

FORTUNA ENTERTAINMENT GROUP N.V.

Annual Report for the year 2017

**ANNUAL REPORT OF
FORTUNA ENTERTAINMENT GROUP N.V.
FOR THE YEAR 2017**

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1. Fortuna at a Glance

Fortuna Entertainment Group N. V. (hereinafter "Fortuna" or "FEG" or "the Group" or "the Company") is the leading Central European multi-channel betting and gaming operator. The Group offers a comprehensive range of online and land network-based betting and gaming products, including pre-match and live betting on a range of sporting events as well as online gaming.

Thanks to its 20-plus years of experience on the CEE market, Fortuna sets industry standards and trends in the betting sector. The Group constantly invests in the development of new products and services; it has expanded its branch network as well as the quality of its distribution channels.

The founding company FORTUNA sázková kancelář a.s. (hereinafter "FORTUNA Betting Office, joint stock company" or "Fortuna SazKan") was established in 1990 in Prague. Since its incorporation, Fortuna SazKan's primary business has been sports fixed-odds betting. A year after it was formed, T E R N O, akciová spoločnosť was established in Slovakia. In 2005, Penta Investments became the owner of both entities and in the same year it acquired Polish betting operator Profesjonal. Subsequently, all the companies were rebranded under one brand: Fortuna.

In May 2017, Fortuna acquired a 100% stake in Hattrick Sports Group Ltd., Ireland ("Hattrick Sports Group"), the owner of Casa Pariurilor, the leading betting operator in Romania, and PSK, the second largest operator in Croatia, and B2B in Spain, Germany and other countries. In August 2017, Fortuna acquired Romanian companies Bet Active Concept S.R.L. and Bet Zone S.R.L. (for which Fortuna had provided its trademark since 2015), Public Slots S.R.L. and Slot Arena S.R.L.

As of 31 December 2017, Fortuna operated 3,194 points-of-sale in the Czech Republic, Slovakia, Poland, Romania and Croatia.

Until May 2017, Fortuna operated numerical lottery games and instant scratch tickets. On 23 May 2017, Fortuna sold its lottery business represented by the company FORTUNA sázky a.s. to SAZKA a.s.

In October 2010, FEG underwent a successful IPO on the Prague and Warsaw stock exchanges. As of 31 December 2017, Fortuna's majority shareholder was FORTBET HOLDINGS LIMITED, a subsidiary of Penta Investments Limited, which held a 79.78% stake.

2. 2017 Financial Highlights

Financials (EUR thousands)	2017	2016
Amounts Staked	2,007,143	1,039,605
- of which Sports Betting & Gaming	1,480,374	1,019,370
- of which Lottery (discontinued operations)	5,664	20,235
- of which Hattrick (05-12/2017 only)	386,187	n/a
- of which Fortuna Romania (09-12/2017 only)	134,918	n/a
Gross Win ¹	305,444	162,968
- of which Sports Betting & Gaming	218,487	153,773
- of which Lottery (discontinued operations)	2,373	9,195
- of which Hattrick (05-12/2017 only)	62,087	n/a
- of which Fortuna Romania (09-12/2017 only)	22,497	n/a
Revenues	212,365	106,189
- of which Sports Betting & Gaming	136,018	98,947
- of which Lottery (discontinued operations)	1,870	7,242
- of which Hattrick (05-12/2017 only)	56,103	n/a
- of which Fortuna Romania (09-12/2017 only)	18,374	n/a
EBITDA ¹	54,956	22,149
- of which Sports Betting & Gaming	31,885	20,759
- of which Lottery (discontinued operations)	(202)	1,390
- of which Hattrick (05-12/2017 only)	18,584	n/a
- of which Fortuna Romania (09-12/2017 only)	4,689	n/a
Operating Profit	40,232	16,700
- of which Sports Betting & Gaming	24,134	17,998
- of which Lottery (discontinued operations)	(207)	(1,298)
- of which Hattrick (05-12/2017 only)	12,442	n/a
- of which Fortuna Romania (09-12/2017 only)	3,863	n/a
Net Profit	15,437	8,282
- of which Sports Betting & Gaming	15,855	9,555
- of which Lottery (discontinued operations)	(245)	(1,273)
- of which Hattrick (05-12/2017 only)	(2,724)	n/a
- of which Fortuna Romania (09-12/2017 only)	2,551	n/a
Ratios		
EBITDA Margin ¹	25.9%	20.9%
Operating Profit Margin ¹	18.9%	15.7%
Net Profit Margin ¹	7.3%	7.8%
CAPEX as % of Revenues ¹	5.5%	9.9%

¹ See the Section Glossary for a more detailed explanation.

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	As of 31 Dec 2017	As of 31 Dec 2016
Number of Shares – End of Period (“EOP”)	52,000,000	52,000,000
Total Assets	336,528	121,545
Total Equity (including non-controlling interest)	76,955	59,475
Total Borrowings	129,663	30,153
Net Debt / (Net Cash) ¹	48,947	(1,840)
CAPEX	11,641	10,516
Operations		
Number of Points-of-Sale (sports betting)	3,194	1,498
Number of Employees – EOP	6,064	2,286

3. 2017 Key Events

February 2017	Fortuna became the first company that was granted a licence by the Ministry of Finance of the Czech Republic to operate online casino / technical games in the Czech Republic.
	Fortuna entered into an agreement to acquire a 100% stake in Hattrick Sports Group Ltd., Ireland. Hattrick is the owner of the betting operator in Romania, Casa Pariurilor, and the operator in Croatia, PSK.
March 2017	Fortuna announced its intention to sell its Czech lottery business operated via its subsidiary FORTUNA sázky a.s. based in Prague. The Management Board and the Supervisory Board of Fortuna Entertainment Group N.V. approved the intention to acquire Romanian companies Bet Active Concept S.R.L., Bet Zone S.R.L., Public Slots S.R.L. and Slot Arena S.R.L. from Fortbet Holdings Limited, the majority shareholder of Fortuna and a subsidiary of Penta Investments Group.
	The majority shareholder of Fortuna Entertainment Group N.V., Fortbet Holdings Limited, launched a tender offer for the purchase of all outstanding shares issued by Fortuna.
April 2017	Templeton commenced legal proceedings before the Enterprise Court of Amsterdam, seeking the prohibition of voting on the proposed acquisition of Bet Active Concept S.R.L., Bet Zone S.R.L., Public Slots S.R.L. and Slot Arena S.R.L.
May 2017	Fortuna closed the acquisition of the 100% stake in Hattrick Sports Group Ltd., Ireland which was initially announced in February. The acquisition was approved by the regulatory authorities as well as by the shareholders of the Company.
July 2017	Fortuna Entertainment Group N.V. announced that the Enterprise Division of the Amsterdam Court of Appeals had dismissed all requests submitted by Templeton.
August 2017	Fortuna closed the acquisition of Bet Active Concept S.R.L., Bet Zone S.R.L., Public Slots S.R.L. and Slot Arena S.R.L. through two SPVs incorporated in Romania. The acquisition was approved by an Extraordinary General Meeting of shareholders on 1 August 2017.
December 2017	The Extraordinary General Meeting of Shareholders approved a new remuneration policy for the members of the Management Board and the Supervisory Board and changes to the Company's articles of association and appointed a new member of the Management Board and two new members of the Supervisory Board.

4. Letter to Shareholders from the Chairman of the Management Board

Dear Shareholders,

2017 was the year of step change for the Fortuna Entertainment Group (FEG) as we continued to implement our value creation strategy that was launched in 2015 and delivered a revenue and EBITDA year-on-year growth of 100% and 148% respectively.

FEG's value creation strategy is based upon the below three main pillars with corresponding implementation through the group wide Strategic Initiatives:

- Market share gain in existing markets driven by regulation and operational excellence,
- Product vertical extension into gaming driven by regulation and internationalization, and
- Expansion into Central Eastern European regulated markets through M&A

The FEG vision is to become 'The no.1 licensed sports betting & gaming operator in CEE with the most trusted and exciting multi-channel betting & gaming brands'. The group wide key strategic initiatives focus on establishing the foundation for future growth with respect to instigating operational excellence across the group, further investment into our multi-channel & product offering as well as preparing for step-change value creation.

The strategy implementation gained further momentum in 2017, e.g. scalable customer life cycle management driven by improved insights further strengthened our underlying customer model performance, FEG becoming the first regulated operator for online gaming in the Czech Republic which enabled further market share gain, the retail channel was turned into year-on-year revenue growth after years of decline, and the completion of the acquisitions of Fortbet Romanian entities as well as the Hattrick Sports Group ensured further geographical expansion.

While we in 2017 implemented substantial change throughout the operation as well as initiating the integration of the newly acquired companies it was very encouraging to see that FEG achieved accelerated growth momentum resulting in record high financial performance with Amount Staked of EUR 2.0 billion (+93.1% yoy), Gross Win of EUR 305.4 million (+87.4% yoy) and EBITDA of EUR 55.0 million (148.1% yoy).

In 2018 we foresee continued execution of our value creation strategy with some of the highlights being, e.g. complete the integration of Hattrick Sports Group and Fortbet Romanian companies, continued investment into Product & Technology to further strengthening our multi-channel and -product customer offering, further investment into building operational excellence and human capital as well as seeking additional M&A opportunities. Adding our robust underlying business with the FIFA World Cup event in Russia in the summer we look forward to continuing delivering strong growth in 2018.

The importance of being a legal, regulated and responsible sports betting and gaming operator cannot be underestimated. FEG is committed to pay the appropriate taxes and levies in each of the markets we operate within and to ensure a responsible gaming approach so that our customers can remain in control of their wagering and enjoy betting and gaming as part of their discretionary spending on leisure and entertainment. We hope that the governments in the markets FEG operates in will ensure the protection of the regulated sports betting and gaming operators who run their business legally and pay taxes and will protect their regulated domestic markets by banning illegal offshore operators and taking measures against them.

Finally, I would like to thank all the fantastic employees of Fortuna Entertainment Group for their dedication and hard work. My thanks also go to the Supervisory Board and the Management Board for their support and commitment to our value creation strategy. As a company, we remain committed to

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high standards of corporate governance and corporate responsibility in the furtherance of shareholder interests.



Per Widerström
CEO and Chairman of the Management Board
Fortuna Entertainment Group N.V.

5. Letter to Shareholders from the Chairman of the Supervisory Board

Dear Shareholders,

2017 was a very eventful and exciting year for the Fortuna Entertainment Group. I am pleased to say that we saw a substantial uplift in the business performance of the Group resulting from the continuing pursuit of the transformational plan that we embarked upon more than 3 years ago. Needless to say, none of the success would have been possible without the hard work of all our employees – for which I would like to sincerely thank all of them on behalf of the whole Supervisory Board.

As mentioned in my predecessor's letter last year, 2017 was also a year of significant changes to the regulatory framework across some of our markets. In the Czech Republic, we became the first licensed operator to offer online casino in the market in February. After more than 10 months of live operation, I am pleased to say that underlying results continue to be very encouraging and provide a strong validation of our strategic focus on being a truly multi-product operator.

The healthy momentum in the business also served as a fundamental catalyst for our acquisitions of the Hattrick Sports Group in May and the Romanian operations in August (previously run under the Fortuna brand-licensing agreement by Penta Investments). Both of these transactions together represented a historical milestone for the Company. As a result, Fortuna Entertainment Group has become the leading, regulated and truly multi-channel, multi-product and multi-brand operator in the region.

Following the proceedings at the Enterprise Chamber (Ondernemingskamer) of the Court of Appeal in Amsterdam, we also proactively took steps to further strengthen the corporate governance and independence of the Group. On behalf of all my colleagues in the Supervisory Board, I would like to thank for the overwhelming majority support and the resulting strong mandate we have been provided to represent the interests of all the shareholders.

Looking into 2018, I am sure the Winter Olympics and the FIFA World Cup will serve as a strong testament to the underlying momentum of the Group and our continuing efforts in delivering a sustainable growth.

On behalf of the Supervisory Board, I would like to offer a strong support to the Management Board and all our employees and thank them once again for their continuing passion and commitment to the Company.

Yours sincerely,



Tom de Waard
Chairman of the Supervisory Board
Fortuna Entertainment Group N.V.

6. Management Board Report

6.1 Description of the Company's Business and Markets

6.1.1 General Market Overview

The Group operates in the betting and gaming sector. The betting is mainly focused on sporting events while gaming services include the following: online casino games such as slots, black jack, roulette as well as products like Poker and Bingo. After gaming and lotteries, betting is the biggest subsector in the overall EU betting and gaming market. The substantial growth in the European betting market has been driven by regulatory change and the growth of online betting. Currently, legal frameworks for betting service providers in many European jurisdictions are under review. Some countries are contemplating the liberalisation of the betting market, partly due to the inefficiency of various limitations and bans, and partly in order to increase existing taxes or impose taxes on new areas of commerce. Gaming is the most significant subsector, with further prospects for growth that mainly stem from the rapid development of online services. This trend is supported by cooperation between various entities in the betting and gaming sector: landline operators are starting to cooperate with online service providers, while betting organisers are entering into agreements with gaming operators.

The Group operates in the Czech Republic, Slovakia and Poland and from 2017 also in Romania and Croatia. Compared with the markets of Western countries, the Central & Eastern Europe betting markets are still relatively underdeveloped and offer opportunities for future growth. Apart from in the Czech Republic, the competitive landscape largely consists of a small number of single-country operators. However, due to the growth in the online betting industry, country operators have started to compete not only at a local level, but also against offshore online operators. In terms of retail operations, potential new market entrants encounter significant entry barriers such as local licensing requirements, significant marketing and branding spend and high retail establishment costs.

The table below presents the main economic indicators in the countries where the Group operates:

	Czech Republic	Slovakia	Poland	Romania	Croatia
Population (million, 2017)	10.6	5.4	38.0	19.6	4.2
GDP (EUR billion, 2016)	177	81	426	170	46
GDP per capita (EUR, 2017)	16,500	14,600	11,200	7,700	11,000
HICP (all items, annual average inflation rate, 2017)	2.4	1.4	1.6	1.1	1.3

Source: Eurostat, Ministry of Finance CR

6.1.2 Czech Republic

The competitive landscape in the betting and gaming sector is primarily composed of five major bookmakers led by Tipsport, Fortuna and Chance², Synot Tip and Sazka. The leading position on the market in terms of the number of outlets is held by Tipsport, with a significant factor being "partner" outlets in bars. Fortuna has a solid second position with a market share³ of around 30%⁴. Alternative bookmakers are SynotTip and Sazka, the core activities of which are slot machines and lotteries.

² Chance was acquired by Tipsport, effective 1 January 2013

³ See the section Glossary for a closer explanation

⁴ Source: the Company

FORTUNA GAME a.s. obtained the first online casino / technical games license on 24 February 2017. The new related legislation enables blocking of offshore operators. Licensing process of other operators (including foreign companies) is possible under the condition of registration of all players (in compliance with new AML law).

6.1.3 Slovakia

There are three main competitors on the Slovak betting market. Niké is the market leader with approximately 37% market share⁵, second place is taken by Fortuna Slovakia with approximately 34% of the market and third place is taken by Tipsport with approximately 23%. Besides these three market leaders, other competitors include Tipos and Junior Game. The deregulation of internet betting has allowed for further strong market growth through the online sales channel.

6.1.4 Poland

There are three strong players on the Polish betting market: Fortuna PL, Totolotek (majority owner Intralot SA), and privately-owned STS (Juroszek family). Fortuna PL is currently number two in terms of market presence, with a market share⁶ of approximately 33%⁷ on the domestic regulated market. The big market players are followed by smaller operators such as Millenium, E-Toto and newcomers LVBet and ForBet, which started its operations in 2016, and Superbet which started its operations in November 2017.

Fortuna PL was the first operator to receive an online betting licence from the Polish Ministry of Finance. That occurred in January 2012. STS and Millenium obtained their online licences during 2012, while Totolotek received a licence in July 2013.

In 2017, online gaming was allowed by legislation in Poland but only as a state monopoly. With respect to the online gaming, Polish legislation enabled blocking offshore operators. Also bets on virtual sports were newly introduced by Polish legislation. Fortuna PL obtained a virtual sports license on 1 March 2017.

6.1.5 Romania

Romania is one of the Central & Eastern European markets seen as having strong potential for the sports betting and gaming business.

Since the acquisition of Casa Pariurilor and Fortbet companies in Romania, Fortuna has become the no. 1 multi-channel and multi-product (sports betting/gaming) operator with more than 30% combined market share⁸ and the biggest retail network. Other players include Superbet and Stanleybet.

Online gambling arrived on the Romanian market in November 2015. In an environment dominated by the retail business, the main online competitors, which are also established on the European market, are Unibet, NetBet, Betano, Sportingbet, Betfair and 888. Besides these operators, local betting companies such as Superbet have also launched online products.

⁵ See the section Glossary for a closer explanation

⁶ See the section Glossary for a closer explanation

⁷ Source: the Company

⁸ See the section Glossary for a closer explanation

6.1.6 Croatia

There are six licensed sports betting operators in Croatia, five of which are privately-owned companies. The State Lottery is the sixth operator. Fortuna owns the licensed operator Hattrick-PSK, which is no. two on the market with a market share⁹ of approximately 24%. The other five operators are Supersport, Germania, the State Lottery, Stanleybet and FavBet. Fortuna operates both online and offline sports betting and casino games in addition to offering slot machines in outlets.

It is estimated that approximately 40% of the overall sports betting business in Croatia is with offshore operators.

Sports betting has been regulated in Croatia since 1998. Online betting has been regulated since 2010, while online casino has been regulated since 2016.

6.2 Regulatory Environment

The entertainment industry sphere, which includes betting, games of chance and gaming machines, has not been subject to harmonisation at the European Union level and the competency remains with EU Member States when it comes to defining the conditions for the pursuit of activities in the sector. However, regulations concerning the sector have been several times brought before the European Court of Justice ("ECJ"). The ECJ has indicated that there is no intention to treat the sector as an ordinary market sector that should be governed by the rules of the market. It was noted that socially-based attitudes towards sector activities tend to restrict, or even prohibit, such activities to prevent them from being a source of private profit. Furthermore, the issue of public security, in particular the prevention of criminal or fraudulent behaviour, is often raised by Member States imposing limitations. The ECJ also indicated that sometimes a proportion of the funds from operations in the sector should be earmarked for social initiatives, charitable works, sport or culture. Therefore limiting the powers of the Member States in the ECJ's interpretations of the provisions of the Treaty with respect to the sector does not have the objective of establishing a common market and the liberalisation of its area of activities. In accordance with Article 45, in conjunction with Article 62 of the Treaty on the Functioning of the European Union, the free movement of services, guaranteed in Article 56 of the Treaty, may be restricted only on the grounds of public policy, public security or public health.

The development of European legislation (regarding electronic services, for instance) and further judgments of the ECJ might conceivably impact local legislation and result in changes in the gambling laws.

6.2.1 Regulatory Environment in the Czech Republic

Three bills consisting of a new gambling act, a gambling tax act and an act containing the amendments of other acts related to gambling, which aim to replace and reform the current gambling regulatory framework in the Czech Republic, were approved by the legislative branch in mid-2016. However, the entire new framework did not enter into force until January 1, 2017.

Czech Act No. 186/2016 on Gambling (the "Gambling Act"), which is the prime legal tool regulating gaming in the country, defines gambling as a game of chance, betting or a lottery in which a participant wagers a bet while no return on such a bet is guaranteed, and the win or loss is entirely or partly subject to chance or unknown circumstance.

The Gambling Act further differentiates gambling into "types of gambling". Any other game that meets the general gambling definition but does not meet the requirements of one of the specified types of gambling is prohibited.

⁹ See the section Glossary for a closer explanation

Gambling is subject to a special sector tax under the Gambling Tax Act. The tax basis of the gambling tax is the difference between the total value of accepted bets or wagers and the total value of paid winnings (the tax base). The gambling tax rate is 23 percent of the gross gaming revenues, with the exception of technical games that are subject to a 35 percent tax on the gross gaming revenue. Additionally, land-based operators of technical games have to account for a “minimum tax” per each slot machine, which is 9,200 Czech koruna per calendar quarter. The gambling tax is paid on a quarterly basis. Each gambling operator (even illegal operators) is subject to the gambling tax regardless of the location of its registered seat or main office.

If a gambling operator has a registered seat or main office within the territory of the Czech Republic, then it is subject to corporate income tax. The corporate income tax is 19 percent of the net income of a company.

Players' winnings are not subject to any additional taxation, provided that the players' winnings come from a game operated by a licensed gambling operator with a licence from an EU or European Economic Area Member State.

RECENT CHANGES AND OUTLOOK

As of 1 January 2017, an amendment to the Anti-Money Laundering Act became effective, requiring gambling operators to carry out identifications of players and know-your-customer processes similar to those carried out by payment and credit institutions. Gambling operators must take steps to prevent crime and other wrongdoing.

On 1 January 2017, the Act on Advertising was amended. It introduced new gambling advertising restrictions, which specify that gambling advertisements

- must not target people under the age of 18 (minors);
- must not give the impression that gambling can serve as a source of income;
- must clearly state that minors are excluded from gambling; and
- must include the text: “Ministry of Finance cautions: Participation in gambling may lead to addiction!”

With respect to case law, the placement of an illegal online gambling website on the list of illegal gambling operators (blacklist) and the related internet provider (IP) blocking provisions have been contested on a constitutional level by a group of 21 senators who filed a motion with the Constitutional Court to declare the relevant IP blocking sections of the Gambling Law unconstitutional, claiming they could be a form of unconstitutional censorship. The Constitutional Court, however, upheld the wording of the Gambling Act and kept the relevant provisions intact. No additional gambling case law has been published.

Throughout the year, the new regulatory regime was supplemented by secondary legislation and government-issued clarifications on the meaning of the new law, including special guidelines with respect to bonus allocation.

Furthermore, the Gambling Act does not expressly provide any e-sports or social gaming provisions. Nonetheless, the legal definition of a game of chance under the Gambling Act is quite broad and may even include e-sports. This issue has not yet been addressed by either the Ministry or the courts of law.

6.2.2 Regulatory Environment in Slovakia

The operation of gambling games in the Slovak Republic is regulated primarily by Act No. 171/2005 on Gambling Games, as amended (the “Slovak Gambling Act”), which is the main legislative instrument of Slovak gambling law.

Under Article 3(3) of the Act, betting games may be operated on the basis of a general or individual licence “for the operation of betting games issued by the Slovak Ministry of Finance. A separate consent

of the municipality has to be obtained for the operation of a betting outlet within its territory. The term of validity for a betting licence is limited to 5 years. A betting licence may be issued only to joint stock companies or limited liability companies having their registered office in the Slovak Republic with the minimum amount of registered capital of €331,900. In the case of legal entities with a "foreign property participation", a betting licence may only be issued to legal entities with the "foreign property participation" of entities having their registered office or address of their permanent residence in an EU or OECD Member State.

Online betting is regulated under Article 9 and 35(6) of the Gambling act. However, in practice betting licences do contain an authorisation to operate online betting.

An application for a betting licence is subject to an administration fee charged by the Slovak Ministry of Finance, amounting between € 350 and 7,000.

The operator of a betting game is required to maintain a certain minimum amount of funds as a financial guarantee in a bank account solely for the purposes of the settlement of the obligations of the operator of the betting game. In the case of fixed-odds betting, the financial guarantee amounts to €750,000. The operator of a betting game is required to maintain the financial guarantee during the entire term of validity of the betting licence, as well as after the expiration of the validity of the licence until all the above-mentioned obligations are settled and the annual settlement of the licence fees is submitted to the Slovak Ministry of Finance.

The operator of a betting game is furthermore under the obligation to pay licence fees to the state and/or municipal budget. In the case of fixed-odds betting, the fee is 6% of the sum of Amounts Staked and in the case of horse racing betting it is 1% of the sum of Amounts Staked.

The new regulation was approved in November 2016 and took effect from January 2017. Amongst the new amendments, the Act introduced several important changes with respect to client identification requirements and the protection of minors.

The Act also initiated measures against unlicensed gaming operators. A blacklist of banned operators was published on July 17th 2017 for the first time and the regulator has been actively trying to block websites and payments of the listed operators since then.

6.2.3 Regulatory Environment in Poland

The current gambling law in Poland came into force on 1 January 2010.

An entity that intends to organise betting is obliged to apply for the permission of the ministry responsible for public finances. The permission is issued for 6 years for a specified number of betting outlets, which may be amended. After the expiry of that permission, an entity may apply for permission only once for 6 consecutive years. An entity organising betting should be organised as a limited liability company or joint stock company with share capital of at least 2 million zloty and have its registered office in Poland, or if such a company is organising betting in the territory of the EU or EFTA, it is subject to the application of a representative, or in the form of a branch.

The fee for a betting permit is 2,000% of the base amount and 50% of the base amount for each betting outlet or – in the case of organising betting through the Internet - 9,000% of the base amount. The base amount is the total average monthly gross wages and salaries excluding payments from profit in the second quarter of the previous year as published by the Central Statistical Office. At the end of 2017, the base amount was 4,474.00 zloty, which makes the permission fee 89,480 zloty and around 2,237 zloty for each betting outlet. In addition, a betting company is obliged to establish collateral securing the interests of its customers and fiscal obligations. The amount of collateral is determined on the basis of the number of betting outlets. The base amount is 40,000 zloty. The amount of collateral for 40 betting outlets is six times the base amount and increases by one base amount are set for each further 10 betting outlets (i.e. in the case of 100 betting outlets = 240,000 zloty + 6 x 40,000 zloty = 480,000 zloty).

The collateral may be in the form of a banking or insurance guarantee, cash deposit or mortgage. If betting is organised through the Internet, the entity organising said betting shall provide, within the time limit prescribed in the permit, a financial security of 480,000 zloty.

The total amount of money paid for bets is subject to taxation. A 2.5% tax is imposed on Amounts Staked for bets concerning the results of a competition involving animals if permission is issued only for this kind of betting and a 12% tax is imposed on Amounts Staked for bets concerning the results of other events.

On 26 May 2011, the Polish parliament amended the gambling law to allow online sports betting for locally licensed players. Moreover the new regulations strengthen the Polish Customs Service's authority in controlling illegal activities of online gamblers, including the monitoring and the suspension of money transfers. The new regulations came into force on 14 July 2011. Unfortunately, parliament decided to maintain a high 12% withholding tax on betting activities, which discriminates against legal taxpaying players versus offshore companies.

Immediately after the new regulations were introduced, the Polish subsidiary of Fortuna Entertainment Group N.V. – FORTUNA online zakłady bukmacherskie Sp. z o.o. – submitted to the Ministry of Finance a request for permission to provide its clients in Poland with online betting. The Ministry of Finance awarded the licence to Fortuna in January 2012.

On 28 December 2016, the Polish president ratified the amendment of the Act on Gambling and related acts.

RECENT CHANGES AND OUTLOOK

The most important event for the gambling sector that occurred recently was the introduction of an amendment to the Act, which came into force on 1 April 2017 (some of its provisions entered into force on 1 July 2017).

Owing to the significance of the new regulation, much of the past year has been spent discussing the shape of the new laws. In general, it seems that despite claims of the Polish government that the amendment is aimed at protecting participants against the dangers of gambling, its primary concern is clearly to increase state revenue. Because of this, while the amendment expanded the scope of legal forms of gambling in Poland, the majority of these new forms may only be pursued in a monopolistic system. Several operators appealed to the government to liberalise the gambling market in some aspects (e.g., by introducing more liberal rules on playing poker, widely considered a skill game, not a form of gambling), but these voices were largely ignored. The idea of blocking gambling websites – the first measure of such a kind in Poland – was controversial among privacy advocates, but again these concerns were not heard by the authorities.

In other areas, the situation of slot machine parlours in Poland remains disputed. Although effectively outlawed in 2009, many still operate. Their owners argue that the provisions of the Act that restrict gambling to casinos are not binding, because the Act was not notified to the European Commission – a step required when legislation includes ‘technical regulations’ as defined by EU law. After many contradictory local judgments, in October 2016 the Court of Justice of the European Union ruled in case C-303/15 that these provisions do not fall within the scope of “technical regulation”. The authorities continue to close down unlicensed slot machine parlours, and with the introduction of the amendments to the Act in April 2017, which greatly increased the related penalties (and even made it a crime to possess a slot machine), enforcement attempts are expected to increase.

Among the most significant novelties introduced in the amendment is the introduction of the blocking of unlicensed gambling websites. From July 2017, the minister in charge of public finance is able to select websites that – in his or her opinion – are used to offer gambling games for residents of Poland while not possessing a valid licence or permit. Polish internet service providers will be required to redirect users who try to access them to a government website. Payment service providers will be required to cease cooperation with such blacklisted operators. This measure is intended to cut off their funding. The impact of these laws is significant. Several crucial foreign gambling websites have been blocked to users in Poland.

The amendment reintroduces slot machine parlours to the market after their de facto banishment in 2009, but this time they will be exclusively operated by a state-owned company. The first venues were expected to open in the fourth quarter of 2017, however by the end of 2017 no slot machine hall had been opened. Totalizator Sportowy is also expected to start an online casino, as this has also become possible under the new regulations (but only for the state).

6.2.4 Regulatory Environment in Romania

The Romanian primary gambling legislation (Government Emergency Ordinance No. 77/2009 on the organisation and operation of games of chance, as subsequently amended and supplemented), defines a series of gambling products: Betting, Casino, Poker, slot machines, bingo and lottery games.

Gambling is permitted in Romania, provided that the required licences and authorisations are obtained, the respective taxes are paid and the applicable legal provisions are observed in the course of business. Gambling is legally allowed in Romania in both its land-based and online forms.

As a matter of principle, the very first article of the primary gambling legislation sets forth that the organisation and operation of gambling in Romania represents a state monopoly and may be performed only within the specific legal parameters imposed by the gambling regulation.

However, the legislation creates a legal framework whereby any private operator that fulfils the requirements provided by the law is able to apply for a licence and authorisation in order to conduct gambling activities in Romania.

In accordance with the legislation in force, only operators based in the EU, European Economic Area (EEA) or the Swiss Confederation may apply for and obtain the necessary licence and authorisation in order to provide remote gambling services in Romania. A situation in which a foreign economic operator provides gambling services in Romania without holding the relevant licence and authorisation is explicitly regulated by the legislation as a criminal offence sanctioned with imprisonment from one month up to one year or by a fine. Additional sanctions are also expressly provided in the legislation for a legal entity that offers unlicensed gambling services in Romania: the entity shall be dissolved and the amounts derived from the unlawful activity shall be confiscated. As a separate tool to control and prevent unlicensed remote gambling activities, the Romanian regulator manages the 'blacklist' of unlicensed gambling websites. This list currently comprises almost 1,000 internet domain names. In this regard, the legislation also sets forth that internet service providers (ISPs) as well as all service suppliers for the gambling industry, including payment processors, are bound to comply with the decisions taken by the regulator. Specific reference is made to ISPs that are required to ban access to the blacklisted websites (as well as to those websites promoting unlicensed gambling) under the threat of a sanction of a fine ranging from 50,000 lei to 100,000 lei. In addition, the blacklist may contain individuals or legal entities who have carried out or are carrying out unlicensed gambling activity.

The Company acquired Hattrick (with effect of 19 April, 2017) and Bet Active (with effect of 1 September 2017) activities in Romania during the financial year. As of the respective moment Fortuna obtained control, the Company started the integration of the activities into the Fortuna organization. During the integration process it was identified that Hattrick and Bet Active might not in all circumstances have applied certain provisions of the law and regulations with regard to AML in the Retail operations. The non-compliance relates specifically to the identification of some clients and transaction monitoring in the way stipulated in the local laws as market practice differs in Romania. Both Hattrick and Bet Active entities are fully licensed and regulated in Romania and they passed annual authorization by the Romanian regulator.

Management has initiated a project to improve the controls over customer identification and transaction identification, verification and monitoring off cash transactions. As the improvements will only materialize during 2018, the Company might not be fully compliant with certain provisions in the local laws and regulations. To date management is not aware of any transaction used for money laundering and financing of terrorism or has it received a formal statement from the betting regulatory bodies in the respective countries. However, non-compliance of certain provision of local laws and regulations could result in some risks for the financial statement. But management believe that the financial impact would not be material.

LEGAL AND REGULATORY FRAMEWORK

The conditions under which the organisation and operation of games of chance are regulated in Romania are outlined in the following normative acts:

- Government Emergency Ordinance No. 77/2009 on the organisation and operation of games of chance (GEO 77/2009);
- Government Decision No. 111/2016 for the approval of the Methodological Norms for implementation of Government Emergency Ordinance No. 77/2009 on the organisation and operation of games of chance (GD 111/2016);
- Law No. 124/2015 for the approval of Government Emergency Ordinance No. 92/2014 regulating certain fiscal-budgetary measures and amending certain normative acts;
- Government Emergency Ordinance No. 20/2013 on the establishment, organisation and functioning of the National Gambling Office; and
- Government Decision No. 298/2013 on the organisation and functioning of the National Gambling Office.

In addition to the above-mentioned normative acts, gambling activities are also regulated by means of instructions, orders or decisions issued by the National Gambling Office (NGO) in relation to various aspects of gambling activity including the issuance of licences and authorisations. Moreover, certain specific requirements in the field of anti-money laundering and the prevention of terrorism are also applicable to gambling activities, and are generally comprised in the following normative acts:

- Law No. 656 of 7 December 2002 on the prevention and combating of money laundering and financing of terrorism; and
- Regulation of 4 June 2008 for implementing Law No. 656/2002.

THE LICENSING PROCESS

As a core rule for remote gambling activity, only operators based in the EU, EEA or Swiss Confederation may apply for a licence and authorisation.

In order to perform land-based gambling activities, any gambling operator must obtain a Class I licence and one or several authorisations. While the licensing procedure is not product-specific, the authorisation must be obtained for each type of gambling activity for which there is an intention to perform.

The Class I licence is valid for 10 years with the exception of temporary games of chance for which the licence is valid for three months. The authorisation is valid for one year, with the same exception – for temporary games of chance, the validity of the authorisation is also three months.

To a certain extent, the licensing and authorisation requirements for land-based gambling also apply for online activities. As a preliminary observation, while in the case of land-based gambling activities the authorisation must be obtained for each type of activity (or machine, as the case may be), in the case of online gambling, only one authorisation is to be obtained for all the activities conducted on the same gambling platform (which can be connected to one or several internet domain names).

In terms of costs, the licence fee is calculated with reference to the operator's turnover. GEO 77/2009 provides for several turnover thresholds in order to determine the applicable licence fee (e.g., the

minimum amount of the licence fee is €6,000 per year for a turnover of less than €500,000 per year while the maximum amount is €120,000 per year for a turnover exceeding €10 million per year).

The amount of the authorisation fee for remote games of chance is 16 percent of the organiser's revenue, but no less than €100,000 per year.

In addition to the licence and authorisation fees, online operators are also bound to contribute to the public foundation for preventing gambling addiction with a contribution of €5,000 per year, while for land-based operators the contribution has been set at €1,000

The regulation also sets forth certain administrative fees to be paid by the online gambling operator when applying for a licence, namely:

- a documentation analysis fee of €2,500 paid on submission of the licence with the NGO; and
- a fee for the issuance of the licence of €8,500 per year, per licence.

TAXATION

From a fiscal point of view, land-based gambling operators that operate in Romania are subject to a 16 percent profit tax (which is for all types of businesses and not specific to gambling), in addition to any other fiscal obligations imposed under the Romanian Fiscal Code. The Fiscal Code provides for an exception in what concerns land-based casinos, where it is stated that this category may be subject to a 5 percent turnover tax in the case that the profit tax is less than 5 percent of revenues.

Online gambling operators are subject to corporate tax in Romania

In Romania, the revenues obtained by the players are subject to tax charges. In the case of land-based games, the operator is required to withhold the applicable tax and to subsequently pay such to the state budget, while in the case of online games, each player is bound to execute individually the tax duties imposed by the Romanian authorities.

ADVERTISING AND MARKETING

The advertising of gambling activities performed in Romania by licensed gambling operators is permitted, provided that the principles regarding the protection of minors and responsible gambling are observed. In addition, GD 111/2016 also imposes certain requirements in relation to the placement of advertising material and content-related conditions.

RECENT CHANGES AND OUTLOOK

Important changes have occurred in the past 12 months in the Romanian gambling market. Thus, 2016 marked the entry into force of Class I licences and authorisations issued for online gambling in Romania. The list of licensed remote gambling organisers in Romania currently comprises of 16 operators. In addition, 2016 also marked the starting point for the Class II licensing process for B2B suppliers and, at the time of writing, over 302 Class II licences have been granted by the NGO for all B2B activities subject to the licensing requirement.

Currently, there are two pieces of legislation that are pending as proposals that, if enacted, will have a significant impact on online gambling activities performed in Romania. The first is the amendment of the Fiscal Code and the reintroduction of the withholding tax system for revenues obtained by players from online gaming activities. The fiscal legislation provides for a mechanism whereby each player is bound to pay the tax for the revenues obtained from online gambling based on a declaration filed with the tax authorities. It seems that the tax and gambling authorities' intention is to amend this system and oblige the operators to withhold the gambling tax for players' revenues and instead transfer the amount of the tax to the state budget.

The second piece of legislation is The Ethical Code of Responsible Communication in Gambling, published by the NGO on February 14th, 2017. The Code is currently under public debate.

6.2.5 Regulatory Environment in Croatia

Croatia became the 28th member state of the European Union in July 2013.

Sports betting, casino, poker, bingo, and lottery are the products that are currently regulated by the local market. Apart from lottery services, which are provided by the state monopoly, literally any operator can apply for a licence for the operation of any of the other gambling services.

The conditions under which the organisation and operation of games of chance are permitted in Croatia are outlined in the following acts:

- Act on Games of Chance - NN 87/09, 35/13, 158/13, 41/14, 143/14
- Ordinance on prize games - NN 8/10
- Ordinance on lottery games - NN 78/10, 69/11, 22/15, 45/16
- Ordinance on spatial and technical conditions for games of chance in casinos, slot clubs and betting shops - NN 38/10, 130/10, 69/11, 15/12, 151/14
- Ordinance on organising remote betting games - NN 8/10, 63/10, 22/15
- Ordinance on the technical accuracy of machines and tables for games of chance - NN 38/10, 130/10, 49/13, 12/14
- Ordinance on obtaining a licence to operate in a casino - NN 78/10
- Ordinance on interactive online casino gaming - NN 78/10
- Ordinance on compulsory records for the calculation of compensation for playing games of chance - NN 8/15
- Regulation on criteria for determining the beneficiary and the method of allocating part of the income from games of chance for 2017 - NN 17/17
- Regulation on criteria for determining the beneficiary and the method of allocating part of the income from games of chance for 2018 - NN 129/17

The betting and gaming market in Croatia is regulated by the Ministry of Finance and the Tax Administration. The regulator has the right to determine the number of licences awarded. Licences are awarded for a period of 15 years.

Online betting operators are required to be already providing land-based betting services, and to employ a minimum of 100 employees and have a minimum of 50 active payment spots. Online casino operators are required to have a licence for at least one land-based casino in the country and the servers have to be located in Croatia. Online betting and gaming is fully regulated and permitted based on domestic licences.

International offshore operators (“operators from abroad” not having a physical presence in Croatia) are prohibited from engaging and organising games of chance in Croatia. Only persons who are not Croatian citizens and are temporarily residing in Croatia are allowed to hold receipts and tickets issued by international operators of games of chance.

TAXATION

In Croatia, sports betting operators are subject to a 5% withholding tax on Amounts Staked. There is a scaling player tax on winnings which ranges from 10-30%, and there is an annual concession fee of 3 ml HRK for operating online sports betting.

Casino games are subject to a 15% Gross Win tax. There is an annual concession fee of 3 ml HRK for operating online casino, and a 500,000 HRK annual concession fee for operating land-based casino. There is a 25% Gross Win tax on tournament games.

Slot machines are subject to a 25% tax on Gross Win, and there is a fixed annual concession fee of 10,000 HRK per slot machine. The annual concession fee for roulette is 40,000 HRK, and 50,000 HRK if there are more than 6 seats.

ADVERTISING AND MARKETING

Croatia maintains a ban on advertising, promotion or any publicity when it comes to international games of chance and award games. It also prohibits the broadcasting of advertisements on radio or TV programmes for children and youth or in printed media for children and youth.

6.3 Products and Services

6.3.1 Sports Betting

The Group's products as offered by the sports betting division are divided into three categories: sports betting, numerical games (bets on numbers) and bets on social events. The Group offers only fixed-odds bets, which are bets at predetermined odds on an event occurring which gives rise to either the retention by the Group of a stake placed by the customer or the liability to make a certain payment to the customer. The odds offered by the Group vary depending on the nature of the event and the amount to be paid to the given customer depends solely on such odds and is not influenced by the Amounts Staked by other customers.

Within each category of products, the Group generally offers three major types of bets:

- SOLO Bet – where a customer makes a single bet, for example, on the outcome of one specific football match;
- AKO BET (accumulator bet) – where a customer can bet on a number of games on one ticket;
- COMBIBET (combination bet) – where a customer can bet on a combination of betting events on one betting slip.

Bets may be placed before the match (prematch bets) and during the event (live bets).

Live betting was introduced in 2007. As new combinations appear during the event, they result in further betting opportunities and live betting allows customers to react to changing circumstances by making new bets. Since May 2010, Fortuna has been offering live bets to customers via their mobile phones. One of the latest products related to Live betting is "Early Cash Out" which allows customers to receive their winnings as they stand before the match finishes.

Although the popularity of sports events is similar in each country in which the Group operates, there is some local bias towards particular sports disciplines. However, the four favourite sports are similar in all countries, namely football (over 40% of total Amounts Staked in the Czech Republic and Slovakia), ice hockey (approximately 27% of total Amounts Staked in the Czech Republic and Slovakia), tennis (around 15% of total Amounts Staked) and basketball (around 5% of total Amounts Staked). In Poland, the number one sport is football – 62% of the total Amounts Staked, followed by ice hockey and tennis – both with a 10% share – and basketball, with a 6% share of total bets.

In December 2016, Fortuna agreed an extended contract with Inspired Gaming, a leading provider of Virtual Sports, Mobile Games and SBG Video Lottery. Following the necessary regulatory changes, Fortuna commenced Virtual Sports in Poland in 2017.

6.3.2 Online Casino

On 24 February 2017, Fortuna was granted an online casino licence by the Ministry of Finance of the Czech Republic and therefore became the first company to start operating online casino / technical games on the Czech market. Through the licence, Fortuna obtained the right to launch games like online roulette and online slots. Thanks to the Company's cooperation with the product and technology leader in the online gaming sector Playtech, Fortuna was able to launch a wide range of games. The offer initially contained almost 50 games, on both mobile and desktop.

On 23 October 2017, Fortuna was granted an additional licence by the Ministry of Finance of the Czech Republic allowing for the operation of "live games" which enable more players to join a game at the same time. As a result, Fortuna launched two new types of online roulette and one of the most popular card games, blackjack, on both mobile and desktop.

In addition to online casino in the Czech Republic, online gaming is also offered by Fortuna Romania (14% of total Amounts Staked of Fortuna Romania in 2017) and Hattrick's operation in Croatia and Romania (Casa Pariurilor) representing 33% of total Amounts Staked of PKS in 2017.

6.3.3 Slot Business

The slot business is operated mainly in Romania and in small extent also in Croatia. The slot business contributed with a 25% share to total Amounts Staked of Fortuna Romania in 2017. Slot business is represented by two models. Own slots and rented slots operated in own shops and slot clubs. Slot rentals are based on revenue share with an external partner.

6.3.4 Lottery

In March 2017, Fortuna announced its intention to sell its Czech lottery business operated via its subsidiary FORTUNA sázky a.s. based in Prague. On 23 May 2017, the Company signed an agreement under which it agreed to sell its 98.4% stake in FORTUNA sázky a.s. to SAZKA a.s. The transaction was settled and closed on the signing date. The 1.6% stake held by E-invest was sold as well. Fortuna started reporting financial results from the lottery business as discontinued operations from end-2016.

6.3.5 Other Products and Services

In August 2016, Fortuna signed a contract with Playtech (LSE: PTEC) for the supply of a multi-channel gambling platform. Playtech is the world's leading multi-channel gambling software supplier offering cutting-edge solutions to the industry's leading operators. The Playtech platform will provide Fortuna with the necessary tools to accelerate the Company's strategy implementation such as a Fortuna-customised and scalable multi-channel solution with respect to seamless wallet technology, Gaming and CRM.

6.3.6 Multi-channels and Distribution Network

The Group delivers its products to customers through retail betting outlets, Self Service Betting Terminals (SSBTs) and via online/mobile. The Group offers retail betting through outlets operating under its own brand name, and at counters and betting points-of-sale installed at other retail outlets (such as sports bars, restaurants and pubs) as well as at outlets operated by third parties under the Group's "Partner" programme. The availability of distribution channels varies between the countries in which the Group operates, primarily reflecting the legal framework regulating betting services in each given jurisdiction.

The following table summarises the types of distribution channels used by the Group in the markets on which it operates:

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	Czech Republic	Slovakia	Poland	Romania	Croatia
Betting outlets	Available	Available	Available	Available	Available
“Partner” betting outlets	Available	Available	Available	Available	n/a
Online&Mobile	Available	Available	Available	Available	Available
SSBT	n/a	n/a	n/a	Available	Available

Source: the Company

The management believes that the distribution channels used by the Group complement each other while serving different groups of customers. Betting outlets and especially “Partner” betting outlets operated in bars appeal to customers who like to discuss bets and prefer watching sports events in a social setting. The users of online services are generally younger and better educated, and the users of social networking sites, and the various functionalities of smart phones and mobile phones, value their independence and expect immediate access to betting products regardless of the time of day.

RETAIL BETTING OUTLETS

Retail betting outlets accounted for 38.0% of the Group’s Gross Win from sports betting in the year ending on 31 December 2017.

The table below presents information on the Group’s retail network for the years ending on 31 December 2017 and 2016:

	Czech Republic	Slovakia	Poland	Fortuna Romania	Hattrick	Total
Betting outlets	205	187	373	444	911	2,120
“Partner” betting outlets	343	183	222	326	-	1,074
Total number in 2017	548	370	595	770	911	3,194

	Czech Republic	Slovakia	Poland	Fortuna Romania	Hattrick	Total
Betting outlets	229	204	371	n/a	n/a	804
“Partner” betting outlets	388	193	113	n/a	n/a	694
Total number in 2016	617	397	484	n/a	n/a	1,498

Source: the Company

The Group has betting outlets in the Czech Republic, Poland Slovakia, Romania and Croatia. In general, Fortuna’s betting outlets are around 20 to 50 square metres in size.

