20	20	20	20
Total assets					**119,380**	**119,380**
– of which loans and receivables	–	–	–	–	103,825	103,825
– of which available-for-sale financial assets	–	–	–	–	9,258	9,258
Held-to-maturity financial assets, short-term	–	–	–	–	6,297	6,297
Held-to-maturity financial assets, long-term	–	–	–	–	0	0
Liabilities						
Trade payables	7,505	0	0	7,505	7,505	7,505
Other liabilities	17,048	0	2,029	19,077		
Financial liabilities	109	0	0	109	19,186	19,186
Total liabilities					**26,691**	**26,691**
– of which liabilities	–	–	–	–	26,691	26,691

Financial instruments 2013	Amortised cost	Fair value recognised in equity	Non-financial assets/ liabilities	Total	**Book value 31/12/2013**	**Fair value 31/12/2013**
in €k						
Assets						
Cash and pledged cash						
Receivables	85,817	–	–	85,817	–	–
Non-financial assets	–	–	5	5	85,822	85,822
Short-term financial assets						
Available-for-sale financial assets	–	17,594	–	17,594	–	–
Held-to-maturity financial assets	52,713	–	–	52,713	70,307	70,307
Trade receivables						
Receivables	259	–	–	259	259	259
Other assets						
Receivables	5,347	–	5,340	10,687	–	–
Loans	1,700	–	–	1,700	12,386	12,386
Long-term financial assets						
Financial assets held-to-maturity	4,511	–	–	4,511	4,511	4,511
Long-term other assets						
Receivables	–	–	435	435	435	435
Total assets					**173,720**	**173,720**
– of which loans and receivables	–	–	–	–	98,902	98,902
– of which available-for-sale financial assets	–	–	–	–	17,594	17,594
Held-to-maturity financial assets, short-term	–	–	–	–	52,713	52,713
Held-to-maturity financial assets, long-term	–	–	–	–	4,511	4,511
Liabilities						
Trade payables	9,812	–	–	9,812	9,812	9,812
Other liabilities	16,384	–	1,587	17,971	–	–
Financial liabilities	108	–	–	108	18,079	18,079
Total liabilities					**27,890**	**27,890**
– of which liabilities	–	–	–	–	27,890	27,890

For all financial instruments carrying amount approximates the fair value.

26.2 CREDIT RISK

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

Cash and other financial assets

There may be a default risk both in respect of the cash and short-term financial assets themselves, as well as the accruing interest.

Due to the high total amount of cash and short-term financial assets held by ZEAL, and the resulting absolute and relative importance, extensive management processes have been established to steer and regularly monitor the Company's investment strategy.

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

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

Trade and other receivables

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

The Group generates receivables from lottery organisers for the winnings of its customers, which are passed on directly to the winners upon receipt.

Due to the credit standing of the lottery organisers, the Group does not expect any significant default on payment.

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

Contingent assets

There are no contingent assets.

26.3 LIQUIDITY RISK

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

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

Financial liabilities and trade payables presented on the face of the balance sheet in the amount of €26,691k (2013: €27,890k) are all payable within one year.

26.4 INTEREST RATE RISK

ZEAL invests the majority of its funds in a combination of fixed term deposits. For these funds, which are mainly held in liquid or short-term investments, there is a general risk from changing interest rates. A sensitivity analysis was conducted for the portfolio of cash and short-term financial assets held on 31 December 2014 with a simulated interest rate increase of 50 base points. Assuming no changes are made to the portfolio in response to the interest rate increase, there would be a rise in interest income of €296k (in a simplified calculation). Under consideration of the duration of those investments currently in the portfolio, there would be an expected reduction of this interest income of €16k. The overall effect, therefore, would be an increase in interest income of €312k (2013: €690k).

26.5 CURRENCY RISK

The Company is exposed to a currency risk as a result of the GBP exchange rates. The risk arises from payments received and made in foreign currency, which differ from the Company's functional currency and are not always offset by payments in the same currency of the same amount and with the same maturities.

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 the Euro to British Pound exchange rate of 10% was assumed as of 31 December 2014.

On the basis of this assumption, a revaluation of the Euro against the British Pound of 10% to 1,412 GBP/EUR would result in a positive effect of €7,412k on earnings. A devaluation of the Euro against the British Pound of 10% to 1,167 GBP/EUR would result in a negative effect of €7,588k on earnings. In the previous year, a revaluation of the Euro against the British Pound of 10% would have resulted in a positive effect of €3,407k on earnings, while a devaluation of the Euro against the British Pound of 10% would have resulted in a negative effect of €5,013k on earnings.

