



11 January 2019

Lottoland Holdings Limited

Office Suite C
Ocean Village Promenade
Gibraltar
GX11 1AA

To: Dr. Helmut Becker and Mr. Jonas Mattsson

For attention of: Supervisory Board of Zeal Network SE (Mr. Thorsten H. Hehl, Mr. Oliver Jaster, Ms. Leslie-Ann Reed, Mr. Bernd Schiphorst, Mr. Jens Schumann and Mr. Peter Steiner)
Zeal Network SE
One New Change
London
United Kingdom
EC4M 9AK

Dear Dr. Becker and Mr. Mattsson

LOTTOLAND HOLDINGS LTD OFFER FOR THE PURCHASE OF ASSETS OF ZEAL NETWORK SE

Further to our letter to you dated 7th January 2019, despite our efforts to enter into a non-disclosure agreement and despite your reluctance to share any information with us or answer our questions, set-out herein is an indicative offer (the “**Proposed Offer**”) for the purchase of certain assets of Zeal Network SE (the “**Company**”).

We strongly believe that our Proposed Offer will exceed in achieving the benefits of the proposed takeover of Lotto24 AG (the “**Transaction**”) as you have presented these in your Offering Circular dated 21st December 2018. We believe that our Proposed Offer is deliverable within a shorter timeframe and gives greater certainty and higher value to shareholders.

In summary, we believe that Lottoland’s Proposed Offer is superior to the contemplated Transaction and - subject to customary/confirmatory due diligence - should be put to shareholders to evaluate. As such, the Company should immediately postpone the upcoming General Meeting, allow our limited due diligence to take place and enter into good faith negotiations with Lottoland.



The Proposed Offer

We propose to purchase certain assets and entities of the Company which are linked to the operation of your German focused business, as currently operating under www.tipp24.com (the “**German Business**”).

Based on public information, we believe that this would include the UK-based subsidiary Tipp24 Services Ltd, its customers and any related intellectual property as well as the relevant infrastructure necessary to operate the website.

The Proposed Offer would not include acquiring the bookmaker and licensed entity MyLotto24 Ltd, which would remain with the Company, and could be used for further expansion of the remaining business.

Proposed Offer Valuation

Considering the Company’s unaffected share price of 22.15 Euro from 4th January 2019, the day before Lottoland announced its intention to make an offer (the “**Unaffected Share Price**”), the market capitalization of the Company stood at 185.7m Euro.

In determining the value of the German Business, we believe the capital markets are taking the following approach:

Market capitalization less

Net cash less

Book value of minority investments less

Assumed value of the international business¹

Based on our assumptions, we believe that the capital markets are attributing a valuation to the German Business of approximately 38m Euro.

Subject to customary/confirmatory due diligence, Lottoland is hereby willing to offer the Company for the German Business:

- (i) a minimum of 60m Euro in cash (i.e. an implied 60% premium to the assumed capital market valuation of the German Business); and**
- (ii) a maximum of 76m Euro in cash (i.e. an implied 100% premium to the assumed capital market valuation of the German Business).**

¹ Namely the live businesses in UK and Ireland as well as the upcoming business in the Czech Republic (for which the Company has been granted a license) and in South Africa (for which the Company has applied for a license) as well as the B2B business (ONCE in Spain etc.), the UNICEF lottery in Norway and Raffld in the Netherlands.



Subject to the successful conclusion of the customary/confirmatory due diligence and any negotiations, we believe that the Proposed Offer delivers shareholders a value per share in the range between 24.85 and 26.65 Euro, representing a significant premium to the Unaffected Share Price.

The final price will be based on our findings during the customary/confirmatory due diligence process.

We undertake to provide the board of directors of Zeal (the “**Board**”) with a final offer in good faith as soon as practicably possible. Our Proposed Offer is not subject to financing. Our financial advisors are on standby to begin the formal due diligence and negotiation process.

Rationale for the Proposed Offer

Pursuant to Section 2 of the Offering Circular the Board has highlighted the following reasons for the Transaction:

- (i) significant risk reduction from an operational, tax, and regulatory perspective;
- (ii) improved growth potential; and
- (iii) cost synergies.

Our Proposed Offer will at least equally achieve or enable these outcomes, likely exceed them, **whilst creating additional benefits for shareholders as outlined below.**

(i) Significant risk reduction from an operational, tax, and regulatory perspective

By divesting itself of the German lottery betting business, the Company is reducing its operational, tax and regulatory risks in much the same way as through the Transaction. It will no longer be exposed in Germany to the volatility created by big wins, the uncertainty surrounding the outcome of the pending German legal VAT case and the assumed risk of an outright ban on lotto betting.

However, converting the Company’s existing lotto betting customers to lottery brokerage customers will be difficult and risky as the product offering will shrink by more than two-thirds². This will result in existing customers of the Company spending less.

(ii) Improved growth potential

The Company will be able to focus on its international growth ambitions, which the Executive Board has announced it intends to do. Moreover, the Company will have additional and

² Six (6) of the nine (9) main lottery games offered (i.e. 66.7%) will have to be ceased on Tipp24.com, if Tipp24.com would want to operate under a German license. Additionally, entire verticals will have to cease, e.g. scratch card games and instant lotteries and instant win games.



sufficient funds to obtain its own brokerage license in Germany³ and concentrate on the growth of these businesses within potentially attractive regulated markets.

(iii) Cost synergies

There is a significant amount of cost synergies which can be achieved independently of the Lotto24 Transaction. In fact, to-date the Company has announced that they have already achieved 4m Euro in cost savings since the Transaction was announced.

The sale of the German Business will result in further additional cost savings. For example, the number of employees will be reduced to the same or to a higher degree as under the Proposed Transaction, in this case not because of duplication of roles but merely because the German Business will be taken over by Lottoland.

Moreover, the sale of the German Business will eradicate hedging costs in the same manner as the Transaction would. The Proposed Offer would therefore also give way to the release of the relevant self-retention reserves which could be returned to shareholders.

Finally, the Proposed Offer, unlike the Transaction, will not trigger the high dis-synergies; the Company has calculated these to be approximately 107m Euro.

In addition to the points above, the Proposed Offer presents significant additional benefits, as it:

- (i) provides superior and immediate returns in a shorter time frame with far less execution risks than the Transaction; and**
- (ii) increases optionality with the remaining cash, which could be re-invested in the Company or distributed to shareholders.**

We believe Lottoland's Proposed Offer is superior financially, deliverable, subject to minimal conditionality and could be executed within a short time frame.

Pursuant to the above and the fiduciary duties you owe to all shareholders, we urge you to delay the General Meeting until our Proposed Offer has been fully and adequately assessed, so that a fully informed decision can be made by all shareholders.

Yours faithfully,

Nigel Birrell
Chief Executive Officer

³ Under a new brand.

