FORTUNA ENTERTAINMENT GROUP N.V.

POSITION STATEMENT

Regarding the public offer in cash on all outstanding shares in the capital of Fortuna Entertainment Group N.V. by its majority shareholder Fortbet Holdings Limited, dated 3 January 2018

In accordance with article 18 and Annex G of the Dutch Decree on Public Takeover Bids (*Besluit Openbare Biedingen Wft*)

For the extraordinary general meeting of Fortuna Entertainment Group N.V. to be held on 15 February 2018 at 11.00 hours CET at Amsterdam, the Netherlands

8 February 2018

IMPORTANT INFORMATION

This position statement (the "**Position Statement**") does not constitute or form part of an offer to sell, or a solicitation of an offer to purchase or subscribe for, any securities to any person in any jurisdiction.

This Position Statement has been published by the management board (the "**Management Board**") and the independent members of the supervisory board (the "**Supervisory Board**") (the Supervisory Board and the Management Board are collectively referred to as the "**FEG Boards**") of Fortuna Entertainment Group N.V. ("**FEG**") for the sole purpose of providing information to its shareholders on the Polish Tender Offer and the Czech Voluntary Buy-Out Offer (collectively: the "**Offer**") made by Fortbet Holdings Limited (the "**Offeror**"), an indirect wholly-owned subsidiary of Penta Investments Limited ("**Penta**"), to the holders of issued and outstanding ordinary registered shares with a nominal value of EUR 0.01 each in the capital of FEG (the "**Shares**" and each a "**Share**"; holders of such Shares being referred to as the "**Shareholders**") to purchase for cash their Shares on the terms and conditions as set out in the Offer Memoranda, as required pursuant to section 18 paragraph 2 and Annex G of the Dutch Decree on Public Takeover Bids (*Besluit openbare biedingen Wft*).

As at the date of this Position Statement, the price offered by the Offeror under the Offer amounts to CZK 182.50 or PLN 29.80 per Share (the "**Offer Price**").

The Polish Tender Offer is made by the Offeror pursuant to the applicable laws of the Republic of Poland and on and subject to the terms of the Polish Offer Memorandum and is made in respect of Shares traded on either the Prague Stock Exchange ("**PSE**") or the Warsaw Stock Exchange ("**WSE**") and registered under ISIN code NL0009604859 which were registered on securities accounts maintained in the Republic of Poland as at the end of 5 January 2018. The Czech Voluntary Buy-Out Offer is made by the Offeror pursuant to the applicable laws of the Czech Republic and on and subject to the terms of the Czech Offer Memorandum and is made in respect of Shares traded on either the PSE or the WSE and registered under ISIN code NL0009604859.

In order to cater for a proper decision-making process and to avoid any actual or perceived conflict of interest, the FEG Boards – in the case of the Supervisory Board: without the participation of the conflicted members Mr Iain Child and Mr Marek Šmrha – discussed and decided on an allocation of responsibilities. As such, the FEG Boards appointed a transaction committee consisting of the chair of the Supervisory Board, Mr Tom de Waard, as well as Mr Per Widerström and Mr Boudewijn Wentink, both members of the Management Board, to lead FEG's negotiating team and to make recommendations to the FEG Boards in relation to the review of the Offer and FEG's strategic alternatives (the "**Transaction Committee**"). Following negotiations with the Offeror, the Transaction Committee made recommendations to the FEG Boards in relation to the Offer. The FEG Boards (without the participation of the conflicted members of the Supervisory Board) subsequently came to their decisions taking into account the recommendation of the Transaction Committee and the advice rendered by FEG's advisers. Following such negotiations and recommendations, the Offeror and FEG entered into a Merger Protocol dated 2 January 2018 setting out the terms upon which the Offeror would make the Offer, with the support of the FEG Boards ("**Merger Protocol**").