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

27 EVENTS AFTER THE BALANCE SHEET DATE

Jonas Mattsson was appointed as new Chief Financial Officer (CFO) effective 1 February 2015. In his new role, Mr. Mattsson will also serve as a Member of the Executive Board.

COMPANY STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2014

in €k	**31/12/2014**	31/12/2013
Current assets		
Cash and pledged cash	7,935	8,919
Short-term financial assets	2,357	2,404
Trade and other receivables	1,124	127
Intercompany receivables	330	90
Other current assets and prepaid expenses	140	259
Total current assets	**11,886**	**11,799**
Non-current assets		
Intangible assets	0	51
Other equipment, furniture & fixtures and leased assets	7	65
Financial assets	0	500
Shares in associated companies	27,423	27,308
Deferred tax assets	6	44
Total non-current assets	**27,436**	**27,968**
Total assets	**39,322**	**39,767**
Current liabilities		
Trade payables	1,818	1,347
Other liabilities	1,148	4,604
Income tax liabilities	0	926
Short-term liabilites	273	974
Total current liabilities	**3,239**	**7,851**
Deferred tax liabilities	0	6
Total non-current liabilites	**0**	**6**
Equity		
Subscribed capital	8,385	8,385
Capital reserves	21,578	22,741
Other reserves	-22	13
Retained earnings	6,142	771
Total equity	**36,083**	**31,910**
Total liabilities and equity	**39,322**	**39,767**

PROFIT FOR THE FINANCIAL YEAR

As permitted by Section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements. The parent company's profit after taxation was €67,096k.

These financial statements were approved by the Executive Board on 25 March 2015 and were signed on its behalf by:

Dr. Hans Cornehl
Member of Executive Board

Dr. Helmut Becker
Member of Executive Board

Jonas Mattsson
Member of Executive Board

COMPANY STATEMENT OF CASH FLOWS
FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2014

	2014	2013
in €k		
Operating activities		
Result before tax	67,140	-12,410
Adjustments for		
Amortisation/depreciation and inpairment on non-current assets	28	117
Impairment on investments	4,586	0
Dividend income	-80,000	0
Finance income	-72	-271
Finance costs	4	226
Result from disposal of non-current assets	-74	21
Working capital adjustments		
Changes in trade and other receivables and prepaid expenses	-1,118	-179
Trade and other prepayables	-3,687	3,970
Other non-cash changes	117	-2
Interest received	72	271
Interest paid	-4	-226
Taxes paid	-925	0
Cash flow from operating activities	**13,933**	**-8,483**

	2014	2013
in €k		
Dividend income	80,000	0
Payments for investments in company acquisitions	-4,700	-539
Payments for investments in property, plant and equipment	-8	51
Payments for investments in intangibles assets	-2	-72
Cash flow from investing activities	**75,290**	**-560**
Capital increase	0	16,000
Payments for transaction costs	0	-663
Dividends paid	-62,888	0
Repayment of intercompany loan	500	-500
Cash flow from financing activities	**-62,388**	**14,837**
Changes in cash and pledged cash and short-term deposits	-1,031	5,794
Cash and pledged cash and short-term deposits at the beginning of the year	11,323	5,529
Cash and pledged cash and short-term deposits at the end of the year	**10,292**	**11,323**
Composition at the end of the year	**10,292**	**11,323**
Cash and pledged cash	7,935	8,919
Short-term deposits	2,357	2,404
	10,292	**11,323**

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Subscribed capital	Capital reserves	Other reserves	Retained earnings	**Total equity**
in €k					
As at 1 January 2013	**7,985**	**7,804**	**1**	**13,120**	**28,910**
Capital increase	400	15,600	0	0	16,000
Transaction costs for capital increase	0	-663	0	0	-663
Result for the year	0	0	0	-12,349	-12,349
Other equity changes	0	0	-164	176	12
As at 31 December 2013	**8,385**	**22,741**	**-163**	**947**	**31,910**
As at 1 January 2014	**8,385**	**22,741**	**-163**	**947**	**31,910**
Result for the year	0	0	0	67,096	67,096
Dividends	0	0	0	-62,888	-62,888
Other reserves movements (Note E)	0	-1,163	141	987	-35
As at 31 December 2014	**8,385**	**21,578**	**-22**	**6,142**	**36,083**

