FORTUNA

ANNUAL REPORT

OF FORTUNA ENTERTAINMENT GROUP N.V. FOR THE YEAR 2016

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Fortuna at a Glance

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

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 Profesjonał. Subsequently, all the companies were rebranded under one brand: Fortuna. In September 2015, Fortuna signed a brand licensing agreement to license its brand to the sports betting & gaming companies BET ACTIVE CONCEPT S.R.L. and BET ZONE S.R.L. in Romania. Under the brand licensing agreement, Fortuna should provide both companies with the right to use its trademark FORTUNA for the purposes of sports betting and gaming in Romania. The Romanian companies are part of Penta Investments Group.

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.

As of 31 December 2016, Fortuna operated 1,498 points-of-sale in the Czech Republic, Slovakia and Poland.

Fortuna entered the numerical lottery market in the Czech Republic by launching its first numerical lottery game, LOTO, in July 2011. By the end of 2016, Fortuna offered numerical lottery games and instant scratch cards through a network of 5,317 points-of-sale and was operating 1,476 lottery terminals.

In October 2010, FEG went through a successful IPO on the Prague and Warsaw stock exchanges. As of 31 December 2016, Fortuna's majority shareholder was FORTBET HOLDINGS LIMITED, a subsidiary of Penta Investments Limited, which held a 68.25% stake.

At the end of 2016, the management of Fortuna decided to sell the lottery business segment, which is represented by the company FORTUNA sázky a.s.

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2016 Financial Highlights

FINANCIALS (EUR THOUSANDS)	2016	2015
Amounts Staked	**1,039,605**	**847,695**
– of which sports betting (continuing operations)	1,019,370	828,003
– of which lottery (discontinued operations)	20,235	19,692
Gross Win[1]	**162,968**	**147,428**
– of which sports betting (continuing operations)	153,773	138,708
– of which lottery (discontinued operations)	9,195	8,720
Net Gross Win[1]	**110,612**	**105,694**
– of which sports betting (continuing operations)	103,490	98,763
– of which lottery (discontinued operations)	7,122	6,931
Revenues	**106,189**	**102,796**
– of which sports betting (continuing operations)	98,947	95,746
– of which lottery (discontinued operations)	7,242	7,050
EBITDA[1]	**22,149**	**27,183**
– of which sports betting (continuing operations)	20,759	25,832
– of which lottery (discontinued operations)	1,390	1,351
Operating Profit	**16,700**	**22,570**
– of which sports betting (continuing operations)	17,998	21,999
– of which lottery (discontinued operations)	(1,298)	571
Net Profit	**8,282**	**19,512**
– of which sports betting (continuing operations)	9,555	19,139
– of which lottery (discontinued operations)	(1,273)	373

RATIOS		
EBITDA Margin[1]	20.9%	26.4%
Operating Profit Margin[1]	15.7%	22.0%
Net Profit Margin[1]	7.8%	19.0%
CAPEX as % of Revenues[1]	9.9%	8.6%

1 See the Section Glossary for closer explanation.

	AS OF 31 DEC 2016	AS OF 31 DEC 2015
Number of Shares – End of Period ("EOP")	52,000,000	52,000,000
Total Assets	121,545	115,017
Total Equity (including non-controlling interest)	59,475	51,243
Total Borrowings	30,153	35,662
Net Debt / (Net Cash)	(1,840)	7,518
CAPEX	10,516	8,840

OPERATIONS		
Number of Points-of-Sale (sports betting)	1,498	1,532
Number of Lottery Terminals	1,476	1,550
Number of Employees – EOP	2,286	2,411


FORTUNA SUPPORTS YOUNG TALENT
IN THE CZECH REPUBLIC 117,720 18-YEAR OLD PLAY FOOTBALL TODAY.

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2016 Key Events

JANUARY 2016	Fortuna Entertainment Group N.V. announced selected preliminary financial figures for the year 2015 and further outlined its full year guidance based on the preliminary unaudited financial results.
MARCH 2016	Fortuna reported preliminary unaudited financial results for 2015 and presented its outlook for 2016.
APRIL 2016	The Extraordinary General Meeting of Fortuna Entertainment Group N.V. held on 8 April 2016 in Amsterdam adopted Mr Iain Child as a member the Supervisory Board.
	The Board of Directors decided that Fortuna would not pay a dividend in 2016.
	FORTUNA GAME a.s., a subsidiary of Fortuna Entertainment Group N.V., donated CZK 24 million to the Czech Olympic Committee in accordance with Czech legislation. The donated amount was to be earmarked by the Czech Olympic Committee for use in tackling sport and educational objectives.
MAY 2016	Fortuna reported growth in Amounts Staked of 26.3% for the first quarter of 2016.
	Mr Michal Horáček, a member of the Supervisory Board of Fortuna Entertainment Group N.V., resigned from the post of Supervisory Board member with effect from 23 May 2016.
JULY 2016	FORTUNA GAME a.s., a subsidiary of Fortuna Entertainment Group N.V., donated CZK 26 million to the Czech Olympic Committee in accordance with Czech legislation. The donated amount was to be earmarked by the Czech Olympic Committee for use in tackling sport and educational objectives.
AUGUST 2016	Fortuna Entertainment Group N.V. announced that it had signed a contract with Playtech (LSE: PTEC) for the supply of a multi-channel betting and gaming platform.
	Fortuna's Amounts Staked was recorded as up 24.2% yoy[1] in the first half of 2016.
SEPTEMBER 2016	The Extraordinary General Meeting of Fortuna Entertainment Group N.V. held on 7 September 2016 in Amsterdam adopted Mr Morten Rønde as a member the Supervisory Board.
OCTOBER 2016	The sports betting operator Fortuna became the sponsor of Czech football across all the competition categories.
	FORTUNA GAME a.s., a subsidiary of Fortuna Entertainment Group N.V., donated CZK 25 million to the Czech Olympic Committee in accordance with Czech legislation. The donated amount was to be earmarked by the Czech Olympic Committee for use in tackling sport and educational objectives.
NOVEMBER 2016	It was recorded that during the first nine months of 2016, Fortuna grew its Amounts Staked by 22.9% yoy.
	Effective 1 November 2016, one of the Czech Group companies, FORTUNA sázky a.s. (the existing successor company), merged with the company FORTUNA technology s.r.o. (the closing company).

1 See the Section Glossary for closer explanation.

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Letter from the Chairman of the Management Board to Shareholders

Dear Shareholders,

In 2016 we continued the implementation of our key strategic initiatives in line with Fortuna's value creation strategy which is based upon the three main pillars:

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

The Fortuna vision is to become "The No.1 licensed sports betting & gaming operator in CEE with the most trusted and exciting multi-channel betting & gaming brand". The 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 strong momentum in 2016, e.g. substantial improvements across our customer life cycle management process driven by further insights and automation, online gaming readiness in the Czech Republic on the back of our long term partnership with Playtech, further strengthening of the human capital as well as encouraging development of our Fortuna brand licensing partnership in Romania. In 2017 we foresee continued execution of our value creation strategy with some of the highlights being, e.g. launch of online casino in the Czech Republic, ensure launch readiness of our new multi-channel betting and gaming platform based upon the Playtech partnership. Finally but not least, the acquisition of the Hattrick Sports Group in 2017 will be a further testament of our commitment to become "The No.1 licensed multi-channel and product operator in CEE".

While we implemented substantial change throughout the operations during 2016 it was encouraging to see that Fortuna achieved record high Amount Staked and Revenue of EUR 1,039 million (+22.6% yoy) and EUR 106 million (+3.3% yoy) respectively. While the growth was driven by improved performance of the underlying key value drivers and the UEFA Euro 2016 Championship in France we experienced a down ward pressure on the Net Gross Win margin due the betting volume migration into lower margin products and channels, increased Gross Win taxation in Czech Republic from 20% to 23% as well as punter friendly sports results. The 2016 EBITDA landed at EUR 22.1 million which is –18.5% yoy, this driven by increased investment into our operation for future growth and the above mentioned tax increase and punter friendly sports results. In 2017, we do foresee robust profitable growth driven by strong underlying performance of our key value drivers, product vertical extension into online gaming and the acquisition of the Hattrick Sports Group.

The importance of being a legal, regulated and responsible sports betting and gaming operator cannot be underestimated. Fortuna 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. While our underlying business performance has been robust it should be seen in light of a very competitive market context which for us as a regulated operator implies an unlevelled playing field for some of our markets due to the regulatory situation. We hope that the governments in the Czech Republic, Poland and Slovakia will realize the importance to protect the regulated sports betting 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. This also means not only to increase the tax burden of the licenced operators but mainly to start regulating the online gaming across the region since it offers the illegal offshore operators another significant advantage in attracting customers currently non-obtainable by regulated operators. We will with great interest follow the level of enforcement by the authorities in the Czech Republic and Poland with respect to the new gambling acts.

Looking forward there are some fundamental challenges and opportunities in our sector mainly driven by technology innovation and expected regulatory changes. Fortuna is committed to invest into future profitable growth and in our effort to become the undisputable leader in the regulated Central & Eastern European sports betting & gaming sector with the most trusted and exciting multi-channel betting & gaming brand.

Finally, I would like to thank the Fortuna Group Executive team and all fantastic Fortuna employees for their dedication and hard work. My thanks also go to the Supervisory Board for their support and commitment to our value creation strategy. As a company, we remain committed to high standards of corporate governance and corporate responsibility in the furtherance of shareholder interests.

PER WIDERSTRÖM
Chairman of the Management Board of Fortuna Entertainment Group N.V.

FORTUNA CARES ABOUT FOOTBALL FANS

1.22 MILLION FANS CAME ON CZECH LEAGUE STADIUMS LAST YEAR, 185,000 VIEWERS ARE USUALLY WATCHING TV BROADCASTS.

5 Letter from the Chairman of the Supervisory Board to Shareholders

Dear Shareholders,

2016 has been yet another exciting year on the transformational journey of the Fortuna Entertainment Group. Combined with the favourable macroeconomic environment in our markets and major sport championships such as the UEFA Euro 2016 Championship in France, we witnessed record volumes on some of our product verticals and very robust growth across all major value drivers of the company. Our continued success in delivering upon our Vision and underlying strategy has served us to become an employer of choice within the region. This has in turn helped us to further strengthen our talent pool both on the group level and within individual countries.

In line with the overall industry trends, our core countries witnessed major developments on the regulatory front in 2016. Despite us welcoming the respective governments' efforts, we remain advocative of the need of finding the appropriate balance between the various interests of the wider stakeholder community. The underlying regulatory trends will undoubtedly present us with new opportunities, such as new product verticals, yet at the same time increase emphasis on matters of responsible gaming or more stringent anti-money-laundering procedures. In this respect, our choice of being a fully regulated and compliant operator offers a source of competitive advantage and validates our multi-channel customer value proposition.

In 2017, we do not see any signs of abating for the ongoing consolidation efforts within the industry. While it will be our primary focus to continue delivering upon the underlying strategy in our core markets, we will actively monitor the landscape for any potential M&A opportunities that could provide us with further scale and help us consolidate our market share in the region.

On behalf of the Supervisory Board, I would like to thank all employees for their continued hard work and dedication to building sustainable long-term value growth of the company. We remain fully supportive of the company's chosen path and look forward to the year ahead.

Yours sincerely,

MAREK ŠMRHA
Chairman of the Supervisory Board of Fortuna Entertainment Group N.V.

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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 and, since mid-2011, also in the lottery business in the Czech Republic. The betting is mainly focused on sporting events while gaming services include the following: online casino games such as poker, black jack, roulette and skill games. 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.

Fortuna operates in the Czech Republic, Slovakia and Poland and allows the use of its brand in Romanian operations. 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 barriers to entry, including requirements in place that demand that local licences are obtained, the high marketing spend necessary to build brand recognition, 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
Population (million, 2016)	10.5	5.4	37.9	19.7
GDP (EUR billion, 2015)	167	79	430	160
GDP per capita (EUR, 2015)	15,800	14,500	11,200	8,100
HICP (all items, annual average inflation rate, 2016)	0.6	–0.5	–0.2	–1.1

Source: Eurostat, Ministry of Finance CR

6.1.2 Czech Republic

FIXED-ODDS BETTING

The competitive landscape in the betting sector is primarily composed of five major bookmakers: Tipsport, Fortuna, Chance[1], SynotTip a 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 share of around 31%[2]. Alternative bookmakers are SynotTip and Sazka, the core activities of which are slot machines and lotteries.

LOTTERY

The Czech lottery market had been controlled by former state monopoly Sazka since 1956. Under previous management, Sazka became over-indebted and went bankrupt in May 2011. Prior to Sazka's bankruptcy, the size of the Czech lottery market was approximately CZK 7.5 billion (or EUR 300 million) in terms of Amounts Staked. After the sale of the bankrupt Sazka to a new entity controlled by PPF Group and KKCG in autumn 2011, Sazka's situation stabilised. In 2016, Sazka's market share was estimated at over 90%, while Fortuna had a market share of approximately 5% (numerical games).

6.1.3 Slovakia

There are three main competitors on the Slovak betting market. Niké is the market leader with a 40% market share, second place is taken by Fortuna SK with a 35% market share and third place is taken by Tipsport with a 20% market share. The deregulation of internet betting has also allowed for the further growth of the market through the new online sales channel. This was further boosted by the abolishment of the handling fee on online betting in 2015. Besides these three market leaders, there are also Tipos and Junior Game.

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 share, with a market share of approximately 33%[2] on the domestic regulated market. The unregulated offshore market is estimated as about five times bigger than the regulated market. Big market players are followed by smaller operators such as Millenium, E-Toto and newcomers LVBet and ForBet, which started its operations in 2016

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

6.1.5 Romania

In September 2015, Fortuna signed a brand licensing agreement to license its brand to the sports betting & gaming companies BET ACTIVE CONCEPT S.R.L. and BET ZONE S.R.L. in Romania.

Under the brand licensing agreement, Fortuna provides to BET ACTIVE CONCEPT S.R.L. and BET ZONE S.R.L. the right to use its trademark FORTUNA for the purposes of sports betting and gaming in Romania under standard market conditions. Both Romanian companies are part of Penta Investments Group, the majority shareholder of Fortuna.

Romania is one of the Central & Eastern European markets seen as having strong potential for the sports betting and gaming business. Apart from its solid macroeconomic fundamentals and population of approximately 20 million inhabitants, the country also offers a recently implemented positive regulatory environment and a sustainable tax rate for sports betting and gaming.

The brand name Fortuna has been represented in Romania since 2015. It is currently actively represented on this market through a retail network of 750 outlets, while it represents approx. 10% of the market. There are two major competitors – Super Bet and Casa Pariurilor.

The online gambling was launched on the Romanian market in November 2015. There are a few strong competitors on the market, who also have traditions on the European market as well, i.e. Unibet, NetBet, Winmaster and 888. Besides these operators, traditional betting companies such as MaxBet and Casa Pariurilor have also launched their online products.

Since 2016, slots, as a new business line, have been in operation on the Romanian gambling market. The slots business under the Fortuna brand name currently operates 860 slot machines through the Retail network.

1 Chance was acquired by Tipsport, effective 1 January 2013

2 Source: the Company

6.2 Regulatory Environment

The entertainment industry sphere that 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 noticed 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 aim 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 may conceivably impact local legislation and result in changes in the gambling laws.

6.2.1 Regulatory Environment in the Czech Republic

The general terms and conditions for the operation of lotteries (as well as betting games, horse racing bookmaking and similar games of gambling) are defined in Act No. 202/1990, the Lottery Act ("Czech Gambling Act") which was replaced by new Act. No. 186/2016 with effect from 1 January 2017. One of the main goals of the new gambling act is to restrict gaming addiction or so-called "compulsive gaming". All slot machines should be gradually removed from standard restaurants and pubs to casinos and gaming outlets. The right to issue casino licences will be newly awarded to local municipalities. The Ministry of Finance will further establish a special register of players to prevent people in poverty or bankruptcy pursuing betting and gaming and will place limits on the maximum bet allowed in one game.

The new act should further allow operations of foreign internet betting operators in the Czech Republic subject to local regulations and taxation. Among the conditions faced by the licensed foreign operators is a stipulation that their website must be available in the Czech language. The blocking of illegal websites will be newly allowed and it will be performed by local Internet service providers (ISPs).

Although Lottery Games operated via the Internet are not explicitly recognised in the Czech Gambling Act, the Ministry of Finance issued the licences for the operation of online fixed-odds betting on the basis of Section 50 (3) of the Czech Gambling Act in 2008. In 2011, the Czech parliament approved the Amendment to the Czech Gambling Act No. 300/2011 Coll.

Foreign internet betting operators are subject to local regulations and taxation.

Effective 1 January 2012, proceeds used for the benefit of the public under previous legislation were replaced by a unified 20% withholding tax on the Gross Win and the 19% corporate income tax and administration related to sports betting has been simplified in some aspects. The collected proceeds from taxation are divided between municipal and state budgets in the proportion of 30:70, respectively, in the case of lottery and sports betting. The new tax law also gives more power to local municipalities when it comes to the regulation of gambling and betting and newly allows for online casino games. Regulation also prohibits the advertising of offshore betting operators in the Czech Republic and places higher requirements on the ownership transparency of onshore companies. In 2013, the Czech parliament approved an additional amendment under which 1/4 of the 20% withholding tax on the Gross Win (i.e. 5%) can be paid out by the betting operators directly to the Czech Olympic Committee. From 1 January 2016, the 20% withholding tax on the Gross Win has been increased to 23% for both sports betting and lottery business.

An operator that intends to organise a lottery game must obtain a licence for the operation of lottery games. The Ministry of Finance may issue a licence for fixed-odds betting for a maximum period of 10 years.

A licence for the operation of a lottery game may be granted only to a legal entity with its seat in the Czech Republic. Moreover, some types of lottery games (i.e. betting games, fixed-odds betting) may be operated only by a joint stock company which has all its shares registered and which has been founded to operate such games. In certain cases, the Czech Gambling Act also requires that the operator of a particular lottery game must have a certain minimum amount of registered capital; the amount varies according to each type of lottery game operated. Except in regard to lottery games operated within specially determined premises (casino games), a licence cannot be granted to a Czech company if interests in it are held by foreign entities or entities whose direct parent entity is a foreign entity.

Payments to the state and municipalities and winnings of the participants are, with respect to most types of lottery games, secured by a security deposit (in an amount determined by the Czech Gambling Act) placed by the operator in a special bank account.

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.

Betting games may be operated solely on the basis of an "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 of 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 EUR 331,939. 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.

Slovak gambling legislation does not regulate the area of online betting. 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. In the case of fixed-odds betting, the fee amounts to EUR 3,319; for other types of betting games the fee is EUR 331.50.

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 EUR 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 (with effect from January 2017) and will bring in tough enforcement measures against unlicensed gaming operators, including website and payment blocking.

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.

The fee for a betting permit is 2,000% of the base amount and 50% of the base amount for each betting outlet. 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. In 2011, the base amount was 3,394.58 zloty, which makes the permission fee 67,892 zloty and around 1,697 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 × 40,000 zloty = 480,000 zloty). The collateral may be in the form of a banking or insurance guarantee, cash deposit or mortgage.

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.

The primary goal of the act is to reduce the grey market.

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.

CHANGES IN GAMBLING REGULATIONS IN 2015 AND 2016

The main changes were introduced with the act of 12 June 2015 on the amendment of the gambling act which has been effective since 3 September 2015.

Pursuant to the provision added, companies established on the territory of another member state of the European Union or EFTA, will have the right to carry out gambling activities on the basis of rules and conditions set out in the approved regulation, the concession granted or the permission granted, subject to the authorisation of a representative, or in the form of a branch.

These changes have been notified by the European Commission. The aim of the notification of the EC is to prevent the creation of new barriers to the free movement of goods, the provision of services and the carrying out of business activity within the common market.

As far as possible sanctions are concerned, the Convention distinguishes the following: penal sanctions imposed on natural persons, sanctions imposed on legal persons, and administrative sanctions as well as seizures and confiscations. In addition, sample sanctions for legal persons have been anticipated in the form of issuing a temporary or permanent prohibition on carrying out a business activity; placing under judicial supervision; issuing judicial winding-up orders.

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

The act will come into force on 1 April 2017 with the exception of the provisions relating to blocking access to websites, the prohibition of offering and sharing payment services on websites as well as the provisions stipulating pecuniary penalties for violation of obligations, which shall enter into force on 1 July 2017. The primary goal of the act is to reduce the scale of the incidence of the so-called "grey market" in the field of playing slot machines and games including mutual betting through the Internet. The act extends the scope of games that can be offered through the Internet. The amendments also create legal bases for blocking websites offering illegal gambling and payment services available on such websites.