Under the “Partner” programme, the Group’s land-based network is extended with the installation of point-of-sale betting outlets in places such as bars or restaurants with high traffic, where the owner is willing to offer betting products to customers. The Group enters into a lease agreement with each of the “Partners”, under which the Group agrees to pay a lease for the use of the premises. Part of the lease is linked to the betting revenues and part is fixed. The financial performance of the “Partner” outlet network is monitored continuously.

In addition, the Group cooperates with third parties that operate some betting outlets in the Czech Republic, Poland, Romania and Slovakia and provides personnel and lease premises for betting outlets on a commission basis. The Group provides training and equips “Partner” outlets with information panels and information technology.

ONLINE BUSINESS

The Group started offering online betting to its customers in Slovakia in 2007. That was followed by the introduction of online betting in the Czech Republic in 2009. The internet platforms allow for wider distribution of the Group's products and enable the Group to diversify its product range; for example, the Group successfully launched live betting based on its experience with other online products. Following changes to Polish legislation and permission obtained from the Ministry of Finance, Fortuna was able to launch licensed online operations in Poland in January 2012.

Management believes that online products form the most dynamic growth sector in the industry.

GVC SERVICES LTD. (PREVIOUSLY BWIN)

The B2B deal, which commenced in autumn 2013, integrates GVC's sports content – bwin Feed – into the Fortuna Entertainment Group N.V. sports betting client. bwin Feed provides live sports betting data including odds, fixtures, results, scoreboards and events calendars in multiple languages to online and land-based B2B clients. The feed can be integrated into Fortuna's betting points-of-sales via a state-of-the-art interface, enabling Fortuna to offer its customers an extensive sportsbook and supporting content. The bets in LIVE betting are not only originated by Bwin but also by the proprietary bookmakers, Betradar and other data suppliers. The most popular sports bets go on football, ice hockey and tennis (pre-match) and tennis, football and basketball (LIVE).

Online betting accounted for 62.0% of the Group's Gross Win from sports betting in the financial year to 31 December 2017.

HATTRICK SPORTS GROUP

Hattrick Sports Group is the owner of the betting operator in Romania, Casa Pariurilor, and the operator in Croatia, PSK, and it is a B2B partner with Luckia, an operator in Spain. The goal of the Company is to maintain and operate the Fortuna and Casa Pariurilor brands in Romania, and PSK in Croatia.

In Romania, Hattrick operates both retail and online sports betting under the **Casa Pariurilor** brand, having launched online gaming in October 2016. In addition, it runs approximately 750 retail outlets with introduced self-service-betting terminals ("SSBT") and joint ventures on slots.

The Croatian sports betting is operated under the **PSK** brand, the longstanding leader in SSBTs with more than 2,400 terminals. Online gaming in Croatia was launched in 2017. PSK runs 189 retail outlets (own POS) and also cooperates with a slot business operator.

Hattrick has developed a B2B technology platform with a licensing revenue model. It has a significant presence in Spain (Luckia - a retail software provider to 120 retail outlets and 600 SSBTs in different regions). In addition, revenues streams come from Germany and Montenegro. Other geographies in focus include the Balkans.

On a regional level, Fortuna expects to be able to combine the best of both businesses with the aim of creating more exciting offers for its customers and better opportunities for its employees and business partners, thus increasing value for the Company's shareholders.

FORTUNA ROMANIA

The Romanian entities are active both in retail and online with the product proposition branded through the Fortuna brand. Retail operations were launched in September 2015 and the online operations in November 2015. Currently, the operation has 787 retail stores, of which 57% are owned and the rest are franchisees and around 1,200 employees.

6.4 Regional Expansion

In February 2017, Fortuna Entertainment Group N.V. entered into an agreement under which Fortuna would acquire a 100%-stake in Hattrick Sports Group Ltd., Ireland (see previous Chapter for more information on Hattrick). The initial consideration paid by Fortuna for the acquisition of Hattrick Sports

Group was EUR 70 million. As a further consideration, an earn-out mechanism was agreed with the sellers. It is based on the future financial performance of Hattrick Sports Group and may lead to the payment of a maximum additional amount of EUR 65 million. On 19 May 2017, the Company successfully closed the acquisition. The deal was approved by the regulatory authorities as well as by the shareholders of the Company. Hattrick is the owner of the betting operator in Romania, Casa Pariurilor, and the operator in Croatia, PSK, and it has B2B operations in Spain, Germany and other countries.

In March 2017, the Management Board and the Supervisory Board of Fortuna Entertainment Group N.V. approved the intention to acquire Romanian companies Bet Active Concept S.R.L., Bet Zone S.R.L., Public Slots S.R.L. and Slot Arena S.R.L. from Fortbet Holdings Limited, the majority shareholder of Fortuna and a subsidiary of Penta Investment Group.

In connection with the above-mentioned acquisition of Romanian companies Bet Active Concept S.R.L., Bet Zone S.R.L., Public Slots S.R.L. and Slot Arena S.R.L. from Fortbet Holdings Limited, in April 2017 Franklin Templeton Investment Funds - Templeton Eastern Europe Fund, Franklin Templeton Investment Funds - Templeton Emerging Markets Small Cap Fund, and Templeton Emerging Markets Small Cap Fund (hereinafter together referred to as "Templeton") commenced legal proceedings before the Enterprise Court of Amsterdam, seeking among matters, immediate injunctive relief with the effect among other matters of i) prohibiting the voting on the proposed approval within the meaning of 2:107a Dutch Civil Code for the proposed acquisition of Bet Active Concept S.R.L., Bet Zone S.R.L., Public Slots S.R.L. and Slot Arena S.R.L. at the extraordinary shareholders meeting held on April 26, 2017 and ii) the suspending of any actions or resolutions to keep the aforementioned transaction from completion. On 14 July 2017, the Enterprise Division of the Amsterdam Court of Appeals dismissed all the requests submitted by Templeton and the transaction proceeded further. Following the shareholders' approval on 1 August 2017, the Company closed the acquisition of Bet Active Concept S.R.L., Bet Zone S.R.L., Public Slots S.R.L. and Slot Arena S.R.L. at the end of August 2017.

The Romanian entities are active both in retail and online with the product proposition branded through the Fortuna brand. Retail operations were launched in September 2015 and the online operations in November 2015. Currently, the operation has 787 retail stores, of which 57% are owned and the rest are franchisees. It has around 1,200 employees. The Company plan is to further reinforce and grow the multi-channel betting and gaming business through investment into future growth. The Romanian operation will be integrated with Hattrick business in Romania but will keep a dual-brand strategy.

The total consideration paid for the acquisition was EUR 47 million, of which EUR 32 million was paid as the initial base price on the closing date whilst the rest will be paid under an earn-out mechanism with the maximum earn-out opportunity at EUR 15 million. In addition, approximately EUR 3 million in loans provided by Fortbet to the Romanian entities was refinanced. The consideration will be funded via the Company's cash and bank loans.

The newly acquired businesses were fully consolidated with the rest of Fortuna's Group from 1 September 2017.

6.5 Customers

Most of Fortuna's customers are male. In terms of age, the customers are more diversified. More than 70% of customers are aged between 18 and 45 years. As of 31 December 2017, Fortuna had 401 thousand registered customers in the Czech Republic, 191 thousand in Slovakia, 344 thousand in Poland, and 102 thousand in Croatia. In Romania, there is 179 thousand registered customers in Fortuna and 143 thousand in Hattrick (Casa Pariurilor).

6.6 Marketing, Sponsorship and CSR

The strength and awareness of the “Fortuna” brand remains the key asset across all territories and provides a substantial competitive edge for attracting and maintaining customers. The Group will keep dual-brand strategy in Romania (Fortuna / Casa Pariurilor) and in Croatia will support the brand PSK which is well-known and highly trusted to local customers.

However, because of strict regulations governing the advertising of betting in Poland, the development of marketing activities in this particular market will necessarily be more gradual. The scale, form and content of the Group marketing will continue to vary from country to country.

The focus of Fortuna’s sponsorship activities is football, the sport being the favourite discipline in terms of sports betting. Football clubs and competitions therefore offer natural partnership opportunities for Fortuna Entertainment Group.

6.6.1 Czech Republic

In 2016, Fortuna signed a long-term strategic partnership with the Czech Football Association including a general partnership with the First Football League which will start in 2018/2019. This sponsorship also covers amateur football leagues, the Second League (Fortuna národní liga), the Cup and the National Team. As a result of this sponsorship, Fortuna was able to organise a number of events during the 2018 FIFA World Cup qualifiers. Fortuna participates in the re-branding of football stadiums and obtains visibility including via TV broadcasts and polls.

In addition, Fortuna sponsored in 2017 both professional and amateur football clubs, namely FK Mladá Boleslav, FC Baník Ostrava and Bohemians Praha 1905. Fortuna also sponsored ice hockey club HK Mountfield Hradec Králové.

6.6.2 Slovakia

Fortuna has been a long-term titular partner for Slovak football, including titular sponsorship of the Slovak football league (Fortuna Liga) and the Slovak National Football Team (U21 included). In addition, Fortuna sponsors the Slovak tennis association.

6.6.3 Poland

The flagship sponsoring activity in Poland for Fortuna centres on Legia Warsaw football club. The existing contract was extended in November 2016. There are also seven other contracts with First League football teams - GKS Katowice, Podbeskidzie Bielsko-Biała, Stal Mielec, Miedź Legnica, Raków Częstochowa, Wigry Suwałki, Zagłębie Sosnowiec. In addition, Fortuna is a sponsor of the Football 1 Ligue.

6.6.4 Romania

FEG has become the main partner of the Romanian Football Federation and confirms its commitment to the Romanian sports performances.

The National Football Team is Fortuna’s flagship sponsoring activity in Romania. The existing contract was signed in January 2016. Casa Pariurilor is a titular partner for Football League 2 (now named League 2 Casa Pariurilor) and the sponsor of the Romanian Football Cup. Both contracts were signed in October 2017.

6.6.5 Croatia

There were no flagship sponsorships in Croatia in 2017.

Fortuna Entertainment Group is proud that it strives to maintain good relations with its customers. The importance it places on this saw the creation of the Fortuna Klub Plus loyalty scheme in 2008. This scheme currently has more than 140,000 active members across all the markets on which the Group operates. By becoming a member of this club, customers can obtain a whole range of perks, such as advantageous odds, gift items and discounts in partner shops and stores.

Management believes that being a responsible member of the community can play a role in building customer loyalty and strengthening the corporate brand. The Group is therefore committed to its own corporate social responsibility programme. The Group undertakes charitable activities in the Czech Republic. In addition, Fortuna financially supports a number of local football clubs under the "Grant Project", organised to improve and cultivate the Czech football environment. Fortuna also supports disabled sportspersons and other disabled people in adapting and returning to life in society after suffering a debilitating injury. Moreover, Fortuna donates to selected support programmes for children in all the countries in which it operates.

6.7 Environment and Legal

6.7.1 Environmental Issues

Fortuna believes that environmental matters are not of material importance to the Group's activities and financial situation. The Group aims to comply with all relevant environmental legislation in the countries where it operates, and where no such legislation exists, seeks to develop and implement beneficial standards and procedures of its own. Whilst Fortuna does not set a specific target on for example reduction of carbon emissions, the Company is committed to reducing the impact of its business operations on the environment, greenhouse emissions and waste through a managed process of continuous improvement.

6.7.2 Legal and Arbitration Proceedings

The Group is routinely involved in litigation, either as a plaintiff or defendant, in various legal disputes arising in the ordinary course of business.

In connection with the acquisition of Romanian companies Bet Active Concept S.R.L., Bet Zone S.R.L., Public Slots S.R.L. and Slot Arena S.R.L. from Fortbet Holdings Limited, in April 2017 Franklin Templeton Investment Funds - Templeton Eastern Europe Fund, Franklin Templeton Investment Funds - Templeton Emerging Markets Small Cap Fund, and Templeton Emerging Markets Small Cap Fund (hereinafter together referred to as "Templeton") commenced legal proceedings before the Enterprise Court of Amsterdam, seeking among matters, immediate injunctive relief with the effect of among other matters of i) prohibiting the voting on the proposed approval within the meaning of 2:107a Dutch Civil Code for the proposed acquisition of Bet Active Concept S.R.L., Bet Zone S.R.L., Public Slots S.R.L. and Slot Arena S.R.L. at the extraordinary shareholders meeting held on April 26, 2017 and ii) the suspending of any actions or resolutions to keep the aforementioned transaction from completion. On 14 July 2017, the Enterprise Division of the Amsterdam Court of Appeals dismissed all the requests submitted by Templeton and the transaction proceeded further.

There were no other governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which FEG is aware) during the 12 months prior to the date of this

Annual Report which may have, or have had in the recent past, significant effects on the financial position or profitability of the Group.

6.8 Social matters and human rights

6.8.1 Corporate social responsibility

Management believes that being a responsible member of the community can play a role in building customer loyalty and strengthening a corporate brand. The Group is therefore committed to its own corporate social responsibility programme. The Group undertakes charitable activities in countries where it operates and also donates to selected child support programmes. Fortuna also backs disabled sportsperson and other disabled people in adapting and returning to social life after suffering debilitating injuries.

Project examples:

HRAJTEZODPOVEDNE (Responsible Gaming website)

In line with new regulation and Fortuna's entry in to the on-line gaming segment in the Czech Republic in 2017, Fortuna initiated and operates the website www.hrajtezodpovedne.cz with the primary goal of educating customers about principles of responsible and healthy gaming, assisting them in identifying potential negative effects and helping them to deal with negative issues if any are already occurring.

RUBIKON

In recent years, Fortuna in the Czech Republic via APKURS (Association of Betting Operators) has operated and developed a project called Rubikon which aims to educate minors in the area of gaming. The project explains in a funny and entertaining way risks that are related to gaming and strives to steer young people towards responsible gaming (www.projektrubikon.cz).

6.8.2 Human rights

Fortuna is committed to the human rights of all its employees and the communities in which the Group entities operates and human rights in general related to Fortuna's business activities. This encompasses areas such as business conduct, equal opportunities, anti-bribery and corruption and whistleblowing. The Company's operations are entirely in developed countries and FEG is dedicated to compliance with the appropriate legislation in the given countries. The Management Board does not consider it necessary to develop a specific policy in relation to human rights.

6.9 Research & Development

6.9.1 Intellectual Property

The Group relies on the strength of its brands and the names and/or logos of its betting outlets, all of which are registered trademarks and are protected by local legislation applicable in the countries of operation.

The Group has 123 trademarks, including 39 trademarks registered in the Czech Republic, 16 trademarks registered in the Slovak Republic, 41 trademarks registered in Poland, 6 Community Trademarks and 1 international trademark.

The Group has more than 100 registered Internet domains, including "ifortuna.sk", "efortuna.pl", "ifortuna.cz", "ifortuna.eu", and "fortunaloterie.cz". As the majority of Internet domains are owned by FORTUNA GAME, under some intragroup agreements FORTUNA GAME provides other Group Companies with the right to use certain of the Group's domain names.

As in previous years, the Group has not conducted any material research and development activities.

6.10 Strategy

6.10.1 Strategic Initiatives

Fortuna's Vision (Aspiration) is "To be the No. 1 licensed sports betting & gaming operator in Central & Eastern Europe with the most trusted and exciting multi-channel betting & gaming brands". Fortuna's Mission (Purpose) is focused on four pillars; "Innovation" (innovation in products, channels and marketing), "Multi-channel" (Common brand & betting experience across our retail, web & mobile channels), "Customer Experience" (Friendly, engaging and exciting!) and "Financial performance" (Sustainable financial performance as a market leader).

In order to achieve the Company's vision and growth ambitions, the management believes it is important to have a clear strategic agenda for operationalisation. Based upon this, during 2017 the Company focused on 9 Strategic Initiatives grouped into 3 blocks: "Operational Excellence" (5 Strategic Initiatives: "Customer Life Cycle Management", "Retail Channel", "Brand", "Key Value Drivers System", and "Risk Management"), "Future Expansion" (4 Strategic Initiatives: "Regulation", "Online Gaming", "Multi-Channel & Product platform", and "International expansion"), and People (1 Strategic Initiative: "People Management").

FORTUNA VALUE CREATION STORY

The value creation strategy is based on three main pillars and two key phases:

The three main pillars of the strategy are:

- Gaining market share in existing markets driven by regulation and operational excellence;
- Product vertical extension into gaming, driven by regulation and internationalisation;
- Expansion into CEE regulated markets through M&A (betting and gaming).

EXPECTED TIMELINE

2015-2017: Building the foundation

Phase 1: Build-up of competencies / Investments in the future

- Investment in core competencies, competitive advantage and scalability for future value creation,
- Strategic focus,
- Operational excellence,
- Technology foundation,
- People & Culture.

2017: Going for the Vision

Phase 2: Going for the Vision

From 2017 onwards Fortuna will be well positioned to become the "No. 1 licensed sports betting & gaming operator in CEE with the most trusted and exciting multichannel betting & gaming brand".

Key enablers:

- Utilising a competitive scalable multi-channel, multi-product, and market platform,
- Capitalising on operational excellence,
- People capability and capacity,
- Using financial strength to drive profitable cash-generative growth through M&A.

NEW MULTI-CHANNEL, -PRODUCT AND -MARKET PLATFORM

The objective is to ensure Fortuna is prepared to provide its customers with a market-leading Multi-channel Betting and Gaming offering in all its markets where regulation so allows, which will support Fortuna's Vision and Growth Strategy.

6.11 Human Resources

The table below provides information on the number of Group employees in particular categories as well as on the total headcount of the Group as of 31 December 2017, 2016 and 2015, respectively:

	31 December 2017	31 December 2016	31 December 2015
Senior management	12	10	6
Headquarters	954	416	412
Retail	5,128	1,860	1,993
Total number of employees	6,094	2,286	2,411

Source: the Company

The table below provides a breakdown of persons employed by the Group per location as of 31 December 2017, 2016 and 2015, respectively:

	31 December 2017	31 December 2016	31 December 2015
Czech Republic	753	829	867
Poland	550	870	941
Slovakia	868	586	601
Hattrick	2,658	n/a	n/a
Fortuna Romania	1,263	n/a	n/a
Other	2	1	2

Source: the Company

The Fortuna Entertainment Group recognises the importance of its staff in operating a stable and efficient business and providing a high level of customer service. Accordingly, the Group strives to recruit, train, reward and retain the best personnel. The Group believes that it offers an attractive employment package. In addition to becoming a strong and competitive employer of choice, the Group has introduced and implemented a robust HR Strategy to make it attractive to candidates and employees across all territories. Training and development opportunities, Group Values and Behaviour Codes and other benefits for the employees are the basis for future further business growth, including career and people development.

The set of the most important HR policies and procedures that assure absolute transparency and fairness in all diversity concerns the following:

- Hiring and Staffing
- Performance Management (setting KPIs and evaluation)
- Organizational Changes, Disciplinary processes
- Set of Values and Behaviour Codes

Based on the related policies and procedures which are part of the daily business operation, we are confident there is fair treatment of all our people (gender, age, nationality other minorities).

As a responsible employer, FEG continues to build a diverse, equal and inclusive workforce, and provides all employees with a positive working environment and opportunities to build a rewarding career. The FEG policies and procedures which are part of the daily business operation reflect the Company's commitment towards non-discrimination. While there hasn't been a specific diversity policy document or procedure in place in 2017, FEG's current internal policies are designed to allow for equal opportunities for all.

In line with the strategy to become the No. 1 licensed sports betting & gaming operator in CEE with the most trusted and exciting multichannel betting & gaming brand¹⁰, FEG in 2017 went through substantial corporate changes in connection with the acquisitions of Hattrick Sports Group and Romanian betting and gaming companies from Fortbet. Since the acquisitions, the Company has focused on the integration of the new entities into the existing Group processes and procedures. This includes the defining and designing of new diversity policies and procedures to reflect the various diversities of the employees of the newly acquired entities in the new countries (Romania and Croatia). The ultimate aim is to have a diversity policy in place which will provide for the equal treatment of all Group employees while reflecting local specifics and laws. A diversity policy document will be currently being prepared and will be implemented in due course. It shall also include diversity criteria for the members of the Management Board and Supervisory Board.

Retail outlet employees' compensation is determined by a basic salary and performance-linked incentive bonuses.

The compensation of bookmakers is comprised of a combination of fixed salary and variable components, while that of other back-office staff is mainly based on a fixed salary. Moreover, employees receive annual bonuses which are related to the financial performance of the Group. The ongoing performance of the Group's staff and all B-1 managers across the Group is monitored and discussed at regular performance appraisals. While these appraisals are carried out at a local level by local managers, performance criteria are established at the Group's head office, and the Group carries out an audit of performance reviews. The Group encourages teamwork and the sharing of knowledge and expertise.

There is one trade union at Fortuna PL and one at Fortuna SK, newly established in 2017. There are no trade unions and committees registered with other companies of the Group.

6.12 Review of 2017

Fortuna, the leading Central European regulated fixed-odds betting operator present on the markets of Poland, the Czech Republic, Croatia, Romania and Slovakia, recorded in 2017 a total Amounts Staked figure of EUR 2,007.1 million, 93.1% more than in 2016. This increase was driven primarily by the growth in online, particularly in fixed-odds betting in all the countries where Fortuna operates, by online casino in the Czech Republic and partially by consolidation of the Hattrick Sports Group¹⁰ and Fortuna Romania¹¹. The Amounts Staked in FEG's original markets reached EUR 1,486.0 million in 2017, a 42.9% improvement on 2016, of which EUR 243.0 million came from online gaming in the Czech Republic. The Amounts Staked from the discontinued operations of the Lottery segment totalled EUR 5.7 million, a 72.0% decrease yoy. In 2017, the Amounts Staked from the Hattrick Sports Group consolidation reached EUR 386.2 million; from the consolidation of Fortuna in Romania since September 2017, they reached EUR 134.9 million.

In 2017, total Gross Win reached EUR 305.4 million, an increase of 87.4% compared with 2016. The Gross Win improvement was driven by higher sports book margins in the fourth quarter of 2017 than

¹⁰ Consolidation of Hattrick Sports Group in Romania and Croatia from 20 May 2017

¹¹ Fortuna Romania includes Bet Active Concept S.R.L., Bet Zone S.R.L., Public Slots S.R.L. and Slot Arena S.R.L. consolidated from 1 September 2017

those previously expected. Gross Win margins improved especially in December 2017 thanks to favourable sport results as well as to the continuous strong performance of underlying key indicators.

The Gross Win from Sports Betting & Gaming in FEG's original markets was EUR 218.5 million, a 42.1% increase yoy. Of this figure, the Gross Win from gaming in the Czech Republic represented EUR 10.5 million.

Gross Win from the discontinued Lottery segment operations amounted to EUR 2.4 million, a 74.2% decrease yoy. Gross Win generated by the Hattrick Sports Group since the consolidation amounted to EUR 62.1 million and Gross Win recorded by Fortuna in Romania since September 2017 was EUR 22.5 million.

REVENUES, OPEX, EBITDA

In 2017, the Company recorded total revenues in the amount of EUR 212.4 million, 100% more than in the previous year.

Of which, revenue from Sports Betting & Gaming in FEG's original markets was EUR 136.0 million, up 37.5% yoy. Revenues from the discontinued Lottery segment amounted to EUR 1.9 million in 2017, down 74.3% yoy. Revenues were impacted by higher betting volumes in all countries and better than previously anticipated margins.

Revenues recorded by the Hattrick Sports Group since the consolidation amounted to EUR 56.1 million in 2017 and revenues recorded by Fortuna in Romania since September 2017 was EUR 18.4 million.

Total operating costs in 2017 reached EUR 157.4 million, 87.3% more than in 2016. Staff costs went up 88.1% yoy to EUR 65.3 million primarily due to new acquisitions. Other operating expenses (net) increased in 2017 by 86.6% to EUR 92.1 million.

In 2017, the overall amount of betting taxes paid in the respective countries came to EUR 90.0 million, up 71.9% yoy.

Total consolidated EBITDA recorded in 2017 was EUR 55.0 million, up 148.1% yoy.

Of which, EBITDA from Sports Betting & Gaming in FEG's original markets was EUR 31.9 million and went up 53.6% yoy. EBITDA from the discontinued Lottery segment amounted to EUR -0.2 million in 2017, down 114.5% yoy.

EBITDA recorded by the Hattrick Sports Group since the consolidation amounted to EUR 18.6 million in 2017 and EBITDA recorded by Fortuna in Romania since September 2017 was EUR 4.7 million.

In 2017, total depreciation and amortisation went up 170.2% to EUR 14.7 million.

EBIT AND NET PROFIT

In 2017, operating profit (EBIT) amounted to EUR 40.2 million, 140.9% more than in the previous year.

Net finance costs reached EUR 15.3 million in 2017. They moved up by 885.6% yoy primarily due to the revaluation of earnouts at fair value related to the acquisitions of 2017.

Total long-term and short-term indebtedness as of December 31, 2017 was EUR 129.7 million, 330% more compared with December 31, 2016. The Net Debt position as of December 31, 2017 was EUR 48.9 million, a 2,759.6% increase over the end of 2016.

Income tax equalled EUR 9.5 million in 2017, 38.8% more than in 2016. The effective tax rate in 2017 was 38.1%.

In 2017, the Company recorded Net Profit for the period of EUR 15.4 million, 86.4% more than in the previous year.

CAPEX AND INVESTMENT

In 2017, total capital expenditures amounted to EUR 11.6 million, 10.7% more than last year. Higher capital expenditures resulted from the consolidation of new entities.

6.12.1 Breakdown of Revenues by Country¹²

The revenues breakdown according to the markets in which the Company operates is driven by demography, the legislative environment, absolute market shares, the average spend per capita and the growth potential of each individual market.

CZECH REPUBLIC

Czech Republic sports betting generated 29.5% of all Amounts Staked for the Group in 2017. Amounts Staked reached EUR 840.9 million, 44.6% more than in 2016 and driven by growth in both Online and Retail sports betting and newly launched Online casino. The 2017 Gross Win in the Czech Republic amounted to EUR 88.0 million in 2016, 14.3% more than in the previous year and driven by Online products.

SLOVAKIA

The share of Slovakia as regards total Amounts Staked in 2017 represented 22.2%. Total Amounts Staked reached EUR 389.7 million, 16.5% more than in 2016 and driven by strong Online growth, while Retail Amounts Staked declined. Gross Win in Slovakia amounted to EUR 58.1 million in 2016, 20.4% more than in the previous year.

POLAND

Poland accounted for a 12.9% share of total Amounts Staked in 2017. Total Amounts Staked in Poland reached EUR 255.5 million, a 106.7% increase on 2016 and driven by strong Online and Retail growth. Gross Win from betting in Poland increased by 98.1% yoy to EUR 74.7 million in 2017, driven by rapid Online growth.

HATTRICK

Hattrick Sports Group consolidated from the end of May 2017 contributed to the Group's Amounts Staked with a share of 19.2% in 2017. Of this, the share of Hattrick Romania was 29.1% and the share of Hattrick Croatia, which also operates online betting on Romanian territory, was 70.9%. Total Amounts Staked generated by Hattrick reached EUR 386.2 million and Gross Win reached EUR 62.1 million.

FORTUNA ROMANIA

Companies of Fortuna Romania were consolidated from 1 September 2017 and their share of total Amounts Staked was 6.7% in 2017. Total Amounts Staked generated by Fortuna Romania reached EUR 134.9 million and Gross Win reached EUR 22.5 million.

6.13 2018 Outlook and Guidance

In 2018, Fortuna Entertainment Group as a multi-channel regulated sports betting & gaming company, will continue to provide its customers with an extensive range of products and first-class service wherever and whenever they wish to have a bet. FEG will further focus on investments in core competencies and building competitive advantages and scalability for future value creation. The strategic focus will be given to Operational Excellence, Technology Foundation and People capability and capacity build-ups.

¹² The split of reported Revenues between Lottery and Sports Betting includes intersegment income and expenses unlike financial statements

In 2018, the Company expects that organic growth will continue to be primarily driven by online betting & gaming and newly acquired entities in Romania and Croatia. In addition, the growth should be further boosted by the 2018 FIFA World Cup in Russia.

As a result, the Company anticipates that the total Amounts Staked could grow up to EUR 3.0 billion and EBITDA in 2018 could increase in a range between 25% and 35%. The investments into the new enhanced sports betting & gaming platform, data warehouse and front-end system should drive CAPEX spending in 2018. It is expected to be between EUR 20 million and 24 million.

6.14 Material Subsequent Events

On 2 January 2018, Fortuna Entertainment Group N.V. announced that it had reached agreement with Fortbet Holdings Limited in connection with a public tender offer by Fortbet for all issued and outstanding shares in the capital of Fortuna at an offer price of CZK 182.50 (EUR 7.15) or PLN 29.80 (EUR 7.13) in cash for each share. The offer price represents a full and fair valuation of the Company. The offer price represents a premium of 54.2% in CZK and 53.5% in PLN over the 12-month volume weighted average price, and is also above the spot price which already incorporated the substantial takeover premium potential based on Fortbet's previous offer and Fortbet's subsequent public statements.

The Extraordinary General Meeting of shareholders of Fortuna Entertainment Group N.V. held on 15 February 2018 in Amsterdam adopted a proposal to delist the Company. Once effective, the delisting would have the effect of withdrawing shares issued by Fortuna Entertainment Group N.V. from trading on both the Warsaw Stock Exchange and the Prague Stock Exchange.

Fortbet advised FEG that as of 9th March 2018 it owns a total of 49,837,879 shares in FEG, which represents approximately 95.842075% of the issued and outstanding shares in FEG.

6.15 Risk Section

The Company's business, results of operations and financial condition may be adversely affected by the risks described below.

6.15.1 Risk appetite with respect to significant risks and uncertainties and control measures taken

Fortuna accepts risk in the normal course of business and aims to deliver sustainable returns on risk-based capital in excess of the cost of capital.

Fortuna's risk appetite sets the ranges and limits of the acceptable risk taking for the Group as a whole. The Company expresses the overall attitude to risk using the following statements and measures:

Risk area	Risk	Risk appetite	Risk control measure taken
Competition /Strategic	Irrational marketing spend and price wars Product innovation by competitors	Medium	Fortuna monitors activities of its competitors on a regular basis. Strategy reviews are performed at least annually.
Operational	Gross Win margin volatility	Low (on an annual basis, yet volatility of Gross Win margin on a short-term basis due to single-event losses of	Fortuna manages the volatility of its Gross Win margin by implementing an enhanced and tight risk management system of sports betting odds.

		sports betting events is inevitable and arises from the nature of the Company's core business)	Fortuna limits the maximum win per ticket, performs ticket-duplicity checks and manually checks and verifies stakes over certain thresholds (both per selection and cumulative stake). Fortuna further actively manages stake / potential loss alerts.
Operational	Crime, Fraud & Security Risks	Zero tolerance	Fortuna continuously strives to strengthen the integrity and security of its betting and gaming operations by improving its compliance functions and anti-money laundering procedures. There is a mechanism in place to identify suspicious matches and to not accept bets on fixed sporting events. Fortuna also cooperates with international and local sport associations in this respect.
Operational	Risk of Disruption in IT services	Zero tolerance	Fortuna continuously invests in IT solutions to be able to prevent any disruption of its IT services.
Financial	Credit Risk – this refers to the risk that the counterparty will default on its contractual obligations resulting in a financial loss to Fortuna.	Low	The Group's exposure to credit risk is limited since the vast majority of sales are carried out on the basis of prepayments made by customers. With respect to trade receivables related to other sales, risk control assesses the credit quality of customers, taking into account the financial position, past experience and other factors. The Group's exposure to credit risk through loans granted is limited since any third party lending is very rare.
Financial	Interest Rate Risk – Fortuna is exposed to interest rate risk on interest bearing loans and borrowings and on cash and cash equivalents.	Low	Fortuna manages interest rate risk by having a portfolio of fixed and variable rate loans. The Group policy is to aim at having cca 25% of its borrowings at fixed interest rates.

Financial	FX Risk – Fortuna carries out operations through foreign subsidiaries. The day to day transactions of those subsidiaries are carried out in local currencies.	Low	Fortuna seeks to mitigate the effect of its structural currency exposure arising from the translation of foreign currency assets through bank loans in the same currencies. The FX risk is kept at an acceptable level since the majority of operations are carried out within operating companies and hence any movements of FX rates of their functional currencies against each other and the euro does not result in significant exchange rate risk.
Financial	Liquidity Risk	Low	The Group policy on liquidity is to ensure that there are sufficient medium-term and long-term committed borrowing facilities to meet the medium-term funding requirements. The Company monitors the level of cash on a daily basis and draws bank cash when and if needed.
Laws, rules and regulations	Risk of Adverse Changes in the Regulatory Environment and Taxation	Medium	In order to mitigate this risk, Fortuna is actively engaged in public discussions on proposed regulatory and taxation changes in the respective countries of operations and participates in the creation of legal acts and amendments.

6.15.2 Risks relating to the betting and gaming industry

GENERAL MARKET CONDITIONS

Changes and developments in economic, regulatory, administrative or other policies in the countries in which the Group operates, over which the Group has no control, could significantly affect the Group's business, prospects, financial conditions and results of operations in manners that could not be predicted.

The Group's results are dependent on general economic conditions over which it has no control. General economic conditions such as employment rates and disposable income rates in the countries in which the Group operates can have an impact on the enterprise's revenues. Accordingly, there can be no assurance that adverse general economic conditions in those countries in which the Group operates will not have adverse effects on the Group's business, financial condition, results of operations or prospects.

The number of the Group's customers is in turn directly related to the reputation of betting and gaming and the general public's perception of betting and gaming in the countries in which the Group operates. Public sentiment towards the betting and gaming industry can vary considerably. While the Group is attempting to improve the image of betting and gaming in its core markets, the activities are often labelled as less socially desirable types of entertainment. Peaks in anti-betting and anti-gaming

sentiment may occur from time to time, causing significant damage to the betting and gaming industry as a whole. Adverse changes in the general public's perception of the betting and gaming industry may lead to a decrease in demand for betting and gaming services or increased regulatory restrictions which, in turn, may have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Fortuna Entertainment Group espouses a wholly responsible approach to betting. It strictly operates within the confines of the law in the countries where it is active and, contrary to "virtual" online operators, it is also a regular taxpayer in all locations. In relation to the local regulations, it turns over a certain percentage of its earnings to purposes for the common good.

Fixed-odds betting is radically different from the practice of gambling. The fixed-odds betting sector offers what can be an integral part of the enjoyment derived from sport while also serving as a major source of funding for sport clubs. It is Fortuna's aim to entertain people who enjoy sport and to support specific teams and sportspeople. The average sum a bettor spends per month tends to be low and, therefore, fixed-odds betting has a very limited impact as regards the potential onset of an addiction.

Demand for betting and gaming products is somewhat difficult to predict and may fluctuate over time. While it is possible to draw certain parallels between the macro-economic situation, the amount of disposable income and the amount of money that an average household spends on entertainment in general, the correlation between overall leisure spending and spending on betting and gaming appears to be far from linear. Demand for betting and gaming services may be affected by public opinion in regard to the betting and gaming industry, negative or positive publicity surrounding the betting and gaming industry and other volatile factors. Therefore, the revenue of the Group may be adversely affected by temporary or permanent, sudden or gradual fluctuations in demand for the Group's products which cannot be explained by the Group's operating performance or the condition of the economy in general.

Management of the company regularly monitors the development of revenue, margin, costs and other key indicators. In the case of a negative trend over the long run, it can conceivably lead to further action.

CHANGES IN THE REGULATORY ENVIRONMENT

The Group operates in various jurisdictions in sectors that are subject to state and/or municipal regulation and supervision. The regulations are complex and the legal framework does not always reflect technological progress. The Group may try to offer its products in EU countries where the legal framework may contravene the free movement of services and impose limitations making the offering of such products impossible or economically unreasonable. In addition, different legal requirements in particular jurisdictions sometimes make it difficult to implement unified offers or to benefit fully from synergy effects.

Another aspect of the regulatory issue is the uncertainty embedded in operations in highly regulated sectors. Some crucial matters are not directly regulated and depend on the discretion of regulators or interpretations that could be changed at any given moment. New legislation may be unfavourable to the operations of the Group or may require necessary adjustments to the operations. Consequently, the Group's operations in particular countries may change. An inability to use common solutions or implement a common strategy may lead to additional expenses. Moreover, since the Group operates in a highly regulated market, the relationships with local regulators are very important to the business.

The Compliance and Legal department of the Group monitors local legislation environments. This concerns gaming legislation, tax and commercial legislation and other regulations. Adherence to local legislation is regularly reviewed and major changes for the coming period are updated. The Group evaluates impacts of changes (as well as changes that are simply possible looking ahead) and prepares follow-up action where needed.

The Group complies with local regulations and strives to maintain its position as a responsible provider of services for players.

CHANGES IN THE TAXATION OF BETTING SERVICES AND OTHER PRODUCTS

The Group is subject to taxation and/or levies in each of the countries in which it operates. The taxation and levies imposed upon the Group have changed over time. In the past certain governments

considered that the sports betting and gaming sector was a potential source of additional taxation or other income. As the recent global economic crisis has led to a decrease in revenues from taxes in the countries in which the Group operates, some or all of those countries may consider increasing taxes on, or imposing new taxes on, services and products offered by the Group.

Any increase of taxation or imposition of new taxes may decrease the amount of money customers want to spend on the Group's products. It may also lead to increased competition from online betting and gaming organisers that do not comply with local regulations and therefore are not impacted by changes in taxation. Consequently, such changes may have an adverse material impact on the Group's revenues and financial results.

DEPENDENCE ON LICENCES

The Group conducts activities that are highly regulated. Licences or permissions are required to organise sports betting or to provide gaming products. Regulations in each of the countries in which the Group operates stipulate, among other things, various conditions concerning services organisation, marketing, employees, and premises in which products are sold. Furthermore, the introduction of new products may result in a necessity to obtain new licences or to widen the scope of current licences and to make respective adjustments to conducted operations. The Group makes all reasonable efforts to comply with the terms and conditions of its licences and to renew licences that are due to expire. Any failure to comply with any applicable regulations or the terms and conditions of its licences, or any unfavourable change of law, may lead to the Group losing one or more of its licences or to an inability to renew its licence(s). The loss of licences or a failure to obtain new licences may have a material adverse effect on the business of the Group, its financial results and prospects.

RESTRICTIONS ON MARKETING AND ADVERTISING

Extensive restrictions apply to the marketing of betting and gaming services in some countries in which the Group operates. In those countries where such restrictions apply, the Group is forced to limit its marketing activities according to the relevant applicable laws. Such restrictions may have the effect of reducing the Group's potential to attract new customers, launch new products, implement a common marketing strategy or expand its market share in affected markets.

6.15.3 Risks related to strategy

ACQUISITIONS

The Group may consider growing through acquisitions in the near future. The Group's ability to realise the expected benefits from future acquisitions will depend, in large part, on its ability to integrate new operations with existing operations in a timely and effective manner and to manage a greater number of portfolio assets. In addition, the Group's potential acquisition plans involve numerous risks, including the following: the Group's acquisitions may not be profitable or may not generate the anticipated cash flows, the Group may fail to expand its corporate infrastructure to facilitate the integration of its operations with those of the acquired assets, the Group may face difficulties entering markets and geographical areas where it has limited or no experience, the Group may have potential difficulties in integrating its operations and systems with those of acquired companies and the Group may face a possible anti-monopoly review by relevant competition authorities that could result in such authorities seeking to prohibit or unwind its acquisition of new businesses. The failure of the Group's acquisition strategy could possibly hamper its continued growth and profitability.

THE GROUP RELIES ON THE STRENGTH OF ITS BRANDS

The Group's revenues from operations depend largely on the strength of its brands. Management believes that the "Fortuna" brand is perceived as a stable and trustworthy brand. Accordingly, any errors in the Group's marketing planning, the ineffective use of marketing expenditures or the loss of customer trust may have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

COMPETITION

The Group faces competition from other online and offline betting operators in the countries in which it operates, as well as from suppliers of other gaming products. The Group's competitors in the Group's most important markets comprise of a relatively small number of large national operators and a relatively large number of online betting companies, each competing for the same customers. Moreover, the Group may face difficulties in competing with some betting and gaming organisers that offer their products without local licences since these entities are usually subject to lower taxation than the Group Companies in the countries where they have their registered seat and they do not pay taxes in the countries in which the Group operates locally.

In Slovakia, Poland, Romania, Croatia and the Czech Republic, a failure by the relevant governmental authorities to implement the level of regulation necessary to enforce prohibitions on offshore betting and gaming could affect the success of the Group's operations in those jurisdictions. There can be no assurance that competition from new or existing competitors, who provide services on onshore and offshore bases in countries in which the Group operates, will not have an adverse material effect on the Group's operating results. In addition, there can be no assurance that any future development or investment by the Group will not be matched or surpassed by competitors.

6.15.4 Risks related to operating activities

VOLATILITY OF GROSS WIN MARGIN

Overall, the Group's Gross Win margin slightly decreases in line with the long-term trend in the betting industry. The trend mainly results from rising competition in the industry and from the further development of new products. In absolute terms, the Group's margin steadily increases over the years due to the rising volume of Amounts Staked. In the short term, the volatility of the Gross Win margin due to single-event losses of sports betting events is inevitable and arises from the nature of the Group's core business. The Group has systems and controls in place which seek to cap the maximum losses occurring on a Gross Win basis. The effect of the fluctuations could have an adverse material effect on the Group's cash flows and therefore an adverse material effect on its business, financial condition and the results of operations on a quarterly basis.

Due to the fact that the Group accepts bets related to sports events, its business and financial results are partially related to schedules in sports events. Therefore factors such as weather conditions, acts of terrorism, wars and outbreaks of pestilence and infectious diseases, which may result in cancellations or changes in the planned schedules of sports events, may adversely impact the Group's business, financial condition and results of operations.

CRIME, FRAUD AND SECURITY

Like many operators in the betting and gaming industry, the Group faces challenges caused by crime and fraud in the countries in which it conducts its business. The betting and gaming industry is subject to various pressures as a result of criminal activity, including organised crime, fraud, robbery, petty crime and theft. As the Group expands its operations, both on the markets in which it currently operates as well as on new markets, the Group expects criminal activity to continue to present certain challenges, especially in newly entered countries.

The continued activities of organised or other crime, fraud, new criminal challenges or activity to which the Group is not accustomed, or claims that the Group may have been involved in official corruption, may, in the future, bring negative publicity or disrupt the Group's ability to conduct its business effectively, which could therefore materially adversely affect the Group's business, financial condition, results of operations or prospects.

The integrity and security of betting and gaming operations are significant factors in attracting betting and gaming customers and in dealing with state authorities. Notwithstanding the Group's attempts to strengthen the integrity and security of its betting and gaming operations by improving its compliance functions and anti-money laundering procedures and its corporate governance policies and procedures, an allegation or a finding of illegal or improper conduct on the Group's part, or on the part of one or more

of the Group's employees, or an actual or alleged system security defect or failure, could materially adversely affect the Group's business, financial condition, results of operations or prospects.

KEY PERSONNEL

The Group's success depends to a significant extent upon the contributions of a limited number of the Group's key senior management and personnel, especially bookmakers and local managers. There can be no certainty that the Group will be able to retain its key personnel. The loss (whether temporary or permanent) of the services of any director, member of the senior management team or other key personnel such as bookmakers, either at the FEG level or within a local management team, could have an adverse material effect on the business, financial condition or results of operations of the Group.

DISRUPTIONS IN IT NETWORK SERVICES

The Group's operations are highly dependent on the IT network that provides links between premises where Fortuna's products are offered and the headquarters where the operations are accepted. Furthermore, the IT solutions are of key importance for online services offered by the operating companies. Any disruption of services in the IT network may result in an inability to operate business in a particular operating company. Consequently, depending on the duration of such disruptions, the Group's revenues may be adversely impacted by such failures and the perception of the Fortuna brand may deteriorate.

6.15.5 Financial risks

The Group's results of operations are directly affected by the general financial risks related to conducting business such as credit risk, liquidity risk and interest rate risk. The Group has introduced respective policies to limit these risks and analyses the sensitivity to particular factors of the Group's financial standing. The Group also tries to limit its exposure to such risks inter alia through prepayments made by customers, the provision of services to clients with an appropriate creditworthy history and hedging transactions related to interest rates and the rational management of liquidity. Any failure with respect to financial risk management or inappropriateness of procedures in place may adversely impact the Group's business, financial condition and results of operations.

CURRENCY FLUCTUATIONS

The Group's operating entities use the currency of the country in which they are domiciled as their functional currency, as the Group considers that this best reflects the economic substance of the underlying events and circumstances relating to that entity. The Group reports its financial results in EUR. The Group also has expenses, assets and liabilities denominated in currencies other than in EUR due to its international operations, most particularly, the Czech koruna, Croatian kuna, Romanian leu and Polish złoty. The Group does not hedge the risk of operating companies' profit translations. Fluctuations in the exchange rates of these foreign currencies could have an impact on the Group's results.

Increases and decreases in the value of the euro versus other currencies could affect the Group's reported results of operations and the reported value of its assets and liabilities in its statement of its financial position even if the Group's results or the value of those assets and liabilities has not changed in their original currency. These currency translations could significantly affect the comparability of the Group's results between financial periods and/or result in significant changes to the carrying value of its assets, liabilities and shareholders' equity and its ability to pay dividends in the future.

PLEDGE IN FAVOUR OF ČESKÁ SPOŘITELNA, A.S.

The Group companies have entered into syndicated financing agreements with UniCredit Bank Czech Republic and Slovakia, a.s., Komerční banka, a.s. and Česká spořitelna, a.s. acting as an agent and security agent. Upon the occurrence of an event of default, certain actions can be taken by Česká spořitelna, a.s. on the basis of the financing agreements, including an acceleration of the outstanding loans and foreclosures of security. In accordance with the Share Pledge Agreements (concluded in connection with the Facilities Agreement between certain companies of the Group and Česká spořitelna, a.s.), Česká spořitelna, a.s. may, among other things, foreclose on the pledged shares, as a result of

which Fortuna may cease to own Fortuna GAME, Fortuna SK, Fortuna PL, Riverhill, Alicela and the newly acquired Hattrick PSK (HR), which may result in a permanent or temporary inability of the Group to conduct business in the Czech Republic and/or the Slovak Republic and/or Poland and/or Croatia and Romania.