A INVESTMENT IN SUBSIDIARIES

On 1 October 2014 MyLotto24 sold it's 100% subsidiaries Ventura24 S.L., Madrid, Spain, Ventura24 Games S.A., Madrid, Spain, Lotto Network Limited, London, UK, and GSG Lottery Systems GmbH, Hamburg, Germany, to ZEAL Network by way of distribution of dividend in specie. GSG Lottery Systems GmbH was liquidated at 31 December 2014. A full list of the Company's direct and indirect subsidiaries is shown in Note 5 to the consolidated financial statements.

in €k	
Opening balance	27,308
Additions	4,700
Impairment	4,585
Closing balance	27,423

B TRADE AND OTHER RECEIVABLES

All trade and other receivables are due in less than one year. As of the balance sheet date, there were no indications of impairment which would have entailed the recognition of an impairment loss. The 2014 balance includes €1,000k relating to expected VAT reclaims.

01
02
03
04

C DEFERRED TAX

The utilisation of tax loss carryforwards and temporary differences of the holding company is subject to the achievement of positive income in periods which are beyond the Company's current business plan and therefore the utilisation is uncertain. Consequently no deferred tax assets were recognised for these losses and temporary differences. ZEAL did not recognise deferred taxes for carryforward losses in an amount of €1,676k.

D SHARE CAPITAL

Details of the Company's share capital and share options are set out in Note 21.

E CAPITAL RESERVE

The other reserves movements include a transfer of €1,163k from the capital reserve to retained earnings which is no longer required under UK law with the relocation of ZEAL Network to the UK in early 2014.

F HEADCOUNT AND COSTS

The Company has 9 employees. The personnel costs amounted to €3,090k (2013: €3,431k).

G EVENTS AFTER THE REPORTING PERIOD

On 15 January 2015 ZEAL Network purchased from Smartgames Technologies Limited 25% of shares in Tipp24 Investment 1 Limited and 25% of shares in Tipp24 Investment 2 Limited. ZEAL Network now owns 100% ofTipp24 Investment 1 Limited and Tipp24 Investment 2 Limited.

On 23 January 2015 MyLotto24 Limited paid a dividend of €33,000,000 to ZEAL Network.

Jonas Mattsson was appointed as new Chief Financial Officer (CFO) effective 1 February 2015. In his new role, Mr. Mattsson will also serve as a Member of the Executive Board.

FINANCIAL CALENDAR

26 March 2015	Annual Press Conference
13 May 2015	Publication of Q1 Report
18 June 2015	Annual General Meeting
13 August 2015	Publication of Q2 Report
13 November 2015	Publication of Q3 Report

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KEY CONSOLIDATED FIGURES OF ZEAL NETWORK

		2014	2013	2012	2011	2010
Customers						
Number of registered customers (at year-end)	No. k	N/A	N/A	N/A	N/A	N/A
Number of registered new customers (at year-end)	No. k	N/A	N/A	N/A	N/A	N/A
Customer activity rate	%	N/A	N/A	N/A	N/A	N/A
Average billings/customer	€	N/A	N/A	N/A	N/A	N/A
Acquisition costs per new customer	€	N/A	N/A	N/A	N/A	N/A
Income statement	€k					
Billings		N/A	N/A	N/A	N/A	N/A
Revenue		140,702[2]	129,933[2]	142,731[2]	139,316[2]	101,882[2]
EBIT		19,156[2]	19,459[2]	56,464[2]	51,905[2]	32,681[2]
EBT		12,477[2]	18,831[2]	56,782[2]	52,770[2]	33,167[2]
Net profit		5,317	10,187	40,891	36,339	19,551
Balance sheet	€k					
Cash, cash equivalents and securities (incl. pledged cash, cash equivalents and securities)		92,585	85,822	78,303	64,123	43,957
Other current assets		28,712	83,166	64,033	65,433	56,613
Total non-current assets		34,109	44,593	48,881	36,215	29,444
ASSETS		155,406	213,581	191,217	173,043	130,013
Current liabilities		37,471	36,821	39,414	42,848	36,911
Non-current liabilities		682	1,204	1,427	904	181
Equity		117,253	175,556	150,375	129,291	92,921
EQUITY AND LIABILITIES		155,406	213,581	191,217	173,043	130,013
Cash flow	€k					
Cash flow from operating activities		23,838	16,751	22,546	44,323	14,081
Cash flow from investing activities		-8,938	-8,038	-8,098	-24,157	-48,446
Cash flow from financing activities		-62,888	15,337	0	0	8,950
Personnel						
Number of employees	No.	274	140	104	128	121
Personnel expenses	€k	-20,701[2]	11,090[2]	10,760[2]	12,026[2]	10,110[2]
Expenses per employee	€k	76[2]	79[2]	103[2]	94[2]	84[2]
R&D expenses	€k	1,124	568	999	1,461	1,579
Share (from 2004)						
Average number of shares (undiluted)	No.	8,385,088	8,268,421	7,985,088	7,985,088	7,715,614
Earnings per share (undiluted)	€	0.63[2]	1.30[2]	4.99[2]	4.80[2]	2.85[2]
Operating cash flow per share (undiluted)	€	2.84	2.03	2.82	5.55	1.82
Ratios	%					
Gross margin		N/A	N/A	N/A	N/A	N/A
EBIT margin		13.6[2]	15.0%[2]	39.6%[2]	37.3%[2]	32.1%[2]
Net operating margin		3.8[2]	7.8%[2]	28.6%[2]	26.1%[2]	19.2%[2]
Return-on-equity (ROE)		4.5[2]	5.8%	27.2%	28.1%	21.0%