The legislation has liberalised rules for the advertising of sports betting but according to certain limitations and conditions. The advertising of sports betting has been allowed for licensed operators under the proviso that it will not be directed at minors, will not encourage participation in gambling, will not present gaming in a positive way, and so forth. In addition, there are some limitations on how the advertising can be transmitted. Moreover, the legislator has introduced an obligation to place in a commercial a message that includes the relaying of the consequences of participation in illegal gambling; risks associated with gambling and the possession of a valid permission.

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.

Fortuna scratch cards have been successful, with an estimated 20% market share in 2016.

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 will be ready to commence Virtual Sports deployment in Poland.

6.3.2 Lottery

Fortuna's lottery currently offers instant scratch cards, the bi-weekly game Loto, the daily game Zlatých 11 (Golden 11) and the quick games FOFR and OKO BERE (December 2016).

SCRATCH CARDS

Fortuna has been selling scratch cards since May 2011. Currently, Fortuna offers several scratch cards in nominal amounts ranging from CZK 10 to 500. Scratch cards have been successful, with an estimated 20% market share in 2016.

Fortuna has been expanding its distribution network for scratch cards and apart from the regular distribution via tobacco shops and groceries, its scratch cards are offered in Czech Post outlets and at railway stations.

LOTO

Loto is a simple and attractive game. The rollover jackpot starts at CZK 10 million and it is forecast that it will be paid out several times each year. Overall, nine prizes are split; players know in advance the amount they can win, except when it comes to the jackpot as this is set and not divided among a large number of potential winners. The lottery draw takes place twice a week each Wednesday and

Saturday. In playing Loto, bettors must select 6 numbers out of 49 and one colour out of two. An additional game to LOTO is Šťastné číslo (Lucky Number). The minimum bet amount is CZK 20 and every fourth bet can win.

ZLATÝCH 11

Zlatých 11 is a game in which bettors can win a daily prize of up to CZK 300 million. Bettors can bet as little as five crowns, but only bettors who bet CZK 100 can win the main prize. The draw takes place seven days a week, including during holidays. Bettors know in advance how much they can win. In Zlatých 11, the winnings are fixed in accordance with the bet amount and selected and correctly guessed numbers. The game is therefore very variable; bettors may try out a wide range of variants and see which brings them the highest winnings. There is a high probability that the bettor will win one of the prizes. When 11 numbers are played, there is a probability of 1:3.64. In the competing Šťastných 10 (Lucky 10), the ratio is 1 out of 9.05 (probability of 1:9.05). Also, bettors can win a doubling of their initial payment even if they do not guess a single number in the 11-number-game.

Denní Číslo (Daily Number) is an additional game to Zlatých 11. Bettors can make a bet on a six-digit number indicated on their tickets and play for CZK 1 million and other prizes.

FOFR

Fortuna Loterie introduced its very first quick game, named FOFR, in November 2012. The draw takes place every 5 minutes between 6:00 AM to 2:55 AM. Eight numbers out of 25 and one colour out of four are selected. Winnings are calculated as multiples of correctly guessed numbers and colours and are fixed in advance based on a prize table. A proportion of 65% of accepted bets is distributed back to players, which amounts to the highest pay-out on the Czech lottery market.

6.3.3 Other Products and Services

In August 2016, Fortuna signed a contract with Playtech (LSE: PTEC) for the supply of a multi-channel betting and gaming 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, Sports book, Gaming and CRM.

6.4 Distribution Channels

The Group delivers its betting products to customers online and through retail betting outlets. The Group offers retail betting through outlets operating under its own brand name, and at counters and betting rooms 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 jurisdiction.

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

	CZECH REPUBLIC	SLOVAKIA	POLAND
Betting outlets	Available	Available	Available
"Partner" betting outlets	Available	Available	Available
Online	Available	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 32.9% of the Group's Gross Win from sports betting in the year ending on 31 December 2016.

The table below presents information on the Group's retail network for the years ending on 31 December 2015 and 2016:

	CZECH REPUBLIC	SLOVAKIA	POLAND	TOTAL
Betting outlets	251	206	397	854
"Partner" betting outlets	382	192	104	678
Total number in 2015	**633**	**398**	**501**	**1,532**

	CZECH REPUBLIC	SLOVAKIA	POLAND	TOTAL
Betting outlets	229	204	371	804
"Partner" betting outlets	388	193	113	694
Total number in 2016	**617**	**397**	**484**	**1,498**

Source: the Company

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

Under the "Partner" programme, the Group's land network is extended by installing 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 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 in 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.

There is a rising popularity of LIVE betting and during 2016 Fortuna added new sports to its LIVE offer and extended the existing sports offered with 26 new betting opportunities.

GVC SERVICES LTD. (PREVIOUSLY BWIN)

The B2B deal, which commenced in autumn 2013, integrates bwin.party'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-sale via a state-of-the-art interface, enabling Fortuna to offer its customers an extensive sportsbook and supporting content.

In 2015, Fortuna finalised the integration of darts, snooker and futsal into the bwin feed. Total revenues related to Bwin feed increased by 82% over the last year. Depending on the type of sports event, Fortuna offers up to 40 different betting opportunities per match. 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 bet upon in 2016 were football, ice hockey and tennis (prematch) and tennis, football and basketball (LIVE).

Online betting accounted for 67.1% of the Group's Gross Win from sports betting in the financial year ending on 31 December 2016.

LOTTERY TERMINALS

Fortuna's lottery products have their own distribution network and a unique distribution strategy which is to a large extent independent of the traditional sports betting distribution network. Since the lottery products cannot be offered online, it is important to place the lottery terminals in the most lucrative and frequented distribution outlets no matter whether they are Fortuna's own sites or not. Typically, lottery terminals are placed in tobacco shops, gas stations and small stores and also in Fortuna's own betting outlets. The key distributors for the lottery (online) are GECO, Ahold, Citi-Tabák and Peal. Apart from the sale of Fortuna lottery games, terminals also offer mobile phone top-ups.

As of 31 December 2016, the Fortuna lottery operated 1,476 lottery terminals in the Czech Republic.

SCRATCH CARDS

Fortuna's highly successful scratch cards are on sale in selected Fortuna outlets and through a network of external resellers such as GECO, Peal, Ahold, FINEX, Žabka, Traffic, JAS and Jednota. Apart from the regular distribution via tobacco shops and groceries, the scratch cards are offered in Czech Post outlets and at railway stations.

6.5 Customers

Most of Fortuna's customers are male. Only around 9% of the customers are women. 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 2016, Fortuna had 366 thousand registered customers in the Czech Republic, 166 thousand in Slovakia and 234 thousand in Poland.

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. 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.

In the Czech Republic, Fortuna sponsored both professional and amateur football clubs, namely SK Slavia Praha, FC Baník Ostrava and Bohemians Praha 1905. Fortuna also sponsored ice hockey club HK Mountfield Hradec Králové. In October 2016, Fortuna has signed a long-term strategic partnership with the Czech Football Association including also a general partnership with the First Football League from 2018/2019. This sponsorship also covers amateur football leagues, the Second League (Fortuna národní liga), the Cup and the National Team.

Since the 2014/2015 season, Fortuna has been the titular sponsor of the Slovak football league (Fortuna Liga). In addition, Fortuna sponsors the Slovak tennis association. Furthermore, Fortuna became the titular partner of the Slovak National Football Team (U21 included) effective from September 2016.

The flagship sponsoring activity in Poland for Fortuna is Legia Warsaw foot-

The focus of Fortuna's sponsorship activities is football.

ball club. The existing contract was extended in November 2016 and it is valid until June 2019. There are also two other contracts with First League football teams – GKS Katowice and Podbeskidzie Bielsko-Biała. Both last until the end of the season running to June 2017. In addition, Fortuna supports the Cieszyn Street Run (*http://www.fortuna.bieguliczny.pl/*).

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

ENVIRONMENTAL ISSUES

Fortuna believes that environmental matters are not of material importance to the Group's activities and financial situation.

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.

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 Research & Development

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 170 trademarks, including 121 trademarks registered in the Czech Republic, 16 trademarks registered in the Slovak Republic, 26 trademarks registered in Poland, 6 Community Trademarks and 1 international trademark. In addition, one trademark is co-owned by FORTUNA SERVICES Spółka z organiczoną odpowiedzialnością spółka komandytowo-akcyjna and FORTUNA SERVICES Sp. z o.o., a company which is not a related party to Fortuna.

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.

6.9 Strategy

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 brand". 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 the Company has identified 9 Strategic Initiatives grouped into 3 blocks: "Operational Excellence" (5 Strategic Initiatives: "Customer Acquisition & CRM", "Retail Channel", "Lottery", "Fortuna Brand", "Key Value Drivers System"), "Future Expansion" (3 Strategic Initiatives: "Regulation", "Online Sports Book & Gaming Proposition", 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:

1. Gaining market share on existing markets with the advance driven by regulation and operational excellence;

2. Vertical product extension into online gaming, driven by regulation and internationalisation;

3. Expansion into CEE regulated markets through M&A (betting and gaming).

EXPECTED TIMELINE

2015-2016: Building the foundation

Phase 1: Competence build-up / Investments in the future

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

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 multi-channel betting & gaming brand".

Key enablers:

- Utilising a competitive scalable multi-channel, multi-product, and multi-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, MULTI-PRODUCT AND MULTI-MARKET PLATFORM

The objective is to ensure Fortuna is prepared to provide its customers with a market leading Multichannel & Cross-Platform Betting and Gaming offering in all its markets where the regulation allows it as well as to implement a technology platform that will support Fortuna's Vision and Growth Strategy.

6.10 Human Resources

Most of the Group's employees work in the Group's betting outlets, with an average of slightly more than two employees per outlet, with one or two employees present per shift.

The table below provides information on the number of Group employees in particular categories as well as the total headcount of the Group as of 31 December 2016, 2015 and 2014:

	31 DECEMBER 2016	31 DECEMBER 2015	31 DECEMBER 2014
Senior management	10	6	7
Headquarters	416	412	375
Retail	1,860	1,993	2,103
Total number of employees	**2,286**	**2,411**	**2,485**

Source: the Company

The table below provides a breakdown of persons employed in the Group by geographical location as of 31 December 2016, 2015 and 2014:

	31 DECEMBER 2016	31 DECEMBER 2015	31 DECEMBER 2014
Czech Republic	829	867	887
Poland	870	941	968
Slovakia	586	601	629
Other	1	2	2

Source: the Company

The 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 offering training and other benefits, the size and diversity of the Group's operations provide development and promotion opportunities for new employees.

Outlet employees' compensation is determined by a basic salary and performance-linked incentive bonuses. The variable (motivation) component of the wage is derived from the turnover of a particular betting outlet. Minimal revenues from betting that are to be reached in a month are specified for each betting outlet (an accepted amount without commissions). If the amount exceeds the specific limit, a certain amount is paid as a performance bonus for a betting outlet. This amount is proportionally divided among the employees according to the number of hours worked by them in the particular month. Recently the Group introduced other bonuses based on the number of new members enlisted with Fortuna Klub Plus.

The compensation of bookmakers is a combination of fixed salary and variable components, while that of other back-office staff is mainly based on a fixed salary. Moreover, some employees receive annual bonuses which are related to the financial performance of the Group Company. The ongoing performance of the Group's staff 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. There are no trade unions and committees registered in other companies of the Group.

The employees of FORTUNA sázky and FORTUNA GAME have their representatives on the supervisory boards of these companies.

As of the date of this Annual Report, the Group's employees or the Group Management did not have any shareholdings in FEG.

6.11 Review of 2016

Fortuna, the leading Central European fixed-odds betting operator present on the markets of Poland, the Czech Republic and Slovakia, recorded in 2016 a total Amounts Staked figure of EUR 1,039.6 million, 22.6% more than in 2015, and exceeded Company's guidance given for the year. The Amounts Staked from sports betting reached EUR 1,019.4 million, 23.1% more than in 2015 on the back of a strong performance in all the countries where Fortuna operates. Amounts Staked from lottery bets in 2016 totalled EUR 20.2 million, a 2.8% increase yoy, driven by growth in both the scratch card and numerical lottery segments.

In 2016, the total Gross Win reached EUR 163.0 million, an increase of 10.5% compared with 2015. The Gross Win from sports betting equalled EUR 153.8 million, a 10.9% increase yoy. Of which, the Gross Win from online betting in 2016 increased to EUR 103.1 million, a substantial gain of 21.7% over 2015.

The solid Amounts Staked and Gross Win performance in 2016 was driven by growing online web and mobile sports betting and it was also supported by the UEFA Euro 2016 football tournament in France.

The Gross Win from retail betting in 2016 amounted to EUR 50.7 million, a 6.2% decrease from the previous year. The Gross Win from lottery was EUR 9.2 million (+5.4% yoy), with growth in both scratch cards and numerical games.

Selected financial indicators – FEG total

(EUR MILLION)	FY 2016	FY 2015	% CHANGE
Amounts Staked	**1,039.6**	**847.7**	**22.6%**
Sports betting (continuing operations)	1,019.4	828.0	23.1%
Lottery (discontinued operations)	20.2	19.7	2.8%
Gross Win	**163.0**	**147.4**	**10.5%**
Sports betting (continuing operations)	153.8	138.7	10.9%
Lottery (discontinued operations)	9.2	8.7	5.4%
Revenues	**106.2**	**102.8**	**3.3%**
Sports betting (continuing operations)	98.9	95.7	3.3%
Lottery (discontinued operations)	7.3	7.1	2.7%
EBITDA	**22.1**	**27.2**	**(18.5%)**
Sports betting (continuing operations)	20.8	25.8	(19.6%)
Lottery (discontinued operations)	1.3	1.4	2.9%
Operating Profit (EBIT)	**16.7**	**22.6**	**(26.0%)**
Sports betting (continuing operations)	18.0	22.0	(18.2%)
Lottery (discontinued operations)	(1.3)	0.6	(327.3%)
Net Profit for the Year	**8.3**	**19.5**	**(57.6%)**
Sports betting (continuing operations)	9.6	19.1	(50.1%)
Lottery (discontinued operations)	(1.3)	0.4	(441.3%)
Adjusted Net Profit for the Year[1]	**11.2**	**16.0**	**(29.6%)**

1 Adjusted by deferred tax impact from the Group reorganisation in Poland in 2015 and 2016

REVENUES, OPEX, EBITDA

In 2016, the Company recorded total revenues in the amount of EUR 106.2 million, 3.3% more than in the previous year. Of which, revenues from sports betting stood at EUR 98.9 million, a gain of 3.3% yoy. Revenues from lottery amounted to EUR 7.3 million in 2016, up 2.7% yoy. The growth was decelerated by a higher withholding tax on the Gross Win in Czech Republic.

Total operating costs in 2016 reached EUR 84.0 million, 11.1% more than in 2015. Staff costs went up 10.7% yoy to EUR 34.7 million due to new hires related to the development of the new betting & gaming platform and Group restructuring. Other operating expenses (net) increased in 2016 by 11.5% to EUR 49.3 million primarily in relation to bookmaking services, a new sponsoring agreement with the Czech football association and higher costs related to the preparation of the new betting & gaming platform. The betting taxes paid in the respective countries came to EUR 52.4 million, up 25.4%, driven by higher betting volumes and the tax hike from 20% to 23% in the Czech Republic effective from 1 January 2016.

Total consolidated EBITDA recorded in 2016 was EUR 22.1 million, down 18.5% yoy. EBITDA from sports betting reached EUR 20.8 million, 19.6% less than in the previous year. EBITDA from lottery was EUR 1.3 million, up 2.9% yoy.

In 2016, total depreciation went up 18.1% to EUR 5.4 million. The reason was higher depreciation in the second half of 2016 related to the impairment of fixed assets in the lottery segment in the amount of EUR 1.9 million.

EBIT AND NET PROFIT

In 2016, the operating profit (EBIT) amounted to EUR 16.7 million, 26.0% less than in the previous year due to the EBITDA decline and higher depreciation related to the assets impairment in the lottery segment.

Net finance costs reached EUR 1.5 million in 2016 and declined 21.8% yoy due to lower interest costs and recorded FX gains.

Total long-term and short-term indebtedness as of December 31, 2016 was EUR 30.2 million, 15.4% less compared with December 31, 2015. The Net Cash position as of December 31, 2016 was EUR 1.8 million, a 124.5% increase over the end of 2015.

In 2016, the Company recorded a Net Profit for the period of EUR 8.3 million, 57.6% less than in the previous year. The decline was partly caused by deferred tax recognition in 2015 and derecognition in 2016 due to changes in tax legislation in Poland. If adjusted by the deferred tax impact in Poland in 2015 and 2016, the decline in the Net Profit would be 29.6%. The effective tax rate in 2016 (excluding the impact from deferred tax reversal in Poland) was 25.8%

CAPEX and Investments

In 2016, total capital expenditures amounted to EUR 10.5 million, 19.0% more than in the same period last year but slightly below the indicated guidance. Higher capital expenditures resulted from investments in the new sports betting & gaming platform.

BREAKDOWN OF REVENUES BY COUNTRY

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

Selected financial results by country in 2016

(IN EUR MILLION)	CZ SPORTS BETTING	CZ LOTTERY	SLOVAKIA	POLAND	TOTAL
Total Amounts Staked	**561.3**	**20.2**	**334.5**	**123.6**	**1,039.6**
Amounts Staked as a percentage rate of the Total Amounts Staked	54.0%	1.9%	32.2%	11.9%	100.0%
Gross Win from betting	**67.8**	**9.2**	**48.3**	**37.7**	**163.0**
of which: online	53.4	n/a	33.3	16.4	103.1
of which: retail	14.4	n/a	15.0	21.3	50.7
Revenues	**50.6**	**7.3**	**26.6**	**21.7**	**106.2**

Czech Republic Sports Betting
Czech Republic sports betting generated 54.0% of all Amounts Staked for the Group in 2016. Amounts Staked reached EUR 561.3 million, 21.5% more than in 2015. The Gross Win from sports betting in the Czech Republic amounted to EUR 67.8 million in 2016, 13.8% more than in the previous year. Online betting contributed the most; The Gross Win from the online segment increased by 21.7% yoy and amounted to EUR 53.4 million. The Gross Win from retail betting in the Czech Republic declined 8.3% yoy and totalled EUR 14.4 million. Revenues in 2016 from sports betting in the Czech Republic were EUR 50.6 million, up 8.8% yoy.

Czech Republic Lottery
The Lottery segment in the Czech Republic represented a 1.9% share of Total Amounts Staked. Amounts Staked from lottery in 2016 came to EUR 20.2 million, 2.8% more than in 2015. The Gross Win from lottery reached EUR 9.2 million, up 5.4% yoy. The 2016 revenue from Czech lottery amounted to EUR 7.3 million, a 2.7% increase compared with 2015.

Slovakia
The share of Slovakia in regard to total Amounts Staked in 2016 represented 32.2%. Total Amounts Staked reached EUR 334.5 million, 28.7% more than in 2015. The Gross Win in Slovakia amounted to EUR 48.3 million in 2016, 8.9% more than in the previous year. The Gross Win from online betting was EUR 33.3 million, 19.0% more than in 2015. The Gross Win from retail betting in Slovakia declined by 8.5% yoy and totalled EUR 15.0 million. The 2016 revenue from sports betting in Slovakia was EUR 26.6 million, 4.5% less than in 2015.

Poland
Poland accounted for an 11.9% share of total Amounts Staked in 2016. Total Amounts Staked in Poland reached EUR 123.6 million, marking a 16.9% increase on 2015. The Gross Win from betting in Poland increased by 8.4% yoy to EUR 37.7 million in 2016. Of which, online business contributed EUR 16.4 million, up 27.9% yoy, and retail sports betting EUR 21.3 million, down 3.0% yoy. The 2016 revenue in Poland amounted to EUR 21.7 million, 1.8% more than in the previous year.

6.12 Risk Section

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

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 annual basis, yet volatility of Gross Win margin on short-term basis due to single-event losses of sports betting events is inevitable and arises from the nature of the Company's core business)	Fortuna manages the volatility of its Gross Win margin by implementing an enhanced and tight risk management system of sports betting odds. 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 co-operates 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.

RISK AREA	RISK	RISK APPETITE	RISK CONTROL MEASURE TAKEN
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.

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 in the long run, it might 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.

Fixed-odds betting is radically different from the practice of gambling.

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 moment. Besides, the legal framework is currently under review in many European countries, resulting in various amendments and proposals for amendments. 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 the 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. For example, in Poland from 1 June 2010 the tax imposed on the total amount of money paid for bets increased from 10% to 12%. In Slovakia, the withholding tax charged on fixed-odds betting was increased from 5.5% to 6.0% in 2013. In the Czech Republic, the tax on the Gross Win increased from 20% to 23% with effect from 1 January 2016 for both sports betting and the lottery segment.