The trademarks of Fortuna GAME registered in the Czech Republic with the Czech Industrial Property Office and registered in Slovakia with the Slovak Industrial Property Office and the material trademarks of Fortuna PL registered in Poland with the respective authority are, together with bank account receivables and/or intra-group receivables of Fortuna GAME, Fortuna PL, Fortuna SK, Hattrick PSK (HR), Hattrick Bet (RO), Riverhill, Alicela, Fortuna Entertainment Group, Fortuna Virtual (HR), Fortuna Bet Shops Holding (RO) and Fortuna Bet Holding (RO) pledged in favour of Česká spořitelna, a.s. to secure its receivables from the Facilities Agreement. If Česká spořitelna, a.s. forecloses on the aforementioned trademarks further to an event of default, Fortuna GAME and/or Fortuna PL may cease to own such trademarks and may not be able to use such trademarks in their operations, which may have an adverse material effect on the business of the Group.

6.15.6 Risk management system

The success of the Group depends on its risk management system. The internal risk management and control systems provide a reasonable assurance that the financial information does not contain any material misstatements and that the risk management and control systems functioned properly in the year ending 31 December 2017.

Effective risk management and profit protection is of the highest importance to the Group. Management believes that having more than 20 years' experience in risk management and bookmaking procedures and being supported by a team of experienced bookmakers, well-qualified risk management professionals and state of the art IT systems gives the Group a strong competitive advantage.

The Group has a multi-layered risk management system, divided into four phases: odds compilation, odds adjusting, bet acceptance and payment management. Management believes that the Group's risk management system gives the Group a comprehensive overview of all of the Group's ongoing exposures relating to particular events. In addition, by offering a broad range of betting products to its customers on a wide variety of events the Group is able to spread its risk over a large number of events. The risks are also diversified by operating in various countries, because betting preferences differ in each of the countries in which the Group operates. The Group has further enhanced its risk management system by installing software which calculates probabilities during live betting. As part of the Group's risk management system, the Group compiles odds in order to assure their competitiveness and secure the Group's profit and monitors the bets proposed by customers to avoid any material exposures towards a particular sports event or to eliminate suspicious bets. In addition, the Group monitors the output of particular sports events and the paying out of prizes. Risk management is based on the performance of experienced employees from the bookmaking department with the proper knowledge, experience and expertise. They are supported by tailored software.

The risk of incurring daily losses on a Gross Win basis is significantly reduced by the averaging effect of taking a very large number of individual bets over a considerable number of events and it is also tightly controlled through a risk management process which relies on:

ODDS COMPILATION

The Group cooperates with a team of 157 experienced bookmakers across five countries (CZ, SK, PL, RO, CRO) (end-2017, external staff included) who are responsible for determining fixed odds and risk management. Initial odds are compiled from first principles, probability and the mathematical chance of an outcome based on previous results, current team form and other statistical inputs. The odds also have an embedded assumed margin. Initial odds are further processed to set additional odds related to a particular game and are adjusted for any market information, bookmakers' knowledge of the sport and local expertise. The bookmakers have access to Betradar databases which collect information on odds from more than 450 bookmaker clients in over 80 countries. Betradar is a brand of Sportradar, the world's

leading supplier of sports-related live data, odds solutions and fraud detection services to bookmakers, media companies, sports federations and government agencies. The databases help to monitor, assess and compare odds proposed by the Group's competitors. The management believes that the odds compilation process used by the Group is more accurate than fully-automated odds generation, thus enabling the Group to provide competitive odds to its customers.

ODDS ADJUSTING

Once the odds are compiled, they are entered into the Group's system and delivered to the Group's operating companies, which may adjust the odds at the local level. The odds are continuously reviewed with respect to customers' behaviour and are compared to odds proposed by the Group's competitors. When extraordinary bets occur or the number of bets for a particular event considerably increases, the odds are changed or, on very rare occasions, the betting on an entire event is suspended or cancelled. The Group also monitors the decisions of its competitors and may decide to cancel particular offers in the event that its competitors are doing so. Furthermore, the Group analyses its exposure related to each event on which it has accepted bets and adjusts its odds to decrease the risk of incurring a significant loss on that event.

In 2016 a new system for arbitrage identification was launched. The solution enables a quick response to risky odds and helps to significantly reduce the number of arbitrage bets. The system was upgraded in 2017 for new features, the list of bookmakers was enlarged, same as number of compared derivated bets.

In fixed-odds betting, the liability to make a payment is in principle unlimited. However, the Group is not obliged to accept any bet, or it may accept a bet on certain conditions only, though this may vary in different jurisdictions.

BET ACCEPTANCE

The Group is under no obligation to accept any bet, however this may vary depending on the respective jurisdiction. The procedure of bet acceptance is designed to eliminate suspicious bets and to adjust the odds ratio to generate a positive Gross Win for the Group. In addition, there are several groups of customers divided by their "importance". (i.e. "blacklist" and, "whitelist", blue list, etc. of customers.) For different types of bets, the Group sets limits on the stake value and particular leagues. If a particular game is defined as risky, customers are not allowed to stake an amount higher than X. Other restrictions could be placing only a solo bet on the game or a minimum combination with another minimal number of bets selected by the customer, i.e. minimal combination of 5 events on the ticket. Each bet request is entered into the centralised system accessible to all the outlets for automatic approval. If the bet is not accepted by this automated mechanism, the bet is transferred to the Group's headquarters where a bookmaker may refuse to accept the bet based on his own judgement, or propose new odds, or propose new amounts to be staked. Each bookmaker is permitted to accept a bet within particular limits. If a bet exceeds such limits, a bookmaker can ask a more highly qualified bookmaker with bigger limits for permission to approve the bet. Bets acceptance is fully centralised in group central risk management, where risk managers have access to all local databases and are able in real time to make the odds adjustments based on accepted bets with the goal of having the stakes on bets balanced and lowering the potential risk of loss.

PAYING OUT Winnings

The results of each sports event are downloaded from two sources and verified. Where the results of a sports event are called into question, the Group will make inquiries to the sports authorities about the outcome of the sports event and may refuse to pay out winnings on the event. The Group may also refuse to pay out winnings if there is any suspicious activity or disruption in the Group's system operations. The Group's system operations are analysed immediately after a given sports event or, where a sports event occurs at night, prior to the start of the following business day – service is provided '7/24/365'. Bets may be rejected both before and after the sports event. In addition, limits are set on each customer's virtual account in order to prevent them from transferring a significant amount of money in a short time. Results are imported from the Sportradar results service to deliver faster results and faster payouts and diminish the risk of the wrong result being reported.

PAYMENT MANAGEMENT

The Group has implemented internal procedures to ensure proper cash management. These internal procedures address legal, safety and insurance requirements in the following areas: bet acceptance, cash keeping and carrying, and the paying out of winnings. All bets are placed upon a prior payment. The management regularly (mode '7/24/365') monitors all non-standard card payments and customer behaviour in order to minimise any losses.

INFORMATION TECHNOLOGY SOLUTIONS

The Group's servers are managed by specialised entities in each of the countries in which the Group operates. All of the premises offering the Group's products in a particular country are linked via the country network. In addition, the country networks are interconnected. Back-up and continuity of services is assured for each country. Failures in services in a particular outlet should be remedied within two hours. The Group maintains considerable IT security services, including firewalls and virus controls.

The online software platform, which allows for the provision of online services in Slovakia, Poland and the Czech Republic, is scalable and has not in the past encountered any problems with betting capacity. The software platform used in Hattrick group is a tailor-made system available to maintain centrally B2B and B2C operations and is fully connected with Sportradar services. The software retail platform in Fortuna Romania fulfils the minimal group risk requirements. The online platform is a fully managed solution by Playtech.

EMPLOYEE MISCONDUCT

The activities of each of the Group's bookmakers are supervised by senior bookmakers and corrective action may be undertaken at any time. The Group has a cash-monitoring system in each betting outlet which is designed to detect any fraudulent behaviour by the Group's betting outlet employees. The Group's cash management policy helps to decrease the size of a potential loss arising from the misconduct of any employee.

6.15.7 Changes to the risk management system in 2017

The risk management system in the Czech Republic, Slovakia and Poland is fully centralised. The risk management system in the newly acquired entities (Hattrick and Fortuna Romania) is currently supervised by the Group risk management team. The group risk management team consists of dedicated country risk managers in each country. Currently there are six dedicated country risk managers who supervise the risk management seven days a week.

Several Group regular reports were established on a regular daily, weekly, monthly basis in order to help monitor risky betting patterns.

THE EXPECTED IMPACT OF SIGNIFICANT RISKS ON FORTUNA'S RESULTS AND/OR FINANCIAL POSITION SHOULD THE RISKS OR UNCERTAINTIES MATERIALISE

Gross win margin volatility

Fortuna estimates that a change in the Gross Win margin by +/- 10 bps has an impact of +/- € 1,000 thousand on Group EBITDA.

Foreign currency risk sensitivity

The following table demonstrates the sensitivity to a change in foreign exchange rates, with all other variables held constant, of the Group's equity arising from the translation of the foreign operations:

As of 31 December 2017:

Increase / decrease in exchange rate by 1%	(Decrease) / increase in equity € 000
CZK/EUR	(358) / 358
PLN/EUR	(118) / 118
RON/EUR	(408) / 408
HRK/EUR	(100) / 100

There are loan tranches denominated in CZK and RON. Those loans can have a significant impact to the foreign exchange losses and foreign exchange gains. The bank loans are not secured against the exchange rate movements.

As of 31 December 2017:

Increase / decrease in exchange rate by 1%	(Decrease) / increase in bank loans € 000
CZK/EUR	(613) / 613
RON/EUR	(231) / 231

As of 31 December 2016:

Increase / decrease in exchange rate by 1%	(Decrease) / increase in equity € 000
CZK/EUR	(497) / 497
PLN/EUR	(23) / 23

The impact of changes in exchange rates on the profit or loss statement is immaterial.

Interest rate risk

The following table demonstrates the sensitivity to a change in interest rates seen as reasonably possible, with all other variables held constant, of the Group's profit before tax and equity (through the impact on floating rate borrowings):

Increase/(decrease) in interest rate by	Effect on profit before tax € 000	Effect on other comprehensive income € 000
CZK	1% / (1%)	(294) / 294
PLN	1% / (1%)	(16) / 16
EUR	1% / (1%)	- / -
RON	1% / (1%)	(228) / 228
HRK	1% / (1%)	(157) / 157
	(695) / 695	498 / (498)

Statement of the Management Board on Risk Management

The Management Board states in the management report, with clear substantiation, that:

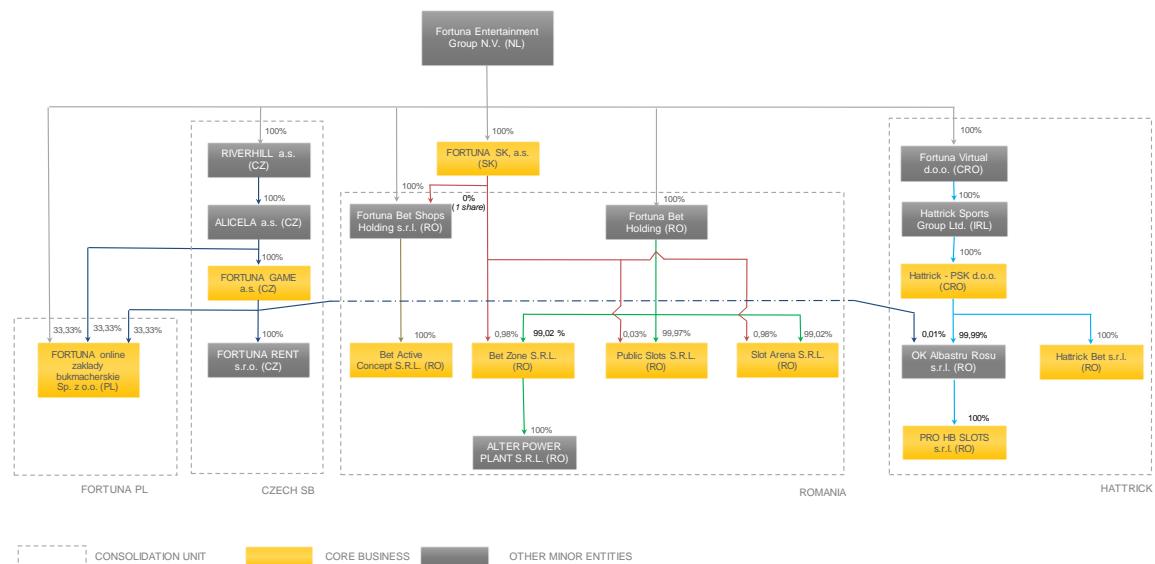
- i. the report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems;
- ii. the aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;

- iii. based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis; and
- iv. the report states those material risks and uncertainties that are relevant to the expectation of the company's continuity for the period of twelve months after the preparation of the report.

7. Corporate Governance

7.1 Organisational Structure

The diagram below presents the structure of the Group as of 31 December 2017:



Source: Company Data

7.1.1 Changes to the Organisational Structure in 2017

On 19 May 2017, the Company acquired a 100% stake in Hattrick Sports Group Ltd., Ireland. The deal was approved by the regulatory authorities as well as by the shareholders of the Company. Hattrick is the owner of the betting operator in Romania, Casa Pariurilor, the operator in Croatia, PSK, and B2B operations in Spain, Germany and other countries.

On 23 May 2017 Fortuna signed an agreement under which it agreed to sell its 98.4% stake in Fortuna sázky a.s. to Sazka, a.s. The transaction was settled and closed on the signing date. The 1.6% stake held by E-invest was sold as well. Fortuna started reporting financial results from the lottery business as discontinued operations from the year-end of 2016.

On 31 August 2017 Fortuna Entertainment Group N.V. acquired Romanian companies Bet Active Concept S.R.L., Bet Zone S.R.L., Public Slots S.R.L. and Slot Arena S.R.L. in Romania through two SPVs incorporated by the Company in Romania - Fortuna Bet Shops Holding s.r.l. and Fortuna Bet Holding. The acquisition was approved by Extraordinary General Meeting of shareholders on 1 August 2017. The newly acquired businesses were consolidated with the rest of Fortuna's Group from 1 September 2017.

On 28 December 2017, FORTUNA SERVICES Sp. z o.o. and FORTUNA SERVICES Sp. z o.o., SKA merged with FORTUNA online zakłady bukmacherskie Sp. z o.o. as the successor company.

Hattrick Sports Group Ltd. opened a branch office in Croatia in 2017.

FortunaWin Ltd. in liquidation was finally liquidated as of 30 November 2017.

There were no other changes to the organisational structure in 2017.

7.2 *The Management*

FEG has a two-tier board structure consisting of the Management Board (raad van bestuur) and the Supervisory Board (raad van commissarissen).

In light of the ongoing effort of the Company to substantially increase its focus on and commitment to Dutch Corporate Governance, an additional two Supervisory Board members and one member of the Management board were appointed in 2017.

The new member of the Management Board brings experience in privat practice as a Dutch lawyer as well as from serving on the boards of various international companies.

The new members of the Supervisory Board are independent (in the sense of Article 22.2 of the Articles of Association and Article 2.1.8 of the Dutch Corporate Governance Code) and will strengthen the board with their knowledge and expertise in relation to Dutch Corporate Governance and the financial sector.

7.2.1 Management Board

A member of the Management Board is appointed for a maximum period of four years and may be reappointed. The Articles of Association do not include any nomination rights in connection with the appointment of members of the Management Board. The General Meeting may suspend or dismiss Management Board members at any time. The Supervisory Board may also suspend Management Board members at any time, for a maximum period of up to three months. The suspension may be revoked at any time by a majority vote of the General Meeting.

Under the Articles of Association, all resolutions of the Management Board must be adopted with an absolute majority of the votes cast. The Supervisory Board may resolve that specific actions of the Management Board must be approved by the Supervisory Board. The actions of the Management Board that are subject to this veto right of the Supervisory Board must be clearly specified and communicated to the Management Board in writing.

As of 31 December 2017, the Management Board was composed of four members. The table below sets out the names, positions and terms of office of the current members of the Management Board:

Name	Position	Office Term in 2017	Expiration of the office term
Per Widerström	Chairman of the Management Board	1 January 2017 – 31 December 2017	1 December 2018
Janka Galáčová	Member of the Management Board	1 January 2017 – 31 December 2017	at the General Meeting in 2018
Richard van Bruchem	Member of the Management Board	1 January 2017 – 31 December 2017	at the General Meeting in 2018
Boudewijn Wentink	Member of the Management Board	1 December 2017 – 31 December 2017	First General Meeting in 2021

The business address of the members of the Management Board is FEG's principal place of business at Strawinskyalaan 809 WTC T.A/L 8, 1077XX Amsterdam, Netherlands.

Brief biographical and professional details concerning the Company's directors are set out below:

PER WIDERSTRÖM

Per Widerström (51) became a member of the Management Board of FEG and Chairman of the FEG Management Board in December 2014. He joined Fortuna from Gala Coral Group (where he served as Managing Director of Gala Interactive), one of the leading European multi-channel betting and gaming groups. Per Widerström has a strong track record and international experience in successfully managing companies in the sports betting and gaming sector, FMCG and telecommunications. Apart from Gala Coral Group where he managed the Gala Interactive business as Managing Director, he successfully led international online betting and gaming company Expekt.com as CEO, held senior group executive positions at global online betting and gaming group BWIN.PARTY and served as the group COO at PartyGaming. He has also built up lengthy experience of the CEE market. While working for Expekt.com, BWIN.PARTY, PartyGaming and Telenor he managed activities in countries including Ukraine, Poland, the Czech Republic, Slovakia, Slovenia and the Baltic States. Per Widerström is a graduate of the London School of Economics and the Gothenburg School of Economics in the fields of finance, business administration and international accounting.

RICHARD VAN BRUCHEM

Richard van Bruchem (52) has been a member of the FEG Management Board since September 2010. He has broad experience in accounting and management gained through his work in key positions in numerous companies since the late 1980s. Richard van Bruchem's recent track record includes his work as a financial director at, inter alia, ING Management B.V. and Orangefield Trust B.V., and at Avis Business Services B.V., where he was a member of the Management Board from 2009 until 2012. Richard van Bruchem holds bachelor degrees in Business Administration from Amsterdam's Hogeschool Markus Verbeek and in Business Economics from Breda's Hogeschool Brabant and he has a master's degree in Accounting and Controlling from Nyenrode Business University in Breukelen. He has also obtained an Executive Programme in Strategic Management certificate from the RSM Erasmus University of Rotterdam.

JANKA GALÁČOVÁ

Janka Galáčová (39) was appointed to FEG's Management Board in September 2010. She has worked as an accountant for consulting companies, including the Dutch branches of Deloitte and Touche, Ernst & Young and Finsens. Between 2006 and 2010, Janka Galáčová was Senior Business Consultant at Atos Consulting in Utrecht. In February 2010 she founded her own company, ChanceOn Interim, based in Zwaag.

BOUDEWIJN WENTINK

Boudewijn Wentink (48) was appointed to FEG's Management Board in December 2017. Mr Wentink was trained as a Dutch lawyer and is currently the Chief Executive Officer of Avocet Mining Plc, a West African gold mining and exploration company listed on the London Stock Exchange and the Oslo Børs. Mr Wentink was previously the Finance and Legal Director of New World Resources Plc, a (formerly listed) Central European hard coal producer. Prior to that, Mr Wentink was the Chief Compliance Officer at TNT Express in the Netherlands. Mr Wentink graduated from Erasmus University Rotterdam where he obtained an LL.M in private law.

The following table sets out past and current directorships held by FEG's Management Board in the past five years:

Per Widerström

Past directorships:

Gala Interactive Gibraltar Ltd. – member of the Management Board (2011-2014)
Gala Coral Interactive Gibraltar Ltd. – member of the Management Board (2011-2014)

Current directorships:

FORTUNA GAME a. s. – member of the Management Board (since 2014)
RIVERHILL a. s. – chairman of the Supervisory Board (since 2014)
Fortuna Entertainment Group N. V. – chairman of the Management Board (since 2014)
FORTUNA SK, a.s. – member of the Supervisory Board (since 2014)
FORTUNA online zakłady bukmacherskie Sp. z o.o. – member of the Supervisory Board (since 2016)
Fortuna Virtual d.o.o – director (since March 2017)
Nordnet AB – director (since November 2017)
Nordnet Bank AB – director (since November 2017)
Nordnet Pensionsförsäkring AB – director (since November 2017)

Richard van Bruchem

Past directorships:

Avis Business Services B.V. – member of the Management Board (2009 -2016)
Stichting Kunstbezit's-Graveland – member of the Management Board (2008 - 2016)

Current directorships:

Just Richard - member of the Management Board (since 2008)

Stichting Vrienden Medische Missiezusters - member of the Board (since 2014)
Fortuna Entertainment Group N.V. – member of the Management Board (since 2010)
Orange Corporate Heritage – member of the Management Board (since 2016)
PP Global Holdings B.V. - Chief Financial Officer (since 2017)

Boudewijn Wentink

Current directorships:

Chief Executive Officer of Avocet Mining PLC (since 2017)
Fortuna Entertainment Group N.V. – member of the Management Board (since 2017)

Janka Galáčová

Current directorships:

Fortuna Entertainment Group N.V. – member of the Management Board (since 2010)

On 1 January 2013, the Dutch Management and Supervision (Public and Private Limited Liability Companies) Act [Wet bestuur en toezicht in naamloze en gesloten vennootschappen] came into effect. New rules as stipulated in this Act affect Fortuna Entertainment Group N.V. One rule introduced into limited liability company law pertains to the “balanced membership” of men and women on management boards and supervisory boards. Fortuna, as a Dutch public limited liability company (NV), must ensure that at least 30% of the seats of its management board are taken by women and that at least 30% are taken by men, to the extent that the seats are occupied by natural persons. On the balance sheet date of 31 December 2017 and after the balance sheet date, less than 30% of the seats of the Management Board of Fortuna Entertainment Group N.V. were held by a female representative (Janka Galáčová), while the rest were held by male representatives.

The current composition of the Management Board is not in line with this legislation and deviates from the above mentioned percentage. The Board recognizes the benefits of diversity, including gender

balance. In the future, Board members will continue to be selected on the basis of wide ranging experience, backgrounds, skills, gender, knowledge and insights.

CHANGES TO THE MANAGEMENT BOARD IN 2017

The Extraordinary General Meeting of Shareholders held on 1 December 2017 appointed Boudeijn Wentink as a new member of the Management Board for a period of four (4) years effective as of the date of this meeting, in accordance with article 15.3 of the Company's articles of association, provided that his term of appointment will end upon the closing of the first general meeting to be held in 2021.

There were no other changes to the Management Board during 2017.

7.2.2 Supervisory Board

A member of the Supervisory Board is appointed for a maximum period of four years. After holding office for four years, supervisory board directors are eligible for re-election only twice for a full period of four years. The Articles of Association do not include any nomination rights in connection with the appointment of members of the Supervisory Board. The General Meeting may suspend or dismiss Supervisory Board members at any time.

The Supervisory Board must have at least three members. The exact number of members of the Supervisory Board is determined by the General Meeting. The Supervisory Board will appoint a Chairperson, and may appoint a Vice Chairperson from amongst its members. The General Meeting may at any time suspend or dismiss Supervisory Board members. The Articles of Association provide that the terms of office of the Supervisory Board members will expire periodically in accordance with a rotation plan drawn up by the Supervisory Board. Under the Articles of Association, the Supervisory Board can only adopt resolutions with an absolute majority of the entire number of members of the Supervisory Board. Each member of the Supervisory Board is entitled to one vote.

As of 31 December 2017, the Supervisory Board was composed of five members. The table below sets out the names, positions, date of election, and terms of office of the current members of the Supervisory Board:

Name	Position	Office Term in 2017	Expiration of the office term
Tom de Waard	Chairman of the Supervisory Board	1 December 2017 – 31 December 2017	First General Meeting in 2021
Marek Šmrha	Member of the Supervisory Board	1 January 2017 – 31 December 2017	at the General Meeting in 2019
Iain Child	Member of the Supervisory Board	8 April 2017 – 31 December 2017	8 April 2020
Morten Rønde	Member of the Supervisory Board	7 September 2017 – 31 December 2017	7 September 2020
Michael R. Clark	Member of the Supervisory Board	1 December 2017 – 31 December 2017	First General Meeting in 2021

The business address of the members of the Supervisory Board is FEG's principal place of business at Strawinskylaan 809 WTC T.A/L 8, 1077XX Amsterdam, Netherlands.

TOM DE WAARD

Tom de Waard (70) was appointed to FEG's Supervisory Board in December 2017 and subsequently replaced Marek Šmrha as the Chairman of the Supervisory Board. Mr De Waard has vast experience practising as a Dutch corporate lawyer at renowned national and international law firms for over four decades. He is currently a partner with DeWaardSinke advocaten. From 1993 to 1995, Mr De Waard was the Dean of the Dutch Bar Association (Nederlandse Orde van Advocaten). Mr De Waard also on

occasion acts as a temporary official appointed by the Enterprise Chamber of the Amsterdam Court of Appeal. Mr De Waard chairs the Supervisory Board of BE Semiconductor Industries N.V. (BESI). He is a member of the supervisory board of CWT Europe B.V., an executive director of the board of Nexperia Holding B.V., and the chairman of the Board at the Share Administration Office of Telegraaf Media Groep N.V. Mr De Waard received his law degree from Leiden University in 1971.

MAREK ŠMRHA

Marek Šmrha (32) has been working for the Penta Group since 2011 as an investment analyst in the Buy-out division. Currently he is responsible for evaluating investment opportunities and managing the acquisition processes. Marek Šmrha was previously elected a member of the Supervisory Board in May 2013 and served until March 2014. In May 2015, he was elected again as a Supervisory Board member and was appointed as Chairman of the Supervisory Board. He graduated from the Manchester Business School in 2009 and the London Business School in 2010. He is a Czech national.

IAIN CHILD

Iain Child (46) has been a partner at Penta Investments since December 2010 where he is a member of the Executive Board. He has direct responsibility for the fund's investments in Sports Betting and Retail Banking; he is chairman of the Supervisory Board of Primabanka Slovensko and chairman of the firms that fall under the fund's Meat Processing investments. Before joining Penta he was a partner for 10 years at Deloitte responsible for Financial Advisory Services in 17 countries throughout Central Europe. Iain Child graduated from the University of Hull (BSc. (econ) hons) in Economics and Business Economics and is a Fellow of the Certified Chartered Accountants (FCCA) and a Member of the Chartered Institute of England & Wales Corporate Finance Faculty (CF). He is a British national.

MORTEN RØNDE

Morten Rønde (44) is the owner of the consultancy agency Copenhagen Gambling and works in partnership with the Brussels-based public affairs agency Instinctif and the London-based law firm Harris Hagan. Morten Rønde has 17 years of experience in the gambling sector. For 12 years he served as legal counsel for the Danish Gambling Authority and he drafted the Danish gambling reform in 2012. Since 2012 he has headed up the Danish trade association – DOGA. DOGA represents the licensed betting and online casino operators in Denmark.

Morten Rønde also holds the position of Director of Education and Association Development at the International Masters of Gaming Law (IMGL) where he organises the content of gambling-related conferences. He has been involved in advising gambling regulators in the Netherlands and in the Czech Republic. Presently, he is serving on a government-mandated committee that is advising the Swedish Government on reforming gambling regulation. Morten Rønde holds a law degree from the University of Copenhagen. He is a Danish national.

MICHAEL R. CLARK

Michael R. Clark (55) was appointed to FEG's Supervisory Board in December 2017. He is a UK Chartered Accountant and obtained additional financial qualifications, specifically the UK Insolvency Practitioner's examinations and the corporate finance diploma, from the ICAEW. Subsequently, Michael R. Clark gained financial expertise as a Senior Executive with over 25 years of experience in Central and Eastern Europe in both the advisory and financial sectors with a specialisation in distressed assets and businesses. In the past, Michael R. Clark performed various governance-level roles in the CIB Group (Intesa Sanpaolo), Hungary as a board and committee member (from 2009 and 2016). Prior to serving at the CIB Group, Michael R. Clark was a partner with Deloitte Central Europe (2006-2009 and 1999-2002, respectively). From 2003 to 2008 Michael R. Clark had his own company focused on non-performing loan advisory. Michael R. Clark graduated from Leeds University in the UK.

CHANGES TO THE SUPERVISORY BOARD IN 2017

On 25 January 2017, Morten Rønde, the independent member of the Supervisory Board, was appointed as a member of the Audit Committee.

The Extraordinary General Meeting of Shareholders held on 1 December 2017 appointed Tom de Waard as a new member of the Supervisory Board for a period of four (4) years effective as of the date of this meeting, in accordance with article 23.3 of the Articles of Association, provided that his term of

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appointment will end upon the closing of the first general meeting to be held in 2021. Tom de Waard replaced Marek Šmrha as the new Chairman of the Supervisory Board.

The Extraordinary General Meeting of Shareholders held on 1 December 2017 appointed Michael R. Clark as a new member of the Supervisory Board for a period of four (4) years effective as of the date of this meeting, in accordance with article 23.3 of the Articles of Association, provided that his term of appointment will end upon the closing of the first general meeting to be held in 2021.

The following table sets out the past and current directorships held by FEG's Supervisory Board in the past five years:

Tom de Waard

Past directorships:

N.V. Nuon Energy – Member of the Supervisory Board and Chairman of the Remuneration Committee (2010-2015)

ST Microelectronics N.V. – Member of the Supervisory Board and Chairman of the Audit Committee (1998-2014)

Current directorships:

BE Semiconductor Industries N.V. (BESI) - Chairman of the Supervisory Board, member of the Audit Committee and member of the Remuneration Committee (since 2000)

Stichting Continuïteit BE Semiconductor Industries – Member of the Board (since 2000)

Stichting Administratiekantoor van aandelen Telegraaf Media Groep N.V. - Chairman of the Board (since 2013)

CWT Europe B.V. - Member of the Supervisory Board (since 2017)

Nexperia Holding B.V. - Member of the Board (since 2017)

Xsens Holding B.V. - Non-Executive Director (since 2017)

Fortuna Entertainment Group N.V. – Chairman of the Supervisory Board (since 2017)

Marek Šmrha

Past directorships:

PetCenter Slovakia s.r.o. - Executive Director (2013-2014)

Current directorships:

Fortbet Funding s.r.o. - Executive Director (since 2013)

Fortuna Entertainment Group N.V. – member of the Supervisory Board (since 2013)

Iain Child

Past directorships:

St. Martin's Mountain Developments s.r.o. – executive director (2004-2014)

SCHNEIDER GROUP, a.s. – member of the Supervisory Board (2012-2014)

Current directorships:

Dundee Developments s.r.o. – executive director (since 2010)

Bavariso Holdings Limited – director (since 2010)

Penta Investments, s. r. o. (Slovakia) – member of the Supervisory Board (since 2011)

Prima banka Slovensko, a.s. – chairman of the Supervisory Board (since 2014)

Sberbank Slovensko, a.s. – member of the Supervisory Board (since 2016)

Penta Investments, s.r.o. (Czech Republic) – member of the Supervisory Board (since 2016)

Fortuna Entertainment Group N.V. – member of the Supervisory Board (since 2016)

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Morten Rønde

Current directorships:

Fortuna Entertainment Group N. V. – member of the Supervisory Board (since 2016)

Michael R. Clark

Past directorships:

Rigas Starptaustiska Skola (Riga International School) (2013-2014)
Loan Management One s.r.o. – director (2012-2013)
CIB – member of the Management Board (2013-2015)
CIB Leasing Group – member of the Supervisory Board (2013-2015)
Real Estate Leasing – member of the Supervisory Board (2013-2015)
Rent – member of the Supervisory Board (2013-2015)
Recovery – member of the Management Board (2013-2015)
CIB Car – member of the Supervisory Board (2013-2015)

Current directorships:

Rockall SIA – Board member (since 2017)
Fortuna Entertainment Group N.V. – member of the Supervisory Board (since 2017)

On 1 January 2013, the Dutch Management and Supervision (Public and Private Limited Liability Companies) Act [*Wet bestuur en toezicht in naamloze en besloten vennootschappen*] came into effect. The new rules and regulations stipulated in this act affect Fortuna Entertainment Group N.V. One of the rules introduced into limited liability company law pertains to the “balanced membership” of men and women on management boards and supervisory boards. Fortuna, as a Dutch public limited liability company (NV), must ensure that at least 30% of the seats of its supervisory board are taken by women and at least 30% are taken by men, to the extent that those seats are occupied by natural persons. On the balance sheet as of 31 December 2017 and after the balance sheet date, there were no females on the Supervisory Board of Fortuna Entertainment Group N.V. and all of the seats were held by male representatives.

The current composition of the Supervisory Board is not in line with this legislation and deviates from the above mentioned percentage. The Board recognizes the benefits of diversity, including gender balance. In the future, Board members will continue to be selected on the basis of wide ranging experience, backgrounds, skills, gender, knowledge and insights.

Marek Šmrha and Iain Child are associated with Penta Investments Limited and FORTBET HOLDINGS LIMITED. Iain Child is a partner of Penta Investments Limited and Marek Šmrha holds a managerial position within the Penta organisation and both have access to inside information related to Penta Investments Limited and are authorised to make decisions concerning the development of Penta Investments Limited. Iain Child and Marek Šmrha receive benefits from the operations of FORTBET HOLDINGS LIMITED, or their interests are equivalent to the interests of FORTBET HOLDINGS LIMITED.

Therefore, due to the fact that the interests of the Group are not always in line with the interests of Penta, a conflict of interest may occur from time to time. Other members of the Management Board and the Supervisory Board have no conflicts of interests with respect to their duties to FEG and their private interests and/or other duties.

As of the date of this Annual Report, except as stated above, none of the members of the Management Board or Supervisory Board has in the previous five years (i) been convicted of any offences relating to fraud, (ii) held an executive function at any company at a time of, or immediately preceding, any bankruptcy, receivership or liquidation (iii) been subject to any official public penalties by any statutory or regulatory authority (including any designated professional body) or (iv) been the subject of any public prosecution or been disqualified by a court from acting as a member of the administrative, management

or supervisory bodies of a company or from acting in the management or performance of the affairs of any company.

All members of the Management Board and the Supervisory Board provide their services pursuant to letters of appointment/service agreements. These contracts are established for an initial period of 4 years but may be terminated earlier in accordance with provisions included therein and relevant regulations. The members of the Management Board have further agreed not to accept any appointment which might involve a conflict of interest without prior written consent of the Supervisory Board. For the term of their appointments, members of the Management Board have also agreed to refrain from undertaking, holding or accepting any appointments, sidelines or additional posts at other listed companies which are competitors to the FEG or the Group Companies without the prior written consent of the Supervisory Board. The members of the Supervisory Board have further agreed not to accept any appointment which might involve a conflict of interest without the prior written consent of the Supervisory Board and to refrain from undertaking or holding any sidelines or additional posts at other listed companies without the prior written consent of FEG. They have also undertaken not to disclose any confidential information received in connection with, or related to, FEG or Group Companies, their business and affairs.

7.2.3 Committees

As of the date of this Annual Report, the Supervisory Board has established, from among its members, the audit committee. The role and responsibilities of the audit committee, as well as its composition and the manner in which it operates and discharges its duties, are set out in regulations for the audit committee, as drawn up by the Supervisory Board. The members of the audit committee in 2017 were Marek Šmrha and Morten Rønde, appointed on 25 January 2017.

Marek Šmrha currently acts as Chairman of the audit committee. The Company believes that it is in the best interest of the Company and the Group to maintain Marek Šmrha as Chairman of the audit committee due to his extensive financial knowledge of the Group. The Company believes that Marek Šmrha meets the description of a financial expert as outlined in the Dutch Corporate Governance Code and the Dutch Act on the Supervision of Audit Organisations.

The audit committee meets as often as one or more members of the audit committee deem necessary, but in any event meets at least once a year with FEG's external auditor, without the presence of the Management Board.

The governance structure of FEG is currently being developed and the Company does not exclude the establishment of additional committees.

7.2.4 General Meeting

FEG, as a Dutch company, must hold at least one Annual General Meeting of shareholders. It must be held in the Netherlands no later than 6 months after the end of the financial year. The Annual General Meeting is, among other things, entitled to discuss the annual report of the Management Board with respect to the general state of affairs of FEG, approve the financial statements for the previous financial year, vote on whether to grant a discharge to members of FEG's corporate bodies, and/or appoint members to fill any vacancies on any of the corporate bodies. Notices of meetings of shareholders must be published on Fortuna's website and, in accordance with the applicable regulations in the Czech Republic and in Poland, at least forty two (42) days before the day of the meeting. The Management Board, acting with the approval of the Supervisory Board, determines the items on the agenda for the General Meeting. In addition, any shareholders holding more than 1% of the issued and outstanding shares, or any shareholders who hold shares having a value of EUR 50 million or more, may submit proposals for inclusion on the agenda of any General Meeting. The proposal must be included on the agenda, provided that FEG receives such a proposal no later than 60 days before the General Meeting.

An Extraordinary General Meeting may be convened, whenever FEG's interests so require, by the Management or Supervisory Board. A single shareholder, or shareholders representing in aggregate at least 10% of the issued and outstanding share capital, may also call an Extraordinary General Meeting with an agenda to be determined by the shareholders calling the meeting. Under Dutch law, valid shareholders' resolutions may be taken in a meeting outside the Netherlands, provided that the entire issued share capital is represented at such a meeting.

Shareholders may participate in the General Meeting and exercise their voting rights personally or by proxy. Each share in the capital of FEG confers the right to cast one vote, subject to the relevant provisions of the Articles of Association, subject to and with due observance of the relevant provisions of the Articles of Association regarding the acquisition of one's own shares. Each holder of shares, and every other party entitled to attend the General Meeting who derive their rights from such shares, is entitled to attend the General Meeting in person, or to be represented by a person holding a written proxy permitting them to address the General Meeting and, in as far as the given voting rights are concerned, to vote at the meeting, if the shareholder has lodged documentary evidence of the voting rights. For this purpose, Dutch law prescribes a mandatory record date to establish which shareholders are entitled to attend and vote at the General Meeting. Such a record date is fixed on the 28th day before the said General Meeting. The convocation to the General Meeting shall state the record date, the place where the General Meeting shall be held and the manner in which the registration shall take place.

Unless provided otherwise in the Articles of Association or the law, all resolutions are adopted with an absolute majority of votes. FEG must record the voting results for each resolution adopted at the General Meeting. These results must be posted on Fortuna's website no later than on the 15th day following the day of the General Meeting and should be available on the website for at least one year. Detailed information regarding the participation and voting at General Meetings will be included in the notice of the General Meeting published in accordance with relevant regulations in the Netherlands, Poland and the Czech Republic.

ANNUAL GENERAL MEETING OF 12 JUNE 2017

The Annual General Meeting of shareholders of Fortuna Entertainment Group NV was held on 12 June 2017 in Amsterdam. It was attended by shareholders who together held 82.69% of the share capital and voting rights and, therefore, the AGM had a quorum. At Fortuna's AGM, all of the resolutions that were subject to shareholder approval were adopted. The following topics were the points of discussion:

(1) The 2016 Annual Report

The Chairman stated that the 2016 Annual Report, including the Company's 2016 annual accounts, had been prepared in accordance with Dutch law and the relevant rules, laws and regulations relating to the trading of the Company's shares on the Prague Stock Exchange and Warsaw Stock Exchange. The 2016 Annual Report was published on the Company's website (www.fortunagroup.eu). It is available for inspection at the Company's office and can be obtained from the Company upon request. The Chairman stated that this agenda item is for discussion purposes only and would not be voted upon.

(2) The adoption of the 2016 annual accounts

The annual accounts for the 2016 financial year were prepared under Dutch law (applying IFRS) by the Management Board and were audited and provided with the auditor's report by EY, the Company's external auditor.

(3) The Company's dividend policy

The Chairman stated that due to planned investments in future growth opportunities, especially investments in a new IT platform enabling multi-channel, multi-product and multi-country capabilities, operational excellence and personnel that will support further organic growth and expansion into Central & Eastern Europe, the dividend policy of the Company has been under review since 2015. These investments, coupled with the recent acquisition of Hattrick Sports Group, will strengthen the Company's current position as the leading Central European licensed sports betting operator.

The dividend policy will also support Fortuna in its ambition to become the undisputed leader in the regulated Central & Eastern European sports betting and gaming sector with the most trusted and exciting multi-channel betting and gaming brand, scalable platform and best-in-class experience for the Company's customers. The Chairman stated that, as was announced previously, the Management Board proposed no dividend payments in 2016 and 2017 due to high investment made in M&A. The long-term dividend policy will be revised after 2017. This agenda item was for discussion purposes only and would not be voted upon.

(4) The Board's decision to allocate all profits to the Company's reserves

The Chairman explained that the Management Board of the Company, with the prior approval of the Supervisory Board, determined that the entire net profit would be allocated to the Company's profit reserve. As such, there was no profit remaining for 2017 to be resolved by the general meeting in terms of whether it would be paid to shareholders or be allocated to the reserves.

(5) The appointment of the Company's external auditor

In accordance with the advice of the Audit Committee, a proposal was presented to the AGM to appoint EY as the external auditor of the Company for the financial year 2017.

(6) The public offer made by the Company's majority shareholder, Fortbet Holdings Limited, as announced on 31 March 2017, and the statement of position that the Company published on 2 June 2017.

The Chairman introduced the next item on the agenda: the discussion of the tender offer announced by Fortbet Holdings Limited. The Chairman informed the meeting that this agenda item was for discussion purposes only and would not be voted upon.

(7) The authorisation of the Management Board to buy back and sell shares in the Company's capital.

The Chairman informed the meeting that under article 9, paragraph 2 of the Company's Articles of Association, the Company may, subject to certain Dutch statutory provisions, acquire and hold up to 10% of the Company's issued share capital. Any acquisition of shares by the Company is subject to the authorisation of the General Meeting. An authorisation shall be valid for no more than 18 months, and shall require the prior approval of the Supervisory Board. The General Meeting had most recently granted the above-mentioned such authorisation at the 2016 AGM. In Dutch corporate practice, an annual extension is customary.

It was proposed to authorise the Management Board for a period of 18 months, taking effect per the date of this AGM, to acquire the Company's own ordinary shares of up to 10% of the issued share capital at the date of the authorisation (June 12, 2017), whether through purchases on the stock exchange or by any other means, for a price per share that is between an amount equal to the nominal value of these shares and 110% of the average quotation of the listed shares on the stock exchange maintained by WSE PSE of the past 5 trading days before the date on which the purchase of such shares is effectuated. Any acquisition of such shares shall require the prior approval of the Supervisory Board. This authorisation replaced the prior authorisation to purchase shares in its own capital as permitted by the AGM on 23 May 2016.

(8) Closing.

The Annual General Meeting of shareholders of Fortuna Entertainment Group N.V. held on 12 June 2017 in Amsterdam adopted all resolutions on the agenda. The full minutes of the meeting are available on the Company's website.

THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS HELD ON 26 APRIL 2017

The Extraordinary General Meeting of shareholders of Fortuna Entertainment Group N.V. held on 26 April 2017 in Amsterdam adopted the sole resolution on the agenda: the approval of the acquisition of Hattrick Sports Group Limited within the meaning of article 2:107a, Dutch Civil Code. The full minutes of the meeting are available on the Company's website.

THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS HELD ON 26 APRIL 2017

The Extraordinary General Meeting of shareholders of Fortuna Entertainment Group N.V. held on 1 August 2017 in Amsterdam adopted the sole resolution on the agenda: the approval within the meaning of article 2:107a Dutch Civil Code of the acquisition of Bet Active Concept S.R.L., Bet Zone S.R.L., Public Slots S.R.L. and Slot Arena S.R.L. through two SPVs to be incorporated by the Company in Romania. The full minutes of the meeting are available at the Company's website.

THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS HELD ON 1 DECEMBER 2017

The Extraordinary General Meeting of shareholders of Fortuna Entertainment Group N.V. was held on 1 December 2017 in Amsterdam. It was attended by shareholders who together held 90.4% of the share capital and voting rights and, therefore, the AGM had a quorum. At Fortuna's AGM, all of the resolutions that were subject to shareholder approval were adopted. The following topics were the points of discussion:

(1) Appointment of Boudewijn Wentink as a new member of the Management Board

The chairman proposed to the meeting the appointing of Boudewijn Wentink as a new member of the Management Board for a period of four (4) years effective as of the date of this meeting, in accordance with article 15.3 of the Company's articles of association, provided that his term of appointment would end upon the closing of the first general meeting to be held in 2021.

(2) Approval of the amendment to the Company's articles of association

The chairman proposed to the meeting the approving of the amendment to the Company's articles of association, and referred to the explanatory notes to the agenda for the reasoning behind this proposal.

(3) Approval of the Remuneration Policy of the Management Board

The chairman proposed to the meeting the approving of the Remuneration Policy of the Management Board, and referred to the explanatory notes to the agenda for the reasoning behind this proposal.

(4) Appointment of Tom de Waard as a new member of the Supervisory Board

The chairman proposed to the meeting the appointing of Tom de Waard as a new member of the Supervisory Board for a period of four (4) years effective as of the date of this meeting, in accordance with article 23.3 of the Articles of Association, provided that his term of appointment would end upon the closing of the first general meeting to be held in 2021.

(5) Appointment of Michael R. Clark as a new member of the Supervisory Board

The chairman proposed to the meeting the appointing of Michael R. Clark as a new member of the Supervisory Board for a period of four (4) years effective as of the date of this meeting, in accordance with article 23.3 of the Articles of Association, provided that his term of appointment would end upon the closing of the first general meeting to be held in 2021.

(6) Approval of the remuneration of the members of the Supervisory Board

The chairman proposed to the meeting the approving of the remuneration of the members of the Supervisory Board and referred to the explanatory notes to the agenda for the reasoning behind this proposal.

7.2.5 Amendment of Articles of Association

The General Meeting may resolve to amend the Articles of Association upon a proposal of the Board of Directors, if the proposal has been approved by the Supervisory Board. Such a resolution shall be taken by an absolute majority of votes cast. If a proposal to amend the Articles of Association is to be submitted to the General Meeting, the convening notice must state this fact. At the same time, if the proposal is for an amendment to the Articles of Association, a copy of the motion containing a verbatim text of the proposed amendment must be deposited at the Company's office for inspection by the shareholders and depositary receipt holders until the meeting is adjourned.