[1] *2001–2003: unaudited* [2] *from continuing operations*

2009	2008	2007	2006	2005	2004	2003[1]	2002[1]	2001[1]
N/A	2,526	2,344	1,770	1,322	1,031	675	441	323
N/A	203	574	448	291	356	234	118	202
N/A	24.7%	28.7%	28.6%	28.6%	30.9%	30.3%	31.4%	N/A
N/A	566	588	598	609	584	620	591	N/A
N/A	46.44	20.11	18.81	20.12	17.01	17.52	14.21	N/A
N/A	335,947	346,776	264,235	204,696	154,094	104,812	70,926	42,933
89,551	45,838	44,974	34,575	26,119	19,504	14,085	8,284	3,808
23,052	8,897	8,949	7,244	6,048	3,207	1,000	1,019	-3,170
25,076	10,720	11,192	8,365	6,490	3,324	1,070	1,055	-3,124
17,482	6,606	6,272	7,445	3,318	1,575	2,994	1,752	-3,289
69,361	21,261	66,121	60,764	57,174	13,202	8,251	4,217	2,100
20,466	59,586	18,405	16,290	7,666	3,092	3,940	2,440	1,558
18,296	12,304	7,213	5,740	7,296	2,602	3,845	2,104	1,371
108,123	93,151	91,739	82,794	72,135	18,896	16,036	8,761	5,029
42,971	35,623	35,774	22,128	18,854	10,955	9,872	5,797	3,897
752	2,607	335	14	96	124	99	150	70
64,399	54,922	55,630	60,652	53,185	7,817	6,065	2,814	1,062
108,123	93,151	91,739	82,794	72,135	18,896	16,036	8,761	5,029
30,217	9,651	17,886	8,360	10,308	5,375	4,570	2,546	-1,321
25,579	-47,040	-1,200	-4,769	-6,371	-600	-506	-399	-457
-7,723	-7,386	-11,335	–	40,035	175	-30	-30	0
132	185	154	144	114	95	72	47	26
12,524	12,667	10,324	8,277	6,990	5,522	4,285	3,021	2,005
72	69	67	58	61	58	60	64	77
1,396	3,374	3,051	2,767	2,151	1,938	1,420	N/A	N/A
7,730,961	8,032,265	8,524,199	8,872,319	7,191,100	6,451,928	N/A	N/A	N/A
2.26	0.82	0.74	0.84	0.46	0.24	N/A	N/A	N/A
3.91	1.20	2.10	0.94	1.43	0.83	N/A	N/A	N/A
N/A	13.6%	13.0%	13.1%	12.8%	12.7%	13.4%	11.4%	8.9%
25.7%	19.4%	19.9%	21.0%	23.2%	16.4%	7.1%	12.6%	-83.2%
19.5%	14.4%	13.9%	21.5%	12.7%	8.1%	21.3%	21.6%	-86.4%
27.1%	12.0%	11.3%	12.3%	6.2%	20.1%	49.4%	62.3%	-309.7%

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