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 affected 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 & 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.

RISK 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 the Group's 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 do not pay taxes in the countries in which the Group operates locally.

In Slovakia, Poland 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.

RISKS RELATED TO OPERATING ACTIVITIES

Volatility of Gross Win margin

Overall, the Group's Gross Win margin slightly decreases in line with long-term trend in the betting industry. The trend mainly results from the 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 the 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, terrorist acts, 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 & 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 in the markets in which it currently operates as well as in 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.

The IT solutions are of key importance for online services offered by the operating companies.

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.

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, 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 and Polish zloty. 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 financing agreements with Česká spořitelna, a.s. 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 and Alicela, 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.

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 material trademarks of Fortuna PL registered in Poland with the respective authority are, together with bank account receivables and intra-group receivables of Fortuna GAME, Fortuna PL and Fortuna SK, 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.

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 2016.

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:

The odds compilation process used by the Group is better than fully-automated odds generation.

Odds Compilation
The Group cooperates with a team of 49 experienced bookmakers (end-2016, external staff included) who are responsible for determining fixed odds. Initial odds are compiled from first principles and the mathematical chance of an outcome based on previous results. 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.

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.

Bet Acceptance
The Group is under no obligation to accept any bet. 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 a "blacklist" and a "whitelist" 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 make a solo bet on this game; they can only make a combination bet of 3 to 5 games, one of which is the risky game. 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.

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 re-

fuse 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.

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.

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.

IMPROVEMENTS TO THE EXISTING RISK MANAGEMENT SYSTEM

In 2016, a new department was established for risk management purposes. Currently, it comprises of two full-time employees and there is a plan to take on three full-time employees in 2017.

In addition to existing risk management systems, a new system was introduced in 2016 to prevent Arbitrages; it is called Arb checker (used on prematch).

Volatility of sports betting results in 2016
The volatility of sports betting results was visible mainly in connection with the most bet-upon event in 2016 – the UEFA Euro 2016 championship in France. The accepted bet and Gross Win were higher than in Q1 and Q3 2016. The quarterly performance of Fortuna is therefore subject to volatility which depends on major sports events during the respective year.

Adverse Changes in the Regulatory Environment and Taxation
In the Czech Republic, a change of the taxation levied on betting and gaming came into force on 1 January 2016. It ultimately resulted in an increase of the Gross Win tax applied to both sports betting and lottery from 20% to 23%. The change in taxation had a negative impact on full-year 2016 profitability.

A new system to prevent arbitrages introduced in 2016.

Implementation of new betting & gaming platform
The management of Fortuna decided to invest in operational excellence building scalability and in a new sports betting and gaming platform. The investments resulted in higher capital expenditures and operating costs.

Key personnel changes
In 2016, the Company experienced changes in top management positions. The personnel changes indicated a strengthening of the capability and capacity of Company people in top management.

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 +/– € 520 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:

INCREASE / DECREASE IN EXCHANGE RATE BY 1%	(DECREASE) / INCREASE IN EQUITY € 000
As of 31 December 2016:	
CZK / EUR	(497) / 497
PLN / EUR	(23) / 23
As of 31 December 2015:	
CZK / EUR	(540) / 540
PLN / EUR	(55) / 55

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%)	(161) / 161	– / –
EUR	1% / (1%)	(123) / 123	– / –
PLN	1% / (1%)	(18) / 18	– / –

6.13 2017 Outlook and Guidance

In 2017, Fortuna 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 want to have a bet. Fortuna will further focus on investments into core competencies and building competitive advantages and scalability for future value creation. The strategic focus will be placed on Operational Excellence, Technology Foundation and building up People capability and capacity. For 2017, the Company expects that organic growth will continue to be primarily driven by online betting, however it will be impacted by the absence of major football events in 2017. On the other hand, we will introduce new products, e.g. online gaming in the Czech Republic, and virtual games.

As a result, the Company anticipates that total Amounts Staked could grow to EUR 1,300 million and EBITDA in 2017 could increase by somewhere between a range of 20% to 25% due to the continuing investments in operational excellence and building scalability. The investments in the new enhanced sports betting & gaming platform, data warehouse and front-end system should further drive CAPEX spending in 2017, which is expected to be between EUR 8-10 million.

6.14 **Material Subsequent Events**

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

On 23 February 2017, Fortuna Entertainment Group N.V. announced that it had entered into an agreement under which Fortuna would acquire a 100% stake in Hattrick Sports Group Ltd., Ireland ("Hattrick Sports Group"). The transaction is subject to regulatory approvals and until these are complete both companies will continue to operate separately. The closing of the transaction is expected to occur in the first half of 2017.

The initial consideration to be paid by Fortuna for the acquisition of Hattrick Sports Group will be approximately EUR 85 million. As a further consideration, an earn-out mechanism has been agreed with the sellers which is based on the future financial performance of Hattrick Sports Group and which may lead to a payment of a maximum additional amount of EUR 50 million. The initial consideration will be funded mainly via bank loans.

The acquisition of Hattrick Sports Group will further strengthen Fortuna's position as the largest licensed multi-channel sports betting and gaming operator in Central and Southeastern Europe. Hattrick Sports Group is the owner of the leading betting operator in Romania, Casa Pariurilor, and the second largest operator in Croatia, PSK, and it is a joint venture partner in the Luckia operator in Spain.

On 9 March 2017, FEG announces its intention to sell its Czech lottery business operated via its subsidiary FORTUNA sázky a.s. based in Prague. The Company has been in discussion with potential buyers and has been assessing proposed terms and conditions of the transaction. Pending customary legal conditions, the transaction is expected to close in the second quarter of 2017. The lottery business is reported in compliance with IFRS 5 as discontinued operations. For more detailed information see the note 11.12 Discontinued operations.

On 15 March 2017, The Management Board and the Supervisory Board of Fortuna Entertainment Group N.V. have 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 Seller"), the majority shareholder of the FEG and the subsidiary of Penta Investments Group. The FEG and Fortbet are currently finalising the share purchase agreement for the acquisition.

The consideration to be paid for the acquisition is expected to be around EUR 47 million out of which approx. EUR 15 will be deferred for up to 48 months. In addition, Fortuna shall refinance around EUR 3 million of Seller's loans. The consideration will be funded via Fortuna cash and bank loans. The purchase price was supported by an independent third party evaluation. The acquisition will need to be approved by the shareholders of Fortuna and the closing of the transaction is expected to occur in the second quarter of 2017.

The purpose of the acquisition is to consolidate activities performed by the Romanian target companies under the Fortuna umbrella with the Hattrick Sports Group, aiming to further strengthen Fortuna's position in the Central and Southeastern Europe.

The Management Board and the Supervisory Board of Fortuna have also approved the financing for the Acquisition as well as previously announced acquisition of Hattrick Sports Group and refinancing of existing loans of approximately EUR 160 million. Expected term of the loan will be six years and vast majority of the loan will be amortized in quarterly instalments. The interest rate will be floating. Both the transactions are also subject to Company's shareholders' approval. Extraordinary General Meeting will be held at the registered office of the Company on Wednesday 26 April 2017.

The Management Board of Fortuna Entertainment Group N.V. was informed by its majority shareholder Fortbet Holdings Limited ("Fortbet") on 31 March 2017 that it had announced a tender offer to purchase all outstanding shares issued by Fortuna.

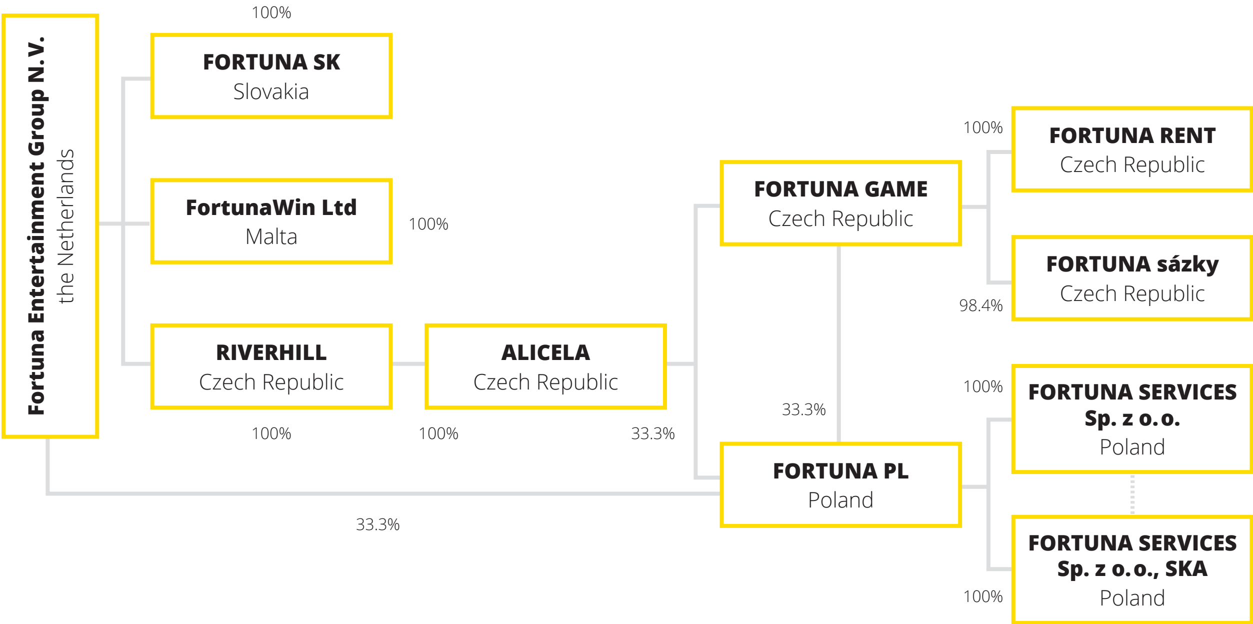
Through the tender offer, Fortbet intends to acquire all the remaining shares in Fortuna representing 31.75% of the share capital with the view to become the Company's sole shareholder, delist the shares from trading on both the Prague Stock Exchange and the Warsaw Stock Exchange and enable all the minority shareholders to dispose their shares under equal terms.

7

Corporate Governance

7.1 Organisational Structure

The diagram below presents the structure of the Group as of 31 December 2016:



Source: Company Data

Riverhill and Alicela are holding companies, the sole activity of which is holding interests in operational Czech companies. This structure resulted from Czech regulations valid until 31 December 2016 that did not allow foreign entities or entities, the direct parent entity of which was a foreign entity, to hold interests in a Czech betting company. Similarly, a shareholder of a Polish betting company may not hold more than one-third of the share capital. Therefore, FEG, Fortuna GAME and Alicela hold shares in Fortuna PL.

CHANGES TO THE ORGANISATIONAL STRUCTURE

Effective 1 November 2016, one of the Czech Group companies, FORTUNA sázky a.s. (the existing successor company), merged with the company FORTUNA technology s.r.o. (the closing company). As a result of the merger, the company FORTUNA technology s.r.o. ceased to exist and all its assets and liabilities were transferred to FORTUNA sázky a.s.

There were no other changes to the organisational structure in 2016.

INFORMATION ON SIGNIFICANT SUBSIDIARIES

FORTUNA GAME a.s. was incorporated on 3 October 1991 in Prague as a joint stock company under Czech law.

In 2005, all shares in the company were acquired by ALICELA a.s. In 2009, as a result of the transfer of part of the operations of FORTUNA sázková kancelář a.s., the company started to offer sports betting in accordance with a licence issued on 19 May 2009, valid until 2019. At the end of December 2011, assets and operations related to the sports betting business were transferred from FORTUNA sázková kancelář a.s. to FORTUNA GAME a.s. Effective 1 January 2013, a part of the company FORTUNA GAME a.s. which related to numerical and instant lottery games in the Czech Republic as well as pre-paid mobile top-ups, was contributed to the company FORTUNA sázky a.s., a 100% subsidiary of FORTUNA GAME a.s.

FORTUNA sázky a.s. was incorporated on 15 January 2009 in Prague as a joint stock company under Czech law as a 100% subsidiary of FORTUNA sázková kancelář a.s. As of 27 April 2012, it became a 100% subsidiary of FORTUNA GAME a.s. FORTUNA sázky a.s. was a dormant company until 31 December 2012. Effective 1 January 2013, a part of the company FORTUNA GAME a.s. which related to numerical and instant lottery games in the Czech Republic as well as pre-paid mobile top-ups, was contributed to the company FORTUNA sázky a.s., a 100% subsidiary of FORTUNA GAME a.s.

Fortuna SK was incorporated on 25 April 1991 in Bratislava as a joint stock company under Slovak law. It was established as T E R N O, a.s. by Fortuna SazKan and two private persons. In 2005, all the shares in Fortuna SK were acquired by Penta First Fund Limited. In the same year, all the shares were transferred to Penta. In 2006, the company was renamed Fortuna SK. FEG acquired 100% of the shares in Fortuna SK in January 2010. Currently, Fortuna SK offers fixed-odds betting (both land and online) under a licence issued in 2015, valid until 2020.

Fortuna PL was founded in 1995 as a limited liability company under Polish law. In 2005, all shares were sold to Penta Investments Limited (an entity that subsequently changed its name to Penta First Fund Limited), Lunga Enterprises Limited and Massarosa Holdings Limited (the last two entities being special purpose vehicles in the Penta Group). In 2006, the stake owned by Penta First Fund Limited was transferred to Penta Investments Limited. In 2007, the name of the company was changed from Profesionał to Fortuna PL. From its very beginnings, the company operated in the betting sector. FEG acquired one-third (33.3%) of the shares in Fortuna PL in May 2010. The remaining shares were purchased by Fortuna SazKan, later Fortuna Loterie (33.3%) and Fortuna GAME (33.3%). A one-third interest in Fortuna PL, which was originally owned by Fortuna Loterie a.s., was transferred to the company ALICELA a.s.

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).

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 2016, the Management Board was composed of three 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 2016	EXPIRATION OF THE OFFICE TERM
Per Widerström	Chairman of the Management Board	1 January 2016 – 31 December 2016	1 December 2018
Janka Galáčová	Member of the Management Board	1 January 2016 – 31 December 2016	at the General Meeting in 2018
Richard van Bruchem	Member of the Management Board	1 January 2016 – 31 December 2016	at the General Meeting in 2018

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

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

Per Widerström
Per Widerström (50) 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 (51) 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 (38) 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.

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 (from 2014)
RIVERHILL a.s. – chairman of the Supervisory Board (from 2014)
Fortuna Entertainment Group N.V. – chairman of the Management Board (from 2014)
FORTUNA SK, a.s. – member of the Supervisory Board (from 2014)
FORTUNA online zakłady bukmacherskie Sp. z o.o. – member of the Supervisory Board (from 2016)

RICHARD VAN BRUCHEM
Past directorships:
R2 Holding B.V. – member of the Management Board (2008-2012)
Avis Holding B.V. – member of the Management Board (2009-2012)
Avis Trust Group B.V. – member of the Management Board (2009-2012)
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:
The Bookkeeper B.V. – 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)

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 besloten 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 distribution" 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 as of 31 December 2016 and after the balance sheet date, more 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; therefore, the rule was complied with.

Changes to the Management Board in 2016

There were no changes to the Management Board during 2016.

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 2016, the Supervisory Board was composed of three 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 2016	EXPIRATION OF THE OFFICE TERM
Marek Šmrha	Chairman of the Supervisory Board	1 January 2016 – 31 December 2016	at the General Meeting in 2019
Iain Child	Member of the Supervisory Board	8 April 2016 – 31 December 2016	8 April 2020
Morten Rønde	Member of the Supervisory Board	7 September 2016 – 31 December 2016	7 September 2020

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, the Netherlands.

Marek Šmrha

Marek Šmrha (31) 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 (45) 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 on the firms that fall under the fund's Meat Processing investments. Before joining Penta he was a partner for ten years at Deloitte responsible for Financial Advisory Services in 17 countries throughout Central Europe. Iain 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 (43) 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 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 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.

Changes to the Supervisory Board in 2016

The Extraordinary General Meeting of Fortuna Entertainment Group N.V. held on 8 April 2016 in Amsterdam adopted Mr Iain Child as a member of the Supervisory Board proposed in accordance with the articles of association of the Company.

Mr Michal Horáček, a member of the Supervisory Board of Fortuna Entertainment Group N.V., resigned from the post of Supervisory Board member with effect from 23 May 2016.

The Extraordinary General Meeting of Fortuna Entertainment Group N.V. held on 7 September 2016 in Amsterdam adopted Mr Morten Rønde as a member the Supervisory Board proposed in accordance with the articles of association of the Company.

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

MAREK ŠMRHA
Past directorships:
PetCenter Slovakia s.r.o. – Executive Director (2013-2014)
Current directorships:
Fortbet Funding s.r.o. – Executive Director (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)

MORTEN RØNDE
Current directorships:
Fortuna Entertainment Group N.V. – member of the Supervisory Board (since 2016)

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

Morten Rønde is a new member of the Supervisory Board.

company law pertains to the "balanced distribution" 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 2016 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. In the future, the Company does not rule out appointing females to achieve a balanced distribution of seats.

Marek Šmrha and Iain Child are associated with Penta Investments Limited and FORTBET HOLDINGS LIMITED. Mr 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.

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 2016 were Marek Šmrha and Michal Horáček, the latter until his resignation. Marek Šmrha, Chairman of the Supervisory Board, 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 deems necessary, but in any event meets at least once a year with FEG's external auditor, without the presence of the Management Board.

FORTUNA WANTS ATHLETES IN EACH VILLAGE

NEARLY 4,000 TEAMS REGULARLY PLAY ON THE FOOTBALL LAWNS IN CZECH REPUBLIC.

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

CHANGES IN THE KEY MANAGEMENT IN 2016

Effective 1 December 2016, Konrad Komarczuk replaced Konrad Labudek, who acted as the interim General Manager of Fortuna Poland. Konrad Labudek from 1 December 2016 took on the role of Head of Retail for Poland.

Konrad Komarczuk joined Fortuna from Totalizator Sportowy Sp. z o.o., where he had held the position of Director of Product and Innovation Department and Director of Project Management Office. He has a solid professional experience in business performance management consulting, business intelligence, operational optimisation and financial management. For five years he led Better Management Consultants Sp. z o.o. as its owner and a Board member. His core industry experience relates to sectors such as telecommunications, banking and insurance. He is a MSc Finance graduate of Warsaw University.

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 proposals 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 23 May 2016

The Annual General Meeting of shareholders of Fortuna Entertainment Group N.V. was held on 23 May 2016 in Amsterdam. It was attended by shareholders who together hold 79.82% 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 adopted resolutions were the following:

The AGM adopted the annual accounts for the financial year 2015 as drawn up by the Management Board and as approved by the Supervisory Board. Annual accounts (annual report) were drawn up under Dutch law, including the financial statements that have been prepared in accordance with IFRS rules by the Management Board and were audited and provided with an auditor's unqualified report by Ernst & Young, the Company's external auditor.

The Company's dividend policy is under review due to the planned investments into 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. These investments will strengthen the Company's current position as the leading Central European licensed sports betting operator. The investments will also support Fortuna Group in its ambition to become the indisputable leader in the regulated Central & Eastern European sports betting & gaming sector with the most trusted and exciting multi-channel betting & gaming brand, scalable platform and Best-in-class experience for our customers.

It was proposed to the AGM, with the prior approval of the Supervisory Board, that no dividend should be paid for the financial year 2015 and that consequently the entire net profit should be allocated to the Company's profit reserve. The proposal was adopted by the AGM.

In accordance with the advice of the audit committee, the AGM appointed Ernst & Young as the external auditor of the Company for the financial year 2016.

The General Meeting granted full discharge to each of the members of the Management Board for the performance of their management duties during the 2015 financial year. The General Meeting granted full discharge to each of the members of the Supervisory Board for the performance of their supervisory duties during the 2015 financial year.

The proposal that no dividend should be paid was adopted by the AGM.

The General Meeting renewed the authorisation for the Management Board, subject to the approval of the Supervisory Board, for a period of eighteen months to purchase fully paid-up shares in the Company's own capital on the stock exchange or otherwise for a valuable consideration and to alienate shares in the Company's own capital, which shares were repurchased by the Company whether before or after 23 May 2016, for purposes of stock option plans and other general corporate purposes. The aforesaid authorisation pertains to the maximum number that the Company may acquire pursuant to the law and the articles of association of the Company as of the date of acquisition, in which respect the price must be between the amount equal to the nominal value of these shares and the amount equal to one hundred and ten percent (110%) of the average price quotation of the listed shares on the stock exchange maintained by the Warsaw Stock Exchange and the Prague Stock Exchange in the five days prior to the purchase.