AMENDMENT OF ARTICLES OF ASSOCIATION IN 2017

The Extraordinary General Meeting held on 1 December 2017 approved the amendment to the Company's Articles of Association. Prior to the amendment, the Articles of Association provided that if there is a tie in votes in the meeting of the Management Board, the chairman of the board of managing directors shall have the casting vote (Article 18.2).

The amendment concerned the appointment of Boudewijn Wentink as a new member of the Management Board. Boudewijn Wentink resides in London, United Kingdom.

In light of his nomination to the Management Board and to maintain equal decision-making power between the two non-Dutch members of the Management Board (Mr Widerström and Mr Wentink) and the two Dutch members of the Management Board (Mr Van Bruchem and Ms Galáčová), it was proposed to the General Meeting to remove the final sentence in Article 18.2 of the Articles of Association. The objective of this minor amendment was to avoid potential issues surrounding the tax treatment of the Company in the Netherlands.

Also, since the last amendment of the Articles of Association, Dutch law has changed. Some other amendments to the articles were proposed to reflect these changes in law. In addition, it was proposed to make some general textual changes to the Articles of Association.

The approval of the amendment of the Company's Articles of Association includes the authorisation of each managing director of the Company and also each civil law notary, deputy civil law notary and notarial assistant of Allen & Overy LLP, each of them severally, to have the deed of amendment of the Company's Articles of Association executed.

A copy containing a verbatim text of the amendment to the Company's Articles of Association is available on the Company's website (www.fortunagroup.eu) as well as at the Company's offices.

7.3 Remuneration

7.3.1 Remuneration of the Management Board

The remuneration of the members of the Management Board is determined by the Supervisory Board, in accordance with the remuneration policy adopted by the General Meeting. The members of the Management Board are not granted any pensions, retirement or similar benefits by FEG or the Group Companies.

7.3.2 Remuneration of the Supervisory Board

The remuneration of the members of the Supervisory Board is determined by the General Meeting, in accordance with the remuneration policy. The members of the Supervisory Board are not granted any pensions, retirement or similar benefits by FEG or the Group Companies.

7.3.3 Changes to the Remuneration Policy of the Management Board in 2017

The Extraordinary General Meeting held on 1 December 2017 approved new remuneration for the members of the Management Board and the Supervisory Board. In the past, the remuneration policy of the Management Board was laid down in the information set out annually in the annual accounts of the Company, as approved by the shareholders of the Company. In light of the proposed addition of Mr Wentink to the Management Board and in order to improve overall transparency, the Supervisory Board set out the Remuneration Policy separately for the approval of the general meeting. The policy is published on websites of the Company.

The Remuneration Policy in particular determines the form, structure and method of determining the remuneration of the Management Board members. In determining the Remuneration Policy, the Supervisory Board ensures that it is closely tied to the Company's strategy, its short-term and long-term goals and long-term interests and results, taking into account solutions necessary to avoid discrimination on any grounds.

In determining the compensation of the Management Board members, the Supervisory Board will take into account the impact of the overall remuneration of the Management Board on the pay differential within the Company.

Deviations from this Remuneration Policy in extraordinary circumstances, when deemed necessary in the interests of the Company, will be disclosed in the annual report of the Company or, in the case of an appointment, in good time prior to the appointment of the individual.

The remuneration of the members of the Management Board can consist of a fixed base salary and a variable component (bonus) determined by the Supervisory Board, with due observance of this Remuneration Policy and the Company's Articles of Association.

With regard to their membership of the governing bodies of individual Fortuna group companies other than the Company, the Management Board members also receive a remuneration which may include a fixed component and/or two variable components (consisting of an annual incentive bonus and a long-term incentive plan). This remuneration, including the variable components, is determined and payable by the individual Fortuna group companies and is shown in the annual reports of the Company.

For the sake of completeness and avoidance of any doubt, the Management Board members are not granted any pensions, retirement or similar benefits by the Company. Also, the Company has not adopted any stock option plan for the members of the Management Board and does not provide any loans or advances to them. Nor does the Company issue any guarantees to the benefit of members of the Management Board.

BASE SALARY

Base salary levels and any adjustments made by the Supervisory Board are based on factors including the scope of tasks delegated to individuals, taking into account any additional functions, and performance and experience of the individual member. The Management Board remuneration is reviewed annually, and the individual salary levels are shown in the annual report of the Company. Adjustments of the base salary are at the discretion of the Supervisory Board.

ANNUAL INCENTIVE (BONUS)

Each year, a variable Annual Incentive can be earned based on the achievement of specific targets as determined by the Supervisory Board. These targets are set at challenging levels and are partly linked to the results of the Company, to the contribution of the individual member or team and to non-financial targets that are linked to strategic objectives.

The Annual Incentive targets will be determined annually at the beginning of the year by the Supervisory Board and they will consist of: i) two to four key financial indicators of the Company (e.g. revenue growth, EBITDA, net income (to shareholders), operating income (OPI), operating cash flow (OCF), return on investment (ROI), EBIT, etc.); ii) individual and/or team targets based on area of responsibility; and iii)

non-financial targets linked to strategic objectives (e.g. sustainability, compliance, governance/reorganisation, etc.).

The Annual Incentive payout in any year relates to the achievements of the preceding financial year versus agreed targets. Metrics will be disclosed ex-ante in the annual report of the Company. There will be no retroactive changes to the selection of metrics used in any given year once approved by the Supervisory Board and disclosed.

For each target the Supervisory Board sets out performance ranges each year. These performance ranges determine for each target and relevant part of the Annual Incentive: i) the performance level below which no payouts are made; and ii) the performance related to the key financial indicators level at which the maximum payout of 150 percent is made, iii) the performance related to non-financial indicators level at which the maximum payout level of 200 percent is made.

The long-term incentive plan (LTIP) will be paid out over three to five years depending on the fulfilment of defined targets.

ADDITIONAL ARRANGEMENTS

In addition to the main conditions of the service contracts, the members of the Management Board shall receive reimbursement of their general expenses including travel expenses incurred in relation to the performance of their office. The Management Board members also benefit from coverage under the Company's Directors and Officers (D&O) insurance policies.

SERVICES AGREEMENTS

The members of the Management Board are engaged by means of a services agreement (overeenkomst van opdracht) as Dutch legislation prohibits a member of the Management Board from being employed by means of a contract of employment.

The maximum term of appointment for all Management Board members is four years. If the Company terminates the service agreement of any member of the Management Board, there will in principle not be any severance payment (apart from the sums paid out during the relevant notice period). The service agreement may be terminated by the Company with a notice period of 1 month and by the Management Board member with a notice period of 3 months.

7.3.4 Changes to the Remuneration Policy of the Supervisory Board in 2017

The Remuneration Policy determines the form, structure and method of determining the remuneration of the Management Board members by the Supervisory Board. It aims to provide a transparent and competitive structure which allows for remuneration to properly reflect the performance and experience of the individual members.

The Company believes that the remuneration of the Supervisory Board members should be in line with peers and with levels adequate to attract qualified Supervisory Board members (with an international composition). Furthermore, the remuneration should be aligned with the responsibilities and time contribution required of the Supervisory Board members.

In view of the above, the remuneration for members of the Supervisory Board effective as of their appointment is as follows:

- a. fixed annual remuneration for a regular member of the Supervisory Board: EUR 30,000
- b. fixed annual remuneration for the Chairman of the Supervisory Board: EUR 65,000

As to the Supervisory Board members currently in office, the two Supervisory Board members affiliated with the majority shareholder, Mr Child and Mr Šmrha, do not and will continue to not receive any remuneration. The remuneration of the current independent Supervisory Board member, Mr Ronde, is also determined as a fixed annual remuneration for a regular member of the Supervisory Board, i.e. EUR 30,000.

The newly approved Remuneration Policy is available on the Company's website (www.fortunagroup.eu) as well as at the Company's offices.

7.3.5 Remuneration of Senior Management

The remuneration of Senior Management is paid by Group Companies. It is divided into a fixed component and a variable component (bonus) and a Long-Term Incentive Plan (LTIP). A specific business plan is determined for each region and/or for Fortuna Group (as a whole or any part thereof) before the respective financial year and includes revenues, gross profit and EBITDA or the Gross Win. The variable part is a percentage of the total remuneration and is due when the targets set in the business plan are fulfilled to the proportion of at least 90%. Bonuses are paid in cash after the confirmation of the annual results by the General Meeting. The members of Senior Management are not granted any pensions, retirement or similar benefits by FEG or the Group Companies.

The table below presents total remuneration expenses for the financial year ending 31 December 2017:

EUR thousands		Remuneration (2017)				
		Fortuna Entertainment Group N.V.		Other Group Companies		
		Pecuniary Income	Received in kind	Pecuniary Income	Received in kind	Total
Members of the Management Board	Board Remuneration	37	-	-	-	37
	Salaries and other similar income	-	-	543	-	543
	Management Bonus	-	-	359	-	359
	Long-term incentive plan	-	-	4,684	-	4,684
	Other (compensation)	-	-	-	-	-
	TOTAL	37	-	5,586	-	5,623
Members of the Supervisory Board	Board Remuneration	38	-	-	-	38
	Salaries and other similar income	-	-	-	-	-
	Management Bonus	-	-	-	-	-
	TOTAL	38	-	-	-	38
Management of the Group Companies*	Salaries and other similar income	-	-	1,608	-	1,608
	Management Bonus	-	-	828	-	828
	Long-term incentive plan	-	-	4,019	-	4,019
	Board Remuneration (incl. Supervisory board)	-	-	-	-	-
	TOTAL	-	-	6,455	-	6,455
TOTAL		75	-	12,041	-	12,116

* In compliance with the definition of "persons discharging managerial responsibilities within an issuer" according to Directive 2003/6/EC of the European Parliament and of the Council of 28 January 2003 on insider dealing and market manipulation (market abuse) and Commission Directive 2004/72/EC of 29 April 2004 implementing Directive 2003/6/EC.

The management members of the Group Companies are allowed to use a company car for personal purposes.

7.3.6 Stock Option Plan

In the course of 2017 the Company did not have any valid stock option plan and no stock option plan was adopted during the year.

7.3.7 Information on Shares Held by the Management

As of 31 December 2017, Directors and Members of the Management Board did not hold any shares or stock options issued by the Company.

As of 31 December 2017, Directors and Members of the Supervisory Board did not hold any shares or stock options issued by the Company.

As of 31 December 2017, management members of the Group did not hold any shares or stock options issued by the Company.

7.4 Corporate Governance Code

7.4.1 Corporate Governance Standards

Fortuna is required to state in its Annual Report whether it complies or will comply with the principles and best practice provisions of the Dutch Corporate Governance Code (dated on December 2017) and, if it does not comply, to explain the reasons for the non-compliance.

FEG has implemented its internal corporate governance rules in order to comply to the extent possible with the Dutch Corporate Governance Code. More specific information regarding the Dutch Corporate Governance Code can be found at:

www.commissiecorporategovernance.nl/Corporate_Governance_Code.

The Company acknowledges the importance of good corporate governance and intends to comply with Czech, Polish and Dutch corporate governance codes as widely as is practicable. Over the year 2017, the Company did not comply with a limited number of best practice provisions as described below:

A) DUTCH CORPORATE GOVERNANCE CODE:

Principle related to Composition and Size of the Management Board and the Supervisory Board.

2.1. 5 Diversity Policy according to which the Supervisory Board should draw up a diversity policy for the composition of the Management Board, the Supervisory Board and, if applicable, the executive committee. The policy should address the concrete targets relating to diversity and the diversity aspects relevant to the company, such as nationality, age, gender, and education and work background. So far, the Company has no specific diversity policy document in place, although the key diversity principals are observed in the daily operations of the Company.

Principles relating to conflicts of interest of the Management Board and the Supervisory Board members. The Company acknowledges that two members of the Supervisory Board related to Penta Investments Limited may be conflicted from time to time. To the extent possible, the Company shall apply these principles regarding conflict of interest as set forth in the Code, unless the participation of conflicted Supervisory Board members is deemed crucial for the decision-making process of the Company. If such a situation occurs, the Company shall provide for proper disclosures.

Principle 2.3.2 according to which, if the Supervisory Board consists of more than four members, it shall appoint from its members an audit committee, a remuneration committee and a selection and appointment committee. The Company decided to establish only an audit committee although it had adopted the Remuneration Policy applicable to members of the Management Board, as adopted at the general meeting of the Company held on 1 December 2017 upon the proposal of Company's Supervisory Board pursuant to Article 17 of the Company's Articles of Association..

Best Practice Provision 2.3.4 The audit committee may not be chaired by the chairman of the Supervisory Board or by a former member of the Management Board of the Company. Marek Šmrha, as a chairman of the audit committee was also chairman of Supervisory Board in 2017. Since December

2017, Tom de Waard, replaced Marek Šmrha on the position of chairman of the Supervisory Board. Tom de Waard is not a member of the audit committee, so the Company complied with the provision as of 31 December 2017.

Best Practice Provision 2.1.4 according to which at least one member of the audit committee shall be a financial expert within the meaning of best practice provision III.3.2. Marek Šmrha meets the description of a financial expert as referred to in the Dutch Corporate Governance Code and the Dutch Act on the Supervision of Audit Organisations.

B) PRAGUE STOCK EXCHANGE CORPORATE GOVERNANCE CODE:

Chapter IV, comment 15 according to which at least the majority of members of the audit committee should be independent. The current composition of the audit committee is not in compliance with this rule. However, the composition of the audit committee may change and an independent member appointed by new shareholders would be asked to become the chairman of the committee.

Chapter VI, comment 18 according to which the Company should establish three separate committees responsible for the independent audit, the remuneration of directors and key executives and the nomination of directors and key executives, and the majority of members of these committees should be independent persons. The Company decided to establish only the audit committee. In the future, new shareholders may decide to establish the additional committees.

C) WARSAW STOCK EXCHANGE CORPORATE GOVERNANCE CODE:

Pursuant to the Warsaw Stock Exchange By-laws, and in connection with the listing of the Company's shares on the Warsaw Stock Exchange, the Company is required to declare which of the Polish principles of corporate governance contained in the WSE Corporate Governance Rules it intends to comply with, as well as to enumerate the principles which it does not intend to comply with and to state the reasons for the non-compliance.

The Company has decided to observe the majority of the WSE Corporate Governance Rules as stated in detail below:

A statement on the company's compliance with the corporate governance recommendations and principles contained in Best Practice for GPW Listed Companies 2016

I. DISCLOSURE POLICY, INVESTOR COMMUNICATIONS

Listed companies should ensure adequate communications with investors and analysts by pursuing a transparent and effective disclosure policy. To this end, they should ensure easy and non-discriminatory access to disclosed information using diverse tools of communication.

Explanation: The Company complies with the majority of corporate governance recommendations and principles in section I. with the exception of the following:

Principle I.Z.1.15. – the Company had not drafted or implemented a diversity policy as of the date of this Annual Report.

Principle I.Z.1.20. – an audio or video recording of a general meeting; the Company does not provide an audio or video recording of its general meeting. However, if it was required by shareholders, such a recording tool could be arranged.

Recommendations

I.R.1. Where a company becomes aware that untrue information has been disseminated in the media – and that untrue information significantly affects the evaluation of the company – it should immediately

publish on its website a communiqué containing its standpoint on the given information, unless in the opinion of the company the nature of the given information and the circumstances of its publication give reasons to pursue a more effective solution.

I.R.2. Where a company pursues sponsorship, charitable or other similar activities, it should publish information about the relevant policy in its annual activity report.

I.R.3. Companies should allow investors and analysts to ask questions and receive explanations – subject to prohibitions defined in the applicable legislation – on topics of their interest. This recommendation may be implemented through open meetings with investors and analysts or in other formats allowed by a company.

I.R.4. Companies should put in process their best efforts, including the taking of all steps well in advance as necessary, to prepare a periodic report, to allow investors to review their financial results as soon as possible after the end of a reporting period.

Detailed principles

I.Z.1. A company should operate a corporate website and publish on that website, in a legible form and as part of a separate section, the following material in addition to information required under legislation:

I.Z.1.1. basic corporate documents, in particular the company's articles of association;

I.Z.1.2. the full names of the members of its management board and supervisory board and the professional CVs of the members of these bodies including information on the fulfilment of the criteria of independence by members of the supervisory board;

I.Z.1.3. a chart showing the division of duties and responsibilities among members of the management board drawn up according to principle II.Z.1;

I.Z.1.4. the current structure of the shareholders indicating those shareholders that hold at least 5% of the total vote in the company according to information provided to the company by shareholders under the applicable legislation;

I.Z.1.5. current and periodic reports, prospectuses and information memoranda with annexes, published by the company at least in the past 5 years;

I.Z.1.6. information on the dates of corporate events leading to the acquisition or limitation of rights of a shareholder, information on the dates of publication of financial reports and other events relevant to investors (within a timeframe enabling investors to make investment decisions);

I.Z.1.7. information materials published by the company concerning the company's strategy and its financial results;

I.Z.1.8. selected financial data of the company for the past 5 years of business in a format enabling the recipient to process such data;

I.Z.1.9. information about the planned dividend and the dividends paid out by the company in the past 5 financial years, including the dividend record date, the dividend payment date and the dividend amount, in aggregate and per share;

I.Z.1.10. financial projections, if the company has decided to publish them (published at least in the past 5 years, including information about the degree of their implementation);

I.Z.1.11. information about the content of the company's internal rule for changing the firm authorised to audit financial statements, or information about the absence of such a rule;

I.Z.1.12. a statement on compliance with the corporate governance principles contained in the last published annual report;

I.Z.1.13. a statement on the company's compliance with the corporate governance recommendations and principles contained herein, consistent with the information that the company should report under the applicable legislation;

I.Z.1.14. materials provided to the general meeting, including assessments, reports and positions referred to in principle II.Z.10, tabled to the general meeting by the supervisory board;

I.Z.1.15. information about the company's diversity policy applicable to the company's governing bodies and key managers; the description should cover the following elements of the diversity policy: gender, education, age, and professional experience. It should also specify the goals of the diversity policy and its implementation in the reporting period; where the company has not drafted and implemented a diversity policy, it should publish on its website an explanation of the decision behind the lack of such a drafting and implementation;

I.Z.1.16. information about the planned transmission of a general meeting, not later than 7 days before the date of the general meeting;

I.Z.1.17. a justification of draft resolutions of the general meeting concerning issues and determinations which are relevant to, or may give rise to doubts among, shareholders, within a timeframe enabling participants of the general meeting to review them and pass the resolution with an adequate understanding;

I.Z.1.18. information about the reasons for the cancellation of a general meeting, a change in its date or agenda, and information about breaks in a general meeting and the grounds for those breaks;

I.Z.1.19. shareholders' questions put to the management board pursuant to Article 428 § 1 or § 6 of the Commercial Companies Code together with the answers of the management board to those questions, or a detailed explanation of the reasons why no answer(s) was provided, pursuant to principle IV.Z.13;

I.Z.1.20. an audio or video recording of a general meeting;

I.Z.1.21. contact details of the company's investor relations officers including the full name and e-mail addresses or telephone numbers.

I.Z.2. a company whose shares participate in the stock exchange index WIG20 or mWIG40 should ensure that its website is also available in English, at least to the extent described in principle I.Z.1. This principle should also be followed by companies not participating in these indices if so required by the structure of their shareholders or the nature and scope of their activity.

II. MANAGEMENT BOARD, SUPERVISORY BOARD

A listed company is managed by its management board, the members of which act in the interest of the company and are responsible for its activity. The management board is responsible among other matters for the company's leadership, engagement in setting and implementing its strategic objectives, and ensuring its efficiency and safety.

A company is supervised by an effective and competent supervisory board. Supervisory board members act in the interest of the company and follow their independent opinions and judgement. The supervisory board in particular issues opinions on the company's strategy, verifies the work of the management board in pursuit of defined strategic objectives, and monitors the company's performance.

Explanation: The Company complies with the majority of corporate governance recommendations and principles in section II. with the exception of the following.

Principle II.Z.8. The chair of the audit committee should meet the independence criteria referred to in principle II.Z.4. Currently, the chair of the audit committee does not meet the independence criteria.

Principle

Recommendations

II.R.1. To ensure the management board and the supervisory board of a company meet the highest standards in the efficient fulfilment of their obligations, the management board and the supervisory board should have members who represent high qualifications and experience.

II.R.2. Decisions to elect members of the management board or the supervisory board of a company should ensure that the compositions of these bodies are comprehensive and diverse in terms of gender, education, age and professional experience, among other aspects.

II.R.3. Functions of the management board of a company should be the main area of the professional activity of management board members. Additional professional activities of management board members must not require so much time and effort that they could adversely affect the proper performance of functions for the company. In particular, management board members should not be members of the governing bodies of other entities if the time devoted to functions at such other entities would prevent their proper performance at the company.

II.R.4. Supervisory board members must be able to devote the time necessary to perform their duties.

II.R.5. If a supervisory board member resigns or is unable to perform his or her functions, the company should immediately take steps necessary to ensure a substitution or replacement on the supervisory board.

II.R.6. Being aware of the pending expiration of the term of office of management board members and their plans in terms of their further performance of functions on the management board, the supervisory board should take steps in advance to ensure the efficient operation of the company's management board.

II.R.7. A company should allow its supervisory board to use the professional and independent advisory services necessary for the supervisory board to exercise effective supervision over the company. In its selection of the advisory service provider, the supervisory board should take into account the financial standing of the company.

Detailed principles

II.Z.1. The internal division of responsibilities for individual areas of the company's activities among management board members should be clear and transparent, and a chart describing that division should be available on the company's website.

II.Z.2. A company's management board members may sit on the management boards or supervisory boards of companies other than those of member companies of its group subject to the approval of the supervisory board. II.Z.3. At least two members of the supervisory board should meet the criteria of being independent referred to in principle II.Z.4.

II.Z.4. Annex II to the European Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board applies to the independence criteria of supervisory board members.

Irrespective of the provisions of point 1(b) of the said Annex, a person who is an employee of the company or its subsidiary or affiliate, or who has entered into a similar agreement with any of these entities, cannot be deemed to meet the independence criteria. In addition, a relationship with a shareholder precluding the independence of a member of the supervisory board as understood in this principle is an actual and significant relationship with any shareholder who holds at least 5% of the total votes in the company.

II.Z.5. Each supervisory board member should provide the other members of the supervisory board as

well as the company's management board with a statement on meeting the independence criteria referred to in principle II.Z.4.

II.Z.6. The supervisory board should identify any relationships or circumstances which may affect a supervisory board member's fulfilment of the independence criteria. An assessment of supervisory board members' fulfilments of the independence criteria should be presented by the supervisory board according to principle II.Z.10.2.

II.Z.7. Annex I to the Commission Recommendation referred to in principle II.Z.4 applies to the tasks and the operation of the committees of the Supervisory Board. Where the functions of the audit committee are performed by the supervisory board, the foregoing should apply accordingly.

II.Z.8. The chair of the audit committee should meet the independence criteria referred to in principle II.Z.4.

II.Z.9. To enable the supervisory board to perform its duties, the company's management board should give the supervisory board access to information on matters concerning the company.

II.Z.10. In addition to its responsibilities laid down in the legislation, the supervisory board should prepare and present to the ordinary general meeting once per year the following:

II.Z.10.1. an assessment of the company's standing including an assessment of the internal control, risk management and compliance systems and the internal audit function; such an assessment should cover all significant controls, in particular financial reporting and operational controls;

II.Z.10.2. a report on the activity of the supervisory board containing at least the following information:

- full names of the members of the supervisory board and its committees;
- supervisory board members' fulfilments of the independence criteria;
- the number of meetings of the supervisory board and its committees in the reporting period;
- self-assessment of the supervisory board;

II.Z.10.3. an assessment of the company's compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and the regulations on current and periodic reports published by issuers of securities;

II.Z.10.4. an assessment of the rationality of the company's policy referred to in recommendation I.R.2 or information about the absence of such a policy.

II.Z.11. The supervisory board should review and issue opinions on matters to be decided in resolutions of the general meeting.

III. INTERNAL SYSTEMS AND FUNCTIONS

Listed companies should maintain efficient internal control, risk management and compliance systems and an efficient internal audit function adequate to the size of the company and the type and scale of its activities.

Explanation: The Company complies with all corporate governance recommendations and principles in section III. The Company had not implemented the internal audit function as of the date of this report.

Recommendations

III.R.1. The company's structure should include separate units responsible for the performance of tasks in individual systems or functions, unless the separation of such units is not justified by the size or type of the company's activities.

Detailed principles

III.Z.1. The company's management board is responsible for the implementation and maintenance of efficient internal control, risk management and compliance systems and the internal audit function.

III.Z.2. Subject to principle III.Z.3, persons responsible for risk management, the internal audit and compliance should report directly to the president or another member of the management board and should be allowed to report directly to the supervisory board or the audit committee.

III.Z.3. The independence rules defined in the generally accepted international standards of the professional internal audit practice apply to the person heading the internal audit function and other persons responsible for such tasks.

III.Z.4. The person responsible for internal audit (if the function is separated in the company) and the management board should report to the supervisory board at least once per year with their assessment of the efficiency of the systems and functions referred to in principle III.Z.1 and they should table a relevant report.

III.Z.5. The supervisory board should monitor the efficiency of the systems and functions referred to in principle III.Z.1, among others, on the basis of reports provided periodically by the persons responsible for the functions and the company's management board, and make an annual assessment of the efficiency of such systems and functions according to principle II.Z.10.1. Where the company has an audit committee, it should monitor the efficiency of the systems and functions referred to in principle III.Z.1; this, however, does not release the supervisory board from the annual assessment of the efficiency of such systems and functions.

III.Z.6. Where the company has no separate internal audit function in its organisation, the audit committee (or the supervisory board if it is tasked with performing the functions of the audit committee) should review on an annual basis whether this function needs to be separated.

IV. GENERAL MEETING, SHAREHOLDER RELATIONS

The management board and the supervisory board of a listed company should encourage the engagement of shareholders in matters of the company, in particular through active participation in the general meeting.

The General Meeting should proceed by respecting the rights of shareholders and ensuring that passed resolutions do not infringe on the reasonable interests of the different groups of shareholders.

Shareholders who participate in a General Meeting should exercise their rights in accordance with the rules of good conduct.

Explanation: The Company complies with the majority of the corporate governance recommendations and principles in section IV. with the exception of the following:

In terms of Principle IV.R.2. – according to which a company should enable its shareholders to participate in a General Meeting using electronic communication means through: 1) a real-life broadcast of the General Meeting; 2) a real-time bilateral communication whereby shareholders may take the floor during a General Meeting from a location other than the General Meeting – the Company has not enabled such participation in its General Meeting as stipulated under 1) and 2). The Company does not exclude that in the future an electronic General Meeting will be established if requested by shareholders.

Recommendations

IV.R.1. Companies should strive to hold an Ordinary General Meeting as soon as possible after the publication of an annual report and set the date in keeping with the applicable legislation.

IV.R.2. If justified by the shareholder structure or the expectations of shareholders as notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a General Meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a General Meeting using such means, in particular through:

- 1) a real-life broadcast of the General Meeting;
- 2) a real-time bilateral communication whereby shareholders may take the floor during a General Meeting from a location other than the General Meeting;
- 3) the exercising of the right to vote during a General Meeting either in person or through a plenipotentiary.

IV.R.3. Where securities issued by a company are traded in different countries (or on different markets) and within different legal systems, the company should strive to ensure that corporate events related to the acquisition of rights by shareholders take place on the same dates in all the countries where the securities are traded.

Detailed principles

IV.Z.1. Companies should set the place and date of a General Meeting so as to enable the participation of the highest possible number of shareholders.

IV.Z.2. If justified by the shareholder structure, companies should ensure publicly available real-time broadcasts of General Meetings.

IV.Z.3. The presence of representatives of the media should be allowed at General Meetings.

IV.Z.4. If the management board becomes aware of a General Meeting being convened pursuant to Article 399 § 2-4 of the Commercial Companies Code, the management board should immediately take steps which it is required to take in order to organise and conduct the General Meeting. The foregoing applies also where a General Meeting is convened under the authority granted by the registration court according to Article 400 § 3 of the Commercial Companies Code.

IV.Z.5. The General Meeting rules and the method of conducting the meeting and adopting resolutions must not restrict the participation of shareholders in the General Meeting or the exercising of their rights. Amendments of the rules of the General Meeting should take effect as of the next General Meeting at the earliest.

IV.Z.6. Companies should strive to ensure that the cancellation of a General Meeting, the changing of its date or a break in its proceedings do not prevent or limit the exercising of the shareholders' rights to participate in the General Meeting.

IV.Z.7. A break in the proceedings of the General Meeting may only take place in a special case, always to be defined on each occasion in the justification of the resolution announcing the break, drafted on the basis of reasons provided by the shareholder requesting the break.

IV.Z.8. A resolution of the General Meeting announcing a break should clearly set the date and time when the proceedings are to recommence, and such date and time must not be a barrier to most shareholders, including minority shareholders, when it comes to participating in the continuation of the given proceedings.

IV.Z.9. Companies should strive to ensure that draft resolutions of the General Meeting contain a justification if that would help shareholders pass a resolution with adequate understanding. If a matter is put on the agenda of the General Meeting at the request of a shareholder or shareholders, the management board or the chairman of the General Meeting should request the presentation of the

justification of the proposed resolution. In important matters and matters which may give rise to any doubt among shareholders, the company should provide a justification, unless it otherwise provides the shareholders with information necessary to pass a resolution with adequate understanding.

IV.Z.10. Any exercising of the rights of shareholders or any way in which the shareholders exercise their rights must not hinder the proper functioning of the governing bodies of the company.

IV.Z.11. Members of the management board and the supervisory board should participate in a General Meeting as necessary to answer questions asked at the General Meeting.

IV.Z.12. The management board should present to the participants of an Ordinary General Meeting the financial results of the company and other relevant information contained in the financial statements to be approved by the General Meeting.

IV.Z.13. If a shareholder requests information about the company, the management board of the company should provide an answer to the shareholder's request within 30 days or inform the shareholder of its refusal to provide such information where the management board has made such a decision pursuant to Article 428 § 2 or § 3 of the Commercial Companies Code.

IV.Z.14. Resolutions of the General Meeting should allow for a sufficient period of time between decisions causing specific corporate events and the date of the determination of the rights of shareholders pursuant to such events.

IV.Z.15. A resolution of the General Meeting concerning an issue of shares with subscription rights should specify the issue price or the mechanism of setting the price or authorise the competent governing body to set the price prior to the record date of the subscription right within a timeframe required for investors to make decisions.

IV.Z.16. The dividend record date and the dividend payment date should be set so as to ensure that the period between them is no longer than 15 business days. A longer period between these dates requires a justification.

IV.Z.17. A resolution of the General Meeting concerning a conditional dividend payment may only contain such conditions the potential fulfilment of which takes place before the dividend record date.

IV.Z.18. A resolution of the General Meeting to split the nominal value of shares should not set the new nominal value of the shares below PLN 0.50, a level which could result in a very low unit market value of the shares, and which could consequently pose a threat to the correct and reliable valuation of the company listed on the Stock Exchange.

V. CONFLICT OF INTERESTS, RELATED PARTY TRANSACTIONS

For the purpose of this Section, 'related party' is defined under the International Accounting Standards approved in Regulation No (EU) 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

Companies should have in place transparent procedures for preventing conflicts of interest and related party transactions where a conflict of interest may occur. The procedures should provide for ways to identify, disclose and manage such cases.

Explanation: The Company complies with the majority of the corporate governance recommendations and principles in section V. with the exception of the following:

In regard to Principle V.Z.1. according to which no shareholder should have preference over other shareholders in transactions concluded by the company with shareholders or their related parties: Since representatives of the majority shareholder are present on the Supervisory Board, the preference given to the majority shareholder may happen from time to time.

Recommendations

V.R.1. Members of the management board and the supervisory board should refrain from professional or other activities which might cause a conflict of interest or adversely affect their reputation as members of the governing bodies of the company, and where a conflict of interest arises, they should immediately disclose it.

Detailed principles

V.Z.1. No shareholder should have preference over other shareholders in transactions concluded by the company with shareholders or their related parties.

V.Z.2. Members of the management board or the supervisory board should notify the management board or the supervisory board, respectively, of any conflict of interest which has arisen or may arise, and should refrain from voting on a resolution on the issue which may give rise to such a conflict of interest in their case.

V.Z.3. Members of the management board or the supervisory board must not accept any benefits which might affect their impartiality and objectivity in making decisions or which might reflect unfavourably on the assessment of the independence of their opinions or judgements.

V.Z.4. Where a member of the management board or the supervisory board concludes that a decision of the management board or the supervisory board, respectively, is in conflict with the interest of the company, he or she may request that the minutes of the management board or the supervisory board meeting show his or her position.

V.Z.5. Before the company concludes a significant agreement with a shareholder who holds at least 5% of the total votes in the company or with a related party, the management board should request the supervisory board's approval of the transaction. Before giving its approval, the supervisory board should evaluate the impact of the transaction on the interest of the company. The foregoing does not apply to typical transactions and transactions at arm's length made as part of the company's operations between the company and members of its group.

If the decision concerning the company's significant agreement with a related party is made by the General Meeting, the company should give all shareholders access to the information necessary to assess the impact of the transaction on the interest of the company before the decision is made.

V.Z.6. In its internal regulations, the company should define the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict of interest has arisen or may arise. The company's internal regulations should, among other things, provide for ways to prevent, identify and resolve conflicts of interest, as well as the rules of excluding members of the management board or the supervisory board from participation in reviewing matters subject to a conflict of interest which has arisen or may arise.

VI. REMUNERATION

A company should have a remuneration policy at least applicable to members of the company's governing bodies and key managers. The remuneration policy should in particular determine the form, structure, and method of determining the remuneration of members of the company's governing bodies and key managers.

Explanation: The Company complies with all the corporate governance recommendations and principles in section VI. with the exception of the following: The Company currently has not established a remuneration committee and has not implemented any option plan or motivation element linked to shares as of the date of this report.

Recommendations

VI.R.1. The remuneration of members of the company's governing bodies and key managers should follow the approved remuneration policy.

VI.R.2. The remuneration policy should be closely tied to the company's strategy, its short-term and long-term goals, long-term interests and results, taking into account solutions necessary to avoid discrimination on any grounds.

VI.R.3. If the supervisory board has a remuneration committee, principle II.Z.7 applies to its operations.

VI.R.4. The remuneration levels of members of the management board and the supervisory board and key managers should be sufficient to attract, retain and motivate persons with the skills necessary for the proper management and supervision of the company. Remuneration should be adequate in terms of the scope of tasks delegated to individuals, taking into account additional functions, for instance on supervisory board committees.

Detailed principles

VI.Z.1. Incentive schemes should be constructed in a way necessary among other things to tie the level of the remuneration of members of the company's management board and key managers to the actual long-term financial standing of the company and long-term shareholder value creation, as well as to the company's stability.

VI.Z.2. To tie the remuneration of members of the management board and key managers to the company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than two years.

VI.Z.3. The remuneration of members of the supervisory board should not be linked to options or other derivatives or any other variable components, and neither should it be linked to the company's results.

VI.Z.4. In the activity report, the company should report on the remuneration policy. The report should at least include the following:

- 1) general information about the company's remuneration system;
- 2) information about the conditions and amounts of remuneration applicable to each management board member, broken down by the fixed and variable remuneration components, including the key parameters for setting the variable remuneration components and the terms of payment of severance allowances and other amounts due on the termination of the employment, contract or other similar legal relationship, separately for the company and each member of its group;
- 3) information about non-financial remuneration components due to each management board member and key manager;
- 4) significant amendments of the remuneration policy in the past financial year or information about their absence;
- 5) an assessment of the implementation of the remuneration policy in terms of the achievement of its goals, in particular long-term shareholder value creation and the company's stability.

7.4.2 Management Statement

The Company's Management Board members hereby declare in accordance with Financial Supervision Act Section 2, sub c, 5.25c that, to the best of their knowledge:

1. the financial statements for the financial year 2017 included in this Annual Report give a true and fair view of the assets, liabilities, financial position, and profit and loss of the Company and its consolidated entities;
2. the Directors' Report gives a true and fair view of the company and its related entities, the financial information of which has been consolidated in the financial statements as of the balance sheet date 31 December 2017 and the state of affairs during the financial year 2017;
3. the Annual Report describes the material risks that the Company faces

8. Investor Information

8.1 Fortuna's Shares and Share Capital

Shareholders as of 31 December 2017:

FORTBET HOLDINGS LIMITED, a subsidiary of Penta Investments Limited	79.78%
Templeton Asset Management Ltd.	10.61%
Other free float	9.61%

Source: Company Data

On 21 October 2010, Fortuna successfully completed an Initial Public Offering ("IPO") of its shares with the issue price set at EUR 4.30 per share. In the IPO, a total number of 18,200,000 shares were offered by the selling shareholder Penta Investments Limited (including the over-allotment), including 2,000,000 newly-issued shares. The total volume of the offering equalled EUR 78.26 million based on the 18,200,000 shares. Shares of Fortuna Entertainment Group N.V. were listed on the Prague Stock Exchange on 27 October 2010 (conditional trading from 22 October) and on the Warsaw Stock Exchange on 28 October 2010.

As of 31 December 2017, the issued and paid-up share capital of FEG amounted to EUR 520,000 and was divided into 52,000,000 shares with a nominal value of EUR 0.01 per share. All of the shares are ordinary registered shares, are fully paid up and rank *pari passu* with each other; there is no other authorised class of share. All shares have been or will be issued under Dutch law. All shares have one vote and carry equal dividend rights.

The shares are traded on the Prague Stock Exchange under ISIN NL0009604859 BAAFOREG and on the Warsaw Stock Exchange under FEG. The shares of FEG since 20 December 2010 have been part of the PX index, which covers the shares of all major issuers on the Prague Stock Exchange.

8.1.1 Share Price Development and Trading Activity in 2017¹³

During 2017 Fortuna shares were traded for a total value of CZK 878.5 million on the Prague Stock Exchange and for a total value of PLN 72.2 million on the Warsaw Stock Exchange. In 2017, the lowest trading prices of FEG shares during the year were CZK 86.6 and PLN 13.88 and the highest were CZK 180 and PLN 31 on the Prague and Warsaw Stock Exchanges, respectively.

The closing prices on 31 December 2017 were CZK 177.65 on the Prague Stock Exchange and PLN 14.25 on the Warsaw Stock Exchange and the market capitalisation of FEG came to CZK 9.2 billion (based on the Prague Stock Exchange quote).

¹³ Source: Bloomberg and PSE

1.1.2017 – 31.12.2017

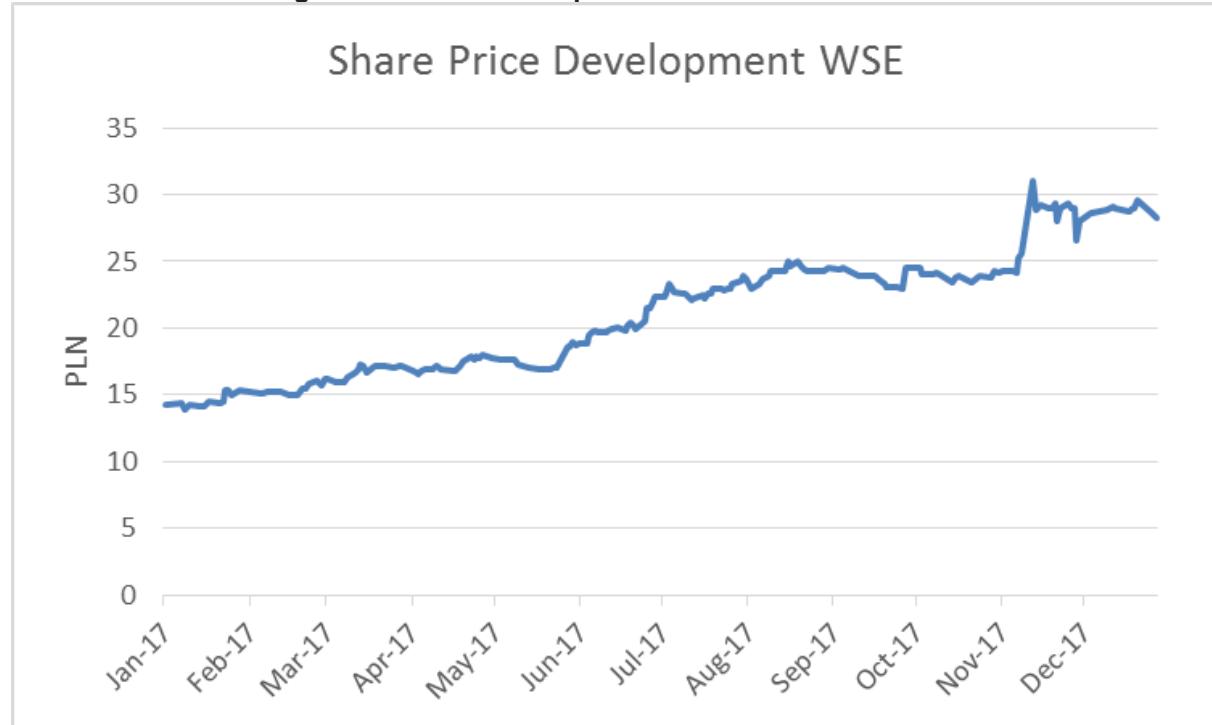
Prague Stock Exchange Share Price Development



Source: PSE

1.1.2017 – 31.12.2017

Warsaw Stock Exchange Share Price Development



Source: WSE

8.1.2 Voluntary Buy-out by the Majority Shareholder

On 31 March 2017, the Management Board of Fortuna Entertainment Group N.V. was informed by its majority shareholder Fortbet Holdings Limited that it had announced a tender offer for the sale of all outstanding shares issued by Fortuna.

Through the tender offer, Fortbet intended to acquire all the remaining shares in Fortuna representing 31.75% of the share capital with a view to becoming the Company's sole shareholder, delisting the shares from both the Prague Stock Exchange and Warsaw Stock Exchange and enabling all the minority shareholders to dispose of their shares under equal terms. The agent for the tender offer is Česká spořitelna a.s., a member of the Erste Bank Group. The initial offer price was CZK 98.69 per one share or PLN 15.43. On 29 May, the buy-out price was increased to CZK 118.04 or PLN 18.68. The results of the voluntary buy-out have not been disclosed.

8.1.3 Changes in the Shareholder Structure in 2017

ALTUS TFI S.A. with its corporate seat in Warsaw, Poland as of 9 June 2017 held 2,632,199 shares in the Company, constituting 5.06% of the share capital and of the total voting rights attached to the shares issued by the Company. Prior to 9 June 2017 ALTUS TFI S.A. held 2,527,199 shares in the Company, constituting 4.86% of the share capital and voting rights attached to the shares issued by the Company. Subsequently, ALTUS TFI S.A. held as of 26 June 2017 748,640 shares in the Company, constituting 1.44% of the share capital and of the total voting rights attached to the shares issued by the Company.

Penta Investments Limited, through its subsidiary Fortbet Holdings Limited held as of 27 June 2017 39,686,346 shares in the Company, constituting 76.32% of the share capital and of the total voting rights attached to the shares issued by the Company. On 30 August 2017 Fortuna was informed that Fortbet Holdings Limited increased its holding to 79.78%.

8.1.4 Dividend Policy

Over the past two years, the dividend policy of FEG has been under review due to the planned investments in future growth opportunities, especially investments in a new IT platform enabling multi-channel, multi-product and multi-country capability, operational excellence and personnel that will support further organic growth and expansion across Central & Eastern Europe.

In light of this development and the further M&A expansion strategy, the management of Fortuna Entertainment Group N.V. confirms its zero dividend policy for the next 3 years and zero dividend payment for 2017.

8.1.5 Fortuna's Investor Relations Commitment

In the period since the IPO, Fortuna has focused on developing research coverage for the Company, developing relationships with analysts and setting up investor relations communications according to the best market standards. At present, the Company has 6 sell-side analysts, who publish research on the Company, and a number of other commenting analysts at both international investment banks and CEE-based financial institutions.

Fortuna is dedicated to open and proactive communication with its shareholders and has implemented a schedule of investor communications events, all of which is fully compliant with market standards for listed companies.

FINANCIAL RESULTS CALENDAR FOR 2018

17 May 2018	Interim Management Statement for the Period Starting 1 January 2018
6 September 2018	Half Year Report 2017 incl. First Half 2018 Financial Results
15 November 2018	Interim Management Statement for the Period Starting 1 July 2018

9. Supervisory Board Report

The Supervisory Board has reviewed the Annual Report of Fortuna Entertainment Group N.V. for the financial year 2017, as prepared by the Management Board.

9.1.1 General

The Supervisory Board supervises and advises the Management Board in performing its management tasks and setting FEG's strategy.

The Company has a two-tier board structure with one independent, non-executive member serving on the Supervisory Board. Currently, there are three independent members on the Supervisory Board. However, the Company does not exclude that the number of independent members will increase.

The Company acknowledges that members of the Supervisory Board related to Penta Investments Limited or one of its subsidiaries may be conflicted from time to time. To the extent that is possible, the Company shall apply the principles regarding a conflict of interest as set forth in the Code, unless the participation of conflicted Supervisory Board members is deemed crucial for the decision-making process of the Company. If such a situation occurs, the Company shall provide for proper disclosures as set forth in best practice provisions II.3.4 or II.6.3.

The Supervisory Board, acting in the interests of FEG, its business and shareholders, supervises and advises the Management Board. Major management decisions, such as FEG's strategy, major investments and budget, require the approval of the Supervisory Board. The Supervisory Board also supervises the structure and management of systems, including the internal control and risk management systems, and the financial reporting process. The Supervisory Board selects and appoints new Management Board members, prepares the remuneration policy for the Management Board, and decides on the remuneration for the individual members of the Management Board. In addition, the Supervisory Board is the body that nominates new Supervisory Board candidates for appointment to the Annual General Meeting of Shareholders ("AGM"), and submits proposals for the remuneration of the Supervisory Board members.

The Supervisory Board closely follows the developments in the area of corporate governance and the application of the relevant corporate governance rules within the Company. In 2011, the Supervisory Board adopted an internal corporate governance rule in order to comply to the extent possible with the Dutch Corporate Governance Code. For a more detailed description on corporate governance, please refer to Corporate Governance, Chapter 8.4 of the Annual Report.

9.1.2 Meetings and Activities of the Supervisory Board

The Supervisory Board held nine meetings in 2017, where three meetings were physical meetings, two were conference calls and four were held per roll am ("by letter").