It was proposed by the Supervisory Board to the General Meeting to reduce the Company's issued share capital through the cancellation of shares repurchased by the Company during the period of 18 months, starting from May 23, 2016, pursuant to the authorisations to purchase shares in the Company's own capital.

Pursuant to article 10 of the Company's Articles of Association, the General Meeting may resolve to reduce the issued share capital of the Company by cancelling shares, provided that the amount of the issued share capital does not fall below the minimum share capital as required by law. The exact number of shares to be cancelled following this resolution will be determined by the Management Board and will require the prior approval of the Supervisory Board. The cancellation may be executed in one or more tranches. The proposal was adopted by the General Meeting.

The Extraordinary General Meeting of Shareholders held on 8 April 2016
The Extraordinary General Meeting of shareholders of Fortuna Entertainment Group N.V. was held on 8 April 2016 in Amsterdam. It was attended by shareholders who together hold 80.16% of the share capital and voting rights and, therefore, the EAGM had a quorum. At Fortuna's EAGM, all of the resolutions that were subject to shareholder approval were adopted. The adopted resolutions were the following:

The Extraordinary General Meeting of Fortuna Entertainment Group N.V. held on 8 April 2016 in Amsterdam adopted Mr Iain Child as a member of the Supervisory Board proposed in accordance with the articles of association of the Company.

The Extraordinary General Meeting of Shareholders held on 7 September 2016

The Extraordinary General Meeting of shareholders of Fortuna Entertainment Group N.V. was held on 7 September 2016 in Amsterdam. It was attended by shareholders who together hold 79.84% of the share capital and voting rights and, therefore, the EAGM had a quorum. At Fortuna's EAGM, all of the resolutions that were subject to shareholder approval were adopted. The adopted resolutions were the following:

The Extraordinary General Meeting of Fortuna Entertainment Group N.V. held on 7 September 2016 in Amsterdam adopted Mr Morten Rønde as a member the Supervisory Board proposed in accordance with the articles of association of the Company.

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.

7.3 Remuneration

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.

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.

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 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 2016:

EUR THOUSANDS		REMUNERATION (2016)				TOTAL
		FORTUNA ENTERTAINMENT GROUP N.V.		OTHER GROUP COMPANIES		
		PECUNIARY INCOME	RECEIVED IN KIND	PECUNIARY INCOME	RECEIVED IN KIND	
Members of the Management Board	Board Remuneration	23	–	–	–	23
	Salaries and other similar income	–	–	561	–	561
	Management Bonus	–	–	500	–	500
	Long-term incentive plan	–	–	1,078	–	1,078
	Other (compensation)	–	–		–	
	TOTAL	**23**	**–**	**2,139**	**–**	**2,162**
Members of the Supervisory Board	Board Remuneration	–	–	–	–	–
	Salaries and other similar income	–	–	–	–	–
	Management Bonus	–	–	–	–	–
	TOTAL	**–**	**–**	**–**	**–**	**–**
Management of the Group Companies[1]	Salaries and other similar income	–	–	1,322	–	1,322
	Management Bonus	–	–	649	–	649
	Long-term incentive plan	–	–	652	–	652
	Board Remuneration (incl. Supervisory board)	–	–	–	–	–
	TOTAL	**–**	**–**	**2,623**	**–**	**2,623**
TOTAL		**23**	**–**	**4,762**	**–**	**4,785**

1 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.

STOCK OPTION PLAN

In the course of 2016 the Company did not have any valid stock option plan and no stock option plan was adopted during the year.

INFORMATION ON SHARES HELD BY THE MANAGEMENT

As of 31 December 2016, Directors and Members of the Management Board did not hold any shares or stock options issued by the Company.

As of 31 December 2016, Directors and Members of the Supervisory Board did not hold any shares or stock options issued by the Company.

As of 31 December 2016, 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 1 January 2009) 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 2016, the Company did not comply with a limited number of best practice provisions described below:

A) DUTCH CORPORATE GOVERNANCE CODE:

Best Practice Provision III.2.1 according to which all Supervisory Board members, with the exception of not more than one person, shall be independent. Currently, there is only one independent member on the Supervisory Board. However, the Company does not exclude that the number of independent members will increase further due to a new shareholder decision. It is rather unlikely that this rule will be complied with as long as Penta Investments Limited is entitled to a majority of votes.

Principles II.3 and III.6 relating to conflicts of interest of the Management Board and the Supervisory Board members. The Company acknowledges that 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 as set forth in best practice provisions II.3.4 or II.6.3.

Principle III.5 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. In the future, new shareholders may decide to establish the additional committees.

Best Practice Provision III.5.6 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, chairman of the Supervisory Board, currently acts as chairman of the audit committee; the Company believes, however, 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.

Best Practice Provision III.5.7 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, since there is only one independent member of the Supervisory Board who is a member of the audit committee. 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.

Annex 3 according to which the Supervisory Board should include a proportion of suitable independent members, with a minimum of three, or 25 percent, of the total number of members for larger companies, and two, or 25 percent, of the total for smaller companies. Currently, there is only one independent member on the Supervisory Board. However, the Company does not exclude that the number of independent members will increase further following a new shareholder decision in the future.

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:

7.4.2 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 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 an explanation of the decision behind the lack of such drafting and implementation on its website;

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 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, whose members 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.3. At least two members of the supervisory board should meet the criteria of being independent referred to in principle II.Z.4. Currently, there is only one independent member on the Supervisory Board. However, the Company does not exclude that in the future the number of independent members will increase further.

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 compa-

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ny 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 members 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 of 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 other 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 where 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 elec-

tronic 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 where 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 Exchange.

V. CONFLICT OF INTEREST, 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- and long-term goals, long-term interests and results, taking into account solutions necessary to avoid discrimination on whatever 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.

7.4.3 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 2016 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 2016 and the state of affairs during the financial year 2016; and
3. the Annual Report describes the material risks that the Company faces.

8
Investor Information

FORTUNA'S SHARES AND SHARE CAPITAL

Shareholders as of 31 December 2016:

FORTBET HOLDINGS LIMITED, a subsidiary of Penta Investments Limited	68.25%
Templeton Asset Management Ltd.	10.00%
Other free float	21.75%

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. After the exercising of the over-allotment option, 34,975,330 shares remained with Penta; the rest were sold to institutional and retail investors. About 1% of the offering was allocated to retail.

The IPO was twice oversubscribed and the issue price was set at just under the upper end of the indicated price range. 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 2016, 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.

SHARE PRICE DEVELOPMENT AND TRADING ACTIVITY IN 2016[1]

During 2016 Fortuna shares were traded for a total value of CZK 328 million on the Prague Stock Exchange and for a total value of PLN 4.6 million on the Warsaw Stock Exchange. In 2016, the lowest trading prices of FEG shares during the year were CZK 76.65 and PLN 12.5 and the highest were CZK 103 and PLN 16.9 on the Prague and Warsaw Stock Exchanges, respectively.

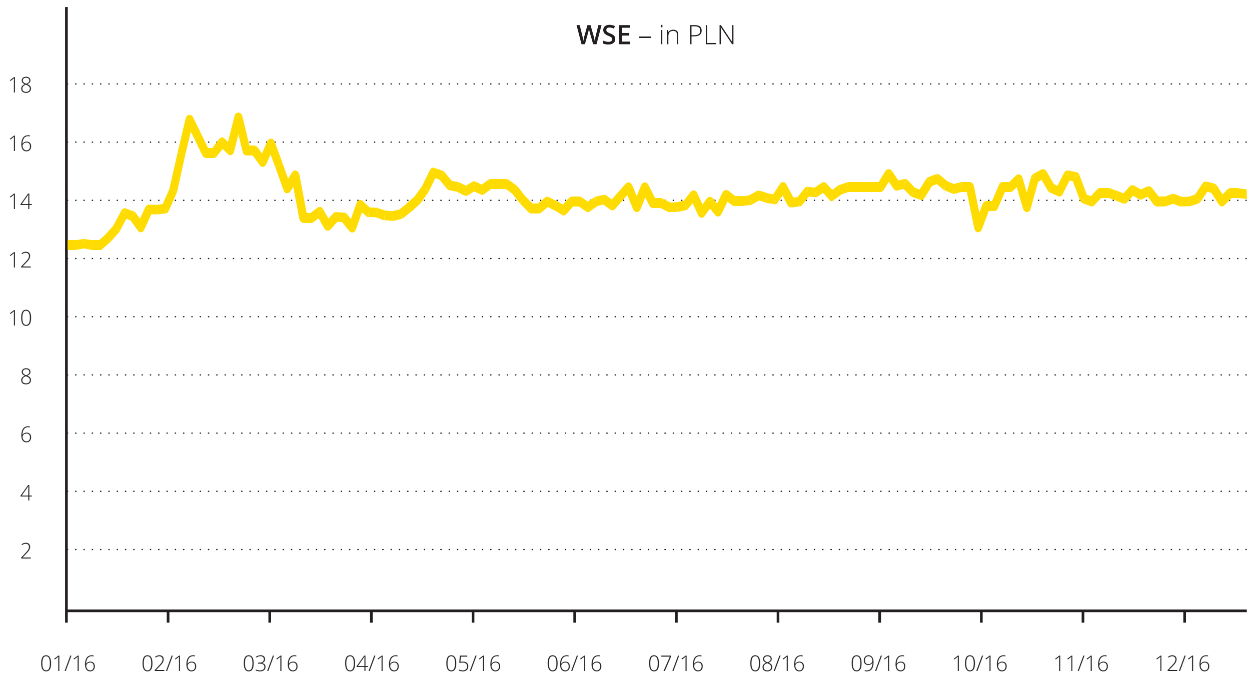
The closing prices on 31 December 2016 were CZK 85.8 on the Prague Stock Exchange and PLN 14.25 on the Warsaw Stock Exchange and the market capitalisation of FEG came to CZK 4.46 billion (based on the Prague Stock Exchange quote).

1 Source: Bloomberg and PSE

1. 1. 2016 – 31. 12. 2016
Prague Stock Exchange Share Price Development

Source: PSE

1. 1. 2016 – 31. 12. 2016
Warsaw Stock Exchange Share Price Development



Source: WSE

CHANGES IN THE SHAREHOLDERS STRUCTURE IN 2016

In 2016, the majority shareholder FORTBET HOLDINGS LIMITED, a subsidiary of Penta Investments Limited, increased its stake in Fortuna Entertainment Group N.V. from 67.26% to 68.25%.

During the financial year ending 31 December 2016, the Company did not receive any other notification from shareholders about an acquisition or change of a major holding in the share capital and the total voting rights attached to the shares issued by the Company.

The total stake held by the management of the Company as of 31 December 2016 was 0%.

DIVIDEND POLICY

Since 2015, the dividend policy of FEG has been under review due to 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 2016 and 2017. The general dividend policy after 2017 going forward will be announced after the year- end of 2017.

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 8 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 2017	
11 May 2017	Interim Management Statement for the Period Starting 1 January 2017
31 August 2017	Half Year Report 2017 incl. First Half 2017 Financial Results
9 November 2017	Interim Management Statement for the Period Starting 1 July 2017

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Supervisory Board Report

The Supervisory Board has reviewed the Annual Report of Fortuna Entertainment Group N.V. for the financial year 2016, as prepared by the Management Board.

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 is only one independent member on the Supervisory Board. However, the Company does not exclude that the number of independent members will increase. It is rather unlikely that the recommendation that the majority of Supervisory Board members should be independent will be complied with as long as Penta Investments Limited or one of its subsidiaries is entitled to the majority of votes.

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 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.

MEETINGS AND ACTIVITIES OF THE SUPERVISORY BOARD

The Supervisory Board held 4 meetings in 2016, where 3 meetings were physical meetings and one was held per roll am ("by letter"). Two of the meetings of the Supervisory Board were attended by members of the Management Board. Moreover, the Supervisory Board audit committee regularly meets without the members of the Management Board.

During the various meetings, the Supervisory Board discussed FEG's strategy, expansion plans, financial situation, business risks, investor relations, 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 2016, the Supervisory Board spent a considerable period of time discussing FEG's corporate and market strategy, new strategy in relation to investments in the new betting & gaming platform, potential international expansion, the development of the online business, and the lottery project in the Czech Republic, regulatory changes in the Czech Republic and in Poland.

In line with what is a common yearly practice, an evaluation was performed in 2016 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.

CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD

The Extraordinary General Meeting of Fortuna Entertainment Group N.V. held on 8 April 2016 in Amsterdam adopted Mr Iain Child as a member the Supervisory Board proposed in accordance with the articles of association of the Company.

Mr Michal Horáček, a member of the Supervisory Board of Fortuna Entertainment Group N.V., resigned from the post of Supervisory Board member with effect from 23 May 2016.

The Extraordinary General Meeting of Fortuna Entertainment Group N.V. held on 7 September 2016 in Amsterdam adopted Mr Morten Rønde as a member the Supervisory Board proposed in accordance with the articles of association of the Company.

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

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.

AUDIT COMMITTEE

Members of FEG's audit committee in 2016 were Marek Šmrha and Michal Horáček, the latter until his resignation from the Supervisory Board. Marek Šmrha, the Chairman 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 2016, the audit committee met once for the purpose of the discussion of 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.

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 annual remuneration of each member of the Supervisory Board in 2016 was therefore zero. The Supervisory Board remuneration is not linked to the financial performance of the Company.

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.

COMPOSITION OF THE MANAGEMENT BOARD

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

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.

Amount and Composition

The current compensation and benefits levels are benchmarked against relevant companies. External compensation survey data and, where necessary, external personnel and remuneration consultants, are used to benchmark our remuneration levels and structures.

The Supervisory Board further evaluates the performance of members of the Management Board in view of these goals and objectives, and makes recommendations on the compensation levels of the members of the Management Board based on the evaluation.

OUTLINE 2016 REMUNERATION REPORT

The outline of the remuneration report of the Supervisory Board for the financial year 2016 concerning the remuneration policy of the Company is as follows:

Members of the Management Board received a fixed annual fee for the performance of their duties which is not part of any incentive or performance-based remuneration. Per Widerström is entitled to a) a basic salary and benefits and b) performance-based remuneration based on his simultaneous position as CEO of the Company. The remuneration principles for Per Widerström are in line with the adopted remuneration principles for the Senior Management.

The remuneration of the members of the Management Board and Senior Management is described in Section 8.3 of the Annual Report. The remuneration of the Management Board in the year 2016 was in accordance with the Remuneration Policy adopted by the General Meeting of Shareholders.

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 this past challenging year, with many new projects. The Supervisory Board wishes to express its gratitude to the members of the Management Board and senior management and all FEG employees for their dedication and contributions to the results in 2016.

Amsterdam, 10 April 2017

PER WIDERSTRÖM
Chairman of the Management 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.

MAREK ŠMRHA
Chairman of the Supervisory 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 Independent Auditor's Report

To: The shareholders and Supervisory Board of Fortuna Entertainment Group N.V.

Report on the audit of the financial statements 2016

OUR OPINION

We have audited the financial statements 2016 of Fortuna Entertainment Group N.V. (the company), based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- the consolidated financial statements give a true and fair view of the financial position of Fortuna Entertainment Group N.V. as at 31 December 2016, and of its result and its cash flows for 2016 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 company financial statements give a true and fair view of the financial position of Fortuna Entertainment Group N.V. as at 31 December 2016, and of its result for 2016 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2016;

- the following statements for 2016: consolidated statements of profit and loss and other comprehensive income, changes in equity and cash flows; and

- the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company statement of financial position as at 31 December 2016;

- the company statement of profit and loss for the year ended 31 December 2016; and

- the notes comprising a summary of the 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 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIALITY

Materiality	€ 3.300.000 (2015: € 3.116.000)
Benchmark used	5% of pre-tax income adjusted for betting taxes and levies
Additional explanation	We have applied adjusted pre-tax income since this represents the most important key performance indicator for Fortuna Entertainment Group N.V. and its stakeholders.

We have also taken into account misstatements 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 EUR 167,000, 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 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 in Czech Republic, Poland and Slovakia. These entities represent 100% of total revenue, 100% of pre-tax income and 97% of total assets.

We have sent detailed instructions to component auditors in the Czech Republic, Poland and Slovakia, 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 Poland. At these visits, we reviewed the component auditors' files, discussed the outcome of their work and their reports thereon.

For goodwill we have applied a centralized audit approach with specified audit procedures.

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 consolidated 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.

RISK	OUR AUDIT RESPONSE
IT and revenue recognition We refer to note 11.3.4 of the consolidated financial statements as part of the summary of the significant accounting policies	
The appropriate recognition of revenue is dependent on IT systems correctly calculating commission revenues and appropriate wins and losses and controls accurately reporting on and reconciling these transactions. 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 0.5 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.	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 tested that the systems are configured appropriately. 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. 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. Revenue recognition over the scratch tickets revenue stream was tested by performing substantive procedures concentrating mainly on whether the correct pay-out ratio is maintained and the respective accruals are calculated and accounted for correctly. 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. The overall IT environment was critically assessed, including security policies and procedures, IT organizational structure, strategy and reporting, disaster recovery and back-up testing.

RISK	OUR AUDIT RESPONSE
Valuation of goodwill We refer to note 11.3.1 of the consolidated financial statements as part of the summary of the significant accounting policies and note 11.15 to the financial statements	
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.	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 company. We in particular paid attention to the assumptions relating to the discount rate, the forecasted revenue growth and profit margins. 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.
Capital expenditure as part of the new sports betting and gaming platform We refer to note 11.3.6 and 11.3.7 of the consolidated financial statements as part of the summary of the significant accounting policies and note 11.16 and 11.17 to the financial statements	
The assessment and timing of whether assets meet the capitalization criteria set out in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets requires judgment, as well as the selection of appropriate useful economic lives.We considered this as a key audit matter because Fortuna Entertainment Group N.V. is developing a new sports betting and gaming platform. In addition determining whether there is an impairment of the carrying value of assets also requires judgment.	We tested capital expenditures relating to the new sports betting and gaming platform and examined management's assessment as to whether the project spend met the recognition criteria. Our procedures included understanding the business case for each project, challenging key assumptions or estimates, verifying capital project authorization especially relating to internal hours, tracing project costs to third party evidence and assessing the useful economic life attributed to the asset. We have used a valuation expert to assist us in evaluating the assumptions and methodologies used by the company. We in particular paid attention to the assumptions relating to the discount rate, the forecasted revenue growth and profit margins. 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 assets. 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.

RISK	OUR AUDIT RESPONSE
Recognition and measurement of deferred tax asset in Poland We refer to note 11.3.18 of the consolidated financial statements as part of the summary of the significant accounting policies and note 11.13 to the financial statements	
Deferred tax is derecognized by the company when the difference between the carrying amounts of assets and liabilities and the corresponding tax basis is reduced. In 2016 the company derecognized EUR 3,0 million of its deferred tax assets mainly as a result of a change in tax legislation in Poland. We considered this as a key audit matter because of the impact of this derecognition on the company's tax charge and profit for the year.	We have verified and assessed the impact of the change in tax legislation in 2016 that triggered the derecognition of the deferred tax asset. We furthermore reviewed the related change of the tax basis difference as well as the recorded income tax charge. We have also verified the appropriateness of the related disclosures. These reviews and assessments were carried out with the support from our tax specialists.
Held for sale FORTUNA sázky a.s. We refer to note 11.3.23 Current assets held for sale and discontinued operations of the consolidated financial statements as part of the summary of the significant accounting policies and note 11.12 Discontinued operations to the financial statements	
The classification of the Lottery business as Assets Held for Sale and Discontinued operations was significant to our audit due to the complexity of the assessment process, the disclosure requirements as well as the related impairment charge of € 1,9 million on property plant and equipment and intangible assets.	We have assessed management's evaluation in relation to the classification of the Lottery business as Assets and Liabilities Held for Sale and Discontinued operations, in accordance with the classification criteria under EU-IFRS, as this has a material effect on the presentation of the financial statements. We also assessed the adequacy of the disclosures in note 11.12 Discontinued operations as well as the recognition and disclosure of the impairment.

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's 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.

Management is responsible for the preparation of the other information, including the management board's report 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.

Description of responsibilities for the financial statements

RESPONSIBILITIES OF MANAGEMENT AND THE SUPERVISORY BOARD FOR THE FINANCIAL STATEMENTS

Management 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, management is responsible for such internal control as management 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, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management 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 management.

- Concluding on the appropriateness of management's 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 the company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and

- 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 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.

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.

Amsterdam, 10 April 2017
Ernst & Young Accountants LLP
Signed by A.A. van Eimeren

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Consolidated Financial Statements of Fortuna Entertainment Group N.V.