During the various meetings, the Supervisory Board discussed FEG's strategy, regional expansion plans, financial situation, business risks and budget and corporate targets, among other matters. In addition to the scheduled meetings and the conference call, the members of the Supervisory Board interacted intensively with the Management Board, with its individual members and members of executive senior management, through one-on-one meetings, telephone calls and regular reports. Also, several informal meetings and telephone calls took place among Supervisory Board members for consultations with respect to various topics.

In 2017, the Supervisory Board spent a considerable period of time discussing FEG's corporate and market strategy, regional expansion, legal disputes with some of the minority investors, development of

the online gaming and online business in general, and disposal of the lottery business in the Czech Republic as well as the voluntary tender offer by the majority shareholder.

In line with what is a common yearly practice, an evaluation was performed in 2017 with respect to the functioning of the Supervisory Board, its committee, and individual members. Several suggestions resulting from that evaluation were implemented, such as more in-depth and more extensive discussions on important topics for FEG and, as a result thereof, extended Supervisory Board meetings.

9.1.3 Changes in the Composition of the Supervisory Board

The Extraordinary General Meeting of Shareholders held on 1 December 2017 appointed Tom de Waard as a new member of the Supervisory Board for a period of four (4) years effective as of the date of this meeting, in accordance with article 23.3 of the Articles of Association, provided that his term of appointment would end upon the closing of the first general meeting to be held in 2021. Tom de Waard replaced Marek Šmrha as the new Chairman of the Supervisory Board.

The Extraordinary General Meeting of Shareholders held on 1 December 2017 appointed Michael R. Clark as a new member of the Supervisory Board for a period of four (4) years effective as of the date of this meeting, in accordance with article 23.3 of the Articles of Association, provided that his term of appointment would end upon the closing of the first general meeting to be held in 2021.

For further details on the activities and responsibilities of the Supervisory Board, see the Corporate Governance Chapter 8.4 of this Annual Report.

9.1.4 Supervisory Board Committee

While retaining overall responsibility, the Supervisory Board assigns certain of its tasks to its audit committee. Members of this committee are appointed from among the Supervisory Board members.

The Company decided to solely establish an audit committee. In the future, the Supervisory Board may decide to establish additional committees.

Decisions and recommendations of the audit committee meetings are reviewed in plenary meetings of the Supervisory Board. In general, the audit committee annually evaluates its composition and functioning. The annual evaluations ensure a continuous focus on the quality of the activities of the committee, its composition and its functioning.

For a further description of the activities and responsibilities of the Supervisory Board audit committee, refer to Corporate Governance, Chapter 8.4 of this report.

9.1.5 Audit Committee

The members of FEG's audit committee in 2017 were Marek Šmrha and Morten Rønde, who was appointed in January 2017. Marek Šmrha, the member of the Supervisory Board, was appointed chairman of the audit committee. The Company believes that it is in the best interest of the Company and FEG to maintain Marek Šmrha as chairman of the audit committee due to his extensive financial knowledge of the Group. The Company believes that he meets the description of a financial expert as outlined in the Dutch Corporate Governance Code and the Dutch Act on the Supervision of Audit Organisations.

In 2017, the audit committee met once for the purpose of discussing the annual financial results. External auditors of the Company participated in the meeting.

The audit committee focuses strongly on the review of FEG's interim and annual results and announcements. It also continuously monitors the activities of FEG's internal controls and risk management systems, including the internal controls over financial reporting. Other activities of the audit committee were: a discussion of, and approval of, the internal and external audit plan and related external audit fees; a review of i) the audit and non-audit fees paid to the Company's external auditor; ii) the audit activities of the Company's internal and external auditor; and iii) the external auditor's letter.

9.1.6 Remuneration of the Supervisory Board

The General Meeting of Shareholders determines the remuneration of the members of the Supervisory Board. The AGM held in 2013 adopted a resolution according to which all members of the Supervisory Board were to waive their right to receive annual remuneration.

The Extraordinary General Meeting held in December 2017 adopted a new remuneration policy for the members of the Supervisory Board. The Company believes that the remuneration level should be in line with the levels provided by peers and with levels adequate to attract qualified Supervisory Board members (with an international composition). Furthermore, the remuneration should be aligned with the responsibilities and time contribution required of the Supervisory Board members..

In view of the above, the remuneration for members of the Supervisory Board effective as of their appointment is as follows:

- a. fixed annual remuneration for a regular member of the Supervisory Board: EUR 30,000
- b. fixed annual remuneration for the Chairman of the Supervisory Board: EUR 65,000

As to the Supervisory Board members currently in office, the two Supervisory Board members affiliated with the majority shareholder, Mr Child and Mr Šmrha, do not and will continue to not receive any remuneration. The remuneration of the current independent Supervisory Board member, Mr Ronde, is also determined as a fixed annual remuneration for a regular member of the Supervisory Board, i.e. EUR 30,000.

No member of the Supervisory Board personally maintains a business relationship with the Company other than as a member of the Supervisory Board, apart from the relationship with Penta Investments Limited and its subsidiaries as described above in this report.

No member of the Supervisory Board owned shares or options on shares issued by the Company.

The Company has not granted any loans to, or granted any guarantees in favour of, any of the members of the Supervisory Board.

9.1.7 Composition of the Management Board

For further details and biographies of the members of the Management Board, see Chapter 8.2 (Management) of the Annual Report.

9.1.8 Remuneration of the Management Board

GENERAL

The Supervisory Board reviews and proposes the general compensation and benefit programmes for the Management Board, as well as the remuneration for the individual members of the Management Board.

9.1.9 Outline 2017 Remuneration Report

The Extraordinary General Meeting held in December 2017 adopted a new remuneration policy for the members of the Supervisory Board as follows:

The remuneration of the members of the Management Board consists of a fixed base salary and a variable component (bonus) determined by the Supervisory Board, with due observance of this Remuneration Policy and the Company's Articles of Association.

With regard to their membership in the governing bodies of individual Fortuna group companies other than the Company, the Management Board members also receive a remuneration which may include a fixed component and/or two variable components (consisting of an annual incentive bonus and a long-term incentive plan). This remuneration, including the variable components, is determined and payable by the individual Fortuna group companies and is shown in the annual reports of the Company.

For the sake of completeness and the avoidance of any doubt, the Management Board members are not granted any pensions, retirement or similar benefits by the Company. Also, the Company has not adopted any stock option plan for the members of the Management Board and does not provide any loans or advances to them. Nor does the Company issue any guarantees to the benefit of members of the Management Board.

The remuneration of the members of the Management Board is described in Section 8.3 (Remuneration) of the Annual Report. The remuneration of the Management Board in the year 2017 was in accordance with the Remuneration Policy adopted by the General Meeting of Shareholders.

9.1.10 Gratitude to FEG Employees

The Supervisory Board would like to thank and recognise all the FEG employees who have been able to achieve so much during this past challenging year, with its many new projects. The Supervisory Board wishes to express its gratitude to the members of the Management Board and senior management and to all FEG employees for their dedication and contributions made to the results in 2017.

FORTUNA ENTERTAINMENT GROUP N.V.

Annual Report for the year 2017

Amsterdam, 26 April 2018

Per Widerström
Chairman of the Management Board
of Fortuna Entertainment Group N.V.

Boude Wijntink
Member of the Management Board
of Fortuna Entertainment Group N.V.

Tom de Waard
Chairman of the Supervisory Board
of Fortuna Entertainment Group N.V.

Marek Šmrha
Member of the Supervisory Board
of Fortuna Entertainment Group N.V.

Michael Clark
Member of the Supervisory Board
of Fortuna Entertainment Group N.V.

Richard van Bruchem
Member of the Management Board
of Fortuna Entertainment Group N.V.

Janka Galáčová
Member of the Management Board
of Fortuna Entertainment Group N.V.

Iain Child
Member of the Supervisory Board
of Fortuna Entertainment Group N.V.

Morten Rønde
Member of the Supervisory Board
of Fortuna Entertainment Group N.V.

10. Consolidated Financial Statements of Fortuna Entertainment Group N.V.

FORTUNA ENTERTAINMENT GROUP N.V.

Consolidated financial statements as of 31 December 2017

**CONSOLIDATED FINANCIAL STATEMENTS OF
FORTUNA ENTERTAINMENT GROUP N.V.**

AS OF 31 DECEMBER 2017

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FORTUNA ENTERTAINMENT GROUP N.V.

Consolidated statement of financial position for the year ended 31 December

	Notes	2017 € 000	2016 € 000
ASSETS			
Non-current assets			
Goodwill	10.15	150,912	47,111
Intangible assets	10.16	60,075	18,221
Property, plant and equipment	10.17	18,375	6,474
Deferred tax assets	10.13	3,831	1,921
Restricted cash	10.20	3,101	2,971
Other non-current assets	10.19	2,748	1,602
Total non-current assets		239,042	78,300
Current assets			
Current receivables	10.18	8,412	1,729
Income tax receivable		111	659
Other current assets	10.19	8,247	3,097
Cash and cash equivalents	10.21	80,716	30,249
Total current assets		97,486	35,734
Assets held for sale	10.12	-	7,511
TOTAL ASSETS		336,528	121,545
EQUITY AND LIABILITIES			
Share capital	10.23	520	520
Share premium	10.23	8,262	8,262
Statutory reserve	10.23	116	66
Foreign currency translation reserve	10.23	108	(2,064)
Hedge reserve	10.23	(60)	-
Retained earnings	10.23	68,009	52,617
Reserves of a disposal group held for sale	10.12	-	(125)
Equity attributable to equity holders of the parent		76,955	59,276
Non-controlling interest		-	199
Total Equity		76,955	59,475
Non-current liabilities			
Deferred tax liability	10.13	6,983	-
Provisions	10.26	10,535	3,685
Long-term bank loans	10.27	113,615	24,625
Financial leasing – long-term portion		335	-
Other non-current liabilities	10.28	50,231	34
Total non-current liabilities		181,699	28,344
Current liabilities			
Trade and other payables	10.29	47,405	21,121
Income tax payable	10.13	6,817	166
Provisions	10.26	5,860	3,271
Current portion of long-term bank loans	10.27	16,048	5,528
Financial leasing - short-term portion		20	-
Derivatives	10.22	66	-
Other current financial liabilities		1,658	771
Total current liabilities		77,874	30,857
Liabilities directly associated with the assets held for sale	10.12	-	2,869
EQUITY AND LIABILITIES		336,528	121,545

FORTUNA ENTERTAINMENT GROUP N.V

Consolidated statement of profit or loss

	Notes	2017 € 000	2016 € 000
Continuing operations			
Amounts staked ¹⁴	10.6	2,001,479	1,019,370
Revenue		210,495	98,947
License fees		(55)	-
Personnel expenses	10.7	(64,681)	(33,528)
	10.16,	(11,797)	(2,761)
Depreciation and amortisation	10.17		
Impairment of property, plant and equipment and intangible assets	10.16	(2,921)	-
Other operating income	10.8	1,115	1,248
Other operating expenses	10.9	(91,717)	(45,908)
Operating profit		40,439	17,998
Finance income	10.10	3,066	203
Finance cost	10.10	(18,285)	(1,761)
Profit before tax		25,220	16,440
Income tax expense	10.13	(9,538)	(6,885)
Profit for the year from continuing operations		15,682	9,555
Discontinued operations			
Profit / (loss) after tax for the year from discontinued operations	10.12	(171)	(1,273)
Loss on disposal of discontinued operations		(74)	-
Net profit / (loss) for the period from discontinued operations total		(245)	(1,273)
Profit for the year		15,437	8,282
Attributable to:			
Equity holders of the parent			
Continuing operations		15,682	9,555
Discontinued operations		(240)	(1,246)
Non-controlling interest			
Continuing operations		-	-
Discontinued operations		(5)	(27)
€ Earnings per share	10.14	2017	2016
Weighted average number of ordinary shares for basic and diluted earnings per share		52,000,000	52,000,000
Basic and diluted, profit / (loss) for the year attributable to ordinary equity holders of the parent		0.297	0.160

¹⁴ Amounts staked is a non-IFRS measure. See the Section Glossary for a more detailed explanation.

FORTUNA ENTERTAINMENT GROUP N.V

Consolidated statement of profit or loss

	10.14	
€ Earnings per share from continuing operations	2017	2016
Weighted average number of ordinary shares for basic and diluted earnings per share	52,000,000	52,000,000

Basic and diluted, profit / (loss) for the year attributable to ordinary equity holders of the parent	0.302	0.184
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FORTUNA ENTERTAINMENT GROUP N.V.

Consolidated statement of comprehensive income for the year ended 31 December

	Notes	2017 € 000	2016 € 000
Profit for the year		15,437	8,282
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Net movement on cash flow hedges	10.11	(66)	169
Income tax effect	10.11	6	(37)
		(60)	132
Exchange differences on translation of foreign operations	10.11	2,297	(182)
Income tax effect		-	-
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		2,237	(50)
Other comprehensive income for the year, net of tax		2,237	(50)
Total comprehensive income for the year, net of tax		17,674	8,232
Attributable to:			
Equity holders of the parent		17,679	8,259
Non-controlling interest		(5)	(27)

FORTUNA ENTERTAINMENT GROUP N.V.

Consolidated statement of cash flow for the year ended 31 December 2017

	Notes	2017 € 000	2016 € 000
Cash flows from operating activities			
Profit before tax from continuing operations		25,220	16,440
Profit / (loss) before tax from discontinued operations		(245)	(1,288)
Profit before tax		24,975	15,152
Adjustments for:			
Depreciation, amortisation and impairment	10.6	14,723	5,449
Loss on disposal of subsidiary		74	-
Changes in provisions		8,336	3,164
(Gain) / Loss on disposal of property, plant and equipment	10.8	(5)	(56)
Interest expenses and income		2,345	958
Revaluation of earn-out liability carried at fair value through P&L		8,657	-
Other non-cash items		1,594	(102)
Operating cash flow before working capital changes		60,699	24,565
(Increase) / Decrease in other current assets		(1,518)	(1,597)
(Increase) / Decrease in receivables		7,411	806
(Decrease) / Increase in payables and other liabilities		6,011	1,842
Cash generated from operating activities		72,603	25,616
Corporate income tax paid		(4,678)	(4,814)
Net cash flows provided by / (used in) operating activities		67,925	20,802
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	10.5	(91,733)	-
Proceeds from disposal of a subsidiary, net of cash disposed	10.12	3,299	-
Interest received		245	78
Loan provided to the acquiree, prior to the acquisition	10.5	(12,586)	-
Loand acquired from the seller	10.5	(2,923)	
Earn-out payment for acquisition		(59)	(147)
Purchase of property, plant and, equipment and intangible assets		(11,547)	(10,516)
Proceeds from sale of property, plant and equipment		129	162
Net cash flows provided by / (used in) investing activities		(115,175)	(10,423)
Cash flows from financing activities:			
Net proceeds from long-term borrowings	10.33	134,808	-
Repayments of long-term borrowings	10.33	(38,548)	(5,640)
Finance lease payments		(97)	-
Interest paid		(2,144)	(716)
Interest paid on finance lease liability		(6)	-
Net cash flows provided by / (used in) financing activities		94,013	(6,356)
Net effect of currency translation in cash		1,960	(174)
Net increase / (decrease) in cash and cash equivalents		48,723	3,849
Cash and cash equivalents at the beginning of the year		31,993	28,144
Cash and cash equivalents at the end of the year from continuing operations	10.21	80,716	30,249
Cash and cash equivalents at the end of the year from discontinued operations	10.12	-	1,744
Cash and cash equivalents at the end of the year (total)		80,716	31,993

FORTUNA ENTERTAINMENT GROUP N.V.

Consolidated statement of changes in equity for the year ended 31 December 2017

	Attributable to the equity holders of the parent									
	Share capital	Share premium	Statutory reserves	Retained earnings	Hedge reserve	Reserve of disposal group held for sale	Foreign currency translation reserve	Total	Non-controlling interest	Total
Notes	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
1 January 2017	520	8,262	66	52,617	-	(125)	(2,064)	59,276	199	59,475
Profit for the year	-	-	-	15,442	-	125	(125)	15,442	(5)	15,437
Other comprehensive income	-	-	-	-	(60)	-	2,297	2,237	-	2,237
Total comprehensive income	-	-	-	15,442	(60)	-	2,172	17,679	(5)	17,674
Disposal of non-controlling interest	-	-	-	-	-	-	-	-	(194)	(194)
Transfer of statutory reserves	-	-	50	(50)	-	-	-	-	-	-
31 December 2017	520	8,262	116	68,009	(60)	-	108	76,955	-	76,955

FORTUNA ENTERTAINMENT GROUP N.V.

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2016

	Attributable to the equity holders of the parent										
	Share capital	Share premium	Statutory reserves	Retained earnings	Hedge reserve	Reserve of disposal group held for sale	Foreign currency translation reserve	Total	Non-controlling interest	Total	
Notes	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	
1 January 2016	520	8,262	67	44,307	(132)	-	(2,007)	51,017	226	51,243	
Profit for the year	-	-	-	8,309	-	-	-	8,309	(27)	8,282	
Other comprehensive income	-	-	-	-	132	-	(182)	(50)	-	(50)	
Total comprehensive income	-	-	-	8,309	132	-	(182)	8,259	(27)	8,232	
Discontinued operations	10.12	-	-	-	-	(125)	125	-	-	-	
Transfer of statutory reserves ⁽²⁾	-	-	(1)	1	-	-	-	-	-	-	
31 December 2016	520	8,262	66	52,617	-	(125)	(2,064)	59,276	199	59,475	

⁽²⁾ In 2016 FORTUNA RENT s.r.o. released its reserve fund as companies in the Czech Republic are no longer required to maintain one.

10.1 Corporate Information

The consolidated financial statements for the year ended 31 December 2017 of Fortuna Entertainment Group N.V. (hereinafter “FEGNV” or “the Parent Company”) comprise of the consolidated statements of the financial positions as of 31 December 2017 and 31 December 2016, respectively, the consolidated statements of profit or loss, the consolidated statements of other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years ended 31 December 2017 and 31 December 2016, respectively, and a summary of significant accounting policies and other explanatory notes.

The consolidated financial statements of FEGNV for the year ended 31 December 2017 were authorised for issuance on 26 April 2018 in accordance with a resolution of the directors. The Annual General Meeting to approve the financial statements will take place on 11 June 2018.

The Parent Company has its registered office at Strawinskylaan 809, Amsterdam, Netherlands, Chamber of commerce number 34364038. An amount of 79.78% of the shares of the Company is held by Fortbet Holdings Limited (formerly AIFELMONA HOLDINGS LIMITED), having its registered office at Agias Fylaxeos & Polygnostou 212, C&I Center, 2nd floor, 3082 Limassol, Cyprus. The remaining 20.22% of the shares are publicly traded on the Polish stock exchange in Warsaw and the Czech stock exchange in Prague.

10.1.1 Description of business

Fortuna Entertainment Group (“Fortuna Group” or “the Group”) operates in the betting industry under local licences in the Czech Republic, Slovakia and Poland and, since 2017, also in Croatia and Romania. Sports betting is the key product of FEGNV with the most popular betting events being football, ice hockey, tennis and basketball. The odds are distributed to customers via retail chains, online websites and mobile applications in the Czech Republic, Slovakia, Poland, Croatia and Romania. Since February 2017, an online casino has been operated in the Czech Republic. Besides sports betting, the acquisition of Hattrick Group contributed another casino, operated in Croatia, and software licensing in Ireland, and the acquisition of Romanian companies (Bet Active Concept s.r.l., Bet Zone s.r.l., Slot Arena s.r.l. and Public Slots s.r.l.) contributed slots and another online casino.

At the end of 2016, the management of Fortuna Group decided to sell the lottery segment, which is represented by the company FORTUNA sázky a.s. The transaction was completed on 23 May 2017.

FEGNV had the following members of its Management and Supervisory Boards as of 31 December 2017:

Management Board	
Chairman:	Per Widerström
Member:	Richard van Bruchem
Member:	Janka Galáčová
Member:	Boudewijn Wentink

Supervisory Board	
Chairman:	Tom de Waard
Member:	Marek Šmrha
Member:	Iain Child
Member:	Morten Rønde
Member:	Michael Clark

The Extraordinary General Meeting held on 1 December 2017 appointed new members of the Management Board and Supervisory Boards. Mr Boudewijn Wentink became a member of the

Management Board. Mr Michael Clark and Mr Tom de Waard became new members of the Supervisory Board. Mr Waard replaced Mr Marek Šmrha in the position of chairman. Mr. Šmrha remains a member of the Supervisory Board.

No further changes in the composition of the Management Board and Supervisory Board occurred in 2017.

10.2 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and in accordance with Title 9, Book 2 of the Dutch Civil Code. IFRS as adopted by the European Union comprises of standards and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements have been prepared on a historical cost basis unless disclosed otherwise.

The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand (€ 000), except when indicated otherwise.

10.2.1 Basis of consolidation

The consolidated financial statements comprise of the financial statements of the Group and its subsidiaries as of 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

As of the date of these consolidated financial statements, FEGNV is the legal parent of legal entities operating in the betting and lottery industry which are ultimately owned by Penta Investments Limited. The consolidated financial statements were prepared by FEGNV, as the reporting entity, as of 31 December 2017 and include the following entities (together "Fortuna Group"):

Fortuna Entertainment Group N.V.
RIVERHILL a.s.
ALICELA a.s.
FORTUNA GAME a.s.
FORTUNA RENT s.r.o.
FORTUNA SK, a.s.
FORTUNA online zakłady bukmacherskie Sp. z o.o.
Fortuna Virtual d.o.o.
Hattrick Sports Group Ltd.
Hattrick – PSK d.o.o.
Hattrick Bet s.r.l.
OK Albastru Rosu s.r.l.
PRO HB Slots s.r.l.
Fortuna Bet Shops Holding s.r.l.
Fortuna Bet Holding s.r.l.
Bet Zone s.r.l.
Bet Active Concept s.r.l.
Slot Arena s.r.l.
Public Slots s.r.l.
Alter Power Plant s.r.l.

All the entities are 100%-owned by FEGNV, either directly or indirectly.

Fortuna Virtual d.o.o., Fortuna Bet Shops Holding s.r.l. and Fortuna Bet Holding s.r.l. were established in 2017 as holding companies with the purpose of the acquisition of Hattrick Group and Romanian betting and gaming companies (Bet Zone s.r.l., Bet Active s.r.l., Slot Arena s.r.l. and Public Slots s.r.l.).

On 19 May 2017, the acquisition of Hattrick Group was completed. Hattrick Group consists of the parent company Hattrick Sports Group Ltd. operating in Ireland and subsidiaries Hattrick – PSK d.o.o. operating in Croatia and OK Albastru Rosu s.r.l. and Hattrick Bet s.r.l. operating in Romania. For more detailed information see note 5.

FORTUNA sázky a. s. (representing the lottery segment) is reported according to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations due to the decision of the management to sell the lottery segment. The transaction was completed on 23 May 2017 and the company was sold beyond the Group (see note 8. Discontinued operations).

On 31 August 2017 the acquisition of Bet Active Concept s.r.l., Bet Zone, s.r.l. Public Slots s.r.l. and Slot Arena s.r.l. in Romania was closed.

In October 2017 a new company, PRO HB Slots s.r.l. with the purpose of running a slot business, was established. The company was incorporated into Hattrick Group, in Romania.

On 30 November 2017 the report of the liquidator of FortunaWin Ltd. (Malta) was issued. The company has been driven into liquidation since 2015 when it ceased its business activities.

On 28 December 2017 the merger of Polish companies FORTUNA SERVICES Sp. z.o.o. and FORTUNA SERVICES Sp. z.o.o. SKA with FORTUNA online zakłady bukmacherskie Sp. z.o.o. was completed.

10.3 Summary of significant accounting policies

The accounting policies used in preparing the consolidated financial statements for the years ended 31 December 2017 and 31 December 2016, respectively, are set out below.

10.3.1 Business combinations and goodwill

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 interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed 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.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

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. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units which are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

10.3.2 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in a normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within 12 months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in a normal operating cycle
- It is held primarily for the purpose of trading

- It is due to be settled within 12 months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Group classifies all other liabilities as non-current.

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

10.3.3 Fair value measurement

The Group measures financial instruments, such as, derivatives, at fair value at each balance sheet date. 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 the Group.

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 according to its highest and best use or by selling it to another market participant that would use the asset according to its highest and best use.

The Group 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, described as follows, 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, the Group 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.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

10.3.4 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is

measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The following specific recognition criteria must also be met before revenue is recognised:

FIXED-ODDS BETTING REVENUE

Amounts staked comprises of the gross takings received from customers in respect of the betting activities and does not represent Fortuna Group's revenue.

Revenue is recognised as the net win or loss on an event, net of betting tax. Open betting positions, which are accounted for as derivative financial instruments, are carried at fair value and gains and losses arising on these positions are recognised in revenue.

LOTTERY

Scratch cards are not distinguished as derivatives as set out in IAS 39. Revenue (and expenses) are recognised as soon as the scratch cards are sold. Open betting positions are recorded as a liability given the fact that the profit margins are fixed.

Open betting positions for numerical games are accounted for as derivative financial instruments and are carried at fair value and gains and losses arising on these positions are recognised in revenue.

GAMING REVENUE

Revenue is recognised as the net win or loss on an event, net of gaming tax. Revenue from the event (a single game) can be recorded once the event is finished. No open betting positions are recorded.

SLOTS

Amounts staked comprises of the drops received from customers in respect of the betting activities. Drops represent real cash inserted into slot machines with the purpose of performing a spin – an individual game.

Revenue is recognised as the net win or loss on a spin, net of betting tax. Revenue from the spin can be recorded once the slot machine comes to a rest. No open betting positions are recorded.

CUSTOMER LOYALTY PROGRAMME AND CLIENT BONUSES

Fortuna Group operates a loyalty programme enabling customers to accumulate awarded credits for gaming spends. A portion of the gaming spend, equal to the fair value of the awarded credits earned, is treated as deferred revenue. Revenue from the awarded credits is recognised when the credits are redeemed. The credits expire at the end of the financial year and are not redeemable afterwards.

Fortuna Group also provides its clients with acquisition and retention bonuses if they meet certain conditions based on Fortuna regulations. In accordance with IFRIC 13, acquisition and retention bonuses are deducted from the revenue from the bets that were entitled to receive the bonus.

INTEREST INCOME / EXPENSE

For all financial instruments measured at amortised cost, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts based on the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income / expense is included in finance income / costs in the statement of profit or loss.

10.3.5 Cash dividend

The Group recognises a liability to make cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in the Netherlands, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

10.3.6 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost and those acquired as part of a business combination are recognised separately from goodwill if the fair value can be measured reliably on initial recognition. The costs relating to internally generated intangible assets, principally software costs, are capitalised if the criteria for recognition as assets are met. Other internally generated intangible assets are not capitalised and expenditure is reflected in the statement of profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Following initial recognition, intangible assets with finite useful lives are carried at cost less any accumulated amortisation and accumulated impairment losses. Where amortisation is charged on assets with finite lives, this expense is taken to the statement of profit or loss through the 'depreciation and amortisation' line item. Useful lives are reviewed on an annual basis.

A summary of the policies applied to Fortuna Group's intangible assets is as follows:

The straight-line amortisation method is used.

	Useful life
Software	3 – 5 years
Betting and gaming licences	8 -15 years
Customer list	2,5 - 3 years
Brand name with definite useful live	15 years

Intangible assets with indefinite useful lives (brand names Fortuna) are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Annual impairment tests are performed also for the intangible assets not yet in use.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end, and they are adjusted prospectively, if appropriate.

Gains or losses arising from the de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

DEVELOPMENT COSTS

Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

Following the initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in the statement of profit or loss in the depreciation and amortisation line item.

During the period of development, the asset is tested for impairment annually.

10.3.7 Property, plant and equipment

Land is stated at cost less any impairment in value. Buildings, plant and equipment and other fixed assets are stated at cost less accumulated depreciation and any impairment in value. Assets not yet in use are carried at cost and are not depreciated. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is calculated on a straight-line basis over the estimated useful life of an asset as follows:

Useful life	
Buildings	15 - 20 years
Plant and equipment	2 – 6 years
Other Fixed Assets	4 – 6 years

The buildings also include leasehold improvements.

Impairment is recognised when the carrying amount of an item of property, plant, or equipment exceeds its recoverable amount. The recoverable amount is the higher value of an asset's fair value less the costs of disposal and its value in use.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and they are adjusted prospectively, if appropriate.

10.3.8 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date.

Leases, which substantially transfer to Fortuna Group all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the statement of profit or loss. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessee does not obtain substantially all the benefits and risks of ownership of the asset are classified as operating leases. Operating lease payments, other than contingent rentals, are recognised as an expense in the statement of profit or loss on a straight-line basis over the lease term.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end, and they are adjusted prospectively, if appropriate.

10.3.9 Recoverable amount of non-current assets

The carrying values of non-current assets with finite lives are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

For goodwill, and intangible assets that have indefinite useful lives, the recoverable amount is estimated at each balance sheet date.

The recoverable amount is the higher of an asset's or cash generating unit's fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Impairment losses are recognised in the statement of income in the depreciation and amortisation line item. Assets and any significant part initially recognised are derecognised upon disposal or when no future economic benefits are expected from use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income when the asset is derecognised.

10.3.10 Cash and cash equivalents

Cash and cash equivalents in the statement of the financial position comprise of cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

10.3.11 Financial assets

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

For the purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial investments

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. The Group has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of the financial position at fair value with net changes in fair

value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

Loans and receivables

This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in other operating expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to note 10.18.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. The amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss as finance costs. The Group did not have any held-to-maturity investments during the years that ended 31 December 2017 and 2016, respectively.

Available-for-sale (AFS) financial investments

AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited in the AFS 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 AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using the EIR method. The Group did not have any AFS financial investments during the years that ended 31 December 2017 and 2016, respectively.

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss.

10.3.12 Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or as loans and borrowings, or as payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank loans, derivative financial instruments and payables from open bets (included in other current financial liabilities in the consolidated statement of financial position).

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

The amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as a finance cost in the statement of profit or loss.

This category generally applies to interest-bearing loans. For more information refer to note 10.27.

10.3.13 Derecognition of financial assets and liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- Fortuna Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) Fortuna Group has transferred substantially all the risks and rewards of the asset, or (b) Fortuna Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When Fortuna Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of Fortuna Group's continuing involvement in the asset. In that case, Fortuna Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Fortuna Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that Fortuna Group could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

10.3.14 Derivative financial instruments and hedge accounting

Fortuna Group uses derivative financial instruments, such as interest rate swaps, to hedge its risks associated with interest rates. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

In relation to cash flow hedges that meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income and presented within equity in the hedge reserve. The ineffective portion is recognised in the statement of profit or loss. For all other cash flow hedges, the gains or losses that are recognised in other comprehensive income are transferred to the statement of income in the same period in which the hedged cash flow affects the statement of profit or loss. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument presented in the hedge reserve is kept in the hedge reserve until the forecast transaction affects profit or loss. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss is transferred from the hedge reserve to the statement of profit or loss for the period.

In relation to net investment hedges, the post-tax gains or losses on the translation at the spot exchange rate of the hedged instrument are recognised in other comprehensive income. The portion of the post-tax gains or losses on the hedging instrument that is determined to be an effective hedge is recognised through other comprehensive income and presented within equity in the hedge reserve. The ineffective

portion is recognised in the statement of profit or loss. The interest element of the fair value of the hedged item is recognised in the statement of profit or loss.

For derivative financial instruments that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the statement of profit or loss.

Open betting positions for sports betting and lottery are accounted for as derivative financial instruments and are carried at their fair value with gains and losses recognised in revenues. As these financial instruments are not quoted on an active market and no observable data is available, the fair value of these financial instruments is neither determined by reference to published price quotations nor estimated by using a valuation technique based on assumptions supported by prices from observable current market transactions. Open bets are paid out within a short time-frame after the year-end. Payables from open bets at the year-end are recorded based on historical pay-out ratios and are included in other current financial liabilities in the consolidated statement of the financial position. The difference between the fair value of these financial instruments as of the year-end and the actual pay-out is deemed immaterial.

10.3.15 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to prepare for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

10.3.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss, net of any reimbursement.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

10.3.17 Foreign currency translation

The presentation currency of Fortuna Group is EUR ("€"). The functional currency of FEGNV is EUR, and those of its subsidiaries are Czech crowns ("CZK"), Polish zlotys ("PLN"), Croatian kunas ("HRK"), Romanian Leus ("RON") and EUR.

Transactions in foreign currencies are initially recorded in the functional currency at the foreign currency rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign currency rate of the exchange prevailing at the balance sheet date. All differences are taken to the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at

fair value in a foreign currency are translated using the exchange rates as of the date when the fair value is determined.

In the consolidated financial statements the assets and liabilities of the consolidated entities are translated into the presentation currency of Fortuna Group at the rate of the exchange prevailing at the balance sheet date with the statement of profit or loss items translated at the weighted average exchange rates for the period. The exchange differences arising on the translation are taken directly to a separate component of equity recorded via other comprehensive income.

Goodwill arising on the acquisition of a foreign operation is treated as an asset of the foreign operation and translated at the closing rate.

10.3.18 Taxation

CURRENT INCOME TAX

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, as of the reporting date in the countries where the Group operates and generates taxable income.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

DEFERRED TAX

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and corresponding tax bases used in the computation of taxable profits and it is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 realised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

TAXES ON BETTING

Czech Republic

According to Czech regulations, a unified 23% tax rate (2016: 23%) is applied on the Gross Win of the Company. Revenue is stated net of this tax. The tax on the Gross Win was increased from 20% to 23% effective from 1 January 2016 for both sports betting and the lottery segment.

Slovakia

According to Slovak regulations, the Company is obliged to pay a gaming tax of 6% (2016: 6%) of total amounts staked, of which 0.5% is paid to municipalities. Revenue is stated net of this tax.

Poland

According to Polish regulations, the Company is obliged to pay a gaming tax of 12% (2016: 12%) of total amounts staked. The amount paid by customers is deducted by 12% and only the remaining 88% of ticket amounts is used to calculate the potential winning prize (the potential winning prize = 88% of the ticket (paid) amount * betting rate). Revenue is stated net of this tax.

Romania

According to Romanian regulations, the Company is obliged to pay a gaming tax of 16% (2016: 16%) of the difference between total amounts staked and wins. Revenue is stated net of this tax

Croatia

According to Croatian regulations, the Company is obliged to pay a 5% (2016: 5%) sports betting tax of the total amounts staked and a 15% casino games tax of gross win (25% tax of gross win for tournament games). Revenue is stated net of this tax.

Pursuant to the Act on the Games of Chance, the company pays taxes on all gains and on behalf of all players. The tax amount depends on the gain and ranges from 10 to 30 percent.

10.3.19 Employee benefit plan

PENSION PLAN

In the normal course of business, the companies within Fortuna Group pay statutory social insurance on behalf of their employees in accordance with the legal requirements of the respective countries. Fortuna Group does not operate any other pension plan or post-retirement benefit plan, and, consequently, has no legal or constructive obligation in this respect.

BONUS PLAN

A liability for employee benefits in the form of bonus plans is recognised under provisions; the bonus is paid following the performance evaluation in the year concerned.

Liabilities for bonus plans are measured at the amounts expected to be paid when they are settled.

10.3.20 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

10.3.21 Segment disclosure

For management purposes, Fortuna Group is divided into operating segments based on geographical areas. Fortuna Group follows criteria set out by IFRS 8 Operating Segments to determine the number and type of reportable segments. At the level of the accounting unit as a whole, Fortuna Group discloses information on revenues to external customers for major products and services, respectively groups of similar products and services, and on non-current assets by geographical segment locations.

10.3.22 Contingencies

Contingent assets are not recognised in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable. Contingent liabilities are not recognised in the consolidated

financial statements but are disclosed in the notes, unless the possibility of an outflow of economic resources is remote.

10.3.23 Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sale. Costs to sale are the incremental costs directly attributable to the sale, excluding finance costs and income tax expense.

The criteria held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for an immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale, which is expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of the financial position.

A disposal group qualifies as discontinued operations if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations

Or

- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Additional disclosures are provided in note 10.12. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

10.3.24 New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2017:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information for both the current and the comparative period in Note 10.31.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of a deductible temporary difference

related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The Group applied amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Annual Improvements Cycle - 2014-2016

Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

As of 31 December 2016 the Group classified its interest in FORTUNA sázky, a.s., a subsidiary owned with a 98.6% stake, as held for sale (see Note 10.12). The transaction was closed as of 23 May 2017. These amendments did not affect the Group's financial statements.

10.3.25 Future accounting developments

Standards relevant to the Group which were issued but are not yet effective up to the date of the issuance of the Group's financial statements are listed below. This listing outlines standards and interpretations issued that the Group reasonably expects to be applicable at a future date. Fortuna Group intends to adopt these standards when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The group plans to adopt the new standard on the required effective date and expects no significant impact on its balance sheet and equity.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group will apply modified retrospective approach. These amendments are not expected to have any impact on the Group.

The Group operates in the business of sports betting and gaming. In preparing to adopt IFRS 15 as of 1 January 2018, the Group is considering the following sources of revenue:

a) Odds betting

The result of a game of chance depends on a future event. Odds betting is governed by IAS 39 Financial instruments and is reported in fair value as a derivative. The Group expects no impact from IFRS 15 application.

b) Other wagers

The other wagers (slot machines and other games of chance) are reported in accordance with IFRS 15.

Steps applied for revenue recognition:

1. Identify the contract with a customer
 - Customer's willingness to play
 - Casino's technological equipment set up and ready to use
2. Identify all the individual performance obligations within the contract
 - The performance obligation of the casino is to provide tries in a game of chance
 - Individual performance is an individual game where the customer wins or loses (a spin in case of slots)
3. Determine the transaction price
 - Transaction price, wager, is recognised at the beginning or during the game
4. Allocate the price to the performance obligations
 - Allocation is performed immediately after the game ends with respect to the result
5. Recognise revenue as the performance obligations are fulfilled
 - Revenue is recognised immediately after the game's end with respect to the result

Revenue is recognised immediately after the game's end, when the result of the performance obligation is known. The Group expects no impact from IFRS 15 application.

Open betting positions for numerical games are accounted for as derivative financial instruments and are carried at fair value and gains and losses arising on these positions are recognised in revenue. This is rather the scope of IFRS 9. These revenues are part of discontinued operations – disposed of on May 2017.

c) Customer loyalty programme and client bonuses

Fortuna Group operates a loyalty programme enabling customers to accumulate awarded credits for gaming spends. A portion of the gaming spend, equal to the fair value of the awarded credits earned, is treated as deferred revenue. Revenue from the awarded credits is recognised when the credits are redeemed. The credits expire at the end of the financial year and are not redeemable afterwards.

Fortuna Group also provides its clients with bonuses. If they meet certain conditions, bonuses increase the cash balance of the player. These requirements are generally short-term (maximum of several months). To meet the future requirement of IFRS 15, bonuses are deducted from the revenue unless it is highly probable that the company will not have to pay these bonuses.

In view of this, application of IFRS 15 should have no impact on the group.

d) Income from brand licence

Fortuna receives royalties from a brand licensing contract. These royalties are based on the revenue performance of the customer. This is therefore accounted for on a monthly basis as the revenues occur.

According to the contract, the licence is granted for an indefinite period. As the customer consumes the benefit from obtaining a licence over time, the application of IFRS 15 should not have any impact on the Group.

The royalty income relates to the Romanian companies acquired in 3Q 2017. The income from the brand licence is eliminated in the consolidation as the IC transaction from the acquisition date.

e) Income from B2B licences

Hattrick Group developed its own betting platform. The B2B solution is provided to the partners for a regular fee. The licensing fee is calculated as a percentage of revenue invoiced on a monthly basis. Steps applied for revenue recognition:

1. Identify the contract with a customer
 - Individual contract with each B2B partner
2. Identify all the individual performance obligations within the contract
 - The performance obligation represents rendering the technology solution
 - Individual performance represents gaming revenue generated by the solution
3. Determine the transaction price
 - Transaction price represents share of the generated gaming revenue – licensing fee
4. Allocate the price to the performance obligations
 - Allocation is performed immediately after the generation of gaming revenue, due to the simplification the licensing fee is calculated on a monthly basis
5. Recognise revenue as the performance obligations are fulfilled
 - Revenue is recognised immediately after the generation of gaming revenue, due to the simplification the licensing fee is calculated on a monthly basis

In view of this, application of IFRS 15 should have not any impact on the group.

IFRS 16 Leases

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions) in a similar way to finance leases under IAS 17 with recognition exemptions for leases of 'low-value' assets and short-term leases. Lessees recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately. Reassessment of certain key considerations (e.g. the lease term, variable rents based on an index or rate, the discount rate) by the lessee is required upon certain events. Lessor accounting is substantially the same as today's lessor accounting, using IAS 17's dual classification approach. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. The new standard is effective for the financial years beginning on or after 1 January 2019, with certain transition reliefs permitted. Early application is permitted, but not before an entity applies IFRS 15 - Revenue from Contract with Customers. Entities that are lessees are allowed to choose either a full retrospective or a modified retrospective transition approach. The Group is assessing the impact of IFRS 16.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that adopts the amendments early must apply them prospectively.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits

and explain the circumstances in which taxable profits may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group.

IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is assessing the potential effect of the amendments on its consolidated financial statements.

ANNUAL IMPROVEMENTS, 2014-2016 CYCLE (ISSUED IN DECEMBER 2016)

These improvements include:

IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters. Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. The amendment is effective from 1 January 2018. This amendment is not applicable to the Group.

IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice.

The amendments clarify that:

- An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
- If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact. These amendments are not applicable to the Group.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after 1 January 2018. An entity may elect the overlay approach when it first applies IFRS 9 and apply that approach retrospectively to financial assets designated on transition to IFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying IFRS 9. These amendments are not applicable to the Group.

IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to the advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

- (i) The beginning of the reporting period in which the entity first applies the interpretation
Or
- (ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the Group's current practice is in line with the Interpretation, the Group does not expect any effect on its consolidated financial statements.

IFRIC Interpretation 23 - Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements and the required disclosures. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

10.4 Use of accounting judgements, estimates and assumptions

JUDGEMENTS

The preparation of these consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

RECOGNITION OF GROSS VERSUS NET REVENUES

The Group is subject to various governmental taxes and levies. The regulations differ significantly from one country to another. Revenue includes the inflows of economic benefits received and receivable by the entity on its own account. Amounts collected on behalf of third parties such as sales taxes, goods and services taxes and value-added taxes are not economic benefits which flow to the entity and do not result in increases in equity. Therefore, they should be excluded from revenue. The management makes its own judgement as to whether the entity is acting as principal or agent in collecting the tax based on various indicators as well as changing circumstances in each of the countries where the Group operates. Further details are given in notes 10.3.18 and 10.6.

ESTIMATES

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 beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The key assumptions concerning future and other key sources of estimation uncertainty at the reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

INDEFINITIVE LIFE INTANGIBLE ASSETS AND GOODWILL

The Group determines at least on an annual basis whether indefinite life intangible assets and goodwill are impaired. This requires an estimate of an asset's recoverable amount which is the higher of an asset's or cash-generating unit's (CGU's) fair value less costs of disposal and its value in use and it is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in notes 10.3.1, 10.3.6, 10.15 and 10.16.

BETTING TRANSACTIONS

Betting transactions are measured at the fair value of the consideration received or paid. This is usually the nominal amount of the consideration; however, in relation to unresolved bets for sports betting and lottery, the fair value is estimated in accordance with IAS 39 using valuation and probability techniques, taking into account the probability of the future win. Further details are given in notes 10.3.4 and 10.6. Scratch cards are not distinguished as derivatives as set out in IAS 39. Revenue (and expenses) are recognised as soon as the scratch cards are sold. Open betting positions are recorded as a liability given the fact that the profit margins are fixed.

DEFERRED TAX

Deferred tax assets are recognised for deductible temporary differences, unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and the level of future

taxable profits together with future tax planning strategies. Further details on taxes are disclosed in notes 10.3.18 and 10.13.

RECOVERABLE AMOUNT OF RECEIVABLES

Where there are indicators that any receivable is impaired at a balance sheet date, management makes an estimate of the asset's recoverable amount. Further details are given in notes 10.3.11 and 10.18.

PROVISIONS

Provisions take into account an expected expense, showing it as a liability on the balance sheet. Created provisions represent the best management estimate of the future outflow of the economic benefits. Further details are given in notes 10.3.16 and 10.26.

10.5 Business combinations

FORTUNA VIRTUAL D.O.O.

In 2017 FEGNV founded Fortuna Virtual d.o.o., which is a Croatian limited liability company incorporated as a holding company. It was founded with the purpose of taking over the Hattrick Group. The 100%-owner of Fortuna Virtual d.o.o. is Fortuna Entertainment Group N.V.

HATTRICK SPORTS GROUP LTD.

On 19 May 2017, the Group acquired a 100% stake in Hattrick Sports Group Ltd., an unlisted company based in Ireland. The Hattrick Sports Group Ltd. (Hattrick Group) is the parent entity and it has the following subsidiaries - Hattrick – PSK d.o.o (Croatia, 100% share), OK Albastru Rosu s.r.l. (Romania, 99.99% share) and Hattrick Bet s.r.l. (Romania, 100% share). The Hattrick Group operates in Sports betting and Gaming. OK Albastru Rosu s.r.l. renders rental services to the members of the Hattrick Group. This acquisition will further strengthen Fortuna's position as the largest licensed multi-channel sports betting and gaming operator in Central and Southeastern Europe. The consolidated financial statements include the results of the Hattrick Group from 19 May 2017 (the acquisition date).

The fair values of the identifiable assets and liabilities of Hattrick Group as of the date of acquisition were:

	19 May 2017 Fair value recognised on acquisition	€ 000
Assets		
Intangible assets	43,904	
Property, plant and equipment	6,943	
Deferred tax assets	-	
Restricted cash	340	
Other non-current assets	1,503	
Current receivables	6,026	
Other current assets	825	
Cash and cash equivalents	8,642	
Assets total		68,183

Liabilities	
Non-current liabilities	12,640
Deferred tax liability	7,295
Provisions	260
Current liabilities	6,982
Total liabilities	27,177
 Net assets directly associated with acquisition	 41,006
 Goodwill arising on acquisition (provisional)	 59,955
Purchase consideration transferred	100,961
 <i>Analysis of cash flows on acquisition:</i>	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	8,642
Cash paid	(70,624)
Net cash flow on acquisition	(61,982)
Loan provided to the acquiree, prior to the acquisition	(12,590)
Contingent consideration	(30,869)
Total	(105,441)

The difference between the amount of "Purchase consideration transferred" and the sum of "Cash paid" and "Contingent consideration" represents the exchange rate difference arising on the translation of the transaction from the functional currency of the subsidiaries.

The price for Hattrick Sports Group consist of an initial consideration of approximately € 70 million and a contingent consideration represented by a retained liability and an earn-out mechanism based on the future financial performance of Hattrick Sports Group that may lead to a maximum payment of € 65 million. The total maximum consideration therefore is € 135 million. Contingent consideration represents the best estimate in fair value. In addition Fortuna provided a loan to the acquire in the amount of € 12.6 million.

As of the date of the acquisition, the fair value of the intangible assets was € 43,904 thousand. The gross amount was € 2,165 thousand. The difference between the fair value and the gross amount is the result of the (re)valuation of the acquired software, brand names, betting licences and customer relationships. Deferred tax related to this adjustment was recognised in liabilities. The value of current receivables was € 6,026 thousand. The gross amount was € 6,552 thousand. The difference between the fair value and the gross amount represents bad debt provision.

From the date of acquisition, Hattrick Group has contributed € 56,102 thousand of revenue and € 3,431 thousand (loss) to profit before tax from the continuing operations of the Group. If the acquisition had taken place at the beginning of the year, revenue from continuing operations would have been approximately € 82,366 thousand and the profit from continuing operations for the period would have been approximately € 1,242 thousand.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of Hattrick Group with those of the Group. The goodwill is not deductible for income tax purposes.

The acquisition costs amounted to € 1,743 thousand and were fully recognised in Professional expenses (reported under "Third party services", see note 10.9, Other operating expenses).

FORTUNA BET SHOPS HOLDING S.R.L. AND FORTUNA BET HOLDING S.R.L.

In 2017 FEGNV founded Fortuna Bet Shops Holding s.r.l. and Fortuna Bet Holding s.r.l., which are Romanian limited liability companies incorporated as holding companies. They were founded with the purpose of taking over Romanian betting companies (Bet Zone s.r.l., Bet Active s.r.l., Public Slots s.r.l., Slot Arena s.r.l.). Fortuna Entertainment Group N.V. owns directly or indirectly 100% stakes in both companies.

ROMANIAN COMPANIES (BET ZONE S.R.L., BET ACTIVE S.R.L., PUBLIC SLOTS S.R.L., SLOT ARENA S.R.L.)

On 31 August 2017, the Group acquired a 100% stake in the Romanian companies listed above, unlisted companies based in Romania. The Romanian companies operate in Sports betting and Gaming. This acquisition will further strengthen Fortuna's position as the largest licensed multi-channel sports betting and gaming operator in Central and Southeastern Europe. The consolidated financial statements include the results of the Romanian companies from 1 September 2017.

The companies were acquired from the majority shareholder Forbet. As such the acquisition classifies as a transaction under common control. The company applied the acquisition method accounting as defined in IFRS 3 considering the economic substance of the business combination.

The fair values of the identifiable assets and liabilities of Romanian companies as at the date of acquisition were:

	31 August 2017 Fair value recognised on acquisition	€ 000
Assets		
Intangible assets	2,661	
Property, plant and equipment	2,524	
Deferred tax assets	-	
Restricted cash	420	
Other non-current assets	506	
Current receivables	485	
Other current assets	1,741	
Cash and cash equivalents	<u>2,329</u>	
Assets total	10,666	
Liabilities		
Non-current liabilities	592	
Deffered tax liability	404	
Provisions	182	
Current liabilities	9,328	
Total liabilities	10,506	
Net assets directly associated with acquisition	160	

Goodwill arising on acquisition (provisional)	41,920
Purchase consideration transferred	42,080
<i>Analysis of cash flows on acquisition:</i>	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	2,329
Cash paid	(32,080)
Net cash flow on acquisition	(29,751)
Loans acquired from the seller	(2,923)
Contingent consideration	(10,001)
Total	(42,675)

As of the date of the acquisition, the fair value of the intangible assets was € 2,661 thousand. The gross amount was € 133 thousand. The difference between the fair value and the gross amount is the result of the (re)valuation of the acquired software, brand names, betting licences and customer relationships. Deferred tax related to this adjustment was recognised in liabilities.

The total consideration for the acquisition will be € 47 million, out of which approx. € 15 represents a contingent liability based on the earn-out mechanism to be paid for up to 48 months. In addition, Fortuna Group refinanced € 3 million of Fortbet's loans.

As of the date of the acquisition, the fair value of the intangible assets was € 2,660 thousand. The gross amount was € 133 thousand. The difference between the fair value and the gross amount is the result of the (re)valuation of the acquired customer relationships. Deferred tax related to this adjustment was recognised in liabilities.

From the date of acquisition, the Romanian companies have contributed € 18,374 thousand of revenue and € 1,994 thousand (profit) to profit before tax from the continuing operations of the Group. If the acquisition had taken place at the beginning of the year, revenue from continuing operations would have been approximately € 46,151 thousand and the profit from continuing operations for the period would have been approximately € 2,241 thousand.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of Hattrick Group with those of the Group. The goodwill is not deductible for income tax purposes.

The acquisition costs amounted to € 193 thousand and were fully recognised in Professional expenses (reported under "Third party services", see note 10.9, Other operating expenses).

Reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period is presented below:

	Goodwill
	€ 000
Gross carrying amount	
As of 1 January 2017	47,111
Acquisition of a subsidiary (Hattrick Sports Group)	59,955
Acquisition of a subsidiary (Romanian companies)	41,920
Currency translation	1,926
As of 30 June 2017	150,912
Accumulated impairment losses	
As of 1 January 2017	-
Impairment losses recognised during the reporting period	-
Currency translation	-
As of 31 December 2017	-
Net book value	
As of 1 January 2017	47,111
Acquisition of a subsidiary (Hattrick Sports Group)	59,955
Acquisition of a subsidiary (Romanian companies)	41,920
Currency translation	1,926
As of 31 December 2017	150,912

10.6 Segment information

For management purposes, Fortuna Group is organised into business units based on geographical areas, with the following reportable operating segments being distinguished:

Czech Republic
 Slovakia
 Poland
 Romania
 Hattrick Group
 Other countries

The parent company, FEGNV, does not report any significant results, assets and liabilities other than its interests in subsidiaries and equity and therefore does not qualify as a separate operating segment. The information of FEGNV and other immaterial locations is included in the "Other countries" column.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. The items included in transfer pricing comprise of bookmaking services, general management services and IT services which are primarily borne by Czech entity FORTUNA GAME a.s.

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The following tables present revenue and profit information regarding Fortuna Group's continuing operating segments for the years 2017 and 2016, respectively:

Year ended 31 December 2017	Czech Republic	Slovakia	Poland	Romania	Hattrick Group	Other countries	TOTAL Operating segments
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Revenue	61,729	33,654	40,636	18,374	56,102	-	210,495
Depreciation and amortisation	3,517	401	906	825	6,142	5	11,797
Impairment	2,921	-	-	-	-	-	2,921
Operating profit / (loss)	(1,483)	14,910	13,023	3,863	12,442	(2,316)	40,439
Capital expenditure	5,071	304	1,440	802	3,973	-	11,590
Non-current assets	20,980	1,258	2,833	5,057	48,322	-	78,450
Operating segment assets	47,669	17,962	23,178	14,444	79,180	3,183	185,616
Operating segment liabilities	32,314	7,930	10,190	17,615	58,677	3,118	129,844

Year ended 31 December 2016	Czech Republic	Slovakia	Poland	Romania	Hattrick Group	Other countries	TOTAL Operatin g segment s
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Revenue	50,562	26,629	21,756	n/a	n/a	-	98,947
Depreciation and amortisation	1,738	514	497	n/a	n/a	12	2,761
Operating profit / (loss)	7,469	9,165	1,789	n/a	n/a	(425)	17,998
Capital expenditure	8,264	786	1,327	n/a	n/a	-	10,377
Non-current assets	21,141	1,369	2,180	n/a	n/a	5	24,695
Operating segment assets	37,050	12,234	8,804	n/a	n/a	8,835	66,923
Operating segment liabilities	18,654	5,193	4,762	n/a	n/a	439	29,048

Segment results for each operating segment exclude net finance costs of € 15,219 thousand and € 1,558 thousand for 2017 and 2016 and income tax expense of € 9,538 thousand and € 6,885 thousand for 2017 and 2016, respectively.

Segment non-current assets include intangible assets and property, plant and equipment.

Segment assets exclude goodwill of € 150,912 thousand and € 47,111 thousand as of 31 December 2017 and 31 December 2016, respectively, as these assets are managed on a group basis.

Segment liabilities excludes bank loans of € 129,663 thousand and € 30,153 thousand as of 31 December 2017 and 31 December 2016, respectively, and derivatives of € 66 thousand as of 31 December 2017, as these liabilities are managed on a group basis.

Capital expenditure consists of additions to property, plant and equipment and intangible assets.

INFORMATIONS ABOUT PRODUCTS AND SERVICES

An analysis of Fortuna Group's betting revenue from continuing operations for the period is as follows. Amounts staked do not represent Fortuna Group's revenue and comprise of the total amount staked by customers on betting activities.

Year ended 31 December 2017	Czech Republic	Slovakia	Poland	Romania	Hattrick Group	TOTAL
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Total amounts staked	835,207	389,686	255,482	134,917	386,187	2,001,479
-of which: Bets – Sports betting & Gaming	832,617	386,421	224,824	132,061	376,034	1,951,957
-of which: Commissions – Sports betting & Gaming	2,590	3,265	30,658	2,856	10,153	49,522
Paid out prizes	(749,547)	(331,542)	(180,799)	(112,419)	(324,100)	(1,698,407)
Gross win	85,660	58,144	74,683	22,498	62,087	303,072
-of which: Online – Sports betting & Gaming	68,923	43,044	47,303	3,181	18,256	180,707
-of which: Retail – Sports betting & Gaming	16,737	15,100	27,380	19,317	43,831	122,365
Withholding tax paid	(20,920)	(23,185)	(30,658)	(3,780)	(10,961)	(89,504)
Other revenues	(3,011)	(1,305)	(3,389)	(344)	4,976	(3,073)
Revenue	61,729	33,654	40,636	18,374	56,102	210,495

Year ended 31 December 2016	Czech Republic	Slovakia	Poland	Romania	Hattrick Group	TOTAL
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Total amounts staked	561,255	334,500	123,615	n/a	n/a	1,019,370
-of which: Sports betting - Bets	558,115	331,150	108,781	n/a	n/a	998,046
-of which: Sports betting - Commissions	3,140	3,350	14,834	n/a	n/a	21,324
Paid out prizes	(493,475)	(286,205)	(85,918)	n/a	n/a	(865,598)
Gross win	67,780	48,295	37,697	n/a	n/a	153,772
-of which: Sports betting - Online	53,399	33,341	16,375	n/a	n/a	103,115
-of which: Sports betting - Retail	14,381	14,954	21,322	n/a	n/a	50,657
Withholding tax paid	(15,579)	(19,869)	(14,834)	n/a	n/a	(50,282)
Other revenues	(1,639)	(1,797)	(1,107)	n/a	n/a	(4,543)
Revenue	50,562	26,629	21,756	n/a	n/a	98,947

10.7 Personal expenses

	2017 € 000	2016 € 000
Wages and salaries	51,430	26,220
Social security costs	11,567	6,556
Directors' remuneration	176	70
Other payroll costs	1,508	682
Total	64,681	33,528

Number of employees in the period:

Average number of employees	6,118	2,326
Key managers	12	9
Staff	6,106	2,317

Remuneration of key management personnel of Fortuna Group

Wages and salaries	11,230	4,611
of which:		
<i>short term employee benefits</i>	4,165	3,959
<i>post employment benefits</i>	-	-
<i>other long term benefits</i>	7,065	652
<i>termination benefits</i>	-	-
<i>share based payment</i>	-	-
Social security costs	1,413	211
Total remuneration	12,643	4,822

Key management includes country managing directors and group top management.

10.8 Other operating income

	2017 € 000	2016 € 000
Gain on sale of fixed assets	40	79
Revenues from rental of real estate	131	100
Other income	944	1,069
Total	1,115	1,248

Other income includes services and the trademark lease rendered to Romanian entities in the amounts of € 520 thousand and € 814 thousand in 2017 (pre-acquisition period only) and 2016, respectively.

Other operating income includes income from related parties in the amounts of € 520 thousand and € 890 thousand in 2017 and 2016, respectively (for more information refer to note 10.29).

10.9 Other operating expenses

	2017 € 000	2016 € 000
Operating lease expense (note 10.30)	24,263	10,960
Materials and office supplies	4,501	1,878
Marketing and advertising	17,724	10,613
Telecommunication costs	1,678	1,151
Energy and utilities	2,336	1,116
Repairs and maintenance	947	605
Taxes and fees to authorities	2,801	1,029
Bad debt expense	528	41
IT services	7,891	3,838
Third party services (legal, professional etc.)	21,799	12,106
Travelling and entertainment cost	1,841	798
Others	5,408	1,773
Total	91,717	45,908

Expenses of the Czech, Slovak, Polish, Croatian and Romanian companies are charged to the statement of profit or loss including VAT, as VAT cannot be claimed on the input side.

10.10 Finance costs and income

	2017 € 000	2016 € 000
Interest on bank loans	2,581	1,034
Interest on other debts and borrowings	16	-
Other finance costs	753	303
Financial assets and liabilities at FV through P&L (contingent consideration transferred)	8,702	-
Foreign exchange losses	6,233	424
Total finance costs	18,285	1,761
Interest on bank deposits	118	59
Other finance income	142	19
Foreign exchange gains	2,806	125
Total finance income	3,066	203
Total finance costs, net	15,219	1,558

Financial assets and liabilities at FV through P&L represents change in value of the variable part of consideration from acquisition of Hattrick Sports Group and former Fortbet Romanian companies.

10.11 Components of other comprehensive income

	2017 € 000	2016 € 000
Movements of other comprehensive income before tax		
Cash flow hedges		
<i>Gains / (losses) arising during the year</i>		
Interest rate swap contracts		
Reclassification during the year to profit or loss	-	169
Net gain/(loss) during the year of not yet matured contracts	(66)	-
Exchange differences on translation of foreign operations		
<i>Gains / (losses) arising during the year</i>	2,297	(182)
Total effect on other comprehensive income (before tax)	2,231	(13)
 Tax effect of components of other comprehensive income		
Cash flow hedges		
<i>Gains / (losses) arising during the year</i>		
Interest rate swap contracts	6	(37)
Total tax effect on other comprehensive income	6	(37)

Exchange differences on the translation of foreign operations include translation gains and losses from the consolidation of the subsidiaries reporting in a functional currency, which is different from the presentation currency.

The closing FX rate in 2017 changed from 27.020 CZK/EUR as of 31 December 2016 to 25.540 CZK/EUR as of 31 December 2017 and the average FX rate changed from 27.033 CZK/EUR in 2016 to 26.330 CZK/EUR in 2017.

The closing FX rate in 2016 changed from 27.025 CZK/EUR as of 31 December 2015 to 27.020 CZK/EUR as of 31 December 2016 and the average FX rate changed from 27.283 CZK/EUR in 2015 to 27.033 CZK/EUR in 2016.

10.12 Discontinued operations

In December 2016, management of Fortuna Group decided to start the process to sell a 98.4% share in FORTUNA sázky a.s. to an unrelated party. On 9 March 2017, Fortuna announced the intention to sell the Czech lottery business. Since December 2016 FORTUNA sázky a. s. has been classified as held for sale and as discontinued operations. The sale was completed on 23 May 2017. The consideration received of €4,315 thousand represents cash proceeds for the 98.4%, net of the related reimbursement of the minority shareholder. The business of FORTUNA sázky a. s. represented the entirety of the Czech Republic lottery segment. Being classified as discontinued operations, the Czech Republic lottery segment is no longer presented in the segment note. The results of FORTUNA sázky, a.s. are presented below; the current period ends on the day of the transaction completion:

	2017 € 000	2016 € 000
Amounts staked	5,664	20,235
Revenue	1,870	7,242
Personnel expenses	(610)	(1,184)
Depreciation and amortisation	-	(772)
Impairment of PPE and intangible assets	(5)	(1,916)
Other operating income	3	65
Other operating expenses	(1,465)	(4,733)
Operating profit	(207)	(1,298)
Finance income	45	32
Finance cost	(9)	(22)
Profit before tax	(171)	(1,288)
Income tax expense	-	15
Loss on disposal of discontinued operations	(74)	-
Profit for the year from discontinued operations	(245)	(1,273)

Analysis of the Lottery Revenue is as follows:

	2017 € 000	2016 € 000
Total amounts staked	5,664	20,235
Paid out prizes	(3,291)	(11,039)
Gross win	2,373	9,195
Withholding tax paid	(543)	(2,073)
Other revenues	40	120
Revenue	1,870	7,242

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The assets and liabilities of FORTUNA sázky a.s. classified as held for the sale of the parent as of the closing date (23 May 2017) are as follows:

	23 May 2017 € 000	31 Dec 2016 € 000
<i>Assets</i>		
Intangible assets	36	130
Property, plant and equipment	1,199	1,042
Deferred tax assets	147	144
Restricted cash	1,893	1,850
Other non-current assets	221	216
Current receivables	263	855
Other current assets	1,234	1,530
Cash and cash equivalents	1,044	1,744
Assets held for sale	6,037	7,511
<i>Liabilities</i>		
Provisions	867	816
Trade and other payables – ST	635	1,812
Provisions – ST	63	241
Liabilities directly associated with assets held for sale	1,565	2,869
Net assets directly associated with disposal group	4,472	4,642

Amounts included in accumulated other comprehensive income:

Exchange differences on translation of foreign operations	(125)	(125)
Reserve of disposal group classified as held for sale	(125)	(125)

The net cash flows incurred by FORTUNA sázky a.s. are as follows:

	2017 € 000	2016 € 000
Operating	3,120	1,485
Investing	(40)	(97)
Financing	-	-
Net cash outflow / inflow	3,080	1,388

€ Earnings per share from discontinued operations	10.14	2017	2016
Basic, profit / (loss) for the year	(0.005)	(0.024)	
Diluted, profit / (loss) for the year	(0.005)	(0.024)	

10.13 Income tax

The major components of the income tax expense are:

	2017 € 000	2016 € 000
Current income tax:		
Current income tax charge	11,386	4,424
Prior year adjustments	607	(42)
Deferred tax:		
Relating to origination and reversal of temporary differences	(2,455)	2,488
Income tax expense reported in the statement of profit or loss		9,538
		6,870
Income tax expense from continuing operations	9,538	6,885
Income tax expense from discontinued operations	-	(15)

Reconciliation of the income tax expense applicable to the accounting profit before income tax at the statutory income tax rate to income tax expense at Fortuna Group's effective income tax rate for the years ended 31 December 2017 and 2016, respectively, is as follows:

	2017 € 000	2016 € 000
Accounting profit before income tax from continuing operations	25,220	16,440
Profit / (loss) before tax from discontinued operations	(171)	(1,288)
Accounting profit before income tax	25,049	15,152
At Dutch statutory income tax rate of 25 % (2016: 25 %)	6,262	3,788
Effect of permanent and other differences	67	(410)
Effect of trademark recognition in Poland	-	2,956
Unrecognised tax asset from the tax losses incurred	1,493	33
Tax non-deductible expenses	2,959	1,425
Non-taxable betting revenues	-	(19)
Non-taxable other income	-	(184)
Adjustments in respect to current income tax of previous years	607	(42)
Effect of higher/lower tax rates in other countries	(1,850)	(677)
At the effective income tax rate of 38.1 % (2016: 45.3 %)	9,538	6,870
Income tax expense reported in the consolidated income statement	9,538	6,885
Income tax attributable to discontinued operations	-	(15)
Total	9,538	6,870

In 2015, the deferred tax asset of € 3,539 thousand was recognised in Poland. Due to changes in legislation in Poland the major part of this deferred tax asset was derecognised in 2016 as its recoverability became uncertain.

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DEFERRED TAX

Deferred tax relates to the following:

	Consolidated statement of financial position			Consolidated statement of profit or loss	
	31 December 2017 € 000	31 December 2016 € 000	1 January 2016 € 000	2017 € 000	2016 € 000
Difference between carrying amounts of property, plant and equipment for accounting and tax purposes	(6,967)	91	32	632	58
Impairment adjustments and provisions	3,489	1,887	1,168	1,822	911
Tax losses carried forward	2	-	-	-	-
Difference between carrying amounts of trademarks for accounting and tax purposes	-	-	3,472	-	(3,380)
Other	324	87	60	-	(77)
Deferred tax income / (expense)				2,454	(2,488)
Deferred tax asset / (liability)	(3,152)	2,065	4,732		
Reflected in the statement of the financial position as follows:					
Deferred tax asset	3,831	2,065	4,767		
Deferred tax liability	(6,983)	-	(35)		
Deferred tax asset / (liability), net	(3,152)	2,065	4,732		
Deferred tax asset / (liability), net, attributable to a continuing operation	(3,152)	1,921	-		
Deferred tax asset / (liability), net, attributable to the disposal group held for sale	-	144	-		

Unused tax losses for which no deferred tax asset is recognised in the consolidated statement of the financial position are € 14,616 thousand (2016: € 16,267 thousand). Tax losses comes primarily from holding companies.

Year of expiration	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
Amount of tax losses	149	1,577	1,437	2,522	4,660	4,339	1,743	1,001	2,457	19,884

Reconciliation of deferred tax asset:

	2017 € 000	2016 € 000
Opening balance as at 1 January	2,065	4,767
Tax income (expense) during the period recognised in profit or loss	1,905	(2,504)
Tax income (expense) during the period recognised in other comprehensive income	3	(37)
Currency translation	2	(142)
Discontinued operations	(144)	(19)
Closing balance, 31 December	3,831	2,065

Reconciliation of deferred tax liability:

	2017 € 000	2016 € 000
Opening balance as of 1 January	-	35
Deferred tax liability acquired as part of subsidiary	7,699	-
Tax income (expense) during the period recognised in profit or loss	(663)	-
Currency translation	(53)	-
Discontinued operations	-	(35)
Closing balance, 31 December	6,983	-

10.14 Earnings per share

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

There were no dilutive potential ordinary shares as of 31 December 2017 and 2016, respectively. Basic and diluted earnings per share were the same. The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2017 € 000	2016 € 000
Profit / (loss) attributable to ordinary equity holders of the parent :		
Continuing operations	15,682	9,555
Discontinued operations	(240)	(1,246)
Net profit attributable to ordinary equity holders of the parent for earnings per share calculation	15,442	8,309
Weighted average number of ordinary shares for earnings per share calculation	52,000,000	52,000,000

Statement of profit or loss	2017 €	2016 €
Basic and diluted earnings per share	0.297	0.160
Basic and diluted earnings per share from continuing operations	0.302	0.184
Basic and diluted earnings per share from discontinued operations	(0.005)	(0.024)

No other transactions involving ordinary shares or potential ordinary shares took place between the reporting date and the date of completion of these consolidated financial statements.

10.15 Goodwill

	€ 000
1 January 2017	47,111
Additions arising on acquisition of subsidiaries	101,875
Disposal of subsidiaries	-
Currency translation	1,926
31 December 2017	150,912

	€ 000
1 January 2016	47,102
Additions arising on acquisition of subsidiaries	-
Disposal of subsidiaries	-
Currency translation	9
31 December 2016	47,111

Goodwill arising from a business combination is allocated upon an acquisition to each of Fortuna Group's cash generating units (CGUs) expected to benefit from the synergies of the business combination.

The recoverable amounts of the CGUs are determined from the higher value-in-use calculations and the fair values of the related CGUs. The key assumptions for the value-in-use calculations are those regarding discount rates, growth rates and expected changes in revenue and direct costs incurred during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs.

The current goodwill relates to acquisitions of Czech companies operating in the sports betting industry, Romanian companies operating in the sports betting and gaming industry and Hattrick companies operating in the sports betting and gaming industry. The impairment test of goodwill (which relates to Czech companies) also includes the new gaming platform which makes the major part of intangible assets.

The cash flow projection covers a period of four years (2016: 4 years) and is discounted using an average pre-tax discount rate of 9.2% (2016: 9.5%) for the Czech Republic. A long-term growth rate of 3% (2017: 3%) per annum is assumed for the period beyond the explicit cash flow projection.

The cash flow projection covers a period of four years and is discounted using an average pre-tax discount rate of 12.6% for the [Fortuna Romania CGU]. A long-term growth rate of 3% per annum is assumed for the period beyond the explicit cash flow projection.

The cash flow projection covers a period of four years and is discounted using an average pre-tax discount rate of 12.9% and 10.6% for [Hattrick Romania CGU] and [Hattrick Croatia CGU], respectively. A long-term growth rate of 2% per annum and 3% per annum is assumed for [Hattrick Romania CGU] and [Hattrick Croatia CGU], respectively, for the period beyond the explicit cash flow projection.

As of 31 December 2017 and 2016, respectively, Fortuna Group has not identified any impairment indicators of the recognised goodwill.

The carrying amount of goodwill has been allocated as follows:

Carrying amount of goodwill allocated to segments

	31.12.2017 € 000	31.12.2016 € 000
Czech Republic – sports betting	49,841	47,111
Hattrick Sports Group – sports betting & gaming	59,745	n/a
Fortuna Romania – sports betting & gaming	41,326	n/a
Total	150,912	47,111

Fortuna Group annually tests goodwill for impairment or more frequently if there are indications that goodwill might be impaired.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount of goodwill to materially exceed its recoverable amount.

10.16 Intangible assets

	Software € 000	Brand name € 000	Intangible fixed assets € 000	Other fixed assets € 000	Assets not yet in use € 000	Total € 000
Cost:						
1 January 2017	9,105	6,053	438	9,217	24,813	
Acquisition of subsidiaries	10,773	16,021	19,319	-	46,113	
Additions	2,251	-	47	1,956	4,254	
Disposals	(2,059)	-	(4)	-	(2,063)	
Transfers	1,188	-	5,159	(6,356)	(9)	
Currency translation	546	128	179	370	1,223	
31 December 2017	21,804	22,202	25,138	5,187	74,331	
Accumulated amortisation and impairment:						
1 January 2017	6,265	-	327	-	6,592	
Amortisation for the year	3,266	817	2,694	-	6,777	
Impairment	-	-	-	2,921	2,921	
Disposals	(2,059)	-	(4)	-	(2,063)	
Transfers	-	-	-	-	-	
Currency translation	21	(1)	9	-	29	
31 December 2017	7,493	816	3,026	2,921	14,256	
Carrying amount 31 December 2017	14,311	21,386	22,112	2,266	60,075	
Carrying amount 1 January 2017	2,840	6,053	111	9,217	18,221	

Assets not yet in use as of 31 December 2017 include investment in the new sports betting and gaming platform. Part of the assets was put in use in 2017 due to launching a new gaming platform. Because of

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change in platform development strategy, portion of the Assets not yet in use was identified as unusable for the future and was impaired in the amount of € 2,921 thousand.

	Software € 000	Brand name € 000	intangible fixed assets € 000	Assets not yet in use € 000	Total € 000
Cost:					
1 January 2016	7,867	6,052	785	4,445	19,149
Additions	1,729	-	-	4,759	6,488
Disposals	(266)	-	(13)	-	(279)
Assets held for sale	(203)	-	(340)	-	(543)
Transfers	(12)	-	5	7	-
Currency translation	(10)	1	1	6	(2)
31 December 2016	9,105	6,053	438	9,217	24,813
Accumulated amortisation:					
1 January 2016	5,733	-	452	-	6,185
Amortisation for the year	907	-	192	-	1,099
Disposals	(266)	-	(13)	-	(279)
Assets held for sale	(110)	-	(303)	-	(413)
Transfers	-	-	-	-	-
Currency translation	1	-	(1)	-	-
31 December 2016	6,265	-	327	-	6,592
Carrying amount 31 December 2016	2,840	6,053	111	9,217	18,221
Carrying amount 1 January 2016	2,134	6,052	333	4,445	12,964

Upon the acquisition of the subsidiary FORTUNA sázková kancelář a.s. (merged with FORTUNA GAME, a.s., effective 1 January 2012), the Consolidated Group recognised the intangible brand name "FORTUNA" which was assessed as having an indefinite useful life, as there is no foreseeable limit to the period over which it is expected to generate net cash inflows, given the strength and durability of the brand and the level of marketing support. The brand has been on the market in the Czech Republic since 1990.

The intangible is not amortised and is tested for impairment at year-end. The carrying amount of the intangible asset was € 6,403 thousand as of 31 December 2017 (2016: € 6,053 thousand). The brand name was pledged as a security for bank loans (note 10.27).

The intangible asset does not generate largely independent cash inflows and is allocated to the Czech operations as the lowest level of cash generating unit. The Czech operation was tested for impairment by applying the discounted cash flow technique and using projected financial results.

The cash flow projection covers a period of four years (2016: 4 years) and is discounted using an average pre-tax discount rate of 9.2% (2016: 9.5%) for the Czech Republic. A long-term growth rate of 3% (2017: 3%) per annum is assumed for the period beyond the explicit cash flow projection.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount of the unit to materially exceed its recoverable amount.

10.17 Property, plant and equipment

	Land and buildings € 000	Plant and equipment € 000	Other fixed assets € 000	Assets not yet in use € 000	Total € 000
Cost:					
1 January 2017	2,327	14,626	-	3,521	20,474
Acquisition of subsidiaries	670	8,778	-	-	9,448
Additions	103	4,406	-	2,932	7,441
Disposals	(571)	(2,845)	-	-	(3,416)
Transfers	39	4,365	-	(4,395)	9
Currency translation	90	528	-	127	745
31 December 2017	2,658	29,858	-	2,185	34,701

Accumulated depreciation:

1 January 2017	1,676	12,324	-	-	14,000
Depreciation charge for the year	304	4,716	-	-	5,020
Disposals	(540)	(2,662)	-	-	(3,202)
Transfers	-	-	-	-	-
Currency translation	66	442	-	-	508
31 December 2017	1,506	14,820	-	-	16,326
Carrying amount 31 December 2017	1,152	15,038	-	2,185	18,375
Carrying amount 1 January 2017	651	2,302	-	3,521	6,474

	Land and buildings € 000	Plant and equipment € 000	Other fixed assets € 000	Assets not yet in use € 000	Total € 000
Cost:					
1 January 2016	2,387	21,033	-	1,155	24,575
Additions	-	375	-	3,976	4,351
Disposals	(105)	(2,719)	-	(321)	(3,145)
Assets held for sale	-	(5,109)	-	(22)	(5,131)
Transfers	57	1,197	-	(1,254)	-
Currency translation	(12)	(151)	-	(13)	(176)
31 December 2016	2,327	14,626	-	3,521	20,474

Accumulated depreciation:

1 January 2016	1,622	14,978	-	-	16,600
Depreciation charge for the year	164	4,210	-	-	4,374
Disposals	(105)	(2,636)	-	-	(2,741)
Assets held for sale	-	(4,089)	-	-	(4,089)
Transfers	-	-	-	-	-
Currency translation	(5)	(139)	-	-	(144)
31 December 2016	1,676	12,324	-	-	14,000
Carrying amount 31 December 2016	651	2,302	-	3,521	6,474
Carrying amount 1 January 2016	765	6,055	-	1,155	7,975

10.18 Current receivables

	31.12. 2017 € 000	31.12. 2016 € 000
Current receivables		
Receivables from related parties	55	723
Advance payments and deposits	3,722	772
Other receivables (current)	4,635	234
Total	8,412	1,729

For terms and conditions relating to related party receivables, refer to note 10.29.

Current receivables also include receivables related to licensing (B2B) and payment methods. These two factors caused the main increase compared to 2016 balances.

As of 31 December 2017, the provision for impairment of trade receivables (excluding receivables from employees mentioned above) amounted to € 425 thousand (2016: € 1 thousand). See the table below for the movements in the provision for impairment of receivables.

	Individually impaired € 000
Movement in the provision for impairment of trade receivables	
1 January 2017	1
Acquisition of subsidiaries	412
Charge for the year	11
Currency translation	1
Provisions transferred to the Assets held for sale	-
31 December 2017	425
1 January 2016	23
Amounts written off during the year	(18)
Amounts recovered during the year	(2)
Charge for the year	27
Currency translation	-
Provisions transferred to the Assets held for sale	(29)
31 December 2016	1

The following table relates to the ageing of current receivables. As of 31 December 2017 and 2016, respectively, most of the receivables were neither past due nor impaired.

€ 000	Neither past due nor impaired	Past due but not impaired					Total
		<30 days	31 - 60 days	61 - 90 days	91 - 180 days	>181 days	
31 December 2017	6,343	973	16	126	73	881	8,412
31 December 2016	1,123	50	98	64	246	148	1,729

In the consolidated statement of the financial position of the Company, there are no other financial assets that are past due but not impaired.

10.19 Other assets

	31.12.2017 € 000	31.12.2016 € 000
Other non-current assets		
Advance payments and security deposits – related parties	42	35
Advance payments and security deposits	2,545	1,438
Other	161	129
Total	2,748	1,602

Advance payments and security deposits consist mostly of rental deposits paid for rent on Fortuna and Hattrick branches.

	31.12.2017 € 000	31.12.2016 € 000
Other current assets		
Goods for sale	60	79
Other inventory	413	43
Prepayments – related parties	-	-
Prepayments	7,774	2,975
Total	8,247	3,097

Prepayments consist mostly of prepaid rent on Fortuna branches.

10.20 Restricted cash

	31.12.2017 € 000	31.12.2016 € 000
Restricted cash	3,101	2,971

Fortuna Group has limited access to the above-mentioned cash deposits made with banks. The funds are blocked in accordance with the Gaming regulations of the Czech republic and Romania. According to Czech and Romanian legislation, a betting company has to deposit certain amounts of cash as security for potential liabilities to the state and bettors to a special bank account. The Company can only withdraw the security upon receiving an approval from the state authorities once the gaming activity terminates.

10.21 Cash and cash equivalents

	31.12.2017 € 000	31.12.2016 € 000
Cash at bank	69,528	27,437
Cash in hand and in transit	11,188	2,812
Cash and cash equivalents	80,716	30,249

Cash at bank bears interest at floating rates based on daily bank deposit rates.

Short-term deposits are classified as a cash equivalent only if they have terms to a maturity of three months or less.

Fortuna Group has pledged € 46,466 thousand of its cash in bank deposits as security for bank loans (2016: € 16,940 thousand).

10.22 Derivates

As at 31 December 2017, Fortuna Group held interest rate swaps with a notional amount of € 46,994. These swaps fixed the 3-month PRIBOR/EURIBOR variable interest rates and were designated as cash flow hedges.

Interest rate swaps	31.12.2017 € 000	31.12.2016 € 000
	Liabilities	Liabilities
Cash flow hedge	66	-
Total	66	-

10.23 Issued capital and reserves

Authorised shares

	2017	2016
	# of shares thousands	# of shares thousands
	250,000	250,000
Ordinary shares of € 0.01 each	250,000	250,000

Ordinary shares issued and fully paid

	# of shares thousands	Par value per share €	Share capital € 000
	52,000	0.01	520
	52,000	0.01	520
31 December 2017	52,000	0.01	520
31 December 2016	52,000	0.01	520

STATUTORY RESERVE

In accordance with the commercial law in the Czech Republic (until 31 December 2013) and Slovakia, companies have been required to form an undistributable statutory reserve for contingencies against possible future losses and other events.

Until 31 December 2013 in the Czech Republic, contributions were at least 20% of after-tax profit in the first year in which profits were made and 5% of after-tax profit for each subsequent year, unless the fund reached at least 20% of share capital. The fund could only be used to offset losses. Since 2014, with new legislation in place, this obligation was cancelled. As a consequence, ALICELA a.s. and RIVERHILL a.s. transferred statutory reserves to the retained earnings in 2014, FORTUNA GAME a.s. in 2016 and FORTUNA RENT s.r.o. in 2015.

In Slovakia, contributions must be at least 10% of the share capital upon the foundation of the company and at least 10% of after-tax profit for each subsequent year, until the fund reaches at least 20% of share capital. The fund can only be used to offset losses.

Romanian legislation states that the legal reserve is deductible within the limit of a 5% applied to the accounting profit, plus the corporation tax expense, until it reaches 20% from the share capital. The reserve is calculated cumulatively from the beginning of the year and is deductible in the calculation of the quarterly or annual tax result, as the case may be. The reserves so formed will increase or decrease

depending on the level of the accounting profit in the calculation period. Also, the increase or decrease of the reserve thus created is also made depending on the level of the share capital.

The reserve represents the amount of the undistributable funds, which cannot be transferred to the parent company in the form of dividends. The dividend capacity of FEGNV is not affected as the distribution to FEGNV shareholders is determined only by the shareholders' equity of FEGNV.

HEDGE RESERVE

The net loss on cash flow hedges recognised in equity as of 31 December 2017 was € 66 thousand net of tax effect of € 6 thousand, i.e. € 60 thousand.

NATURE AND PURPOSE OF RESERVES

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial information of foreign subsidiaries.

10.24 Dividends paid and proposed

Since 2015, the dividend policy of FEG has been under review due to the planned investments in future growth opportunities, especially investments in a new IT platform enabling multi-channel, multi-product and multi-country capability, operational excellence and people that will support further organic growth and expansion into Central & Eastern Europe.

In light of this development, the management of Fortuna Entertainment Group N.V. will propose zero dividend payments in 2017 and 2018. The long term dividend policy will be revised after 2018.

10.25 Fair values

FAIR VALUE HIERARCHY

As of 31 December 2017 and 2016, respectively, Fortuna Group had open bets, which are regarded as derivative contracts, at a fair value of € 1,582 thousand (liability), and € 780 thousand (liability), respectively. In 2017, an interest rate swap fair value in the amount of € 66 thousand was also included.

All financial instruments carried at fair value are categorised in three categories by reference to the observability and significance of the inputs used in measuring fair value. The categories are defined as follows:

Level 1 — Quoted market prices

Level 2 — Valuation techniques (market observable)

Level 3 — Valuation techniques (non-market observable)

As of 31 December 2017, the Group held the following financial instruments measured at fair value:

Financial instruments	31 December 2017	Level 1 € 000	Level 2 € 000	Level 3 € 000
Open bets (from continuing and discontinued operations)	(1,582)	-	-	(1,582)
Interest rate swaps	(66)	-	(66)	-

Open bets are regarded as derivative financial instruments which are not quoted on an active market and for which no observable data is available; the fair value of these financial instruments is not determined by reference to published price quotations or estimated by using a valuation technique

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based on assumptions supported by prices from observable current market transactions. Their fair value is derived from the average margin on betting events realised by the Group in the previous three months. Open bets are paid out within a short time-frame after the year-end and as a result the difference between the fair value of these financial instruments as of the year-end and the actual pay-out is deemed immaterial. A higher average margin on betting would result in a lower fair value of open bets.

Fortuna Group enters into interest rate swap contracts with various counterparties, principally financial institutions with investment grade credit ratings. The derivatives valued using valuation techniques with market observable inputs are interest rate swaps. The most frequently applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including the credit duality of counterparties and interest rate curves.

Set out below is a comparison by class between the carrying amounts and fair values of Fortuna Group's financial instruments as disclosed in the financial statements.

	Carrying amount € 000	Fair value € 000
31 December 2017		
Assets		
Restricted cash	3,101	3,101
Other non-current assets	2,748	2,748
Current receivables	8,412	8,412
Cash and cash equivalents	80,716	80,716
Liabilities		
Long-term bank loans	113,615	113,615
Other non-current liabilities	50,231	50,231
Trade and other payables	47,405	47,405
Current portion of long-term bank loans	16,048	16,048
Derivatives	66	66
<u>Other current financial liabilities (open bets)</u>	<u>1,658</u>	<u>1,658</u>
31 December 2016		
Assets		
Restricted cash	2,971	2,971
Other non-current assets	1,602	1,602
Current receivables	1,729	1,729
Cash and cash equivalents	30,249	30,249
Liabilities		
Long-term bank loans	24,625	24,625
Other non-current liabilities	34	34
Trade and other payables	21,121	21,121
Current portion of long-term bank loans	5,528	5,528
Derivatives	-	-
<u>Other current financial liabilities (includes open bets)</u>	<u>771</u>	<u>771</u>

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

Cash and short-term deposits, current receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Long-term fixed-rate and variable-rate receivables and borrowings are evaluated by Fortuna Group based on parameters such as interest rates, specific country risk factors, the individual creditworthiness of customers and risk characteristics of the financed project. Based on this evaluation, provisions are formed for the expected losses of these receivables. As of 31 December 2017 and 2016, respectively, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

The fair value of loans from banks and other financial liabilities, obligations under finance leases as well as other non-current financial liabilities are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

10.26 Provisions

	Employee bonuses € 000	Jackpot € 000	Other provisions € 000	Total € 000
1 January 2017	6,161	-	795	6,956
Acquisition of subsidiaries	-		441	441
Additions	11,152	-	174	11,326
Utilised	(2,525)	-	(419)	(2,944)
Discount rate adjustment	-	-	-	-
Currency translation	583	-	33	616
Liabilities directly associated with the assets held for sale	-	-	-	-
31 December 2017	15,371	-	1,024	16,395

Short-term part of the provision	4,827	-	1,016	5,860
Long-term part of the provision	10,331	-	204	10,535
31 December 2017	15,371	-	1,024	16,395

	Employee bonuses € 000	Jackpot € 000	Other provisions € 000	Total € 000
1 January 2016	3,840	586	444	4,870
Additions	4,981	230	602	5,813
Utilised	(2,470)	-	(187)	(2,657)
Discount rate adjustment	-	-	-	-
Currency translation	(15)	-	2	(13)
Liabilities directly associated with the assets held for sale	(175)	(816)	(66)	(1,057)
31 December 2016	6,161	-	795	6,956
Short-term part of the provision	2,486	-	785	3,271
Long-term part of the provision	3,675	-	10	3,685
31 December 2016	6,161	-	795	6,956

EMPLOYEE BONUSES

The Company has formed a provision for employee bonuses which relates to both the long-term incentive plan as well as annual bonuses. The long-term incentive plan represents a motivation plan for key management for the period of 3 to 5 years. The exact amount is uncertain as it represents management's best estimate. Employee bonuses are conditional on meeting goals which are set in advance. If the targets are met at the minimum level of 90%, are the bonuses paid in cash after the confirmation of the annual results by the General meeting.

PROVISION FOR JACKPOT

Jackpot provision is accounted for at fair value as derivative. As this financial instrument is not quoted on an active market and no observable data is available, the fair value of this financial instrument is not determined by reference to published price quotations or estimated by using a valuation technique based on assumptions supported by prices from observable current market transactions. It is accrued at each draw taking into account the long-term pay-out ratio. Provision for Jackpot is reported in assets held for sale.

OTHER PROVISIONS

Other provisions contain liabilities related to possible legal claims, bonuses to suppliers and other liabilities with uncertain timing or amount.

10.27 Bank loans

The summary of the actual structure of the loans from Česká Spořitelna, a.s. is provided below:

Long-term bank loans	Currency	Effective interest rate	Security	Maturity	2017 € 000
Facility A1	CZK	3M PRIBOR + 2.00%	Shares of the subsidiary companies FORTUNA GAME a.s., RIVERHILL a. s., ALICELA a. s., Fortuna Entertainment Group Ltd., Fortuna Virtual d.o.o., Hattrick PSK d.o.o., Hattrick Bet s.r.l.; Intellectual property FORTUNA GAME a.s., FORTUNA online zakłady bukmacherskie Sp. z o.o., Hattrick PSK d.o.o., Hattrick Bet s.r.l.;	April 2023	19,268
Facility A2	EUR	3M EURIBOR + 2.15%		April 2023	11,098
Facility A3	EUR	3M EURIBOR + 2.15%		April 2023	1,582
Facility A4	EUR	3M PRIBOR + 2.15%	Bank accounts receivables FORTUNA GAME a. s., FORTUNA SK a. s., FORTUNA online zakłady bukmacherskie Sp. z o. o., RIVERHILL a. s., ALICELA a. s., Fortuna Entertainment Group Ltd., Fortuna Virtual d.o.o., Fortuna Bet Shops Holding s.r.l., Fortuna Bet Holding s.r.l., Hattrick PSK d.o.o., Hattrick Bet s.r.l.;	April 2023	19,437
Facility A5	EUR	3M EURIBOR + 2.15%		April 2023	13,673
Facility B1	CZK	3M PRIBOR + 2.10%	IC receivables FORTUNA GAME a. s., FORTUNA SK a. s., Hattrick PSK d.o.o., Hattrick Bet s.r.l.;	April 2023	31,649
Facility B2	CZK	3M PRIBOR + 2.10%		April 2023	10,162
Facility A6	RON	3M ROBOR + 2.30%	Receivables related to acquisition agreements Fortuna Virtual d.o.o. (Hattrick acquisition), Fortuna Bet Shops Holding s.r.l. and Fortuna Bet Holding s.r.l.	April 2023	12,514
Facility A7	RON	3M ROBOR + 2.30%	Intellectual property – trade marks, internet domains	April 2023	10,280

of which current portion

(16,048)

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Total long-term loans					113,615
Long-term bank loans	Currency	Effective interest rate	Security	Maturity	2016 € 000
Facility A	CZK	3M PRIBOR + 1.75%	Shares of the subsidiary companies RIVERHILL a.s., ALICELA a.s., FORTUNA GAME a.s. and FORTUNA SK, a.s., 1/3 of shares in FORTUNA online zakłady bukmacherskie Sp. z o.o.; pledge on bank accounts of FORTUNA GAME a.s., FORTUNA SK, a.s. and FORTUNA online zakłady bukmacherskie Sp. z o.o., brand name FORTUNA, registered trademarks, FORTUNA GAME and ALICELA enterprises, lottery terminals	June 2018	5,603
Facility A2	EUR	3M EURIBOR + 1.75%		June 2018	1,864
Facility A	EUR	3M EURIBOR + 1.75%		June 2018	3,320
Facility B	CZK	3M PRIBOR + 2.00%		June 2019	10,408
Facility B	EUR	3M EURIBOR + 2.00%		June 2019	8,958
of which current portion					(5,528)
Total long-term loans					24,625

As of 31 December 2017, Fortuna Group had undrawn committed borrowing facilities in the amount of € 6,500 thousand (in 2016: € 5,922 thousand originally denominated as CZK 160,000 thousand). Fortuna Group has utilised bank guarantees in the amount of € 11,117 thousand.