As of 31 December 2016

Contents

Consolidated statement of financial position for the year ended 31 December 2016

€ 000	NOTES	31 DECEMBER 2016	31 DECEMBER 2015
ASSETS			
Non-current assets			
Goodwill	11.15	47,111	47,102
Intangible assets	11.16	18,221	12,964
Property, plant and equipment	11.17	6,474	7,975
Deferred tax assets	11.13	1,921	4,767
Restricted cash	11.20	2,971	4,820
Other non-current assets	11.19	1,602	2,045
Total non-current assets		**78,300**	**79,673**
Current assets			
Current receivables	11.18	1,729	3,250
Income tax receivable		659	955
Other current assets	11.19	3,097	2,995
Cash and cash equivalents	11.21	30,249	28,144
Total current assets		**35,734**	**35,344**
Assets held for sale	**11.12**	**7,511**	**–**
TOTAL ASSETS		**121,545**	**115,017**

€ 000	NOTES	31 DECEMBER 2016	31 DECEMBER 2015
EQUITY AND LIABILITIES			
Share capital	11.23	520	520
Share premium	11.23	8,262	8,262
Statutory reserve	11.23	66	67
Foreign currency translation reserve	11.23	(2,064)	(2,007)
Hedge reserve	11.23	–	(132)
Retained earnings	11.23	52,617	44,307
Reserves of a disposal group held for sale	11.12	(125)	–
Equity attributable to equity holders of the parent		**59,276**	**51,017**
Non-controlling interest		199	226
Total Equity		**59,475**	**51,243**
Non-current liabilities			
Deferred tax liability	11.13	–	35
Provisions	11.26	3,685	2,033
Long-term bank loans	11.27	24,625	30,139
Other non-current liabilities		34	352
Total non-current liabilities		**28,344**	**32,559**
Current liabilities			
Trade and other payables	11.28	21,121	21,344
Income tax payable		166	883
Provisions	11.26	3,271	2,837
Current portion of long-term bank loans	11.27	5,528	5,523
Derivatives	11.22	–	169
Other current financial liabilities		771	459
Total current liabilities		**30,857**	**31,215**
Liabilities directly associated with the assets held for sale	11.12	2,869	–
EQUITY AND LIABILITIES		**121,545**	**115,017**

Consolidated statement of profit or loss for the year ended 31 December 2016

€ 000	NOTES	2016	2015
Continuing operations			
Amounts staked	11.6	1,019,370	828,003
Revenue		**98,947**	**95,746**
Personnel expenses	11.7	(33,528)	(30,380)
Depreciation and amortisation	11.6	(2,761)	(3,404)
Impairment of PPE and intangible assets		–	(429)
Other operating income	11.8	1,248	1,387
Other operating expenses	11.9	(45,908)	(40,921)
Operating profit		**17,998**	**21,999**
Finance income	11.10	203	209
Finance cost	11.10	(1,761)	(2,155)
Profit before tax		**16,440**	**20,053**
Income tax expense	11.13	(6,885)	(914)
Profit for the year from continuing operations		**9,555**	**19,139**
Discontinued operations			
Profit / (loss) after tax for the year from discontinued operations	**11.12**	**(1,273)**	**373**
PROFIT FOR THE YEAR		**8,282**	**19,512**
Attributable to:			
Equity holders of the parent			
Continuing operations		9,555	19,139
Discontinued operations		(1,246)	366
Non-controlling interest			
Continuing operations		–	–
Discontinued operations		(27)	7

€ EARNINGS PER SHARE	11.14	2016	2015
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		0.160	0.375

€ EARNINGS PER SHARE FROM CONTINUING OPERATIONS	11.14	2016	2015
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		0.184	0.368

Consolidated statement of comprehensive income for the year ended 31 December 2016

€ 000	NOTES	2016	2015
Profit for the year		**8,282**	**19,512**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net movement on cash flow hedges	11.11	169	216
Income tax effect	11.11	(37)	(44)
		132	**172**
Exchange differences on translation of foreign operations	11.11	(182)	1,479
Income tax effect		–	–
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**(50)**	**1,651**
Other comprehensive income for the year, net of tax		**(50)**	**1,651**
Total comprehensive income for the year, net of tax		**8,232**	**21,163**

Attributable to:			
Equity holders of the parent		8,259	21,156
Non-controlling interest		(27)	7

Consolidated statement of cash flow for the year ended 31 December 2016

€ 000	NOTES	2016	2015
Cash flows from operating activities			
Profit before tax from continuing operations		16,440	20,053
Profit / (loss) before tax from discontinued operations		(1,288)	537
Profit before tax		**15,152**	**20,590**
Adjustments for:			
Depreciation, amortisation and impairment	11.6	5,449	4,613
Changes in provisions		3,164	2,811
(Gain) / Loss on disposal of property, plant and equipment	11.8	(56)	(5)
Interest expenses and income		958	1,168
Other non-cash items		(102)	25
Operating cash flow before working capital changes		**24,565**	**29,202**
(Increase) / Decrease in other current assets		(1,597)	(575)
(Increase) / Decrease in receivables		806	(1,255)
(Decrease) / Increase in payables and other liabilities		1,842	5,911
Cash generated from operating activities		**25,616**	**33,283**
Corporate income tax paid		(4,814)	(6,043)
Net cash flows provided by / (used in) operating activities		**20,802**	**27,240**
Cash flows from investing activities			
Interest received		78	70
Earn-out payment for acquisition		(147)	(232)
Purchase of buildings, equipment and intangible assets		(10,516)	(8,840)
Proceeds from sale of buildings and equipment		162	15
Net cash flows provided by / (used in) investing activities		**(10,423)**	**(8,987)**

€ 000	NOTES	2016	2015
Cash flows from financing activities			
Net proceeds from / (Repayments of) long-term borrowings		(5,640)	(5,618)
Interest paid		(716)	(1,129)
Net cash flows provided by / (used in) financing activities		**(6,356)**	**(6,747)**
Net effect of currency translation in cash		(174)	712
Net increase / (decrease) in cash and cash equivalents		3,849	12,218
Cash and cash equivalents at the beginning of the year		28,144	15,926
Cash and cash equivalents at the end of the year from continuing operations	11.21	30,249	28,144
Cash and cash equivalents at the end of the year from discontinued operations	11.12	1,744	–
Cash and cash equivalents at the end of the year (total)		**31,993**	**28,144**

Consolidated statement of changes in equity for the year ended 31 December 2016

	NOTES	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
		€ 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**
Dividend 2015 paid out to shareholders	11.24	–	–	–	–	–	–	–	–	–	–
Discontinued operations	11.12	–	–	–	–	–	(125)	125	–	–	–
Transfer of statutory reserves1		–	–	(1)	1	–	–	–	–	–	–
31 December 2016		**520**	**8,262**	**66**	**52,617**	**–**	**(125)**	**(2,064)**	**59,276**	**199**	**59,475**

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

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2015

		ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT									
	NOTES	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
		€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
1 January 2015		**520**	**8,262**	**797**	**24,072**	**(304)**	**–**	**(3,486)**	**29,861**	**219**	**30,080**
Profit for the year		–	–	–	19,505	–	–	–	19,505	7	19,512
Other comprehensive income		–	–	–	–	172	–	1,479	1,651	–	1,651
Total comprehensive income		**–**	**–**	**–**	**19,505**	**172**	**–**	**1,479**	**21,156**	**7**	**21,163**
Dividend 2014 paid out to shareholders	11.24	–	–	–	–	–	–	–	–	–	–
Discontinued operations	11.12	–	–	–	–	–	–	–	–	–	–
Transfer of statutory reserves2		–	–	(730)	730	–	–	–	–	–	–
31 December 2015		**520**	**8,262**	**67**	**44,307**	**(132)**	**–**	**(2,007)**	**51,017**	**226**	**51,243**

2 In 2015 FORTUNA GAME a.s. released its reserve fund as companies in the Czech Republic are no longer required to maintain one.

Notes to the consolidated financial statements as of 31 December 2016

11.1 Corporate information

The consolidated financial statements for the year ended 31 December 2016 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 2016 and 31 December 2015, 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 2016 and 31 December 2015, respectively, and a summary of significant accounting policies and other explanatory notes.

The consolidated financial statements of FEGNV for the year ended 31 December 2016 were authorised for issuance on 10 April 2017 in accordance with a resolution of the directors. The Annual General Meeting to approve the financial statements will take place on 29 May 2017.

The Parent Company has its registered office at Strawinskylaan 809, Amsterdam, the Netherlands. An amount of 68.25% 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 31.75% of the shares are publicly traded on the Polish stock exchange in Warsaw and the Czech stock exchange in Prague.

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. 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 in the Czech Republic, Slovakia and Poland and via online websites in the Czech Republic, Slovakia and, since January 2012, also in Poland.

In May 2011 Fortuna Group commenced with commercial sales of scratch cards and in July 2011 the company launched numerical lottery games on the territory of the Czech Republic.

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.

FEGNV had the following members of its Management and Supervisory Board as of 31 December 2016:

MANAGEMENT BOARD	
Chairman:	Per Widerström
Member:	Richard van Bruchem
Member:	Janka Galáčová

SUPERVISORY BOARD	
Chairman:	Marek Šmrha
Member:	Iain Child
Member:	Morten Rønde

Iain Child was appointed as a member of the Supervisory Board, effective 8 April 2016.

Michal Horáček resigned as a Member of the Supervisory Board, effective 23 May 2016.

Morten Rønde was appointed as a new Member of the Supervisory Board, effective 7 September 2016, meaning the Supervisory Board once more comprised of three members.

11.2 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 comprise 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.

11.2.1 **Basis of consolidation**

The consolidated financial statements comprise of the financial statements of the Group and its subsidiaries as of 31 December 2016. 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 2016 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 sázky a.s.
- FortunaWin Ltd. (in liquidation)
- FORTUNA SK, a.s.
- FORTUNA online zakłady bukmacherskie Sp. z o.o.
- FORTUNA SERVICES Sp. z o.o., SKA
- FORTUNA SERVICES Sp. z o.o.

All the entities are 100% owned by FEGNV, either directly or indirectly, except for FORTUNA sázky a.s. FEGNV indirectly owns a 98.4% stake in the company FORTUNA sázky a.s. (92% in 2015). In 2016, FORTUNA technology and FORTUNA sázky a.s. merged, whereby FORTUNA technology s.r.o. as a company ceased to exist. At the date of the merger a non-controlling 8% interest in FORTUNA sázky a.s. was held by a third party. As a consequence of the merger, a share exchange took place with the third party which led to a decrease of this non-controlling interest percentage to 1.6%.

FORTUNA sázky a.s. (which represents the lottery segment) is reported according to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations due to decision of the management to sell the lottery segment.

In 2015, FORTUNA online zakłady bukmacherskie Sp. z o.o. (FORTUNA online) acquired two companies which were thereafter renamed FORTUNA SERVICES Sp. z o.o., SKA and FORTUNA SERVICES Sp. z o.o. Part of the FORTUNA online operations was transferred to FORTUNA SERVICES Sp. z o.o., SKA in order to improve the management of trademarks and increase their recognition within Poland.

11.3 Summary of significant accounting policies

The accounting policies used in preparing the consolidated financial statements for the years ended 31 December 2016 and 31 December 2015, respectively, are set out below.

11.3.1 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 that 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 this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

11.3.2 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 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.

11.3.3 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 reassessing 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.

11.3.4 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.

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 provides its clients also 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.

11.3.5 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.

11.3.6 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 years

Intangible assets with indefinite useful lives (brand names) 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 derecognition 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.

11.3.7 **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 years
Plant and equipment	2-6 years
Cars	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.

11.3.8 **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 transfer to Fortuna Group substantially 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.

11.3.9 **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.

11.3.10 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.

11.3.11 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 11.18.

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 2016 and 2015, 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 2016 and 2015, 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.

11.3.12 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 11.27.

11.3.13 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.

11.3.14 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 not 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.

11.3.15 **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.

11.3.16 **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, 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.

11.3.17 **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") and EUR.

Transactions in foreign currencies are initially recorded in the functional currency at the foreign currency rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign currency rate of the exchange ruling 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 ruling 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.

11.3.18 **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 (2015: 20%) 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% (2015: 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% (2015: 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.

11.3.19 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 PLANS
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.

11.3.20 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

11.3.21 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.

11.3.22 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.

11.3.23 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 for 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 11.12. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

11.3.24 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 2016:

AMENDMENTS TO IFRS 11 JOINT ARRANGEMENTS: ACCOUNTING FOR ACQUISITIONS OF INTERESTS

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under the common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are applied prospectively. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

AMENDMENTS TO IAS 16 AND IAS 38: CLARIFICATION OF ACCEPTABLE METHODS OF DEPRECIATION AND AMORTISATION

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Group, given that it has not used a revenue-based method to depreciate its non-current assets.

AMENDMENTS TO IAS 27: EQUITY METHOD IN SEPARATE FINANCIAL STATEMENTS

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively.

These amendments do not have any impact on the Group's consolidated financial statements.

ANNUAL IMPROVEMENTS 2010-2014 CYCLE

These improvements are effective from 1 February 2016 and do not have a material impact on the Group. They include:

IFRS 5 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal; rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment is applied prospectively.

IFRS 7 FINANCIAL INSTRUMENTS: DISCLOSURES

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be carried out retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively.

IAS 19 EMPLOYEE BENEFITS

The amendment clarifies that the market depth of high-quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high-quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.

IAS 34 INTERIM FINANCIAL REPORTING

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.

These amendments do not have any impact on the Group.

AMENDMENTS TO IAS 1 DISCLOSURE INITIATIVE

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of the financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and be classified between those items that will or will not be subsequently reclassified to profit or loss
- Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of the financial position and the statement(s) of profit or loss and OCI.

These amendments do not have any impact on the Group.

AMENDMENTS TO IFRS 10, IFRS 12 AND IAS 28 INVESTMENT ENTITIES: APPLYING THE CONSOLIDATION EXCEPTION

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments are applied retrospectively and do not have any impact on the Group as the Group does not apply the consolidation exception.

11.3.25 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. 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.

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 7 DISCLOSURE INITIATIVE – AMENDMENTS TO IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On the initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. The application of amendments will result in additional disclosure provided by the Group.

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.

11.3.26 Change in reporting

The management of Fortuna Group decided to sell the segment of lottery, which is represented by the company FORTUNA sázky a.s. Lottery is reported in compliance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

11.4 Use of Accounting judgements, estimates and assumptions

JUDGMENTS

The preparation of these consolidated financial statements requires management to make judgments, 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 judgments, 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 judgment 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 were the Group operates. Further details are given in notes 11.3.18 and 11.6.

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, that 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:

INDEFINITE 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) 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 note 11.3.1, 11.3.6, 11.15 and 11.16.

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 11.3.4 and 11.6. 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 judgment 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 11.3.18 and 11.13.

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 note 11.3.11 and 11.18.

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 11.3.16 and 11.26.

11.5 Business combinations

ACQUISITIONS IN 2015

FORTUNA online zakłady bukmacherskie Sp. z o.o. (FORTUNA online) acquired in 2015 two companies which were thereafter renamed to FORTUNA SERVICES Sp. z o.o., SKA and FORTUNA SERVICES Sp. z o.o. Part of FORTUNA's online operations were transferred to FORTUNA SERVICES Sp. z o.o., SKA in order to improve the management of trademarks and increase their recognition within Poland.

11.6 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
- 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.

The following tables present revenue and profit information regarding Fortuna Group's continuing operating segments for the years 2016 and 2015, respectively:

YEAR ENDED 31 DECEMBER 2016	€ 000				
	CZECH REPUBLIC	SLOVAKIA	POLAND	OTHER COUNTRIES	TOTAL OPERATING SEGMENTS
Revenue	50,562	26,629	21,756	–	**98,947**
Depreciation and amortisation	1,738	514	497	12	**2,761**
Operating profit / (loss)	7,469	9,165	1,789	(425)	**17,998**
Capital expenditure	8,264	786	1,327	–	**10,377**
Non-current assets	21,141	1,369	2,180	5	**24,695**
Operating segment assets	37,050	12,234	8,804	8,835	**66,923**
Operating segment liabilities	18,654	5,193	4,762	439	**29,048**

YEAR ENDED 31 DECEMBER 2015	€ 000				
	CZECH REPUBLIC	SLOVAKIA	POLAND	OTHER COUNTRIES	TOTAL OPERATING SEGMENTS
Revenue	46,472	27,897	21,373	4	**95,746**
Depreciation and amortisation	2,453	806	527	47	**3,833**
Operating profit / (loss)	11,960	9,707	1,430	(630)	**22,467**
Capital expenditure	7,297	720	724	–	**8,741**
Non-current assets	14,690	1,100	1,396	17	**17,203**
Operating segment assets	30,653	13,281	12,478	2,176	**58,588**
Operating segment liabilities	16,007	4,896	3,861	257	**25,021**

Segment results for each operating segment exclude net finance costs of € 1,558 thousand and € 1,946 thousand for 2016 and 2015 and income tax expense of € 6,885 thousand and € 914 thousand for 2016 and 2015, respectively.

Segment non-current assets include intangible assets and property, plant and equipment.

Segment assets exclude goodwill of € 47,111 thousand and € 47,102 thousand as at 31 December 2016 and 31 December 2015, respectively, as these assets are managed on a group basis.

Segment liabilities excludes bank loans of € 30,153 thousand and € 35,662 thousand as at 31 December 2016 and 31 December 2015, respectively, and derivatives of € 169 thousand as at 31 December 2015, as these liabilities are managed on a group basis.

Capital expenditure consists of additions to property, plant and equipment and intangible assets.

INFORMATION 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 2016	€ 000				
	CZECH REPUBLIC	SLOVAKIA	POLAND	MALTA	TOTAL
Total amounts staked	561,255	334,500	123,615	–	**1,019,370**
– of which: Sports betting – Bets	558,115	331,150	108,781	–	**998,046**
– of which: Sports betting – Commissions	3,140	3,350	14,834	–	**21,324**
Paid out prizes	(493,475)	(286,205)	(85,918)	–	**(865,598)**
Gross win	67,780	48,295	37,697	–	**153,772**
– of which: Sports betting – Online	53,399	33,341	16,375	–	**103,115**
– of which: Sports betting – Retail	14,381	14,954	21,322	–	**50,657**
Withholding tax paid	(15,579)	(19,869)	(14,834)	–	**(50,282)**
Other revenues	(1,639)	(1,797)	(1,107)	–	**(4,543)**
Revenue	**50,562**	**26,629**	**21,756**	**–**	**98,947**

YEAR ENDED 31 DECEMBER 2015	€ 000				
	CZECH REPUBLIC	SLOVAKIA	POLAND	MALTA	TOTAL
Total amounts staked	462,122	259,926	105,768	187	**828,003**
– of which: Sports betting – Bets	458,764	255,646	93,078	187	**807,675**
– of which: Sports betting – Commissions	3,358	4,280	12,690	–	**20,328**
Paid out prizes	(402,565)	(215,571)	(70,984)	(175)	**(689,295)**
Gross win	59,557	44,355	34,784	12	**138,708**
– of which: Sports betting – Online	43,875	28,011	12,802	12	**84,700**
– of which: Sports betting – Retail	15,682	16,344	21,982	–	**54,008**
Withholding tax paid	(11,912)	(15,340)	(12,689)	(5)	**(39,946)**
Other revenues	(1,173)	(1,118)	(722)	(3)	**(3,016)**
Revenue	**46,472**	**27,897**	**21,373**	**4**	**95,746**

11.7 Personnel expenses

€ 000	2016	2015
Wages and salaries	26,220	23,816
Social security costs	6,556	5,869
Directors' remuneration	70	23
Other payroll costs	682	672
Total	**33,528**	**30,380**
Number of employees in the period:		
Average number of employees	**2,326**	**2,402**
Key managers	9	5
Staff	2,317	2,397
Remuneration of key management personnel of Fortuna Group		
Wages and salaries	4,611	1,202
Social security costs	211	162
Termination benefits	–	–
Total remuneration	**4,822**	**1,364**

Key management includes country managing directors and group top management.

11.8 Other operating income

€ 000	2016	2015
Gain on sale of fixed assets	79	2
Revenues from rental of real estate	100	451
Other income	1,069	934
Total	**1,248**	**1,387**

Other income includes services and the trademark lease rendered to Romanian entities in the amount of € 814 thousand and € 751 thousand in 2016 and 2015, respectively.

Other operating income includes income from related parties in the amount of € 890 thousand and € 1,165 thousand in 2016 and 2015, respectively (for more information refer to note 11.29).

11.9 Other operating expenses

€ 000	2016	2015
Operating lease expense (note 11.30)	10,960	10,878
Materials and office supplies	1,878	1,875
Marketing and advertising	10,613	8,404
Telecommunication costs	1,151	1,110
Energy and utilities	1,116	1,272
Repairs and maintenance	605	516
Taxes and fees to authorities	1,029	944
Bad debt expense	41	13
IT services	3,838	3,292
Third party services (legal, professional etc.)	12,106	9,951
Travelling and entertainment cost	798	744
Others	1,773	1,922
Total	**45,908**	**40,921**

Expenses of the Czech, Slovak and Polish companies are charged to the statement of profit or loss including VAT, as VAT cannot be claimed on the input side.