The parent company, Fortbet Holdings Limited, pledged all the shares of Fortuna Entertainment Group N.V. in favour of Česká spořitelna a.s. as a security to the bank loan facility.

Fortuna Group enters into interest rate swap contract to hedge its risks associated with interest rates. Following tranches are hedged – A2, A4, A5 (100% of notional amount) and B1 (50% of notional amount). Hedged tranches represents about 50% of the total bank loan balance as of 31 December 2017.

Fortuna Group has to comply with bank loan covenants (leverage and cash flow cover). Fortuna Group provides a compliance certificate and reporting on the covenants on the quarter bases for the twelve-month period ending on 31 March, 30 June, 30 September and 31 December. The main financial covenants are a cash flow cover (last twelve months cash flow / debt service) ratio at least 1.1 and leverage (last twelve months EBITDA / net debt) ratio not exceeding 3.0 as of 31 December 2017. These covenants are calculated in accordance with definitions agreed with the lenders. As of 31 December 2017, the cash flow cover ratio was 5.62 and leverage ratio was 0.81.

As of 31 December 2017 and 31 December 2016, Fortuna Group was in compliance with all bank loan covenants.

10.28 Other non-current liabilities

	31.12.2017 € 000	31.12.2016 € 000
Liability from Purchase of Subsidiary – Long-term portion	49,932	-
Other payables and estimated accounts payable	299	34
Total	50,231	34

Liability from Purchase of Subsidiary represents contingent liabilities reported at fair value and related to acquisitions of Hattrick Sports Group (€ 39,358 thousand) and former Fortbet Romanian companies (€ 10,574 thousand).

10.29 Trade and other payables (current)

	31.12.2017 € 000	31.12.2016 € 000
Trade and other payables (current)		
Trade accounts and notes payable	5,178	1,405
Payables to related parties	16	15
Wages and salaries payable	6,358	2,652
Social security and health contributions payable	1,866	1,012
Betting tax and other tax payable	14,184	7,716
Unpaid wins	6,273	4,799
Accrued expenses	9,245	3,257
Received deposits	-	1
Other payables and estimated accounts payable	4,285	264
Total	47,405	21,121

Unpaid wins are paid out within a short time-frame after the year-end and present actual amounts won by the clients.

10.30 Related party disclosures

The consolidated financial statements include the following companies:

Consolidated entities	Country of incorporation	Nature of activity
Fortuna Entertainment Group N.V.	The Netherlands	Holding company
RIVERHILL a.s.	Czech Republic	Holding company
ALICELA a.s.	Czech Republic	Holding company
FORTUNA GAME a.s.	Czech Republic	Sports betting and gaming
FORTUNA RENT s.r.o.	Czech Republic	Rentals
FORTUNA online zakłady bukmacherskie Sp. z o.o.	Poland	Sports betting
FORTUNA SK, a.s.	Slovakia	Sports betting
Fortuna Virtual d.o.o.	Croatia	Holding company
Hattrick Sports Group Ltd.	Ireland	Holding company

FORTUNA ENTERTAINMENT GROUP N.V.

Notes to the consolidated financial statements as of 31 December 2017

Hattrick – PSK d.o.o.	Croatia	Sports betting and gaming
Hattrick Bet s.r.l.	Romania	Sports betting and gaming
OK Albastru Rosu s.r.l.	Romania	Rentals
Fortuna Bet Shops Holding s.r.l.	Romania	Holding company
Fortuna Bet Holding s.r.l.	Romania	Holding company
Bet Active Concept s.r.l.	Romania	Sports betting
Bet Zone s.r.l.	Romania	Sports betting and gaming
Alter Power Plant s.r.l.	Romania	Other
Slot Arena s.r.l.	Romania	Slots
Public Slots s.r.l.	Romania	Slots

The following table lists the total amounts relating to transactions entered into with related parties for the relevant financial year:

Consolidated statement of financial position	31.12.2017	31.12.2016
	€ 000	€ 000
Other non-current assets		
Digital Park Einsteinova, a.s.	42	35
Total other non-current assets – related parties	42	35
Receivables from related parties		
Digital Park Einsteinova, a.s.	55	50
Bet Zone s.r.l.	-	114
Bet Active Concept s.r.l.	-	548
Penta Investments Limited	-	11
Total receivables from related parties	55	723
Other non-current liabilities – contingent liability, earn-out		
FORTBET HOLDINGS LIMITED	10,574	-
Total other non-current liabilities – related parties	10,574	-
Payables to related parties		
DÔVERA zdravotná poisťovňa, a.s.	23	22
AB Facility, s.r.o.	-	1
The Bookkeeper B.V.	2	3
Digital Park Einsteinova, a.s.	75	-
Media and Digital Services a.s.	10	-
Copenhagen Gambling	17	-
Penta Investments Limited	4	-
Total payables to related parties	131	26
Cash in related parties		
Privatbanka, a.s.	67	21
Total cash in related parties	67	21

The payables to DÔVERA zdravotná poisťovňa, a.s. relate to health insurance payments.

Consolidated statement of profit or loss	2017	2016
	€ 000	€ 000

FORTUNA ENTERTAINMENT GROUP N.V.

Notes to the consolidated financial statements as of 31 December 2017

Other operating income from related parties

Bet Zone s.r.l.	108	129
Bet Active Concept s.r.l.	412	685
Penta Investments Limited	-	76
Total other operating income from related parties	520	890

Financial expense from related parties

Fortbet Holdings Ltd.	90	-
Privatbanka, a.s.	4	3
Total financial expense from related parties	94	3

Purchases from related parties

DÔVERA zdravotná poisťovňa, a.s.	176	162
Digital Park Einsteinova, a.s.	245	192
Development Florentinum s.r.o.	-	1,133
AB Facility, s.r.o.	6	9
The Bookkeeper B.V.	25	26
Copenhagen Gambling	19	-
Bory Mall, a.s.	17	-
BM Energy, s.r.o.	1	-
Media and Digital Services a.s.	225	-
Mediworx software solutions a.s.	2	-
News and Media Holding a.s.	5	-
Penta Investments Limited	272	-
Total purchases from related parties	993	1,522

As of 31 December 2017, Fortuna's majority shareholder was FORTBET HOLDINGS LIMITED, a subsidiary of Penta Investments Limited, which held a 79.78% stake. All the above-mentioned companies are part of Penta Group and the sales to, and purchases from, related parties are conducted at normal market prices. Outstanding balances at the year-end are unsecured, and interest-free, with the settlement being in cash. No guarantees have been provided or received for any related party receivables or payables. For the years ended 31 December 2017 and 2016, respectively, Fortuna Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is made each financial year by examining the financial position of the related party and the market in which the related party operates.

Other operating income from Bet Zone s.r.l. and Bet Active Concept s.r.l. relates to trademark lease and professional services reinvoiced with mark-up. Due to the acquisition completed on 31 August 2017, only transactions reported in profit or loss are reported till the closing date. The companies were acquired from the majority shareholder FORTBET HOLDINGS LIMITED (together with Slot Arena s.r.l., and Public Slots s.r.l.). As such the acquisition classifies as a transaction under common control. The company applied the acquisition method under IFRS 3 considering the economic substance of the business combination. For the acquisition in 2017 an amount of EUR 32 million was paid. For more information see note 10.5.

Financial expense from Privatbanka a.s. relates to bank fees and interest on bank account balances.

Purchases from DÔVERA zdravotná poisťovňa, a.s. represent health insurance payments. Purchases from Digital Park Einsteinova, a.s. and Development Florentinum s.r.o. relate to the rent on office premises.

Development Florentinum s.r.o. is no longer reported in the statement of the financial position due to a sale beyond Penta Group at the end of 2016.

AB Facility, s.r.o. is no longer reported in the statement of the financial position due to a sale beyond the Penta Group at the beginning of 2017.

SHARES HELD BY THE MANAGEMENT

As of 31 December 2017, Directors and Members of the Management Board did not hold any shares or stock options issued by the Company.

As of 31 December 2017, Directors and Members of the Supervisory Board did not hold any shares or stock options issued by the Company.

As of 31 December 2017, members of the management of the Group did not hold any shares or stock options issued by the Company.

There was no change in comparison with the state as of 31 December 2016 – no shares were held by management of the company.

10.31 Commitments and contingencies

OPERATING LEASE COMMITMENTS – THE GROUP AS LESSEE

Operating leases mainly relate to buildings with lease terms of between three to 10 years. All operating lease contracts contain market review clauses for a case in which Fortuna Group exercises its option to renew. The Company does not have an option to purchase the leased assets upon the expiry of the lease period.

Future minimum rental payments payable under non-cancellable operating leases as of 31 December are as follows:

	2017 € 000	2016 € 000
Instalments due within one year	10,251	4,561
Instalments due between two and five years	16,341	7,033
Instalments due after more than five years	480	982
Operating lease expense (note 10.9)	24,263	10,960

Some of the contracts also include variable payments dependent on amounts staked. These payments have not been included in the table above as they are not part of the minimum rental payments.

FINANCE LEASE AND HIRE PURCHASE COMMITMENTS – THE GROUP AS LESSEE

Finance leases relate to cars with lease terms of between three to five years. All finance lease contracts contain market review clauses for a case in which Fortuna Group exercises its option to renew. The Company does not have an option to purchase the leased assets upon the expiry of the lease period.

	2017 € 000	2016 € 000
Instalments due within 3 months	42	-
Instalments due between 3 months and within 1 year	139	-
Instalments due after 1 year and within 2 years	94	-
Instalments due after 2 years and within 5 years	80	-
Instalments due after 5 years	-	-
Total minimum lease payments	355	-
Future finance charges on finance leases	10	-

Present value of finance lease payments	345	-
Carrying amount of assets under finance leases	345	-

10.32 Law and regulation risk

The Company acquired Hattrick (with effect of 19 April, 2017) and Bet Active (with effect of 1 September 2017) activities in Romania during the financial year. As of the respective moment Fortuna obtained control, the Company started the integration of the activities into the Fortuna organization. During the integration process it was identified that Hattrick and Bet Active might not in all circumstances have applied certain provisions of the law and regulations with regard to AML in the Retail operations. The non-compliance relates specifically to the identification of some clients and transaction monitoring in the way stipulated in the local laws as market practice differs in Romania. Both Hattrick and Bet Active entities are fully licensed and regulated in Romania and they passed annual authorization by the Romanian regulator.

Management has initiated a project to improve the controls over customer identification and transaction identification, verification and monitoring off cash transactions. As the improvements will only materialize during 2018, the Company might not be fully compliant with certain provisions in the local laws and regulations. To date management is not aware of any transaction used for money laundering and financing of terrorism or has it received a formal statement from the betting regulatory bodies in the respective countries. However, non-compliance of certain provision of local laws and regulations could result in some risks for the financial statement. But management believe that the financial impact would not be material.

10.33 Financial risk management objectives and policies

Fortuna Group's principal financial instruments, other than derivatives, comprise of bank loans, cash and short-term deposits. The main purpose of these financial instruments is to raise funds for Fortuna Group's operations. Fortuna Group has various other financial instruments such as current receivables, trade and other payables that arise directly from its operations.

Fortuna Group also enters into derivative transactions, such as interest rate swaps. The purpose of these transactions is to assist in the management of Fortuna Group's financial risk and to generate the desired effective interest rate profile.

Fortuna Group is exposed to market risk, credit risk and liquidity risk.

MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise of three types of risk: interest rate risk, currency risk and other price risks, such as equity risk. Financial instruments affected by market risk include loans and borrowings, cash and cash equivalents, deposits and derivative financial instruments.

The sensitivity analyses in the following sections relate to the positions as of 31 December 2017 and 2016, respectively.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant, and on the basis of the hedge designations in place as of 31 December 2017 and 2016, respectively.

The following assumptions have been made in calculating the sensitivity analyses:

- The statement of the financial position sensitivity relates to derivatives
- The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held as of 31 December 2017 and 2016, respectively, including the effect of hedge accounting.

It is, and has been throughout the year under review, the policy of the Fortuna Group that no trading in financial instruments shall be undertaken other than betting and gaming transactions.

INTEREST RATE RISK

Fortuna Group is exposed to interest rate risk on interest bearing loans and borrowings and on cash and cash equivalents.

Fortuna Group manages interest rate risk by having a portfolio of fixed and variable rate loans. The Group policy aims at having about 25% of its borrowings at fixed interest rates.

Currently about 50% of the bank tranches are secured via derivatives (IRS SWAP). Secured tranches are denominated in EUR and CZK.

FOREIGN CURRENCY RISK

Fortuna Group carries out operations through a number of foreign enterprises. The day to day transactions of foreign subsidiaries are carried out in local currencies. Fortuna Group's exposure to currency risk at the transactional level is monitored and reviewed regularly.

Fortuna Group seeks to mitigate the effect of its structural currency exposure arising from the translation of foreign currency assets through bank loan drawings in the same currencies. However there are bank loans drawn in CZK within the Polish entities and in EUR and CZK within Croatian entities which constitute currency exposure.

The exchange rate risk is kept at an acceptable level since the majority of operations are carried out within operating companies and hence any movements of currency rates of their functional currencies against each other and the euro (e.g. Czech Korunas, Polish Zloty) does not give rise to significant exchange rate risk.

CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to Fortuna Group. Credit risk arises from cash and cash equivalents, trade receivables and loans.

In relation to its core business substance, Fortuna Group's exposure to credit risk is limited since the vast majority of its sales are carried out on the basis of prepayments made by customers. A marginal part of the pre-payments is executed with the use of credit cards, where management adopts monitoring and credit control policy which minimises any credit risk exposure.

With respect to trade receivables related to other sales, Fortuna Group ensures that products and services are provided to customers with an appropriate creditworthy history. Risk control assesses the credit quality of customers, taking into account the financial position, past experience and other factors.

Fortuna Group's exposure to credit risk through the loans granted is limited since there are only intra-group loans and any third party lending is very rare.

LIQUIDITY RISK

FORTUNA ENTERTAINMENT GROUP N.V.

Notes to the consolidated financial statements as of 31 December 2017

Fortuna Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of borrowings with a range of maturities.

Fortuna Group's policy on liquidity is to ensure that there are sufficient medium-term and long-term committed borrowing facilities to meet the medium-term funding requirements. As of 31 December 2017, there were undrawn committed borrowing facilities of CZK 160,000 thousand (€ 5,922 thousand; 2016: € 5,000 thousand). Total committed facilities had an average maturity of 2 years in 2017 (2016: 3 years).

Prudent liquidity risk management implies maintaining sufficient cash and other liquid assets, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Company's treasury maintains flexibility in funding.

The Company monitors the level of cash on a daily basis and draws bank cash when and if needed.

LIQUIDITY RISK PROFILE

The table below summarises the maturity profile of Fortuna Group's financial liabilities as of 31 December 2017 and 2016, respectively, based on contractual undiscounted payments:

€ 000	< 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
Trade and other payables	47,405	-	-	-	47,405
Bank loans (including swaps)	16,254	32,496	32,496	49,862	131,107
Financing leasing	181	174	-	-	355
Other non-current liabilities	1,896	59,963	-	61	61,921
31 December 2017	65,736	92,633	32,496	49,923	240,788

€ 000	< 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
Trade and other payables	21,121	-	-	-	21,121
Bank loans (including swaps)	6,173	25,566	-	-	31,739
Other non-current liabilities	771	-	-	-	771
31 December 2016	28,065	25,566	-	-	53,631

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January 2017	Cash flows drawn	Cash flows repaid	Reclassifi- ed as part of disposal group / new acquisitio- ns	Foreign exchange movemen- t	Changes in Fair Value	New leases	Other	31 Decem- ber 2017
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Current interest-bearing loans and borrowings (excluding items listed below)	5,528	-	(5,569)	-	41	-	-	16,048	16,048
Current obligations under finance leases and hire purchase contracts	-	-	(2)	22	-	-	-	-	20
Non-current interest-bearing	24,625	136,951	-	-	3,209	-	-	(16,048)	113,615

FORTUNA ENTERTAINMENT GROUP N.V.

Notes to the consolidated financial statements as of 31 December 2017

loans and borrowings (excluding items listed below)			(35,122)						
Non-current obligations under finance leases	-		(95)	373	(5)	-	62	-	335
Dividends payable	-	-	-	-	-	-	-	-	-
Derivatives	-	-	-	-	-	66	-	-	66
Total	30,153	136,951	(40,787)	395	3,245	66	62	-	130,084

	1 January 2016	Cash flows drawn	Cash flows repaid	Reclassified as part of disposal group / new acquisitions	Foreign exchange movement	Changes in Fair Value	New leases	Other	31 December 2016
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Current interest-bearing loans and borrowings (excluding items listed below)	5,523	-	(5,640)	-	117	-	-	5,528	5,528
Current obligations under finance leases and hire purchase contracts	-	-	-	-	-	-	-	-	-
Non-current interest-bearing loans and borrowings (excluding items listed below)	30,139	-	-	-	14	-	-	(5,528)	24,625
Non-current obligations under finance leases	-	-	-	-	-	-	-	-	-
Dividends payable	-	-	-	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-	-	-	-
Total	35,662	-	(5,640)	-	131	-	-	-	30,153

INTEREST RATE SENSITIVITY

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of Fortuna Group's profit before tax and equity (through the impact on floating rate borrowings):

	Increase/(decrease) in interest rate by	Effect on profit before tax € 000	Effect on other comprehensive income € 000
2017			
CZK	1% / (1%)	(294) / 294	132 / (132)
PLN	1% / (1%)	(16) / 16	- / -
EUR	1% / (1%)	- / -	366 / (366)
RON	1% / (1%)	(228) / 228	- / -
HRK	1% / (1%)	(157) / 157	- / -
		(695) / 695	498 / (498)
2016			
CZK	1% / (1%)	(161) / 161	- / -
PLN	1% / (1%)	(18) / 18	- / -

FORTUNA ENTERTAINMENT GROUP N.V.

Notes to the consolidated financial statements as of 31 December 2017

EUR	1% / (1%)	(123) / 123	- / -
		(302) / 302	- / -

FOREIGN CURRENCY RISK SENSITIVITY

The following table demonstrates the sensitivity to a change in foreign exchange rates, with all other variables held constant, of the Group's equity arising from the translation of the foreign operations:

As of 31 December 2017:

	(Decrease) / increase in equity € 000
Increase / decrease in exchange rate by 1%	
CZK/EUR	(358) / 358
PLN/EUR	(118) / 118
RON/EUR	(408) / 408
HRK/EUR	(100) / 100

There are loan tranches denominated in CZK and RON. Those loans can have a significant impact to the foreign exchange losses and foreign exchange gains. The bank loans are not secured against the exchange rate movements.

As of 31 December 2017:

	(Decrease) / increase in bank loans € 000
Increase / decrease in exchange rate by 1%	
CZK/EUR	(613) / 613
RON/EUR	(231) / 231

As of 31 December 2016:

	(Decrease) / increase in equity € 000
Increase / decrease in exchange rate by 1%	
CZK/EUR	(497) / 497
PLN/EUR	(23) / 23

The impact of changes in exchange rates on the profit or loss statement is immaterial.

CAPITAL MANAGEMENT

Capital includes equity attributable to the equity holders of the parent.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support the business and maximise shareholder value.

Fortuna manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, Fortuna may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Fortuna monitors capital using a gearing ratio defined as net debt divided by EBITDA. The Group's policy is to keep the gearing ratio below 1.1.

Fortuna includes interest bearing short-term and long-term loans and borrowings less cash and cash equivalents in net debt. The Company defines EBITDA as net profit after tax before non-controlling interest, income tax, net financial costs, depreciation and amortisation, tangible and intangible assets impairment and goodwill impairment.

	31.12.2017 € 000	31.12.2016 € 000
Interest bearing loans and borrowings:		
Long-term loans	113,615	24,625
Current portion of long-term loans	16,048	5,528
Short-term loans	-	-
	129,663	30,153
Less cash and cash equivalents	80,716	30,249
Net debt	48,947	(96)
	2017 € 000	2016 € 000
Profit before taxation	25,220	16,440
Finance costs, net	15,219	1,558
Goodwill impairment	-	-
Depreciation and amortisation	11,797	2,761
Intangible assets impairment	2,921	-
EBITDA	55,152	20,759
Gearing ratio	0.89	0.00

10.34 Events after the balance sheet day

On 2 January 2018 Fortuna Entertainment Group N.V. announced that it had reached an agreement with Fortbet Holdings Limited in connection with a public tender offer by Fortbet for all issued and outstanding shares in the capital of Fortuna at an offer price of CZK 182.50 (EUR 7.15) or PLN 29.80 (EUR 7.13) in cash for each share. The offer price represents a full and fair valuation of the Company. The offer price represents a premium of 54.2% in CZK and 53.5% in PLN over the 12-month volume weighted average price, and is also above the spot price which had already incorporated the substantial takeover premium potential based on Fortbet's previous offer and Fortbet's subsequent public statements.

The Extraordinary General Meeting of shareholders of Fortuna Entertainment Group N.V. held on 15 February 2018 in Amsterdam adopted a proposal to delist the Company. Once effective, the delisting would have the effect of withdrawing shares issued by Fortuna Entertainment Group N.V. from trading on both the Warsaw Stock Exchange and the Prague Stock Exchange.

Fortbet advised FEG that as of 9 March 2018 it owns a total of 49,837,879 shares in FEG, which represents approximately 95.842075% of the issued and outstanding shares in FEG.

FORTUNA ENTERTAINMENT GROUP N.V.

Notes to the consolidated financial statements as of 31 December 2017

Amsterdam, 26 April 2018

Per Widerström
Chairman of the Management Board
of Fortuna Entertainment Group N.V.

Janka Galáčová

Janka Galáčová
Member of the Management Board
of Fortuna Entertainment Group N.V.

Richard van Bruchem
Member of the Management Board
of Fortuna Entertainment Group N.V.

Boudewijn Wentink
Member of the Management Board
of Fortuna Entertainment Group N.V.

Tom de Waard
Chairman of the Supervisory Board
of Fortuna Entertainment Group N.V.

Iain Child
Member of the Supervisory Board
of Fortuna Entertainment Group N.V.

Marek Šmrha
Member of the Supervisory Board
of Fortuna Entertainment Group N.V.

Morten Rønde
Member of the Supervisory Board
of Fortuna Entertainment Group N.V.

Michael Clark
Member of the Supervisory Board
of Fortuna Entertainment Group N.V.

11. Corporate Financial Statements of Fortuna Entertainment Group N.V.

FORTUNA ENTERTAINMENT GROUP N.V.

Corporate financial statements as of 31 December 2017

**CORPORATE FINANCIAL STATEMENTS OF
FORTUNA ENTERTAINMENT GROUP N.V.**

AS OF 31 DECEMBER 2017

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FORTUNA ENTERTAINMENT GROUP N.V.

Statement of the financial position as of 31 December

	Notes	31 December 2017 € 000	31 December 2016 € 000
ASSETS			
Non-current assets			
Intangible assets	11.5	-	5
Property, plant and equipment	11.6	-	-
Investments in subsidiaries	11.7	194,510	179,007
Financial assets	11.8	203	-
Other non-current assets	11.9	6	6
Total non-current assets		194,719	179,018
Current assets			
Receivables from related parties	11.21	-	-
Prepayments and other current assets	11.10	104	22
Cash and cash equivalents	11.11	556	8,437
Total current assets		660	8,459
TOTAL ASSETS		195,379	187,477
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		520	520
Share premium		115,705	115,705
Retained earnings		58,150	51,213
Profit for the year		3,441	6,937
Total Equity		177,816	174,375
Non-current liabilities			
Loans from Group companies	11.13, 11.21	7,912	12,968
Total non-current liabilities		7,912	12,968
Current liabilities			
Creditors	11.14	182	-
Loans from Group companies	11.13, 11.21	8,747	-
Payables to related parties	11.21	344	40
Accruals and other current liabilities	11.15	378	94
Total current liabilities		9,651	134
EQUITY AND LIABILITIES		195,379	187,477

FORTUNA ENTERTAINMENT GROUP N.V.

Statement of comprehensive income for the year ended 31 December

	Notes	2017 € 000	2016 € 000
Dividend income	11.16	5,950	7,940
Net royalty income		13	4
Revenues		5,963	7,944
Personnel expenses	11.17	(182)	(47)
Depreciation and amortisation	11.5, 11.6	(5)	(12)
Other operating expenses	11.18	(2,028)	(313)
Operating profit		3,748	7,572
Finance income	11.19	85	13
Finance cost	11.20	(392)	(648)
Profit before tax		3,441	6,937
Income tax expense		-	-
Net profit for the year		3,441	6,937
Other comprehensive income for the year		-	-
Total comprehensive income for the year		3,441	6,937

FORTUNA ENTERTAINMENT GROUP N.V.

Statement of cash flows for the year ended 31 December

	2017 € 000	2016 € 000
Cash flows from operating activities		
Profit before tax	3,441	6,937
Adjustments for:		
Depreciation and amortisation	5	12
Impairment of investment in subsidiary	-	-
Non-cash items	-	(5)
Interest expense	(11.20, 11.8)	288
Operating cash flow before working capital changes	3,734	7,555
(Increase) / Decrease in other current assets	-	(4)
(Increase) / Decrease in receivables	(82)	10,385
(Decrease) / Increase in payables and other liabilities	770	(300)
Cash generated from operating activities	4,422	17,636
Corporate income tax paid	-	-
Net cash flows provided by / (used in) operating activities	4,422	17,636
Cash flows from investing activities		
Net proceeds from borrowings (provided)	(11.8)	(200)
Purchase of equipment and intangible fixed assets	-	-
Proceeds / (Acquisition) of financial fixed assets	-	-
Acquisition of subsidiaries	(15,503)	-
Net cash flows provided by / (used in) investing activities	(15,703)	-
Cash flows from financing activities:		
Net proceeds from borrowings (received)	(11.13)	3,400
Interest paid	(11.13)	-
Dividend paid	-	-
Additional withholding tax paid	-	-
Net cash flows (used in)/provided by financing activities	3,400	(11,269)
Net increase / (decrease) in cash and cash equivalents	(7,882)	6,367
Cash and cash equivalents at the beginning of the year	8,437	2,070
Cash and cash equivalents at the end of the year	556	8,437

In 2017 FEGNV received dividends of € 6,011 thousand and in 2016 dividends of € 10,385 thousand.

FORTUNA ENTERTAINMENT GROUP N.V.

Statement of changes in equity for the year ended 31 December 2017

	Share capital € 000	Share premium € 000	Legal Reserve € 000	Profit for the year € 000	Retained earnings € 000	Total € 000
As of 1 January 2017	520	115,705	9,217	6,937	41,996	174,375
Appropriation of net result	-	-	-	(6,937)	6,937	-
Legal reserve on development cost	-	-	(4,062)	-	4,062	-
Profit for the year	-	-	-	3,441	-	3,441
As of 31 December 2017	520	115,705	5,155	3,441	52,995	177,816

	Share capital € 000	Share premium € 000	Legal Reserve € 000	Profit for the year € 000	Retained earnings € 000	Total € 000
As of 1 January 2016	520	115,705	4,214	19,343	27,656	167,438
Appropriation of net result	-	-	-	(19,343)	19,343	-
Legal reserve on development cost	-	-	5,003	-	(5,003)	-
Profit for the year	-	-	-	6,937	-	6,937
As of 31 December 2016	520	115,705	9,217	6,937	41,996	174,375

11.1 Corporate information

The statutory financial statements for the year ended 31 December 2017 of Fortuna Entertainment Group N.V. ("FEGNV") comprise of the statements of the financial position as of 31 December 2017 and 31 December 2016, respectively, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the years ended 31 December 2017 and 31 December 2016, respectively, as well as of a summary of significant accounting policies and other explanatory notes.

The financial statements of FEGNV for the year ended 31 December 2017 were authorised for issuance in accordance with a resolution of the Directors on 26 April 2018. The Annual General Meeting to approve the financial statements will take place on 11 June 2018.

The Parent Company has its registered office at Strawinskylaan 809, Amsterdam, Netherlands, Chamber of commerce number 34364038. A total of 79.78 % of the shares of the Company are held by Fortbet Holdings Limited, having its registered office at Agias Fylaxeos & Polygnostou 212, C&I Center, 2nd floor, 3082 Limassol, Cyprus. The remaining 20.22 % of shares are publicly traded on the Polish stock exchange in Warsaw and the Czech stock exchange in Prague.

11.1.1 Description of business

Fortuna Entertainment Group N.V. operates in the betting industry under local licences in the Czech Republic, Slovakia, Romania, Croatia and in Poland. Sports betting is the key product of FEGNV with the most popular betting events being football, ice hockey and basketball. The odds are distributed to customers via online websites and retail chains in the Czech Republic, Slovakia, Romania, Croatia and Poland.

FEGNV had the following members of its Management and Supervisory Boards as of 31 December 2017:

Management Board	
Chairman:	Per Widerström
Member:	Richard van Bruchem
Member:	Janka Galáčová
Member:	Boudewijn Wentink

Supervisory Board	
Chairman:	Tom de Waard
Member:	Marek Šmrha
Member:	Iain Child
Member:	Morten Rønde
Member:	Michael Clark

The Extraordinary General Meeting held on 1 December 2017 appointed new members of the Management Board and Supervisory Boards. Mr Boudewijn Wentink became a member of the Management Board. Mr Michael Clark and Mr Tom de Waard became new members of the Supervisory Board. Mr Waard replaced Mr Šmrha in the position of Chairman of the Supervisory Board. Marek Šmrha remains a member of the Supervisory Board.

No further changes in the composition of the Management Board and the Supervisory Board occurred in 2017.

11.2 Basis of preparation

These statutory financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and in accordance with Title 9, Book 2 of the Dutch Civil Code. IFRS comprises of standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

The statutory financial statements have been prepared on a historical cost basis unless disclosed otherwise.

The statutory financial statements are presented in EUR and all values are rounded to the nearest thousand (€000) except when otherwise indicated.

11.3 Summary of significant accounting policies

The accounting policies used in preparing the statutory financial statements for the year ended 31 December 2017 are set out below.

11.3.1 Intangible assets

Intangible assets acquired separately are measured at cost and those acquired as part of a business combination are recognised separately from goodwill if the fair value can be measured reliably on initial recognition. The costs relating to internally generated intangible assets, principally software costs, are capitalised if the criteria for recognition as assets are met. Other internally generated intangible assets are not capitalised and expenditure is charged against profit in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. The straight-line amortisation method is used.

	Useful life
Software	5 years

11.3.2 Property, plant and equipment

Property, plant and equipment and other fixed assets are stated at cost less accumulated depreciation and any impairment in value. Assets not yet in use are carried at cost and are not depreciated. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is calculated on a straight-line basis over the estimated useful life of an asset as follows:

	Useful life
Office furniture and equipment	5 years

Impairment is recognised when the carrying amount of an item of property, plant, or equipment exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use.

An item of property, plant and equipment and any significant part initially recognised is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end, and are adjusted prospectively, if appropriate.

RECOVERABLE AMOUNT OF NON-CURRENT ASSETS

The carrying values of non-current assets with finite lives are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

For goodwill, and intangible assets that have indefinite useful lives, the recoverable amount is estimated at each balance sheet date.

The recoverable amount is the higher of an asset's or cash generating unit's fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Impairment losses are recognised in the statement of profit or loss in the depreciation line item. Assets and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end, and they are adjusted prospectively, if appropriate.

11.3.3 Cash at bank

Cash and cash equivalents in the statement of the financial position represent bank balances and are carried at face value.

11.3.4 Investments in subsidiaries

Investments in subsidiaries are stated at cost less a provision for impairment, if any.

11.3.5 Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. FEGNV determines the classification of its financial assets on initial recognition.

Trade receivables are generally accounted for at amortised cost. FEGNV reviews indicators of impairment on an ongoing basis and, where indicators exist, FEGNV makes an estimate of the assets' recoverable amounts.

11.3.6 Financial liabilities

Financial liabilities comprise of interest-bearing loans and borrowings. On initial recognition, financial liabilities are measured at fair value less transaction costs where they are not categorised as financial

liabilities at fair value through profit or loss. Except for derivative financial instruments, FEGNV has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are measured initially at fair value, with transaction costs taken directly to the statement of profit or loss. Subsequently, the fair values are re-measured and gains and losses from changes therein are recognised in the statement of profit or loss.

11.3.7 De-recognition of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised when:

The rights to receive cash flows from the asset have expired.

FEGNV has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) FEGNV has transferred substantially all the risks and rewards of the asset, or (b) FEGNV has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When FEGNV has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of FEGNV's continuing involvement in the asset. In that case, FEGNV also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that FEGNV has retained.

Continuing involvement, which takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that FEGNV could be required to repay.

11.3.8 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. The amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.

EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs.

INTEREST-BEARING LOANS AND BORROWINGS

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

The amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of profit or loss.

11.3.9 Foreign currency translation

The presentation and functional currency of FEGNV is the Euro (“EUR” or “€”).

Transactions in foreign currencies are initially recorded in the functional currency at the foreign currency rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign currency rate of exchange prevailing at the balance sheet date. All differences are taken to the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

11.3.10 Expenses

Costs and expenses are allocated to the year to which they relate. Losses are recognised in the year in which they are identified.

11.3.11 Contingencies

Contingent assets are not recognised in the financial statements but are disclosed when an inflow of economic benefits is probable. Contingent liabilities are not recognised in the financial statements. They are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote.

11.3.12 Future accounting developments

Standards relevant for FEGNV which were issued but are not yet effective up to the date of the issuance of the FEGNV's financial statements are listed below. This listing outlines standards and interpretations issued that FEGNV reasonably expects to be applicable at a future date. FEGNV intends to adopt these standards when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for a financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The group plans to adopt the new standard on the required effective date and expects no significant impact on its balance sheet and equity.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for

annual periods beginning on or after 1 January 2018. The Group will apply modified retrospective approach. Early adoption is permitted. These amendments are not expected to have any impact on the Group.

IFRS 16 Leases

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions) in a similar way to finance leases under IAS 17 with recognition exemptions for leases of 'low-value' assets and short-term leases. Lessees recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately. Reassessment of certain key considerations (e.g. the lease term, variable rents based on an index or rate, the discount rate) by the lessee is required upon certain events. Lessor accounting is substantially the same as today's lessor accounting, using IAS 17's dual classification approach. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. The new standard is effective for the financial years beginning on or after 1 January 2019, with certain transition reliefs permitted. Early application is permitted, but not before an entity applies IFRS 15 - Revenue from Contract with Customers. Entities that are lessees are allowed to choose either a full retrospective or a modified retrospective transition approach. The Group is assessing the impact of IFRS 16.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profits may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group.

IFRS 2 - Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2

The IASB issued amendments to IFRS 2 - Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is assessing the potential effect of the amendments on its consolidated financial statements.

ANNUAL IMPROVEMENTS: 2014-2016 CYCLE (ISSUED IN DECEMBER 2016)

These improvements include:

IFRS 1 - First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters - Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted

because they have now served their intended purpose. The amendment is effective from 1 January 2018. This amendment is not applicable to the Group.

IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice.

The amendments clarify that:

- An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
- If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the dates on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact. These amendments are not applicable to the Group.

Applying IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts. Amendments to IFRS 4

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after 1 January 2018. An entity may elect the overlay approach when it first applies IFRS 9 and apply that approach retrospectively to financial assets designated on transition to IFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying IFRS 9. These amendments are not applicable to the Group.

IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope which are initially recognised on or after:

- (i) The beginning of the reporting period in which the entity first applies the interpretation
Or
- (ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the Group's current practice is in line with the Interpretation, the Group does not expect any effect on its consolidated financial statements.

IFRIC Interpretation 23 - Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements and the required disclosures. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

11.4 Use of accounting judgements, estimates and assumptions

JUDGEMENTS

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

ESTIMATES

The key assumptions concerning future and other key sources of uncertainty in estimation at the reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

RECOVERABLE AMOUNTS OF RECEIVABLES

Where there are indicators that any receivable is impaired at a balance sheet date, management makes an estimate of the asset's recoverable amount.

11.5 Intangible assets

	Software € 000	Total € 000
Cost:		
1 January 2017	303	303
Additions	-	-
Disposals	-	-
31 December 2017	303	303
Accumulated amortisation:		
1 January 2017	298	298
Additions	5	5
Disposals	-	-
31 December 2017	303	303
Carrying amount 31 December 2017	-	-
Carrying amount 1 January 2017	5	5
	Software € 000	Total € 000
Cost:		
1 January 2016	303	303
Additions	-	-
Disposals	-	-
31 December 2016	303	303
Accumulated amortisation:		
1 January 2016	286	286
Additions	12	12
Disposals	-	-
31 December 2016	298	298
Carrying amount 31 December 2016	5	5
Carrying amount 1 January 2016	17	17

11.6 Property, plant and equipment

	Other fixed assets € 000	Total € 000
Cost:		
1 January 2017	9	9
31 December 2017	9	9
Accumulated amortisation:		
1 January 2017	9	9
Additions	-	-
Disposals	-	-
31 December 2017	9	9
Carrying amount 31 December 2017	-	-
Carrying amount 1 January 2017	-	-

	Other fixed assets € 000	Total € 000
Cost:		
1 January 2016	9	9
31 December 2016	9	9
Accumulated amortisation:		
1 January 2016	9	9
Additions	-	-
Disposals	-	-
31 December 2016	9	9
Carrying amount 31 December 2016	-	-
Carrying amount 1 January 2016	-	-

Depreciation started in 2011; the depreciation rate of office furniture and equipment is set to 20%.

11.7 Investments in subsidiaries

FEGNV held the following subsidiaries as of 31 December 2017:

Entity name	Country of Incorporation	Percentage held as of 31.12.2017	Principal Activity	Historic cost	Carrying amount 31.12.2017
				€ 000	€ 000
(i) FortunaWin Ltd.	Malta	-	Entertainment	-	-
(ii) RIVERHILL a.s.	Czech Republic	100%	Holding	105,977	105,977
(iii) FORTUNA SK, a.s.	Slovak Republic	100%	Entertainment	70,000	70,000
(iv) FORTUNA online zakłady bukmacherskie Sp. z o.o.	Poland	33.33%	Entertainment	3,030	3,030
(v) Fortuna Virtual d.o.o.	Croatia	100%	Holding	6,003	6,003
(vi) Fortuna Bet Shops Holding s.r.l.	Romania	100%	Holding	5,250	5,250
(vii) Fortuna Bet Holding s.r.l.	Romania	100%	Holding	4,250	4,250
31 December 2017				194,510	194,510

Movements in investments in subsidiaries

Movements 2017	1.1.2017	Acquisition share	Additions share	Impairment	31.12.2017
	€ 000	€ 000	€ 000	€ 000	€ 000
(i) FortunaWin Ltd.	-	-	-	-	-
(ii) RIVERHILL a.s.	105,977	-	-	-	105,977
(iii) FORTUNA SK, a.s.	70,000	-	-	-	70,000
(iv) FORTUNA online zakłady bukmacherskie Sp. z o.o.	3,030	-	-	-	3,030
(v) Fortuna Virtual d.o.o.	-	6,003	-	-	6,003
(vi) Fortuna Bet Shops Holding s.r.l.	-	5,250	-	-	5,250
(vii) Fortuna Bet Holding s.r.l.	-	4,250	-	-	4,250
Total	179,007	15,503	-	-	194,510

Movements 2016	1.1.2016	Acquisition share	Additions share	Impairment	31.12.2016
	€ 000	€ 000	€ 000	€ 000	€ 000

Cost:

(i) FortunaWin Ltd.	-	-	-	-	-
(ii) RIVERHILL a.s.	105,977	-	-	-	105,977
(iii) FORTUNA SK, a.s.	70,000	-	-	-	70,000
(iv) FORTUNA online zakłady bukmacherskie Sp. z o.o.	3,030	-	-	-	3,030
Total	179,007	-	-	-	179,007

FORTUNA ENTERTAINMENT GROUP N.V.

Notes to the financial statements as of 31 December 2017

(i) FortunaWin Limited

On 4 December 2009, the Company founded FortunaWin Ltd, based in Malta. In 2010, the company obtained three letters of intent (temporary licences), entitling it to organise betting and also to host and manage two Microgaming platforms. In June 2010, the company started its online operations. In 2011, after meeting necessary conditions, FortunaWin Ltd applied for a permanent betting and gaming licence in Malta. The licence was awarded, effective May 25, 2011, for a period of 5 years.

As of 31 December 2016 the shares were divided as follows:

Shareholder	% held	# of shares	Nominal value per share	Total €
			€	
Fortuna Entertainment Group N.V.	100%	20,000	10	200,000
Total	100%	20,000		200,000

In 2014, basing its decision on the continuous losses of FortunaWin Limited, the management decided to impair the investment to zero. In 2015, FortunaWin Limited ceased its operating activity. During 2017, the company was entered into liquidation.

The accounts of the company were closed as of 30 November 2017; the company is expecting a winding-up confirmation from the trade register.

(ii) RIVERHILL, a.s.

On 17 December 2009, the Company acquired 100% of the registered capital of RIVERHILL, a.s. (hereinafter "Riverhill"), based in Prague, the Czech Republic, from a related party Gratio Holdings Ltd, based in Cyprus. The purchase price amounted to € 64,359 thousand and was in compliance with an evaluation made by an independent expert. Riverhill acts as a holding company for companies active in the Czech betting industry.

In January 2011, Fortuna Entertainment Group N.V. ("FEGNV") increased the share capital in its subsidiary RIVERHILL a.s. by CZK 1,025,000 thousand (€ 41,618 thousand) with a non-monetary contribution of a receivable from ALICELA a.s.

As of 31 December 2017 and 31 December 2016 the shares were divided as follows:

Type of shares	Series	% held	# of shares	Nominal value per share	Total CZK 000	Total € 000
				CZK 000		
Certificated Bearer	Shares 1	100%	10	200	2,000	72
Ordinary cert. Bearer	Shares 2	100%	25	10,000	250,000	9,017
Ordinary cert. Bearer	Shares 3	100%	102	10,000	1,020,000	36,791
Ordinary cert. Bearer	Shares 3	100%	1	4,500	4,500	162
Ordinary cert. Bearer	Shares 3	100%	1	500	500	18
			139		1,277,000	46,060

All shares held by the Company are pledged to Czech bank Česká spořitelna, a.s.

The net asset value of Riverhill as of 31 December 2017 amounted to CZK 1,276,998 thousand (€ 46,030 thousand) based on its financial statements prepared in accordance with Czech Accounting Standards.

FORTUNA ENTERTAINMENT GROUP N.V.

Notes to the financial statements as of 31 December 2017

(iii) FORTUNA SK, a.s.

On 27 January 2010, the Company acquired 100% of the registered capital of Fortuna SK (hereinafter "FSK"), a.s., based in Bratislava, Slovakia, from the principal shareholder Penta Investments Limited, based in Jersey. The purchase price amounted to € 70,000 thousand and was in compliance with an evaluation made by an independent expert. FSK is active as a company in the gaming industry.

As of 31 December 2017 and 31 December 2016 the shares were divided as follows:

Type of shares	Series	% held	# of shares	Nominal value per share	Nominal value Total	Acquisition price € 000
				€	€ 000	€ 000
Book-entered, common	A	100%	18	332	6	1,260
Book-entered, common	B	100%	20	34	1	143
Book-entered, common	C	100%	98	3,320	325	68,597
			136		332	70,000

The net asset value of FSK as of 31 December 2017 amounted to € 10,541 thousand based on its financial statements prepared in accordance with Slovak Accounting Standards.

All shares held by the Company are pledged to Czech bank Česká spořitelna, a.s.

(iv) FORTUNA online zakłady bukmacherskie Sp. z o.o.

Pursuant to a Share Purchase Agreement dated 12 May 2010 between Penta Investments Limited, Massarosa Holdings Limited and Lunga Enterprises Limited (the "Sellers") and FEGNV and its subsidiaries Fortuna sázková kancelář a.s. and FORTUNA GAME a.s. on the other side (the "Buyers"), 100% of the outstanding shares in the Polish-based company Fortuna Zakladu Bukmacherskie S.P. z.o.o. (hereinafter "FZB"), consisting of 26,400 ordinary shares with a nominal value of PLN 90 per share, were acquired by the FEG Group. FEGNV acquired the shares held by Penta Investments Limited representing 33.3% of the shares in FZB. Together with Polish stamp duty of PLN 119,700 (€ 30,189), the total acquisition price of the FEGNV shares amounted to € 3,030,189.

As of 31 December 2017 and 31 December 2016 the shares were divided and held as follows:

Company	% held	# of shares	Nominal value	
			per share	Total
			PLN	PLN
Fortuna Entertainment Group NV	33%	8,800	90	792,000
ALICELA, a. s.	33%	8,800	90	792,000
FORTUNA GAME a.s.	33%	8,800	90	792,000
	100%	26,400		2,376,000

The net asset value of FZB as of 31 December 2017 amounted to PLN 40,698 thousand (€ 9,743 thousand) based on its financial statements prepared in accordance with Polish Accounting Standards.

All shares held by the Company are pledged to Czech bank Česká spořitelna, a.s.

(v) Fortuna Virtual d.o.o.

On 20 March 2017, the Company founded Fortuna Virtual d.o.o., based in Croatia. Fortuna Virtual was founded as a holding company with the purpose of acquiring Hattrick Group (Hattrick Sports Group Ltd. as a parent company and its subsidiaries operating in Romania and Croatia). On 19 May 2017, the transaction was closed.

FORTUNA ENTERTAINMENT GROUP N.V.

Notes to the financial statements as of 31 December 2017

As of 31 December 2017 the shares were divided as follows:

Shareholder	% held	# of shares	Nominal value		Total
			per share	HRK	
Fortuna Entertainment Group N.V.	100%	1	20,000	20,000	20,000
Total	100%	1			20,000

The net asset value of Fortuna Virtual d.o.o. as of 31 December 2017 amounted to HRK 48,818 thousand (€ 6,431 thousand) based on its financial statements prepared in accordance with Croatian Accounting Standards.

(vi) Fortuna Bet Shops Holding s.r.l.

On 5 April 2017, the Company founded Fortuna Bet Shops Holding s.r.l., based in Romania. Fortuna Bet Shops Holding was founded as a holding company with the purpose of acquiring Romanian company Bet Active Concept s.r.l. On 31 August 2017 the transaction was closed.