11.10 Finance costs and income

€ 000	2016	2015
Interest on bank loans	1,034	1,238
Other finance costs	303	306
Foreign exchange losses	424	611
Total finance costs	**1,761**	**2,155**
Interest on bank deposits	59	69
Other finance income	19	–
Foreign exchange gains	125	140
Total finance income	**203**	**209**
Total finance costs, net	**1,558**	**1,946**

11.11 Components of other comprehensive income

€ 000	2016	2015
Movements of other comprehensive income before tax		
Cash flow hedges *Gains / (losses) arising during the year*		
Interest rate swap contracts		
Reclassification during the year to profit or loss	169	385
Net gain / (loss) during the year of not yet matured contracts	–	(169)
Exchange differences on translation of foreign operations		
Gains / (losses) arising during the year	(182)	1,479
Total effect on other comprehensive income (before tax)	**(13)**	**1,695**

Tax effect of components of other comprehensive income		
Cash flow hedges *Gains / (losses) arising during the year*		
Interest rate swap contracts	(37)	(44)
Total tax effect on other comprehensive income	**(37)**	**(44)**

Exchange differences on the translation of foreign operations include translation gains and losses from the consolidation of the subsidiaries reporting in foreign currency, especially Czech entities.

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.

The closing FX rate in 2015 changed from 27.725 CZK/EUR as of 31 December 2014 to 27.025 CZK/EUR as of 31 December 2015 and the average FX rate changed from 27.533 CZK/EUR in 2014 to 27.283 CZK/EUR in 2015.

11.12 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. The sale is expected to be completed during the first half of 2017. As of 31 December 2016, FORTUNA sázky a.s. was classified as a disposal group held for sale and as discontinued operations. The expected price for the transaction is in the amount of € 4,811 thousand (for the 100% stake). According to the expected price, the assets of FORTUNA sázky were impaired by € 1,916 thousands. The business of FORTUNA sázky a.s. represented the entirety of the Czech Republic lottery segment. On 9 March 2017 was announced the intention of Fortuna to sell the Czech lottery business – see the note 11.32. 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:

€ 000	2016	2015
Amounts staked	20,235	19,692
Revenue	**7,242**	**7,050**
Personnel expenses	(1,184)	(974)
Depreciation and amortisation	(772)	(780)
Impairment of PPE and intangible assets	(1,916)	–
Other operating income	65	6
Other operating expenses	(4,733)	(4,731)
Operating profit	**(1,298)**	**571**
Finance income	32	4
Finance cost	(22)	(38)
Profit before tax	**(1,288)**	**537**
Income tax expense	15	(164)
Profit for the year from discontinued operations	**(1,273)**	**373**

Analysis of the Lottery Revenue is as follows:

€ 000	2016	2015
Total amounts staked	20,235	19,692
Paid out prizes	(11,039)	(10,972)
Gross win	9,195	8,720
Withholding tax paid	(2,073)	(1,789)
Other revenues	12	119
Revenue	**7,242**	**7,050**

The assets and liabilities of FORTUNA sázky a.s. classified as held for the sale of the parent as of 31 December 2016 are, as follows:

€ 000	2016
Assets	
Intangible assets	130
Property, plant and equipment	1,042
Deferred tax assets	144
Restricted cash	1,850
Other non-current assets	216
Current receivables	855
Other current assets	1,530
Cash and cash equivalents	1,744
Assets held for sale	**7,511**
Liabilities	
Provisions	816
Trade and other payables – ST	1,812
Provisions – ST	241
Liabilities directly associated with assets held for sale	**2,869**
Net assets directly associated with disposal group	4,642
Amounts included in accumulated other comprehensive income:	
Exchange differences on translation of foreign operations	(125)
Reserve of disposal group classified as held for sale	**(125)**

The net cash flows incurred by FORTUNA sázky a.s. are as follows:

€ 000	2016	2015
Operating	1,485	791
Investing	(97)	(273)
Financing	–	–
Net cash outflow / inflow	**1,388**	**518**

€ EARNINGS PER SHARE FROM DISCONTINUED OPERATIONS	11.14	2016	2015
Basic, profit / (loss) for the year		(0.024)	0.007
Diluted, profit / (loss) for the year		(0.024)	0.007

11.13 **Income tax**

The major components of the income tax expense are:

€ 000	2016	2015
Current income tax:		
Current income tax charge	4,424	5,042
Prior year adjustments	(42)	(58)
Deferred tax:		
Relating to origination and reversal of temporary differences	2,488	(3,906)
Income tax expense reported in the statement of profit or loss	**6,870**	**1,078**
Income tax expense from continuing operations	6,885	914
Income tax expense from discontinued operations	(15)	164

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 2016 and 2015, respectively, is as follows:

€ 000	2016	2015
Accounting profit before income tax from continuing operations	16,440	20,053
Profit / (loss) before tax from discontinued operations	(1,288)	537
Accounting profit before income tax	**15,152**	**20,590**
At Dutch statutory income tax rate of 25% (2015: 25%)	3,788	5,148
Effect of permanent and other differences	(410)	(64)
Effect of trademark recognition in Poland	2,956	(3,539)
Unrecognised tax asset from the tax losses incurred	33	104
Tax non-deductible expenses	1,425	617
Non-taxable betting revenues	(19)	–
Non-taxable other income	(184)	(170)
Adjustments in respect to current income tax of previous years	(42)	(58)
Effect of higher/lower tax rates in other countries	(677)	(960)
At the effective income tax rate of 45.3% (2015: 5.2%)	**6,870**	**1,078**
Income tax expense reported in the consolidated income statement	6,885	914
Income tax attributable to discontinued operations	(15)	164
Total	**6,870**	**1,078**

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.

DEFERRED TAX

Deferred tax relates to the following:

	CONSOLIDATED STATEMENT OF FINANCIAL POSITION – € 000			CONSOLIDATED STATEMENT OF PROFIT OR LOSS – € 000	
	31 DECEMBER 2016	31 DECEMBER 2015	1 JANUARY 2015	2016	2015
Difference between carrying amounts of property, plant and equipment for accounting and tax purposes	91	32	(5)	58	26
Impairment adjustments and provisions	1,887	1,168	593	911	565
Tax losses carried forward	–	–	235	–	(240)
Difference between carrying amounts of trademarks for accounting and tax purposes	–	3,472	–	(3,380)	3,539
Other	87	60	81	(77)	16
Deferred tax income / (expense)				**(2,488)**	**3,906**
Deferred tax asset / (liability)	**2,065**	**4,732**	**904**		
Reflected in the statement of the financial position as follows:					
Deferred tax asset	2,065	4,767	935		
Deferred tax liability	–	(35)	(31)		
Deferred tax asset, net	**2,065**	**4,732**	**904**		
Deferred tax asset, net, attributable to a continuing operation	1,921	–	–		
Deferred tax asset, 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 € 659 thousand (2015: € 846 thousand) and they expire in 2021.

Reconciliation of deferred tax asset:

€ 000	2016	2015
Opening balance as at 1 January	4,767	935
Tax income (expense) during the period recognised in profit or loss	(2,504)	3,910
Tax income (expense) during the period recognised in other comprehensive income	(37)	(44)
Currency translation	(142)	(34)
Discontinued operations	(19)	–
Closing balance, 31 December	**2,065**	**4,767**

Reconciliation of deferred tax liability:

€ 000	2016	2015
Opening balance as of 1 January	35	31
Deferred tax liability acquired as part of subsidiary	–	–
Tax income (expense) during the period recognised in profit or loss	–	4
Discontinued operations	(35)	–
Closing balance, 31 December	–	35

11.14 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 2016 and 2015, 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:

€ 000	2016	2015
Profit / (loss) attributable to ordinary equity holders of the parent:		
Continuing operations	9,555	19,139
Discontinued operations	(1,246)	366
Net profit attributable to ordinary equity holders of the parent for earnings per share calculation	**8,309**	**19,505**
Weighted average number of ordinary shares for earnings per share calculation	52,000,000	52,000,000

STATEMENT OF PROFIT OR LOSS – €	2016	2015
Basic and diluted earnings per share	0.160	0.375
Basic and diluted earnings per share from continuing operations	0.184	0.368
Basic and diluted earnings per share from discontinued operations	(0.024)	0.007

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.

11.15 Goodwill

	€ 000
1 January 2016	**47,102**
Reduction in goodwill	–
Additions arising on acquisition of subsidiaries	–
Disposal of subsidiaries	–
Currency translation	9
31 December 2016	**47,111**

	€ 000
1 January 2015	**45,913**
Reduction in goodwill	–
Additions arising on acquisition of subsidiaries	–
Disposal of subsidiaries	–
Currency translation	1,189
31 December 2015	**47,102**

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 only to acquisitions of Czech companies operating in the sports betting industry. The impairment test includes also the new gaming platform which makes the major part of assets not yet in use at the moment and will be launched in 2017.

The cash flow projection covers a period of four years (2015: 4 years) and is discounted using the pre-tax discount rate of 7.71% (2015: 9.30%) for the Czech Republic. The valuation model used the company cash flow projection for the next four years and growth of 3% (2015: 3%) per annum in subsequent years, which is currently the estimated growth for the betting business.

As of 31 December 2016 and 2015, 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

€ 000	31. 12. 2016	31. 12. 2015
Czech Republic – sports betting	47,111	47,102
Total	**47,111**	**47,102**

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.

11.16 Intangible assets

€ 000	SOFTWARE	BRAND NAME	OTHER INTANGIBLE FIXED ASSETS	ASSETS NOT YET IN USE	TOTAL
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**

Assets not yet in use as of 31 December 2016 include investment in the new sports betting and gaming platform.

€ 000	SOFTWARE	BRAND NAME	OTHER INTANGIBLE FIXED ASSETS	ASSETS NOT YET IN USE	TOTAL
Cost:					
1 January 2015	**6,246**	**5,899**	**907**	**–**	**13,052**
Additions	1,605	–	150	4,405	6,160
Disposals	(105)	–	(296)	–	(401)
Transfers	–	–	–	–	–
Currency translation	121	153	24	40	338
31 December 2015	**7,867**	**6,052**	**785**	**4,445**	**19,149**
Accumulated amortisation:					
1 January 2015	**4,483**	**–**	**316**	**–**	**4,799**
Amortisation for the year	1,151	–	127	–	1,278
Disposals	–	–	(3)	–	(3)
Transfers	–	–	–	–	–
Currency translation	99	–	12	–	111
31 December 2015	**5,733**	**–**	**452**	**–**	**6,185**
Carrying amount 31 December 2015	**2,134**	**6,052**	**333**	**4,445**	**12,964**
Carrying amount 1 January 2015	**1,763**	**5,899**	**591**	**–**	**8,253**

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 € 6,053 thousand as of 31 December 2016 (2015: € 6,052 thousand). The brand name was pledged as a security for bank loans (note 11.27).

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 (2015: 4 years) and is discounted using the pre-tax discount rate of 7.71% (2015: 9.30%) for the Czech Republic. The valuation model used the company cash flow projection for the next four years and growth of 3% (2015: 3%) per annum in subsequent years, which is currently the estimated growth for the betting business.

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.

11.17 Property, plant and equipment

€ 000	LAND AND BUILDINGS	PLANT AND EQUIPMENT	OTHER ASSETS	ASSETS NOT YET IN USE	TOTAL
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**

€ 000	LAND AND BUILDINGS	PLANT AND EQUIPMENT	OTHER ASSETS	ASSETS NOT YET IN USE	TOTAL
Cost:					
1 January 2015	**2,147**	**20,641**	**–**	**572**	**23,360**
Additions	–	503	–	2,178	2,681
Disposals	(9)	(1,753)	–	(79)	(1,841)
Transfers	207	1,320	–	(1,527)	–
Currency translation	42	322	–	11	375
31 December 2015	**2,387**	**21,033**	**–**	**1,155**	**24,575**
Accumulated depreciation:					
1 January 2015	**1,447**	**13,763**	**–**	**–**	**15,210**
Depreciation charge for the year	155	2,751	–	–	2,906
Disposals	(9)	(1,736)	–	–	(1,745)
Transfers	–	–	–	–	–
Currency translation	29	200	–	–	229
31 December 2015	**1,622**	**14,978**	**–**	**–**	**16,600**
Carrying amount 31 December 2015	**765**	**6,055**	**–**	**1,155**	**7,975**
Carrying amount 1 January 2015	**700**	**6,878**	**–**	**572**	**8,150**

11.18 **Current receivables**

€ 000	31.12. 2016	31.12. 2015
Current receivables		
Receivables from related parties	723	663
Advance payments and deposits	772	891
Other receivables (current)	234	1,696
Total	**1,729**	**3,250**

For terms and conditions relating to related party receivables, refer to note 11.29.

Other receivables include receivables from the sale of lottery products of € 1,424 thousand in 2015.

As of 31 December 2016, the provision for impairment of trade receivables (excluding receivables from employees mentioned above) amounted to € 1 thousand (2015: € 23 thousand). See the table below for the movements in the provision for impairment of receivables.

MOVEMENT IN THE PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES	INDIVIDUALLY IMPAIRED € 000
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**
1 January 2015	**35**
Amounts written off during the year	(9)
Amounts recovered during the year	(11)
Charge for the year	7
Currency translation	1
31 December 2015	**23**

The following table relates to the ageing of current receivables. As of 31 December 2016 and 2015, 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 2016	1,123	50	98	64	246	148	1,729
31 December 2015	3,190	16	1	–	3	40	3,250

In the consolidated statement of the financial position of the Company, there are no other financial assets that are past due but not impaired.

11.19 **Other assets**

OTHER NON-CURRENT ASSETS – € 000	31. 12. 2016	31. 12. 2015
Advance payments and security deposits – related parties	35	328
Advance payments and security deposits	1,438	1,537
Other	129	180
Total	**1,602**	**2,045**

Advance payments and security deposits consist mostly of rental deposits paid for rent on Fortuna branches.

OTHER CURRENT ASSETS – € 000	31. 12. 2016	31. 12. 2015
Goods for sale	79	89
Other inventory	43	45
Prepayments – related parties	–	126
Prepayments	2,975	2,735
Total	**3,097**	**2,995**

Prepayments consist mostly of prepaid rent on Fortuna branches.

11.20 Restricted cash

€ 000	31. 12. 2016	31. 12. 2015
Restricted cash	2,971	4,820

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 Slovakia and the Czech Republic. According to Czech and Slovak 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.

11.21 Cash and cash equivalents

€ 000	31. 12. 2016	31. 12. 2015
Cash at bank	27,437	25,869
Cash in hand and in transit	2,812	2,275
Cash and cash equivalents	**30,249**	**28,144**

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 € 16,940 thousand of its cash in bank deposits as security for bank loans (2015: € 21,674 thousand).

11.22 **Derivatives**

The interest rate swaps on the loan matured at the end of 2016. These swaps fixed the 3-month PRIBOR/EURIBOR variable interest rates and were designated as cash flow hedges. The notional amount in 2015 was € 16,400 thousand.

INTEREST RATE SWAPS – € 000	31. 12. 2016 LIABILITIES	31. 12. 2015 LIABILITIES
Cash flow hedge	–	169
Total	**–**	**169**

11.23 **Issued capital and reserves**

AUTHORISED SHARES

# OF SHARES THOUSANDS	2016	2015
Ordinary shares of € 0.01 each	250,000	250,000
	250,000	**250,000**

ORDINARY SHARES ISSUED AND FULLY PAID

	# OF SHARES THOUSANDS	PAR VALUE PER SHARE – €	SHARE CAPITAL € 000
31 December 2016	**52,000**	**0.01**	**520**
31 December 2015	**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 the 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 2015 and FORTUNA RENT s.r.o. in 2016.

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.

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 corporate equity of FEGNV.

HEDGE RESERVE

Because of the expiration of interest rate swaps, the net loss on cash flow hedges recognised in equity was zero (2015: € 169 thousand, net of tax effect of € 37 thousand, i.e. € 132 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.

11.24 Dividends paid and proposed

Since 2015, the dividend policy of FEG has been under review due to the planned investments into future growth opportunities, especially investments into 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 2016 and 2017. The general dividend policy after 2017 going forward will be announced after the year-end of 2017.

11.25 Fair values

FAIR VALUE HIERARCHY

As of 31 December 2016 and 2015, respectively, Fortuna Group had open bets, which are regarded as derivative contracts, at a fair value of € 780 thousand (liability), and € 459 thousand (liability), respectively. In 2015 an interest rate swap fair value in the amount of € 169 thousand was also included. The contracts terminated at the end of 2016.

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 2016, the Group held the following financial instruments measured at fair value:

FINANCIAL INSTRUMENTS	31 DECEMBER 2016 € 000	LEVEL 1 € 000	LEVEL 2 € 000	LEVEL 3 € 000
Open bets (from continuing and discontinued operations)	(780)	–	–	(780)
Jackpot provision (concerning only discontinued operations)	(816)	–	–	(816)

Open bets are regarded as derivative financial instruments which are not quoted on an active market and 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 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.

Jackpot provision is recognised in fair value as derivative and is reported as a part of discontinued operations (note 11.12).

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.

31 DECEMBER 2016	CARRYING AMOUNT € 000	FAIR VALUE € 000
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	–	–
Other current financial liabilities (open bets)	771	771

31 DECEMBER 2015	CARRYING AMOUNT € 000	FAIR VALUE € 000
Assets		
Restricted cash	4,820	4,820
Other non-current assets	2,045	2,045
Current receivables	3,250	3,250
Cash and cash equivalents	28,144	28,144
Liabilities		
Long-term bank loans	30,139	30,139
Other non-current liabilities	352	352
Trade and other payables	21,344	21,344
Current portion of long-term bank loans	5,523	5,523
Derivatives	169	169
Other current financial liabilities (includes open bets)	459	459

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 2016 and 2015, 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.

11.26 **Provisions**

€ 000	EMPLOYEE BONUSES	JACKPOT	OTHER PROVISIONS	TOTAL
1 January 2016	**3,840**	**586**	**444**	**4,870**
Arising during the year	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**

€ 000	EMPLOYEE BONUSES	JACKPOT	OTHER PROVISIONS	TOTAL
1 January 2015	**1,413**	**523**	**21**	**1,957**
Arising during the year	3,613	49	450	4,112
Utilised	(1,224)	–	(28)	(1,252)
Discount rate adjustment	–	–	–	–
Currency translation	38	14	1	53
31 December 2015	**3,840**	**586**	**444**	**4,870**
Short-term part of the provision	2,408	–	429	2,837
Long-term part of the provision	1,432	586	15	2,033
31 December 2015	**3,840**	**586**	**444**	**4,870**

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.

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.

11.27 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	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**

LONG-TERM BANK LOANS	CURRENCY	EFFECTIVE INTEREST RATE	SECURITY	MATURITY	2015 € 000
Facility A	CZK	3M PRIBOR + 2.00%	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	8,306
Facility A2	EUR	3M EURIBOR + 2.00%		June 2018	3,106
Facility A	EUR	3M EURIBOR + 2.00%		June 2018	4,928
Facility B	CZK	3M PRIBOR + 2.25%		June 2019	10,383
Facility B	EUR	3M EURIBOR + 2.25%		June 2019	8,939
of which current portion					5,523
Total long-term loans					**30,139**

As of 31 December 2016, Fortuna Group had undrawn committed borrowing facilities originally denominated as CZK 160,000 thousand (€ 5,922 thousand). In 2015 Fortuna Group had undrawn facilities in the amount of € 5,000 thousand.

Fortuna Group has to comply with bank loan covenants (leverage and cash flow cover). As of 31 December 2016 and 31 December 2015, Fortuna Group was in compliance with all bank loan covenants.

11.28 **Trade and other payables (current)**

€ 000	31. 12. 2016	31. 12. 2015
Trade and other payables (current)		
Trade accounts and notes payable	1,405	3,549
Payables to related parties	15	303
Earn-out liability	–	251
Wages and salaries payable	2,652	2,034
Social security and health contributions payable	1,012	829
Betting tax and other tax payable	7,716	6,628
Unpaid wins	4,799	3,218
Accrued expenses	3,257	3,924
Received deposits	1	3
Other payables and estimated accounts payable	264	605
Total	**21,121**	**21,344**

Unpaid wins are paid out within a short time-frame after the year-end and present actual amounts won by the clients.

11.29 **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
FORTUNA RENT s.r.o.	Czech Republic	Rentals
FORTUNA sázky a.s.	Czech Republic	Lottery
FORTUNA online zakłady bukmacherskie Sp. z o.o.	Poland	Sports betting
FORTUNA SERVICES Sp. z o.o.	Poland	Sports betting
FORTUNA SERVICES Sp. z o.o., SKA	Poland	Sports betting
FORTUNA SK, a.s.	Slovakia	Sports betting
FortunaWin Ltd.	Malta	Sports betting

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 – € 000	**31. 12. 2016**	**31. 12. 2015**
Other non-current assets		
Digital Park Einsteinova, a.s.	35	35
Development Florentinum s.r.o.	–	293
Total other non-current assets – related parties	**35**	**328**
Receivables from related parties		
Digital Park Einsteinova, a.s.	50	48
BET ZONE S.R.L.	114	171
BET ACTIVE CONCEPT S.R.L.	548	184
Penta Investments Limited	11	50
Development Florentinum s.r.o.	–	210
Total receivables from related parties	**723**	**663**
Other current assets		
Development Florentinum s.r.o.	–	126
Total Other current assets to related parties	**–**	**126**
Payables to related parties		
DÔVERA zdravotná poisťovňa, a.s.	22	24
AB Facility, s.r.o.	1	–
Avis Accounting BV	3	3
Development Florentinum s.r.o.	–	262
Penta Investments Limited	–	14
Total payables to related parties	**26**	**303**
Cash in related parties		
Privatbanka, a.s.	21	7,503
Total cash in related parties	**21**	**7,503**

The payables to DÔVERA zdravotná poisťovňa, a.s. relate to health insurance payments.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS – € 000	2016	2015
Other operating income from related parties		
BET ZONE S.R.L.	129	567
BET ACTIVE CONCEPT S.R.L.	685	184
Development Florentinum s.r.o.	–	373
Penta Investments Limited	76	41
Total other operating income from related parties	**890**	**1,165**
Financial income from related parties		
Privatbanka, a.s.	–	5
Total financial income from related parties	**–**	**5**
Financial expense from related parties		
Privatbanka, a.s.	3	2
Total financial expense from related parties	**3**	**2**
Purchases from related parties		
DÔVERA zdravotná poisťovňa, a.s.	162	175
Digital Park Einsteinova, a.s.	192	98
Development Florentinum s.r.o.	1,133	766
AB Facility, s.r.o.	9	8
Avis Accounting BV	26	21
Total purchases from related parties	**1,522**	**1,068**

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 2016 and 2015, 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.

Financial income and 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.

SHARES HELD BY THE MANAGEMENT

As of 31 December 2016, Directors and Members of the Management Board did not hold any shares or stock options issued by the Company.

As of 31 December 2016, Directors and Members of the Supervisory Board did not hold any shares or stock options issued by the Company.

As of 31 December 2016, 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 at 31 December 2015 – no shares were held by management of the company.

11.30 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:

€ 000	2016	2015
Instalments due within one year	4,561	5,112
Instalments due between two and five years	7,033	8,092
Instalments due after more than five years	982	2,154
Operating lease expense (note 11.9)	10,960	12,418

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.

11.31 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 2016 and 2015, 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 2016 and 2015, 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 2016 and 2015, 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.

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 (note 11.27) 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 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 2016, there were undrawn committed borrowing facilities of CZK 160,000 thousand (€ 5,922 thousand; 2015: € 5,000 thousand). Total committed facilities had an average maturity of 2 years in 2016 (2015: 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 2016 and 2015, respectively, based on contractual undiscounted payments:

€ 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**

€ 000	< 1 YEAR	1 TO 3 YEARS	3 TO 5 YEARS	> 5 YEARS	TOTAL
Trade and other payables	21,344	–	–	–	21,344
Bank loans (including swaps)	6,526	11,950	19,635	–	38,111
Other non-current liabilities	459	–	–	–	459
31 December 2015	**28,329**	**11,950**	**19,635**	**–**	**59,914**

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
2016			
CZK	1% / (1%)	(161) / 161	– / –
PLN	1% / (1%)	(18) / 18	– / –
EUR	1% / (1%)	(123) / 123	– / –
		(302) / 302	**– / –**
2015			
CZK	1% / (1%)	(93) / 93	76 / (76)
EUR	1% / (1%)	(101) / 101	54 / (54)
		(194) / 194	**130 / (130)**

FOREIGN CURRENCY RISK SENSITIVITY

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

INCREASE / DECREASE IN EXCHANGE RATE BY 1%	(DECREASE) / INCREASE IN EQUITY € 000
As of 31 December 2016:	
CZK / EUR	(497) / 497
PLN / EUR	(23) / 23
As of 31 December 2015:	
CZK / EUR	(540) / 540
PLN / EUR	(55) / 55

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 Fortuna 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 Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, Fortuna Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Fortuna Group 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 Group 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 and goodwill impairment.

€ 000	31. 12. 2016	31. 12. 2015
Interest bearing loans and borrowings:		
Long-term loans	24,625	30,139
Current portion of long-term loans	5,528	5,523
Short-term loans	–	–
	30,153	**35,662**
Less cash and cash equivalents	30,249	28,144
Net debt	**(96)**	**7,518**

€ 000	2016	2015
Profit before taxation	16,440	20,053
Finance costs, net	1,558	1,946
Goodwill impairment	–	–
Depreciation and amortisation	2,761	3,833
EBITDA	20,759	25,832
Gearing ratio	**0.00**	**0.29**

11.32 **Events after the balance sheet date**

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

On 23 February 2017, Fortuna Entertainment Group N.V. announced that it had entered into an agreement under which Fortuna would acquire a 100% share in Hattrick Sports Group Ltd., Ireland ("Hattrick Sports Group"). The transaction is subject to regulatory approvals and until these are complete both companies will continue to operate separately.

The acquisition of Hattrick Sports Group will further strengthen Fortuna's position as the largest licensed multi-channel sports betting and gaming operator in Central and Southeastern Europe. Hattrick Sports Group is the owner of the leading betting operator in Romania, Casa Pariurilor, and the second largest operator in Croatia, PSK, and it is a joint venture partner in the Luckia operator in Spain.

The initial consideration to be paid for the acquisition will be approximately EUR 85 million. As a further consideration, an earn-out mechanism based on the future financial performance of Hattrick Sports Group has been agreed. That may lead to payment of a maximum additional amount of EUR 50 million. The acquisition will be funded mainly via bank loans. The closing of the transaction is expected to occur in the second quarter of 2017.

In addition to the above mentioned information, according to the Hatrrick unaudited Key financial indicators for 2016 – Amounts Staked = EUR 372 million, Revenue = EUR 62 million and EBITDA = EUR 12.4 million. The indicators exclude income from the joint venture Luckia in Spain.

On 9 March 2017, Fortuna announces its intention to sell its Czech lottery business operated via its subsidiary FORTUNA sázky a.s. based in Prague. The Company has been in discussion with potential buyers and has been assessing proposed terms and conditions of the transaction. Pending customary legal conditions, the transaction is expected to close in the second quarter of 2017. The lottery business is reported in compliance with IFRS 5 as discontinued operations. For more detailed information see the note 11.12 Discontinued operations.

On 15 March 2017, the Management Board and the Supervisory Board of Fortuna Entertainment Group N.V. have 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 Seller"), the majority shareholder of the FEG and the subsidiary of Penta Investment Limited. The FEG and Fortbet are currently finalising the share purchase agreement for the acquisition.

The consideration to be paid for the acquisition is expected to be around EUR 47 million out of which approx. EUR 15 million will be deferred for up to 48 months. In addition, Fortuna shall refinance around EUR 3 million of Seller's loans. The consideration will be funded via Fortuna cash and bank loans. The purchase price was supported by an independent third party evaluation. The closing of the transaction is expected to occur in the second quarter of 2017.

In addition to the above mentioned information, the unaudited key preliminary financial indicators for 2016 – Amounts Staked = EUR 224 million, Revenue = EUR 32 million and EBITDA = EUR (1.1) million. The indicators exclude income from slots (Slots business incorporated in the beginning of 2017 and for 2016 only 3rd party provision for slots was included in EBITDA). If Slots fully consolidated in 2016, proforma EBITDA would be EUR 2.5 million.

The purpose of the acquisition is to consolidate activities performed by the Romanian target companies under the Fortuna umbrella with the Hattrick Sports Group, aiming to further strengthen Fortuna's position in the Central and Southeastern Europe.

The Management Board and the Supervisory Board of Fortuna have also approved the financing for the Acquisition as well as previously announced acquisition of Hattrick Sports Group and refinancing of existing loans of approximately EUR 160 million. Expected term of the loan will be six years and vast majority of the loan will be amortized in quarterly instalments. The interest rate will be floating.

Both the transactions are also subject to Company's shareholders' approval. Extraordinary General Meeting will be held at the registered office of the Company on Wednesday 26 April 2017.

The Management Board of Fortuna Entertainment Group N.V. was informed by its majority shareholder Fortbet Holdings Limited ("Fortbet") on 31 March 2017 that it had announced a tender offer to purchase all outstanding shares issued by Fortuna.

Through the tender offer, Fortbet intends to acquire all the remaining shares in Fortuna representing 31.75% of the share capital with the view to become the Company's sole shareholder, delist the shares from trading on both the Prague Stock Exchange and the Warsaw Stock Exchange and enable all the minority shareholders to dispose their shares under equal terms.

Amsterdam, 10 April 2017

PER WIDERSTRÖM
Chairman of the Management 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.

MAREK ŠMRHA
Chairman of the Supervisory 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.

12 Corporate Financial Statements of Fortuna Entertainment Group N.V.

As of 31 December 2016

Contents

Statement of the financial position as of 31 December 2016

€ 000	NOTES	31 DECEMBER 2016	31 DECEMBER 2015
ASSETS			
Non-current assets			
Intangible assets	12.5	5	17
Property, plant and equipment	12.6	–	–
Investments in subsidiaries	12.7	179,007	179,007
Other non-current assets	12.8	6	3
Total non-current assets		**179,018**	**179,027**
Current assets			
Receivables from related parties	12.20	–	10,385
Prepayments and other current assets	12.9	22	17
Cash and cash equivalents	12.10	8,437	2,070
Total current assets		**8,459**	**12,472**
TOTAL ASSETS		**187,477**	**191,499**
EQUITY AND LIABILITIES			
Shareholders' equity	12.11		
Share capital		520	520
Share premium		115,705	115,705
Retained earnings		51,213	31,870
Profits for the year		6,937	19,343
Total Equity		**174,375**	**167,438**
Non-current liabilities			
Loans from Group companies	12.12, 12.20	12,968	5,086
Total non-current liabilities		**12,968**	**5,086**
Current liabilities			
Creditors	12.13	–	21
Loans from Group companies	12.12, 12.20	–	18,542
Payables to related parties	12.20	40	336
Accruals and other current liabilities	12.14	94	76
Total current liabilities		**134**	**18,975**
EQUITY AND LIABILITIES		**187,477**	**191,499**

Statement of comprehensive income for the year ended 31 December 2016

€ 000	NOTES	2016	2015
Dividend income	12.15	7,940	20,952
Net royalty income		4	4
Revenues		**7,944**	**20,956**
Personnel expenses	12.16	(47)	(49)
Depreciation and amortisation	12.5, 12.6	(12)	(14)
Other operating expenses	12.17	(313)	(342)
Operating profit		**7,572**	**20,551**
Finance income	12.18	13	281
Finance cost	12.19	(648)	(1,489)
Profit before tax		**6,937**	**19,343**
Income tax expense		–	–
Net profits for the year		**6,937**	**19,343**
Other comprehensive income for the year		**–**	**–**
Total comprehensive income for the year		**6,937**	**19,343**

Statement of cash flows for the year ended 31 December 2016

€ 000	NOTES	2016	2015
Cash flows from operating activities			
Profit before tax		**6,937**	**19,343**
Adjustments for:			
Depreciation and amortisation		12	14
Impairment of investment in subsidiary		–	–
Non-cash items		(5)	544
Interest expense	12.19	611	942
Operating cash flow before working capital changes		**7,555**	**20,843**
(Increase) / Decrease in other current assets		(4)	23
(Increase) / Decrease in receivables		10,385	3,198
(Decrease) / Increase in payables and other liabilities		(300)	33
Cash generated from operating activities		**17,636**	**24,097**
Corporate income tax paid		–	–
Net cash flows provided by / (used in) operating activities		**17,636**	**24,097**
Cash flows from investing activities			
Purchase of equipment and intangible fixed assets		–	–
Proceeds / (Acquisition) of financial fixed assets		–	–
Net cash flows provided by / (used in) investing activities		**–**	**–**
Cash flows from financing activities			
Net proceeds from / (Repayments of) borrowings	12.12	(8,037)	(20,110)
Interest paid	12.12	(3,232)	(1,982)
Dividend paid		–	–
Additional withholding tax paid		–	–
Net cash flows (used in) /provided by financing activities		**(11,269)**	**(22,092)**
Net increase / (decrease) in cash and cash equivalents		6,367	2,005
Cash and cash equivalents at the beginning of the year		2,070	65
Cash and cash equivalents at the end of the year		**8,437**	**2,070**

In 2016 FEGNV received dividends of € 10,385 thousand and in 2015 dividends of € 24,388 thousand.

Statement of changes in equity for the year ended 31 December 2016

€ 000	SHARE CAPITAL	SHARE PREMIUM	LEGAL RESERVE	PROFIT FOR THE YEAR	RETAINED EARNINGS	TOTAL
As of 31 December 2014	**520**	**115,705**	**–**	**18,259**	**13,611**	**148,095**
Appropriation of net result	–	–	–	(18,259)	18,259	–
Legal reserve on development cost	–	–	4,214	–	(4,214)	–
Profits for the year	–	–	–	19,343	–	19,343
As of 31 December 2015	**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)	–
Profits for the year	–	–	–	6,937	–	6,937
As of 31 December 2016	**520**	**115,705**	**9,217**	**6,937**	**41,996**	**174,375**

Notes to the financial statements as of 31 December 2016

12.1 Corporate information

The statutory financial statements for the year ended 31 December 2016 of Fortuna Entertainment Group N.V. ("FEGNV") comprise of the statements of the financial position as of 31 December 2016 and 31 December 2015, respectively, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the years ended 31 December 2016 and 31 December 2015, 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 2016 were authorised for issuance in accordance with a resolution of the Directors on 10 April 2017. The Annual General Meeting to approve the financial statements will take place on 29 May 2017.

The Parent Company has its registered office at Strawinskylaan 809, Amsterdam, the Netherlands. A total of 68.25% 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 31.75% of shares are publicly traded on the Polish stock exchange in Warsaw and the Czech stock exchange in Prague.

DESCRIPTION OF BUSINESS

Fortuna Entertainment Group N.V. operates in the betting industry under local licences in the Czech Republic, Slovakia 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 retail chains in the Czech Republic, Slovakia and Poland and via online websites in the Czech Republic, Slovakia and, since January 2012, also in Poland.

FEGNV had the following members of its Management and Supervisory Boards as of 31 December 2016:

MANAGEMENT BOARD	
Chairman:	Per Widerström
Member:	Richard van Bruchem
Member:	Janka Galáčová

SUPERVISORY BOARD	
Chairman:	Marek Šmrha
Member:	Iain Child
Member:	Morten Rønde

Iain Child was appointed as a member of the Supervisory Board, effective 8 April 2016.

Michal Horáček resigned as a Member of the Supervisory Board, effective 23 May 2016.

Morten Rønde was appointed as a new Member of the Supervisory Board, effective 7 September 2016, meaning the Supervisory Board once more comprised of three members.

12.2 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 comprise 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.

12.3 Summary of significant accounting policies

The accounting policies used in preparing the statutory financial statements for the year ended 31 December 2016 are set out below.

12.3.1 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

12.3.2 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.

12.3.3 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.

12.3.4 **Cash at bank**

Cash and cash equivalents in the statement of the financial position represent bank balances and are carried at face value.

12.3.5 **Investments in subsidiaries**

Investments in subsidiaries are stated at cost less a provision for impairment, if any.

12.3.6 **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.

12.3.7 **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.

12.3.8 **De-recognition 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.
- 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.

12.3.9 **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.

12.3.10 **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.

12.3.11 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.

12.3.12 Expenses

Costs and expenses are allocated to the year to which they relate. Losses are recognised in the year in which they are identified.

12.3.13 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.

12.3.14 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 2016:

AMENDMENTS TO IFRS 11 JOINT ARRANGEMENTS: ACCOUNTING FOR ACQUISITIONS OF INTERESTS

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under the common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are applied prospectively. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

AMENDMENTS TO IAS 16 AND IAS 38: CLARIFICATION OF ACCEPTABLE METHODS OF DEPRECIATION AND AMORTISATION

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Group, given that it has not used a revenue-based method to depreciate its non-current assets.

AMENDMENTS TO IAS 27: EQUITY METHOD IN SEPARATE FINANCIAL STATEMENTS

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively.

These amendments do not have any impact on the Group's consolidated financial statements.

ANNUAL IMPROVEMENTS 2010-2014 CYCLE

These improvements are effective from 1 February 2016 and do not have a material impact on the Group. They include:

IFRS 5 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment is applied prospectively.

IFRS 7 FINANCIAL INSTRUMENTS: DISCLOSURES

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be carried out retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively.

IAS 19 EMPLOYEE BENEFITS

The amendment clarifies that the market depth of high-quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.

IAS 34 INTERIM FINANCIAL REPORTING

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.

These amendments do not have any impact on the Group.

AMENDMENTS TO IAS 1 DISCLOSURE INITIATIVE

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of the financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and be classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of the financial position and the statement(s) of profit or loss and OCI.

These amendments do not have any impact on the Group.

AMENDMENTS TO IFRS 10, IFRS 12 AND IAS 28 INVESTMENT ENTITIES: APPLYING THE CONSOLIDATION EXCEPTION

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments are applied retrospectively and do not have any impact on the Group as the Group does not apply the consolidation exception.

12.3.15 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 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. 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.

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 7 DISCLOSURE INITIATIVE – AMENDMENTS TO IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On the initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. The application of amendments will result in additional disclosure provided by the Group.

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.

12.4 Use of Accounting judgements, estimates and assumptions

JUDGEMENTS

The preparation of these financial statements requires management to make judgments, 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.

12.5 Intangible assets

€ 000	SOFTWARE	TOTAL
Cost:		
1 January 2016	**303**	**303**
Additions	–	–
Disposals	–	–
31 December 2016	**303**	**303**
Accumulated amortisation:		
1 January 2016	**286**	**286**
Additions	12	12
31 December 2016	**298**	**298**
Carrying amount 31 December 2016	**5**	**5**
Carrying amount 1 January 2016	**17**	**17**

€ 000	SOFTWARE	TOTAL
Cost:		
1 January 2015	**303**	**303**
Additions	–	–
Disposals	–	–
31 December 2015	**303**	**303**
Accumulated amortisation:		
1 January 2015	**274**	**274**
Additions	12	12
31 December 2015	**286**	**286**
Carrying amount 31 December 2015	**17**	**17**
Carrying amount 1 January 2015	**29**	**29**

12.6 Property, plant and equipment

€ 000	PLANT AND EQUIPMENT	OTHER ASSETS	TOTAL
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	**–**	**–**	**–**

€ 000	PLANT AND EQUIPMENT	OTHER ASSETS	TOTAL
Cost:			
1 January 2015	**–**	**9**	**9**
31 December 2015	**–**	**9**	**9**
Accumulated amortisation:			
1 January 2015	**–**	**7**	**7**
Additions	–	2	2
Disposals	–	–	–
31 December 2015	**–**	**9**	**9**
Carrying amount 31 December 2015	**–**	**–**	**–**
Carrying amount 1 January 2015	**–**	**2**	**2**

Depreciation started in 2011; the depreciation rate of office furniture and equipment is set to 20%.

12.7 Investments in subsidiaries

FEGNV held the following subsidiaries as of 31 December 2016:

ENTITY NAME		COUNTRY OF INCORPORATION	PERCENTAGE HELD 31. 12. 2016	PRINCIPAL ACTIVITY	HISTORIC COST € 000	CARRYING AMOUNT 31. 12. 2016 € 000
(i)	FortunaWin Ltd	Malta	100%	Entertainment	3,756	–
(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
31 December 2016					**182,763**	**179,007**

MOVEMENTS IN INVESTMENTS IN SUBSIDIARIES

MOVEMENTS 2016		1. 1. 2016 € 000	ACQUISITION SHARE CAPITAL € 000	ADDITIONS SHARE PREMIUM € 000	IMPAIRMENT € 000	31. 12. 2016 € 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**

MOVEMENTS 2015		1. 1. 2015 € 000	ACQUISITION SHARE CAPITAL € 000	ADDITIONS SHARE PREMIUM € 000	IMPAIRMENT € 000	31. 12. 2015 € 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**

(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 and 31 December 2015 the shares were divided as follows:

SHAREHOLDER	% HELD	# OF SHARES	NOMINAL VALUE PER SHARE €	TOTAL €
FEG 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 2016, the company driven to the liquidation.