Shareholder	% held	# of shares	Nominal value		Total
			per share	RON	
Fortuna Entertainment Group N.V.	100%	2,362,600	10	23,626,000	23,626,000
FORTUNA SK, a.s.	0%	1	10	10	10
Total	100%	2,362,601			23,626,010

The net asset value of Fortuna Bet Shops Holding s.r.l. as of 31 December 2017 amounted to RON 21,053 thousand (€ 4,604 thousand) based on its financial statements prepared in accordance with Romanian Accounting Standards.

(vii) Fortuna Bet Holding s.r.l.

On 4 April 2017, the Company founded Fortuna Bet Holding s.r.l., based in Romania. Fortuna Bet Holding was founded as a holding company with the purpose of acquiring Romanian companies Bet Zone s.r.l., Public Slots s.r.l. and Slot Arena s.r.l. On 31 August 2017, the transaction was closed.

Shareholder	% held	# of shares	Nominal value		Total
			per share	RON	
Fortuna Entertainment Group N.V.	100%	20	956,260	19,125,200	19,125,200
Total	100%	20			19,125,200

The net asset value of Fortuna Bet Holding s.r.l. as of 31 December 2017 amounted to RON 16,656 thousand (€ 3,643 thousand) based on its financial statements prepared in accordance with Romanian Accounting Standards.

All shares held by the Company are pledged to Czech bank Česká spořitelna, a.s.

11.8 Financial assets

FEGNV rendered loans to the following subsidiaries:
 Fortuna Bet Shops Holding s.r.l. (hereinafter "FBSH")
 Fortuna Bet Holding s.r.l. (hereinafter "FBH")

The parent company rendered new loans to Romanian holding companies FORTUNA Bet Shops Holding s.r.l. and Fortuna Bet Holding s.r.l. in 2017.

The following facilities were obtained:

Company	Facility € 000	Starting date	Expiration date	Effective average interest %
FBSH	112	3 Jul 17	30 Jun 23	2.650 % *
FBH	91	3 Jul 17	30 Jun 23	2.650 % *
Total	203			

*) The facility bears an interest of 3 month EURIBOR + 265 points.

Movements in the loan facilities during 2017:

	FBSH € 000	FBH € 000	Total € 000
1 January 2017	-	-	-
Additions	110	90	200
Interest	2	1	3
Repayments	-	-	-
Currency translation	-	-	-
31 December 2017	112	91	203
Of which current portion	-	-	-

There were no movements in 2016. All the rendered loans are denominated in EUR.

11.9 Other non-current assets

	2017 € 000	2016 € 000
Deposits	6	6
31 December	6	6

The balance of € 6 thousand relates to a long-term deposit for office rent.

11.10 Prepayments and other current assets

These consist of the following:

	2017 € 000	2016 € 000
Dutch VAT receivable	60	11
Prepaid office rent	5	5
Other	39	6
31 December	104	22

11.11 Cash and cash equivalents

	2017 € 000	2016 € 000
Cash at banks	556	8,437
31 December	556	8,437

The total amount of cash at banks includes an amount of € 18 thousand (2016: € 20 thousand) outstanding at Privatbanka, a.s., a related company.

11.12 Shareholder's equity

Authorised shares

	2017	2016
	# of shares thousands	# of shares thousands
Ordinary shares of € 0.01 each	250,000	250,000
31 December	250,000	250,000

Ordinary shares issued and fully paid

	# of shares thousand	Par value per share €	Share capital € 000
31 December 2017	52,000	0.01	520
31 December 2016	52,000	0.01	520

Shareholders' equity and current year results

The difference between equity reported in the consolidated financial statements and equity reported in the corporate financial statements stems from valuing the investments at cost in the corporate financial statements, whereas in the consolidated financial statements the results of the subsidiaries are fully reflected. The below schedules provide an overview of the differences.

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Notes to the financial statements as of 31 December 2017

Movements in the difference between the corporate and the consolidated equity and profit in the financial year 2017 are as follows:

€ 000	Share premium	Legal reserve	Statutory reserve	Retained earnings	Hedge reserve	Reserve of disposal group held for sale	Foreign exchange translation reserve	Non-controlling interest	Total
1 January 2017	107,443	9,217	(66)	(3,684)	-	125	2,064	(199)	114,900
Profits for the year	-	-	-	(12,001)	-	(125)	125	5	(11,996)
Other comprehensive income	-	-	-	-	60	-	(2,297)	-	(2,237)
Statutory reserve movement	-	-	(50)	50	-	-	-	-	-
Legal reserve movement	-	(4,062)	-	4,062	-	-	-	-	-
Discontinued operations	-	-	-	-	-	-	-	194	194
31 December 2017	107,443	5,155	(116)	(11,573)	60	-	(108)	-	100,861

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Difference in equity:

	€ 000
Equity according to consolidated financial statements	76,955
Continuing operations impact:	
Opening net assets of participants as at 1/1/2007	5,290
Capital contribution to Riverhill in 2007 by Penta group (Slovenské investičné družstvo)	(9,003)
Dividend paid to Penta Investments Limited in 2008-2009	2,010
Acquisition of subsidiaries by FEGNV	143,556
Results from participants in 2007-2009, attributable to combined entities shareholder	(41,660)
Results from participants in 2010	(17,159)
Results from participants (continuing operations) including IFRS adjustments in 2011 included in consolidation	(12,942)
Results from participants (continuing operations) including IFRS adjustments in 2012 included in consolidation	(13,517)
Results from participants including IFRS adjustments in 2013 included in consolidation	(16,096)
Results from participants including IFRS adjustments in 2014 included in consolidation	(16,638)
Results from participants including IFRS adjustments in 2015 included in consolidation	(20,247)
Results from participants including IFRS adjustments in 2016 included in consolidation	(8,716)
Results from participants including IFRS adjustments in 2017 included in consolidation	(17,771)
Other comprehensive income	(668)
Net intragroup income of FEGNV eliminated in consolidated financial statements 2010	22,155
Net intragroup income of FEGNV eliminated in consolidated financial statements 2011	15,617
Net intragroup income of FEGNV eliminated in consolidated financial statements 2012	16,638
Net intragroup income of FEGNV eliminated in consolidated financial statements 2013	17,944
Net intragroup income of FEGNV eliminated in consolidated financial statements 2014	18,969
Net intragroup income of FEGNV eliminated in consolidated financial statements 2015	20,078
Net intragroup income of FEGNV eliminated in consolidated financial statements 2016	7,371
Net intragroup income of FEGNV eliminated in consolidated financial statements 2017	5,775
Foreign currency translation recycled to income statement on disposal of subsidiary	(125)
Difference in equity attributable to continuing operations	100,894
Equity according to corporate financial statements	177,816

Difference in profit:

	€ 000
Profit according to consolidated financial statements	15,437
Results from participants	(17,771)
Net intragroup income of FEGNV eliminated in consolidated financial statements	5,775
Profit according to corporate financial statements	3,441

11.13 Loans from group companies

FEGNV received loans from the following subsidiaries:

FORTUNA SK, a.s. (hereinafter "FSK")

FORTUNA GAME a.s. (hereinafter "FG")

The parent company received new loans from FORTUNA GAME a.s. in 2017.

The following facilities were obtained:

Company	Facility € 000	Starting date	Expiration date	Effective average interest %
FSK	8,747	22 Mar.10	31 Dec.18	2.000 % *
FSK	4,478	19 Jun. 13	31 Dec.19	2.000 % *
FG	1,515	3 Aug 17	30 Jun 23	2.400 % **
FG	1,919	3 Aug 17	30 Jun 23	2.400 % **
Total facilities	16,659			

*) The facility bears an interest of 3 month EURIBOR + 200 points.

**) The facility bears an interest of 3 month EURIBOR + 240 points.

Movements in the loan facilities during 2017:

	FORTUNA SK € 000	FORTUNA GAME € 000	Fortuna ZB € 000	Riverhill € 000	Total € 000
1 January 2017	12,968	-			12,968
Additions	-	3,400	-	-	3,400
Interest	256	35	-	-	291
Repayments	-	-	-	-	-
Currency translation	-	-	-	-	-
31 December 2017	13,224	3,435	-	-	16,659
Of which current portion	8,747	-	-	-	8,747

Movements in the loan facilities during 2016:

	FORTUNA SK € 000	FORTUNA GAME € 000	Fortuna ZB € 000	Riverhill € 000	Total € 000
1 January 2016	14,973	8,112	543	-	23,628
Additions	-	-	-	-	-
Interest	388	214	8	-	610
Repayments	(2,393)	(8,315)	(548)	-	(11,256)
Currency translation	-	(11)	(3)	-	(14)
31 December 2016	12,968	-	-	-	12,968
Of which current portion	-	-	-	-	-

FORTUNA ENTERTAINMENT GROUP N.V.

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Movements in the loans during 2017 in originating currencies:

	FORTUNA SK € 000	FORTUNA GAME € 000	Fortuna ZB € 000	Riverhill € 000
1 January 2017	12,968	-	-	-
Additions	-	3,400	-	-
Interest	256	35	-	-
Repayments	-	-	-	-
31 December 2017	13,224	3,435	-	-
Of which current portion	-	-	-	-

Movements in the loans during 2016 in originating currencies:

	FORTUNA SK € 000	FORTUNA GAME CZK 000	Fortuna ZB CZK 000	Riverhill CZK 000
1 January 2016	14,973	219,228	14,657	-
Additions	-	-	-	-
Interest	338	5,795	213	-
Repayments	(2,393)	(225,023)	(14,870)	-
31 December 2016	12,968	-	-	-
Of which current portion	-	-	-	-

11.14 Creditors

	2017 € 000	2016 € 000
Third party creditors	182	-
31 December	182	-

As of 31 December 2017 the creditors were denominated in the following currencies:

	Local currency 000	Equivalent in EUR € 000
EUR	182	182

11.15 Accruals and other current liabilities

These consist of the following:

	2017 € 000	2016 € 000
Salary withholding taxes	4	-
Salary	21	20
Accrual, audit expenses	203	57
Accrual, other consultancy and administrative expenses	113	16
Other	37	1
31 December	378	94

11.16 Dividend income

In 2017 FEGNV recorded the following dividend income from subsidiaries:

Company	Resolution date	Relating to year/ period	Local currency	Amount 000	Total € 000
FORTUNA SK, a.s.	29.5.2017	2016	EUR	5,843	5,843
RIVERHILL a.s.	1.12.2017	2017	CZK	2,816	107
31 December				5,950	

In 2016 FEGNV recorded the following dividend income from subsidiaries:

Company	Resolution date	Relating to year/ period	Local currency	Amount 000	Total € 000
FORTUNA SK, a.s.	23.5.2016	2015	EUR	7,302	7,302
FORTUNA online zakłady bukmacherskie Sp. z o.o	10.5.2016	2015	PLN	2,800	638
31 December				7,940	

11.17 Personnel expenses

The personnel expenses in 2017 were as follows:

	Staff € 000	Directors € 000	Total € 000
Salaries/ wages	92	75	167
Social security charges	15	-	15
31 December	107	75	182

The personnel expenses in 2016 were as follows:

	Staff € 000	Directors € 000	Total € 000
Salaries/ wages	16	23	39
Social security charges	8	-	8
31 December	24	23	47

In 2017 and 2016, a full-time equivalent of 1 person was employed by FEGNV. As of 31 December 2017, the Company employed 4 part-time Managing Directors (2016: 3) and 5 Supervisory Directors (2016: 3).

11.18 Other operating expenses

These consist of the following:

	2017 € 000	2016 € 000
Consultancy expenses	1,304	64
External auditor expenses	209	96
Other expenses	515	153
31 December	2,028	313

11.19 Finance income

These consist of the following:

	2017 € 000	2016 € 000
Interest income, loans to subsidiaries	3	-
Exchange rate gains on CZK and PL loans from subsidiaries	-	13
Exchange rate gains, other	21	-
Other	61	-
31 December	85	13

11.20 Finance cost

These consist of the following:

	2017 € 000	2016 € 000
Interest expenses, loans from subsidiaries	(note 11.21)	291
Guarantee fee, subsidiaries	96	-
Exchange rate losses, banks and other	-	28
Exchange rate losses, IC balances	-	8
Banking expenses	5	1
31 December	392	648

11.21 Related party disclosures

As of 31 December 2017, the FEG Group consisted of the following entities, which were held as follows:

Fortuna Entertainment Group N.V.	
FORTUNA SK, a.s.	<ul style="list-style-type: none"> Bet Zone s.r.l. Public Slots s.r.l. Slot Arena s.r.l. Fortuna Bet Shops Holding s.r.l.
Fortuna Bet Holding s.r.l.	<ul style="list-style-type: none"> Bet Zone s.r.l. Alter Power Plant s.r.l. Public Slots S.R.L. Slot Arena S.R.L.
Fortuna Bet Shops Holding s.r.l.	<ul style="list-style-type: none"> Bet Active Concept s.r.l.
FORTUNA online zakłady bukmacherskie Sp. z o.o.	<ul style="list-style-type: none"> Fortuna Services Sp. z o.o. Fortuna Services Sp. z o.o., s.k.a.
Fortuna Virtual d.o.o.	<ul style="list-style-type: none"> Hattrick Sports Group Limited <ul style="list-style-type: none"> Hattrick - PSK d.o.o. <ul style="list-style-type: none"> Hattrick Bet s.r.l. OK Albastru Rosu s.r.l.
RIVERHILL a.s.	<ul style="list-style-type: none"> ALICELA a.s. <ul style="list-style-type: none"> FORTUNA GAME a.s. <ul style="list-style-type: none"> FORTUNA RENT s.r.o. FORTUNA online zakłady bukmacherskie Sp. z o.o. OK Albastru Rosu s.r.l. FORTUNA online zakłady bukmacherskie Sp. z o.o.

In 2016, FORTUNA sázky a.s. (92% ownership in 2015), as the successor company, acquired FORTUNA technology s.r.o. (100% ownership in 2015) in accordance with the merger project carried out by the governing bodies of the participating companies on 30 June 2016. Due to the merger, the stake in FORTUNA sázky a.s. was increased by 6.4% and as a result thereof the Group held a 98.4% stake in the company as of 31 December 2016.

At the end of 2016, management decided to sell the lottery business represented by FORTUNA sázky, a.s. The transaction was closed on 23 May 2017.

On 20 March 2017, the Company founded Fortuna Virtual d.o.o., based in Croatia. Fortuna Virtual was founded as a holding company with the purpose of acquiring Hattrick Group (Hattrick Sports Group Ltd. as a parent company based in Ireland, and its subsidiaries operating in Romania and Croatia). On 19 May 2017, the transaction was closed.

On April 2017, the Company founded Fortuna Bet Holding s.r.l. and Fortuna Bet Shops Holding s.r.l., both based in Romania. Both companies were founded as holding companies with the purpose of

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acquiring Romanian entities Bet Active Concept s.r.l., Bet Zone s.r.l., Slot Arena s.r.l. and Public Slots s.r.l. On 31 August 2017, the transaction was closed.

On December 2017, FORTUNA online zakłady bukmacherskie Sp. z o.o. (FORTUNA online), as the successor company, acquired FORTUNA SERVICES Sp. z o.o., s.k.a. (100% ownership in 2017) and FORTUNA SERVICES Sp. z o.o. (100% ownership in 2017) in accordance with the merger project carried out by the governing bodies of the participating companies.

The following table lists the total amounts relating to transactions entered into with Group companies and other related parties for the relevant financial year:

	2017 € 000	2016 € 000
<i>Related party loans rendered</i>		
Fortuna Bet Shops Holding s.r.l.	112	-
Fortuna Bet Holding s.r.l.	91	-
31 December	203	-

Receivables from related parties

FORTUNA online zakłady bukmacherskie Sp. z o.o.	31	-
FORTUNA SK, a.s.	8	6
31 December	39	6

Cash in related parties

Privatbanka, a.s.	18	20
31 December	18	20

Payables to related parties and current (portion of) loans received from related parties

	2017 € 000	2016 € 000
FORTUNA GAME a.s. (loan received)	-	-
FORTUNA SK, a.s. (loan received)	-	-
Penta Investments Limited	-	-
FORTUNA GAME a.s.	247	37
The Bookkeeper B.V. (formerly Avis Business Services B.V.)	2	3
Bet Active s.r.l.	25	-
Bet Zone s.r.l.	14	-
Slot Arena s.r.l.	5	-
Public Slots s.r.l.	4	-
Hattrick Bet s.r.l.	47	-
31 December	344	40

Loans received from related parties (non-current part)

FORTUNA SK, a.s.	13,225	12,968
FORTUNA GAME a.s.	3,434	-
31 December	16,659	12,968

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Other income from related parties

FORTUNA SK, a.s. (royalty income)	73	71
FORTUNA GAME a.s. (royalty income)	1	7
FORTUNA online zakłady bukmacherskie Sp. z o.o	194	-
Total	268	78

Dividends from related parties

FORTUNA SK, a.s.	5,843	7,302
FORTUNA online zakłady bukmacherskie Sp. z o.o.	-	638
RIVERHILL a.s.	107	-
Total	5,950	7,940

Other expenses-related parties

Penta Investments Limited	268	-
The Bookkeeper B.V. (formerly Avis Business Services B.V.)	25	26
FORTUNA GAME, a.s.	121	37
Privatbanka a.s.	3	-
Copenhagen Gambling	3	-
Total	420	63

Interest expense-related parties

FORTUNA SK, a.s.	256	388
FORTUNA online zakłady bukmacherskie Sp. z o.o.	-	8
FORTUNA GAME a.s.	35	214
Privatbanka, a.s.	-	1
Total	291	611

Other financial expense-related parties

	2017	2016
	€ 000	€ 000
Bet Active s.r.l.	25	-
Bet Zone s.r.l.	14	-
Slot Arena s.r.l.	5	-
Public Slots s.r.l.	4	-
Hattrick Bet s.r.l.	47	-
31 December	95	-

Directors' Remuneration

Management Board € 000	Board remune ration	Salaries and other similar income	Manage ment Bonus	LTIP	Termina tion benefit	TOTAL
Richard van Bruchem						
2017	20	-	-	-	-	20
2016	16	-	-	-	-	16
Janka Galáčová						
2017	12	-	-	-	-	12
2016	7	-	-	-	-	7
Per Widerström						
2017	-	543	359	4,684	-	5,586
2016	-	561	500	1,078	-	2,139
Boudewijn Wentink						
2017	5	-	-	-	-	5
2016	-	-	-	-	-	-
TOTAL 2017	37	543	359	4,684	-	5,623
TOTAL 2016	23	561	500	1,078	-	2,162

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Supervisory Board € 000	Board remuneration	Salaries and other similar income	Management Bonus	Other	TOTAL
Tom de Waard					
2017	5	-	-	-	5
2016	-	-	-	-	-
Iain Child					
2017	-	-	-	-	-
2016	-	-	-	-	-
Morten Rønde					
2017	30	-	-	-	30
2016	-	-	-	-	-
Marek Šmrha					
2017	-	-	-	-	-
2016	-	-	-	-	-
Michael Clark					
2017	3	-	-	-	3
2016	-	-	-	-	-
TOTAL 2017	38	-	-	-	38
TOTAL 2016	-	-	-	-	-

In 2017, € 543 thousand of the Supervisory Board and the Management Board remuneration was paid by other Group companies and € 2,123 thousand was expensed by other Group companies as it represents accrual on management bonuses and the long-term incentive plan (LTIP). LTIP will be paid out over a 3-5 year period depending on the fulfilment of defined targets. The targets are set on individual basis and meeting the targets is reflected in long term and short term provisions.

The remuneration of Mr Per Widerström is subject to the rules of remuneration for senior management and depends on the meeting of targets set out in the business plan. If the targets are met at the minimum level of 90%, the bonuses are paid in cash after the confirmation of the annual results by the General Meeting.

Expenses of Fortuna Group related to external auditor services in the year 2017:

€ 000	EY Netherlands	EY other entities	Non EY	Total
Audit of financial statements	209	402	1	612
Tax services	-	24	-	24
TOTAL	209	426	1	636

11.22 Contingent liabilities

All shares of RIVERHILL, a.s., FORTUNA SK a.s., Fortuna Virtual d.o.o., Fortuna Bet Shops Holding s.r.l., Fortuna Bet Holding s.r.l. and FORTUNA online zakłady bukmacherskie Sp. z o.o. held by the Company are pledged to Czech bank Česká spořitelna, a.s.

Fortbet Holdings Limited pledged all its FEGNV shares to Česká spořitelna, a.s.

11.23 Financial risk management objectives and policies

FEGNV's principal financial instruments comprise of cash, receivables from group companies and loans drawn from group companies.

FEGNV is exposed to market risk, credit risk and liquidity risk.

MARKET RISK

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise of three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. Financial instruments affected by market risk include loans and borrowings and deposits.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. FEGNV's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on loans and affected borrowings. With all other variables held constant, FEGNV's profit before tax is affected through the floating rate borrowings impact, as follows:

	Increase/(decrease) in interest rate by	Effect on profit before tax € 000
2017		
EUR	1% / (1%)	(128) / 128
		(128) / 128
2016		
EUR	1% / (1%)	(130) / 130
		(130) / 130

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. FEGNV's exposure to the risk of changes in foreign exchange rates relates primarily to its operating activities (when revenue or expense is denominated in a foreign currency) and its net investments in foreign subsidiaries.

FEGNV does not manage its foreign currency risk.

CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to FEGNV. Credit risk arises from cash and cash equivalents, trade receivables and loans.

FEGNV's exposure to credit risk through the trade receivables and loans granted is limited since there are only intra-group loans and any third party lending is very rare.

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LIQUIDITY RISK

As FEGNV is a holding company and does not generate autonomous income, the primary source of liquidity will continue to be cash generated from its operating entities as well as existing cash.

The table below summarises the maturity profile of FEGNV's financial liabilities as of 31 December 2017 and 2016 based on contractual undiscounted payments (€ 000):

€ 000	< 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
Trade and other payables	526	-	-	-	526
Loans from group companies	8,747	4,478	3,434	-	16,659
Other current liabilities	378	-	-	-	378
31 December 2017	9,651	4,478	3,434	-	17,563

€ 000	< 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
Trade and other payables	40	-	-	-	40
Loans from group companies	-	12,968	-	-	12,968
Other current liabilities	94	-	-	-	94
31 December 2016	134	12,968	-	-	13,102

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CHANGING IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January 2017	Cash flow - drawn	Cash flow - repaid	Reclassifi ed as part of disposal group / new acquisitio ns	Foreign exchange movemen t	Changes in Fair Value	New leases	Other	31 Decembe r 2017
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Current interest-bearing loans and borrowings (excluding items listed below)	-	-	-	-	-	-	-	8,747	8,747
Current obligations under finance leases and hire purchase contracts	-	-	-	-	-	-	-	-	-
Non-current interest-bearing loans and borrowings (excluding items listed below)	12,968	3,400	-	-	-	-	-	(8,456)	7,912
Non-current obligations under finance leases	-	-	-	-	-	-	-	-	-
Dividends payable	-	-	-	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-	-	-	-
Total	12,968	3,400	-	-	-	-	-	291	16,659

	1 January 2016	Cash flows drawn	Cash flow - repaid	Reclassifi ed as part of disposal group / new acquisitio ns	Foreign exchange movemen t	Changes in Fair Value	New leases	Other	31 Decembe r 2016
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Current interest-bearing loans and borrowings (excluding items listed below)	-	-	-	-	-	-	-	-	-
Current obligations under finance leases and hire purchase contracts	-	-	-	-	-	-	-	-	-
Non-current interest-bearing loans and borrowings (excluding items listed below)	23,628	-	(11,256)	-	(14)	-	-	610	12,968
Non-current obligations under finance leases	-	-	-	-	-	-	-	-	-
Dividends payable	-	-	-	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-	-	-	-
Total	23,628	-	(11,256)	-	(14)	-	-	610	12,968

CAPITAL MANAGEMENT

The primary objective of FEGNV capital management is to ensure a strong credit rating and healthy capital ratios are maintained in order to support the business and maximise shareholder value.

FEGNV manages its capital structure and makes adjustments to the structure in light of changes in economic conditions. To maintain or adjust the capital structure, FEGNV may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

11.24 Post balance sheet events

On 2 January 2018, Fortuna Entertainment Group N.V. announced that it had reached an agreement with Fortbet Holdings Limited in connection with a public tender offer by Fortbet for all issued and outstanding shares in the capital of Fortuna at an offer price of CZK 182.50 (EUR 7.15) or PLN 29.80 (EUR 7.13) in cash for each share. The offer price represents a full and fair valuation of the Company. The offer price represents a premium of 54.2% in CZK and 53.5% in PLN over the 12-month volume weighted average price, and is also above the spot price which had already incorporated the substantial takeover premium potential based on Fortbet's previous offer and Fortbet's subsequent public statements.

Subsequently, an Extraordinary General Meeting was convened on 15 February 2018 before completion of the offer for shareholders to discuss the offer and vote on Fortuna making an application for delisting the shares from the Prague Stock Exchange and Warsaw Stock Exchange following completion of the offer.

The Extraordinary General Meeting of shareholders of Fortuna Entertainment Group N.V. held on 15 February 2018 in Amsterdam adopted a proposal to delist the Company. Once effective, the delisting would have the effect of withdrawing shares issued by Fortuna Entertainment Group N.V. from trading on both the Prague Stock Exchange and Warsaw Stock Exchange.

Fortbet advised FEG that as of 9 March 2018 it owns a total of 49,837,879 shares in FEG, which represents approximately 95.842075% of the issued and outstanding shares in FEG.

12. Other Information

Appropriation of result according to the articles of association

The profit of the year is at the disposal of the General Meeting of Shareholders. The profit is available for distribution as far as the shareholders' equity exceeds the issued part of the paid-in share capital plus the legal reserves.

12.1 Independent Auditor's Report

To: the shareholders and supervisory board of Fortuna Entertainment Group N.V.

Report on the audit of the financial statements 2017 included in the annual report

OUR OPINION

We have audited the financial statements 2017 of Fortuna Entertainment Group N.V. (hereafter also referred to as the Company), based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Fortuna Entertainment Group N.V. as at 31 December 2017, and of its result and its cash flows for 2017 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The consolidated and corporate statement of financial position for the year ended 31 December 2017
- The following statements for 2017: the consolidated and corporate statement of profit or loss, the consolidated and corporate statements of comprehensive income, cash flows and changes in equity
- The notes comprising a summary of the significant accounting policies and other explanatory information

BASIS FOR OUR OPINION

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Fortuna Entertainment Group N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIALITY

Materiality	€5,680,000 (2016: €3,330,000)
Benchmark applied	5% of pre-tax income adjusted for betting taxes and levies.
Explanation	Based on our professional judgment we consider an earnings-based measure as the most appropriate basis to determine materiality. We have applied adjusted pre-tax income since this represents the most important key performance indicator for Fortuna Entertainment Group and its stakeholders.

We have also taken misstatements into account and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons. We agreed with the Supervisory Board that misstatements in excess of €284,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

SCOPE OF THE GROUP AUDIT

Fortuna Entertainment Group N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Fortuna Entertainment Group N.V.

Our group audit mainly focused on significant group entities based on significance and risk assessment. Considering the audit procedures which have been performed at head office level by the corporate audit team, we have:

- Performed audit procedures ourselves at group entity Fortuna Entertainment Group N.V., located in the Netherlands which was assigned a specific scope
- Used the work of other EY auditors when auditing entities in Czech Republic, Poland, Slovakia, Romania, and Croatia which were assigned a full scope
- Performed review procedures or specific audit procedures at other group entities

In total these procedures represent 96% of the group's total assets, 94% of profit before tax and 95% of revenues.

We have sent detailed instructions to component auditors in the Czech Republic, Poland, Slovakia, Romania and Croatia covering the significant areas that should be covered and set out the information required to be reported to us. Based on our risk assessment, we visited component locations in the Czech Republic and Romania. At these visits, we reviewed the component auditors' files, discussed the outcome of their work and their reports thereon. Furthermore, we attended the closing meetings for the component locations in Croatia and Romania.

By performing the procedures at components, combined with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence regarding the group's financial information to provide an opinion on the financial statements.

OUR KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Compliance with laws and regulations (AML)
 (Refer to note 6.2.4 and 10.32 to the financial statements)

Risk	Our audit approach	Key observations
<p>The Company is active in the betting industry. In all countries it is active the Company has to comply with EU law and local law and regulations.</p> <p>In 2017 the 4th AML EU Directive on anti-money-laundering and combating the financing of terrorism came into effect. In certain countries the requirements stipulated herein are already transposed into local law or were already previously covered in local laws.</p> <p>Management is in process of setting up a group wide compliance function aimed at implementing Know Your Client (KYC) procedures and transaction identification, verification and monitoring.</p> <p>Non-compliance to EU and local law requirements could expose the company to potential fines and may impact their license to operate.</p>	<p>We have obtained management's assessment of their compliance to local laws and regulation and especially related to anti-money-laundering procedures.</p> <p>We have added internal specialists to our audit team to assist us in these specific audit procedures. We have discussed current status with personnel responsible for compliance within the organization and have performed test procedures to challenge the design, existence and the effectiveness of the control measures implemented in order to meet the local law and regulation requirements on anti-money-laundering.</p>	<p>Based upon our procedures performed we concluded that for the newly acquired activities in Croatia and Romania, the company has not been operating in full compliance with local laws and regulations with regard to the anti-money-laundering requirements.</p> <p>The identified non-compliance primarily relate to the documentation of identification of customers and the transactions identification, verification and monitoring requirements. Reference is made to note 11.32 in the financial statements for further disclosure.</p>

IT and revenue recognition

(Refer to note 10.3.4 as part of the summary of significant accounting policies)

Risk	Our audit approach	Key observations
<p>The appropriate recognition of revenue is dependent on IT systems correctly calculating commission revenues and appropriate wins and losses and controls accurately reporting on</p>	<p>Our audit procedures included, among others, the use of IT audit experts throughout the audit process. We critically assessed the design and operating effectiveness of IT controls and</p>	<p>The overall IT environment was critically assessed, including security policies and procedures, IT organizational structure, strategy and reporting, disaster recovery and back-up testing.</p>

IT and revenue recognition

(Refer to note 10.3.4 as part of the summary of significant accounting policies)

Risk	Our audit approach	Key observations
<p>and reconciling these transactions.</p> <p>Revenue streams for the vast majority of the Group's products are computed on highly complex IT systems, with a number of different bases for calculating revenue. There are in excess of 1.0 billion transactions each year, all requiring a correct IT outcome. There is a risk that each system is not configured correctly from the outset such that commissions or winning and losing bets are calculated incorrectly, that the systems do not interface correctly from the customer facing systems through to the financial information systems and that unauthorized changes are made to any of these systems, which may result in the misstatement of revenue.</p>	<p>tested that the systems are configured appropriately.</p> <p>We tested the configuration of the system which monitors the information transfer between each IT system and evaluated whether it was operating effectively. We have further tested the application controls, IT – dependent manual controls, manual prevent and manual detect controls over the two main revenue streams being betting and lottery.</p> <p>The tests of controls mainly concentrated on whether only the winning ticket is paid and the result is calculated correctly by the operational systems including that all winning prices paid are supported by a ticket and the ticket is reviewed and stored at headquarters. Additionally it was tested whether the related commission, which is calculated automatically by the system, is correctly recognized in the accounting records. Assurance obtained through the tests of controls was supported by detailed analytical procedures.</p> <p>We also tested controls related to access to programs and data, program change and development and computer operations by evaluating account set-up and termination for users, password restrictions, access reviews, users with super-user access, program change and development process controls and integration monitoring, and tested whether any unauthorized changes had been made to the system.</p>	<p>We identified an ineffectiveness in the IT General controls related to change management in Croatia and Romania. We performed additional audit test procedures in order to overcome the ineffectiveness identified with positive results.</p>

FORTUNA ENTERTAINMENT GROUP N.V.

Independent auditor's report

Valuation of goodwill (Refer to note 10.3.1 as part of the summary of significant accounting policies and note 10.15 in the financial statements)		
Risk	Our audit approach	Key observations
<p>Under EU-IFRS, Fortuna Entertainment Group N.V. is required to annually test the amount of goodwill for impairment. This annual impairment test was significant to our audit because the assessment process is complex and highly judgmental and is based on assumptions that are affected by expected future market or economic conditions, particularly those in the Czech Republic, Croatia and Romania.</p>	<p>As a result, our audit procedures included, among others, using a valuation expert to assist us in evaluating the assumptions and methodologies used by the entity. We in particular paid attention to the assumptions relating to the discount rate, the forecasted revenue growth and profit margins.</p> <p>We also focused on the adequacy of Fortuna Entertainment Group N.V.'s disclosures, about these assumptions to which the outcome of the impairment test is most sensitive. This means, those assumptions that have the most significant effect on the determination of the realizable value of goodwill. Included in our procedures, we assessed whether the aforementioned disclosures are sufficient and provide sufficient insight in the selection of the assumptions and the sensitivity of the assumptions for the valuation.</p>	<p>We consider the assumptions used in the impairment calculation as reasonable and the disclosure hereof in the financial statements as adequate.</p>

Accounting of acquired businesses (Refer to note 10.3.1 as part of the summary of significant accounting policies and note 10.5 in the financial statements)		
Risk	Our audit approach	Key observations
<p>As set out in 10.5, the Company completed two significant acquisitions throughout the year of Hattrick Sports Group Ltd and Romanian betting companies (Bet Zone s.r.l., Bet Active s.r.l., Public Slots s.r.l., Slot Arena s.r.l.).</p> <p>Accounting for these acquisitions in accordance with IFRS 3 requires management to apply estimates to determine the fair value of the identifiable assets and liabilities, and any resulting goodwill. The valuation of intangible assets of €47 million and the valuation of property, plant and equipment of €9 million arising from the acquisitions were considered to be a key risk as the valuation is based on a number of assumptions such as discount rate and growth rate which are subject to significant judgement.</p>	<p>We have obtained management's calculations for the accounting of the acquisition and evaluated management's determination of the fair value of the net assets acquired, focusing on the valuation of intangible assets, property, plant and equipment and provisions recognized.</p> <p>We evaluated the fair value of the acquired assets, focusing on the valuation methodologies and key assumptions applied. We further challenged management's methodology and assumptions underlying the valuation of provisions and contingent liabilities assumed. We evaluated the competence of specialists involved by management and involved internal valuation specialists to assist in our assessment of the fair value of the non-current assets acquired. We considered whether adjustments to the original valuations were appropriate in light of additional facts and circumstances that have become available in the measurement period to date. Further, we have evaluated the appropriateness of the related disclosures in note 10.5 of the financial statements.</p>	<p>We assessed the Company's assumptions used in the Purchase Price Allocation to be reasonable and the accounting treatment hereof at 31 December 2017 to be appropriate. We consider the disclosure hereof in the financial statements to be adequate.</p>

In the previous year's auditor's report, "Recognition and measurement of deferred tax asset in Poland" and "Capital expenditure as part of the new sports betting and gaming platform" were identified as key audit matters. As the sports betting and gaming platform is put into operation in 2017 and the Polish deferred tax asset matter was resolved in previous year we have no longer identified these items as a key audit matter.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The management board report
- The supervisory board report
- The Corporate Governance report
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the management board report of the in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

ENGAGEMENT

We were engaged by the supervisory board as auditor of Fortuna Entertainment Group N.V., as of the audit for the year 2009 and have operated as statutory auditor ever since that date.

NO PROHIBITED NON-AUDIT SERVICES

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities for the financial statements

RESPONSIBILITIES OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD FOR THE FINANCIAL STATEMENTS

The management board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the management board is responsible for such internal control as the management board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. As part of the preparation of the financial statements, the management board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going concern basis of accounting unless the management board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The management board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements. The supervisory board is responsible for overseeing the company's financial reporting process.

OUR RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board

- Concluding on the appropriateness of the management board use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive factors were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Eindhoven, 26 April 2018

Ernst & Young Accountants LLP

Signed by M. Moolenaar

FORTUNA ENTERTAINMENT GROUP N.V.

Independent auditor's report

Amsterdam, 26 April 2018

Per Widerström
Chairman of the Management Board of Fortuna
Entertainment Group N.V.

Janka Galáčová
Member of the Management Board of Fortuna
Entertainment Group N.V.

Richard van Bruchem
Member of the Management Board of Fortuna
Entertainment Group N.V.

Boudewijn Wentink
Member of the Management Board of Fortuna
Entertainment Group N.V.

Tom de Waard
Chairman of the Supervisory Board of Fortuna
Entertainment Group N.V.

Iain Child
Member of the Supervisory Board of Fortuna
Entertainment Group N.V.

Marek Šmrha
Member of the Supervisory Board of Fortuna
Entertainment Group N.V.

Morten Rønde
Member of the Supervisory Board of Fortuna
Entertainment Group N.V.

Michael Clark
Member of the Supervisory Board of Fortuna
Entertainment Group N.V.

Glossary

“Alicela”	ALICELA a. s., a joint stock company (akciová společnost), having its registered office at Praha 1, Na Florenci 2116/15, 110 00, Czech Republic, and registered with the Commercial Register maintained by the Regional Court in Prague, Section B, under the number 9476
“the Company”, “FEG”	Fortuna Entertainment Group N.V., a limited liability company (Naamloze Vennootschap), having its statutory seat in Amsterdam, Netherlands, and its registered offices at Strawinskyalaan 809, 1077XX Amsterdam, Netherlands, and registered with the Trade Register of the Chamber of Commerce of Amsterdam, Netherlands, under number 34364038
“FORTBET HOLDINGS LIMITED”	FORTBET HOLDINGS LIMITED, a company having its registered office at Agias Fylaxeos & Polygnostou, 212, C & I Center Building, 2nd floor, 3082, Limassol, Cyprus
“Fortuna GAME”	FORTUNA GAME a. s., a joint stock company (akciová společnost), having its registered office at Praha 1, Na Florenci 2116/15, 110 00, Czech Republic and registered with the Commercial Register maintained by the Municipal Court in Prague, Section B under number 944
“Fortuna PL”	FORTUNA online zakłady bukmacherskie Sp. z o.o., a limited liability company (spółka z ograniczoną odpowiedzialnością) having its registered office at Bielska 47, Cieszyn, Poland, and registered with the register of entrepreneurs maintained by the District Court in Bielsko-Biała, VIII Commercial Division of the National Court Register, under number 0000002455
“Fortuna RENT”	FORTUNA RENT, s.r.o., a limited liability company (společnost s ručením omezeným) with its registered office at Prague 1, Vodičkova 699/30, 110 00, Czech Republic, and registered with the Commercial Register maintained by the Regional Court in Prague, Section C, under number 104630
“Fortuna SazKan”	FORTUNA sázková kancelář a.s., a joint stock company (akciová společnost), having its registered office at Prague 1, Vodičkova 30, 110 00, Czech Republic, and registered with the Commercial Register maintained by the Municipal Court in Prague, Section B under number 60
“Fortuna sázky”	FORTUNA sázky a.s., a joint stock company (akciová společnost), with its registered office at Prague 1, Vodičkova 699/30, 110 00, Czech Republic, and registered with the Commercial Register maintained by the Regional Court in Prague, Section B, under number 14936; on May 2017 it was sold beyond the Group
“Fortuna SK”	FORTUNA SK, a.s., a joint stock company (akciová spoločnosť), having its registered office at Digital park II, Einsteinova 23, 851 01, Bratislava 5, Slovak Republic, and registered with the Commercial Register maintained by the District Court of Bratislava I in Section Sa under number 123/B
“Fortuna Technology”	FORTUNA technology s. r. o. (formerly Intralot Czech s. r. o., a limited liability company (společnosť s ručením omezeným) with its registered

office at Praha 1, Na Florenci 2116/15, 110 00, Czech Republic, and registered with the Commercial Register maintained by the Regional Court in Prague, Section C, under number 181328

“FortunaWin”

FortunaWin Ltd., a limited liability company having its registered office at Villa Seminia, 8, Sir Temi Zammit Avenue, Ta’ Xbiex XBX1011, Malta, and registered with the Malta Financial Services Authority under number C. 48339; liquidated in 2017

“Riverhill”

RIVERHILL a. s., a joint stock company (akciová společnost), having its registered office at Praha 1, Na Florenci 2116/15, 110 00, Czech Republic, and registered with the Commercial Register maintained by the Regional Court in Prague, Section B, under number 9437

“Penta”

Penta Investments Limited, a limited liability company having its registered office at 47 Esplanade, JE1 0BD St. Helier, Jersey, and registered under number 109645

“Fortuna Romania”

segment of Romanian companies Bet Active Concept s.r.l., Bet Zone s.r.l., Slot Arena s.r.l., Public Slots s.r.l. and acquiring holding companies Fortuna Bet Shops Holding s.r.l. and Fortuna Bet Holding s.r.l.

“Bet Zone”

Bet Zone s.r.l., a limited liability company having its registered office at Barbu Vacarescu Street, no. 13, 1th floor, District 2, Bucharest, Romania; registered under number 34774502

“Bet Active Concept”

Bet Active Concept s.r.l., a limited liability company having its registered office at Strada Nicolae G. Caramfil, Nr. 85A Camera Nr. 3, Etaj 5, , Sectorul 1, Bucharest; registered under number 34223171

“Slot Arena”

Slot Arena s.r.l., a limited company having its registered office at Nicolae G. Caramfil Street, no. 85 A, 5th floor, Room 2, District 1, Bucharest, Romania; registered under number 36545823

“Public Slots”

Public Slots s.r.l., a limited company having its registered office at Nicolae G. Caramfil Street, no. 85 A, 5th floor, Room 5, District 1, Bucharest, Romania; registered under number 32616468

“Alter Power”

Alter Power s.r.l., a limited company having its registered office at Nicolae G. Caramfil Street, no. 85A, 5th floor, Room 6, District 1, Bucharest, Romania; registered under number 32783385

“Fortuna Bet Shops Holding”

Fortuna Bet Shops Holding s.r.l., a limited company having its registered office at Strada Nicolae G. Caramfil, Nr. 85A Camera Nr. 8, Etaj 5, Sectorul 1, Bucharest; registered under number 37334050

“Fortuna Bet Holding”

Fortuna Bet Holding s.r.l., a limited company having its registered office at Strada Nicolae G. Caramfil, Nr. 85A Camera Nr. 1, Etaj 5, Sectorul 1, Bucharest; registered under number 37326058

“Hattrick” (“Hattrick Group”)

segment of companies under Hattrick Sports Group Ltd., Hattrick Sports Group Ltd., Hattrick-PSK d.o.o., Hattrick Bet s.r.l., OK Albastru Rosu s.r.l., PRO HB Slots s.r.l. and the acquiring holding company Fortuna Virtual

“Fortuna Virtual”

FORTUNA VIRTUAL d.o.o., a limited company having its registered office at Hektorovićeva ulica 2, Zagreb, Croatia; registered under number MBS081087994

“Hattrick Sports Group”	Hattrick Sports Group Ltd., a limited company having its registered office at Deloitte & Touche House Earlsfort Terrace Dublin 2, Ireland; registered under number 482465
“Hattrick PSK”	Hattrick-PSK d.o.o., a limited company having its registered office at Sv Leopolda Mandica 14 Dugopolje, Croatia; registered under number 080223744
“Hattrick Bet”	Hattrick Bet s.r.l., a limited company having its registered office at Strada Negoiu, Nr. 12 Bucharest, Sectorul 3, Bucharest; registered under number 34373098
“OK Albastru Rosu”	OK Albastru Rosu s.r.l., a limited company having its registered office at Strada Negoiu, Nr. 12 Biroul Nr. 33, Etaj 3 Bucharest, Sectorul 3, Bucharest; registered under number 28980290
“PRO HB Slots”	PRO HB Slots s.r.l., a limited company having its registered office at Strada Negoiu 12, Parter, Birou Nr. 10, Sector 3, Bucharest; registered under number 38320045
“Yoy”	Year on year, a percentage change in a specific parameter between two matching periods on an annual basis Yoy (%) = (parameter of the period / parameter of the same period from previous year – 1) * 100
“Margin”	The Margin is an indicator that should help in the understanding of the effectiveness of the business Margin = the given indicator / revenue
“EBITDA”	Earnings Before Interest, Tax, Depreciation and Amortisation. EBITDA should help in the understanding of the earning potential of a business, without the effect of taxes, cost of debt capital and depreciation / amortisation EBITDA = Operating Profit + Depreciation Expense + Amortisation Expense EBITDA = Net Profit + Interest + Taxes + Depreciation + Amortisation
“EBITDA Margin”	The EBITDA Margin is an indicator that shows the effectiveness of the business on the level of EBITDA. EBITDA Margin = EBITDA / Revenues
“Operating Profit Margin”	The Operating Profit Margin is an indicator that shows the effectiveness of the business on the level of Operating Profit. Operating Profit Margin = Operating Profit / Revenues
“Net Profit Margin”	The Net Profit Margin is an indicator that shows the effectiveness of the business on the level of Net Profit. Net Profit Margin = Net Profit / Revenues
“CAPEX as % of Revenues”	CAPEX (Capital Expenditure) as a percentage of Revenues is an indicator that shows the rate of reinvested Revenues. CAPEX as % of Revenues = CAPEX / Revenues

"Net Debt / (Net Cash)"	Net Debt means the aggregate amount of all obligations in respect of bank loans deducting the aggregate amount of cash and cash equivalents at the same time and shows the financial position of the Group. Net Debt is used in the case of the obligations being higher than cash and cash equivalents; Net Cash occurs in the opposite situation. $\text{Net Debt / (Net Cash)} = \text{Bank Loans and related obligations} - \text{Cash and cash equivalents}$
"Amounts staked"	Amounts staked is a non-IFRS measure representing the amount of bets paid from the players. Amounts staked related to Slots are represented with drops – real cash put in the slot machine.
"Payouts"	Payouts represents the winnings paid or to be paid to the players. Payouts include also estimation of the winnings related to undecided bets
"Gross Win"	The Gross Win (GW) represents in the revenue structure the output purely derived from betting before the Withholding tax, bonuses and other impacts. It only addresses bets and payouts. $\text{Gross Win} = \text{Amounts Staked} - \text{Payouts}$
"Net Gross Win"	The Net Gross Win (NGW) represents in the revenue structure the Gross Win including the effect of the Withholding tax. $\text{NGW} = \text{Amounts Staked} - \text{Payouts} - \text{Withholding Tax}$
"Market share"	with respect to the Chapter 6.1, market share represents an estimated share on the gambling business of the relevant country, based on Amounts Staked