(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 2016 and 31 December 2015 the shares were divided as follows:

TYPE OF SHARES	SERIES	% HELD	# OF SHARES	NOMINAL VALUE PER SHARE CZK 000	TOTAL CZK 000	TOTAL € 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
Total			**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 2016 amounted to CZK 1,280,008 thousand (€ 47,373 thousand) based on its financial statements prepared in accordance with Czech Accounting Standards.

(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 2016 and 31 December 2015 the shares were divided as follows:

TYPE OF SHARES	SERIES	% HELD	# OF SHARES	NOMINAL VALUE PER SHARE €	NOMINAL VALUE TOTAL € 000	ACQUISITION PRICE € 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
Total			**136**		**332**	**70,000**

The net asset value of FSK as of 31 December 2016 amounted to € 6,241 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 Zaklady Bukmacherskie S.P. z o.o. (hereinafter "FZB"), consisting of 26,400 ordinary shares with a nominal value of PLN 90, 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 2016 and 31 December 2015 the shares were divided and held as follows:

COMPANY	% HELD	# OF SHARES	NOMINAL VALUE	
			PER SHARE PLN	TOTAL PLN
Fortuna Entertainment Group N.V.	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
Total	**100%**	**26,400**		**2,376,000**

The net asset value of FZB as of 31 December 2016 amounted to PLN 2,898 thousand (€ 657 thousand) based on its financial statements prepared in accordance with Polish Accounting Standards.

All shares held by the Company are pledged to the Czech bank Česká spořitelna, a.s.

12.8 Other non-current assets

€ 000	2016	2015
Deposits	6	3
31 December	**6**	**3**

The balance of € 6 thousand relates to a long-term deposit for office rent.

12.9 Prepayments and other current assets

These consist of the following:

€ 000	2016	2015
Dutch VAT receivable	11	8
Prepaid office rent	5	1
Other	6	8
31 December	**22**	**17**

12.10 Cash and cash equivalents

€ 000	2016	2015
Cash at banks	8,437	2,070
31 December	**8,437**	**2,070**

The total amount of cash at banks includes an amount of € 20 thousand (2015: € 2,015 thousand) outstanding at Privatbanka, a.s., a related company.

12.11 Shareholders' equity

AUTHORISED SHARES

	2016 # OF SHARES THOUSANDS	2015 # 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 2016	52,000	0.01	520
31 December 2015	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.

Movements in the difference between the corporate and the consolidated equity and profit in the financial year 2016 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 2016	**107,443**	**4,214**	**(67)**	**2,692**	**132**	**–**	**2,007**	**(226)**	**116,195**
Profits for the year	–	–	–	(1,372)	–	–	–	27	(1,345)
Other comprehensive income	–	–	–	–	(132)	–	182	–	50
Statutory reserve movement	–	–	–	–	–	–	–	–	–
Legal reserve movement	–	5,003	1	(5,004)	–	–	–	–	–
Discontinued operations	–	–	–	–	–	125	(125)	–	–
31 December 2016	**107,443**	**9,217**	**(66)**	**(3,684)**	**–**	**125**	**2,064**	**(199)**	**114,900**

Difference in equity:

	€ 000
Equity according to consolidated financial statements	**59,475**
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)
Other comprehensive income	1,568
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
Transfer of shares to non-controlling interest	**(318)**
Difference in equity attributable to continuing operations	**114,900**
Equity according to corporate financial statements	**174,375**

Difference in profit:

	€ 000
Profit according to consolidated financial statements	8,282
Results from participants	(8,716)
Net intragroup income of FEGNV eliminated in consolidated financial statements	7,371
Profit according to corporate financial statements	6,937

12.12 Loans from group companies

FEGNV received loans from the following subsidiaries:

- FORTUNA SK, a.s. (hereinafter "FSK")

Loans from the following subsidiaries were fully repaid:

- FORTUNA online zakłady bukmacherskie Sp. z o.o. (hereinafter "FZB")
- FORTUNA GAME a.s. (hereinafter "FG")
- RIVERHILL a.s. (hereinafter "Riverhill")

The parent company received no new loan from group companies in 2016. Both the FSK loans were amended in 2016. The change concerned decrease of interest from 3 month EURIBOR + 300 points to 3 month EURIBOR + 200 points. The facility agreement of March 2010 was also prolonged – the repayment date was postponed from 31 December 2016 to 31 December 2018.

The following facilities were obtained:

COMPANY	FACILITY € 000	STARTING DATE	EXPIRATION DATE	EFFECTIVE AVERAGE INTEREST %
FSK	8,578	22 Mar.10	31 Dec.18	3.000%[1]
FSK	4,390	19 Jun. 13	31 Dec.19	3.000%[1]
Total facilities	**12,968**			

1 The facility bears an interest of 3 month EURIBOR + 200 points.

MOVEMENTS IN THE LOAN FACILITIES DURING 2016:

€ 000	FORTUNA SK	FORTUNA GAME	FORTUNA ZB	RIVERHILL	TOTAL
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	**–**	**–**	**–**	**–**	**–**

MOVEMENTS IN THE LOAN FACILITIES DURING 2015:

€ 000	FORTUNA SK	FORTUNA GAME	FORTUNA ZB	RIVERHILL	TOTAL
1 January 2015	19,026	17,626	4,231	3,350	44,233
Additions	–	144	–	–	144
Interest	447	386	75	34	942
Repayments	(4.500)	(10,454)	(3,838)	(3,444)	(22,236)
Currency translation	–	410	75	60	545
31 December 2015	**14,973**	**8,112**	**543**	**–**	**23,628**
Of which current portion	**10,430**	**8,112**	**–**	**–**	**18,542**

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	**–**	**–**	**–**	**–**

MOVEMENTS IN THE LOANS DURING 2015 IN ORIGINATING CURRENCIES:

	FORTUNA SK € 000	FORTUNA GAME CZK 000	FORTUNA ZB CZK 000	RIVERHILL CZK 000
1 January 2015	19,026	488,680	117,301	92,881
Additions	–	4,001	–	
Interest	447	10,547	2,064	942
Repayments	(4,500)	(284,000)	(104,708)	(93,823)
31 December 2015	**14,973**	**219,228**	**14,657**	**–**
Of which current portion	**10,430**	**219,228**	**–**	**–**

12.13 **Creditors**

€ 000	2016	2015
Third party creditors	–	21
31 December	**–**	**21**

12.14 **Accruals and other current liabilities**

These consist of the following:

€ 000	2016	2015
Salary withholding taxes	–	3
Salary	20	20
Accrual, audit expenses	57	38
Accrual, other consultancy and administrative expenses	16	14
Vacation benefits	1	1
31 December	**94**	**76**

12.15 **Dividend income**

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**

In 2015 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.	22. 5. 2015	2014	EUR 9,634	9,634
FORTUNA online zakłady bukmacherskie Sp. z o.o.	5. 6. 2015	2014	PLN 5,532	1,320
RIVERHILL a.s.	21. 12. 2015	2014/2015	CZK 270,200	9,998
31 December				**20,952**

12.16 Personnel expenses

The personnel expenses in 2016 were as follows:

€ 000	STAFF	DIRECTORS	TOTAL
Salaries / wages	16	23	39
Social security charges	8	–	8
31 December	**24**	**23**	**47**

The personnel expenses in 2015 were as follows:

€ 000	STAFF	DIRECTORS	TOTAL
Salaries / wages	17	23	40
Social security charges	8	(5)	3
Other personnel expenses	6	–	6
31 December	**31**	**18**	**49**

In 2016 and 2015, a full-time equivalent of 1 person was employed by FEGNV. As at 31 December 2016, the Company employed 3 part-time Managing Directors (2015: 3) and 3 Supervisory Directors (2015: 3).

12.17 Other operating expenses

These consist of the following:

€ 000	2016	2015
Consultancy expenses	64	125
External auditor expenses	96	123
Other expenses	153	94
31 December	**313**	**342**

12.18 Finance income

These consist of the following:

€ 000	2016	2015
Exchange rate gains on CZK and PL loans from subsidiaries	13	–
Exchange rate gains, other	–	281
31 December	**13**	**281**

12.19 Finance cost

These consist of the following:

€ 000	NOTES	2016	2015
Interest expenses, loans from subsidiaries	12.20	611	942
Exchange rate losses, banks and other		28	545
Exchange rate losses, IC balances		8	–
Banking expenses		1	2
31 December		**648**	**1,489**

12.20 Related party disclosures

As of 31 December 2016, the FEG Group consisted of the following entities, which were held as follows:

Fortuna Entertainment Group N.V.	
FORTUNA SK, a.s.	100%
FORTUNA online zakłady bukmacherskie Sp. z o.o	33.33%
FORTUNA SERVICES Sp. z o.o.	100%
FORTUNA SERVICES Sp. z o.o., s.k.a.	100%
FortunaWin Ltd	100%
RIVERHILL a.s.	100%
ALICELA a.s.	100%
FORTUNA GAME a.s.	100%
FORTUNA RENT s.r.o.	100%
FORTUNA sázky a.s.	98.40%
FORTUNA online zakłady bukmacherskie Sp. z o.o	33.33%
FORTUNA online zakłady bukmacherskie Sp. z o.o	33.33%

In 2015, FORTUNA online zakłady bukmacherskie Sp. z o.o. (FORTUNA online) acquired two companies which were thereafter renamed to FORTUNA SERVICES Sp. z o.o., s.k.a. and FORTUNA SERVICES Sp. z o.o. Part of FORTUNA's online operations was transferred to FORTUNA SERVICES Sp. z o.o., s.k.a. in order to improve the management of its trademarks and increase their recognition within Poland.

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.

The following table lists the total amounts relating to transactions entered into with Group companies and other related parties for the relevant financial year:

RECEIVABLES FROM RELATED PARTIES

€ 000	2016	2015
RIVERHILL a.s. (dividend receivable)		10,385
FORTUNA GAME a.s.	–	1
FORTUNA SK, a.s.	6	7
31 December	**6**	**10,393**

CASH IN RELATED PARTIES

€ 000	2016	2015
Privatbanka, a.s.	20	2,015
31 December	**20**	**2,015**

PAYABLES TO RELATED PARTIES AND CURRENT (PORTION OF) LOANS RECEIVED FROM RELATED PARTIES

€ 000	2016	2015
FORTUNA GAME a.s. (loan received)	–	8,112
FORTUNA SK, a.s. (loan received)	–	10,430
Penta Investments Limited	–	14
FORTUNA GAME a.s.	37	303
The Bookkeeper BV (former Avis Business Services BV)	3	3
FORTUNA sázky a.s.	–	18
31 December	**40**	**18,880**

LOANS RECEIVED FROM RELATED PARTIES (NON-CURRENT PART)

€ 000	2016	2015
FORTUNA SK, a.s.	12,968	4,543
RIVERHILL a.s.	–	–
FORTUNA online zakłady bukmacherskie Sp. z o.o.	–	543
31 December	**12,968**	**5,086**

OTHER INCOME FROM RELATED PARTIES

€ 000	2016	2015
FORTUNA SK, a.s. (royalty income)	71	66
FORTUNA GAME a.s. (royalty income)	7	8
Total	**78**	**74**

DIVIDENDS FROM RELATED PARTIES

€ 000	2016	2015
FORTUNA SK, a.s.	7,302	9,634
FORTUNA online zakłady bukmacherskie Sp. z o.o.	638	1,320
RIVERHILL a.s.	–	9,998
Total	**7,940**	**20,952**

OTHER EXPENSES-RELATED PARTIES

€ 000	2016	2015
Predict Performance Improvement Ltd	–	–
The Bookkeeper BV (former Avis Business Services BV)	26	21
FORTUNA GAME, a.s.	37	6
Privatbanka, a.s.	–	1
Total	**63**	**28**

INTEREST EXPENSE-RELATED PARTIES

€ 000	2016	2015
FORTUNA SK, a.s.	388	447
FORTUNA online zakłady bukmacherskie Sp. z o.o.	8	75
RIVERHILL a.s.	–	34
FORTUNA GAME a.s.	214	386
Privatbanka, a.s.	1	–
Total	**611**	**942**

DIRECTORS' REMUNERATION

MANAGEMENT BOARD € 000	BOARD REMUNERATION	SALARIES AND OTHER SIMILAR INCOME	MANAGEMENT BONUS	LTIP	TERMINATION BENEFIT	TOTAL
Richard van Bruchem						
2016	16	–	–	–	–	16
2015	16	–	–	–	–	16
Janka Galáčová						
2016	7	–	–	–	–	7
2015	7	–	–	–	–	7
Per Widerström						
2016	–	561	500	1,078	–	2,139
2015	–	538	440	1,078	–	2,056
TOTAL 2016	**23**	**561**	**500**	**1,078**	**–**	**2,162**
TOTAL 2015	**23**	**538**	**440**	**1,078**	**–**	**2,079**

SUPERVISORY BOARD € 000	BOARD REMUNERATION	SALARIES AND OTHER SIMILAR INCOME	MANAGEMENT BONUS	OTHER	TOTAL
Václav Brož					
2016	–	–	–	–	–
2015	–	–	–	–	–
Marek Rendek					
2016	–	–	–	–	–
2015	–	–	–	–	–
Michal Horáček					
2016	–	–	–	–	–
2015	–	–	–	–	–
Iain Child					
2016	–	–	–	–	–
2015	–	–	–	–	–
Morten Rønde					
2016	–	–	–	–	–
2015	–	–	–	–	–
Marek Šmrha					
2016	–	–	–	–	–
2015	–	–	–	–	–
TOTAL 2016	**–**	**–**	**–**	**–**	**–**
TOTAL 2015	**–**	**–**	**–**	**–**	**–**

In 2016, € 561 thousand of the Supervisory Board and the Management Board remuneration was paid by other Group companies and € 1,578 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 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%, are the bonuses paid in cash after the confirmation of the annual results by the General meeting.

Expenses of Fortuna Group related to external auditor's services in the year 2016:

€ 000	EY NETHERLANDS	EY OTHER ENTITIES	NON EY	TOTAL
Audit of financial statements	96	140	4	240
Tax services	–	8	–	8
TOTAL	**96**	**148**	**4**	**248**

12.21 Contingent liabilities

All shares of RIVERHILL, a.s., FORTUNA SK a.s. and FORTUNA online zakłady bukmacherskie Sp. z o.o. held by the Company are pledged to Czech bank Česká spořitelna, a.s.

12.22 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
2016		
EUR	1% / (1%)	(130) / 130
		(130) / 130
2015		
CZK	1% / (1%)	(87) / 87
EUR	1% / (1%)	(150) / 150
		(237) / 237

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.

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 2016 and 2015 based on contractual undiscounted payments (€ 000):

€ 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
As of 31 December 2016	**134**	**12,968**	**–**	**–**	**13,102**

€ 000	< 1 YEAR	1 TO 3 YEARS	3 TO 5 YEARS	> 5 YEARS	TOTAL
Trade and other payables	357	–	–	–	357
Loans from group companies	18,913	–	5,692	–	24,605
Other current liabilities	76	–	–	–	76
As of 31 December 2015	**19,346**	**–**	**5,692**	**–**	**25,038**

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 it 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.

12.23 Post balance sheet events

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

On 23 February 2017, Fortuna Entertainment Group N.V. announced that it had entered into an agreement under which Fortuna would acquire a 100% stake in Hattrick Sports Group Ltd., Ireland ("Hattrick Sports Group"). The transaction is subject to regulatory approvals and until these are complete both companies will continue to operate separately. The closing of the transaction is expected to occur in the first half of 2017.

The initial consideration to be paid by Fortuna for the acquisition of Hattrick Sports Group will be approximately EUR 85 million. As a further consideration, an earn-out mechanism has been agreed with the Sellers which is based on the future financial performance of Hattrick Sports Group and which may lead to a payment of a maximum additional amount of EUR 50 million. The initial consideration will be funded mainly via bank loans.

In addition to the above mentioned information, according to the Hatrrick unaudited Key financial indicators for 2016 – Amounts Staked = EUR 372 million, Revenue = EUR 62 million and EBITDA = EUR 12.4 million. The indicators exclude income from the joint venture Luckia in Spain.

The acquisition of Hattrick Sports Group will further strengthen Fortuna's position as the largest licensed multi-channel sports betting and gaming operator in Central and Southeastern Europe. Hattrick Sports Group is the owner of the leading betting operator in Romania, Casa Pariurilor, and the second largest operator in Croatia, PSK, and it is a joint venture partner in the Luckia operator in Spain.

On 9 March 2017, FEG announces its intention to sell its Czech lottery business operated via its subsidiary FORTUNA sázky a.s. based in Prague. The Company has been in discussion with potential buyers and has been assessing proposed terms and conditions of the transaction. Pending customary legal conditions, the transaction is expected to close in the second quarter of 2017. The lottery business is reported in compliance with IFRS 5 as discontinued operations. For more detailed information see the note 11.12 Discontinued operations.

On 15 March 2017, the Management Board and the Supervisory Board of Fortuna Entertainment Group N.V. have 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 Seller"), the majority shareholder of the FEG and the subsidiary of Penta Investment Group. The FEG and Fortbet are currently finalising the share purchase agreement for the acquisition.

The consideration to be paid for the acquisition is expected to be around EUR 47 million out of which approx. EUR 15 will be deferred for up to 48 months. In addition, Fortuna shall refinance around EUR 3 million of Seller's loans. The consideration will be funded via Fortuna cash and bank loans. The purchase price was supported by an independent third party evaluation. The acquisition will need to be approved by the shareholders of Fortuna and the closing of the transaction is expected to occur in the second quarter of 2017.

In addition to the above mentioned information, the unaudited key preliminary financial indicators for 2016 – Amounts Staked = EUR 224 million, Revenue = EUR 32 million and EBITDA = EUR (1.1) million. The indicators exclude income from slots (Slots business incorporated in the beginning of 2017 and for 2016 only 3rd party provision for slots was included in EBITDA). If Slots fully consolidated in 2016, proforma EBITDA would be EUR 2.5 million.

The purpose of the acquisition is to consolidate activities performed by the Romanian target companies under the Fortuna umbrella with the Hattrick Sports Group, aiming to further strengthen Fortuna's position in the Central and Southeastern Europe.

The Management Board and the Supervisory Board of Fortuna have also approved the financing for the Acquisition as well as previously announced acquisition of Hattrick Sports Group and refinancing of existing loans of approximately EUR 160 million. Expected term of the loan will be six years and vast majority of the loan will be amortized in quarterly instalments. The interest rate will be floating.

Both the transactions are also subject to Company's shareholders' approval. Extraordinary General Meeting will be held at the registered office of the Company on Wednesday 26 April 2017.

The Management Board of Fortuna Entertainment Group N.V. was informed by its majority shareholder Fortbet Holdings Limited ("Fortbet") on 31 March 2017 that it had announced a tender offer to purchase all outstanding shares issued by Fortuna.

Through the tender offer, Fortbet intends to acquire all the remaining shares in Fortuna representing 31.75% of the share capital with the view to become the Company's sole shareholder, delist the shares from trading on both the Prague Stock Exchange and the Warsaw Stock Exchange and enable all the minority shareholders to dispose their shares under equal terms.

13

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.

Amsterdam, 10 April 2017

PER WIDERSTRÖM
Chairman of the Management 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.

MAREK ŠMRHA
Chairman of the Supervisory 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.

14 Glossary

DEFINED TERMS

"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
"COMPANY", "FEG"	Fortuna Entertainment Group N.V., a limited liability company (Naamloze Vennootschap), having its statutory seat in Amsterdam, the Netherlands, and its registered offices at Strawinskylaan 809, 1077XX Amsterdam, the Netherlands, and registered with the Trade Register of the Chamber of Commerce of Amsterdam, the 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
"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 (společnost 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

"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

Glossary

"YOY"
- Year over year, a percentage change in specific parameter between two period on 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 you to understand the effectivnes 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 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.
- Net Debt / (Net Cash) = Bank Loans and related obligations – Cash and cash equivalents

“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.
- Gross Win = Amounts Staked – Payouts

“NET GROSS WIN”

- The Net Gross Win (NGW) represents in the revenue structure the Gross Win including the effect of the Withholding tax.
- NGW = Amounts Staked – Payouts – Withholding Tax


FORTUNA LEAGUE IS A BREEDING GROUND OF TALENT
PLAYERS FROM SLOVAKIA CAN BE FOUND ON THE ROSTERS OF THE ELITE TEAMS: AC MILAN, NAPLES, FENERBAHCE AND MANY OTHERS.