As the Offeror wishes to acquire full ownership of FEG and its business, if, following the settlement of the Offer the Offeror and its affiliates hold 95% or more of FEG's aggregate issued and outstanding ordinary share capital (*geplaatst en uitstaand kapitaal*) (excluding any Shares then held by FEG), it is possible that the Offeror may commence a compulsory acquisition procedure (*uitkoopprocedure*) in accordance with article 2:92a or 2:201a of the Dutch Civil Code ("**DCC**") or a takeover buy-out procedure in accordance with article 2:359c of the DCC to buy out the holders of Shares that have not disposed of their Shares under the Offer. Furthermore, the Offeror may seek to transfer FEG's registered seat to the Czech Republic and transform FEG into a Czech legal entity; if this occurs and the Offeror and its affiliates own 90% of the Shares, the minority Shareholders may be forced to transfer their Shares to the Offeror pursuant to Sections 375 through 394 of the Czech Business Corporations Act.

In addition to the terms defined elsewhere in this Position Statement, any capitalized terms in this Position Statement shall have the meaning attributed to them in Section 9 (Definitions) of this Position Statement. Any reference in this Position Statement to defined terms in plural form shall constitute a reference to such defined terms in singular form, and vice versa. All grammatical and other changes required by use of a definition shall be deemed to have been made herein and the provisions hereof shall be applied as if such changes have been made.

Certain numerical figures set out in this Position Statement, including financial data presented in millions or thousands, have been subject to rounding adjustments and, as a result, should therefore not be regarded as exact. In addition, the rounding also means that the totals of the data in this Position Statement may vary slightly from the actual arithmetic totals of such information.

This document does not constitute or form part of an offer to buy or sell, or a solicitation of an offer to buy or sell, any securities to any person in any jurisdiction, nor a solicitation of any vote, consent or approval. Shareholders of FEG have to form their own view on the merits of the Offer and have to make their own decision. This document is not for release, publication or distribution in, into, or from any jurisdiction where such release, publication or distribution would constitute a violation of the securities laws of such jurisdiction and therefore persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction. If you are in any doubt about the contents of this document or the action you should take, you should seek your own legal and/or financial advice immediately from your stockbroker, bank manager, attorney, accountant or other independent financial advisor authorized under the laws of the Netherlands or, if you are outside the Netherlands, from an appropriately authorized independent legal and/or financial advisor under the laws of your own jurisdiction. This document may contain quotes and excerpts from certain previously published third-party materials. Consent of the author(s) and publication(s) has neither been sought nor obtained.

If you have sold or otherwise transferred your shares, please send this document as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale of transfer was effected. However, this document must not be forwarded or transmitted into any jurisdiction where to do so would constitute a violation of the relevant laws of that jurisdiction. If you have sold or otherwise transferred only a part of your shares, you should retain this document and consult your stockbroker, bank or other agent through whom the sale or transfer was effected.

Copies of the Position Statement can be obtained free of charge by contacting FEG via its website (http://www.fortunagroup.eu).

The information included in this Position Statement reflects the situation as of the date of this Position Statement, unless otherwise indicated. Under no circumstances may the issue or distribution of this Position Statement be interpreted as implying that the information contained herein is true and accurate on a later date than the date hereof, unless otherwise indicated. FEG does not undertake any obligation to publicly release any revision to this information to reflect events or circumstances after the date of this document, except as may be required by applicable Dutch securities laws or by any appropriate regulatory authority. FEG is exclusively responsible for the accuracy and completeness of the information contained in this Position Statement, provided that the only responsibility that is accepted for information concerning the Offeror and the Offer is that such information is properly reported and reproduced from the Offer Memoranda or as otherwise provided by the Offeror.

This Position Statement includes “forward-looking” statements, including statements about the expected timing and completion of the Offer. Forward-looking statements involve known or unknown risk and uncertainty because these statements relate to events and depend on circumstances that all occur in the future. Generally, words such as may, should, aim, will, expect, intend, estimate, anticipate, believe, plan, seek, continue or similar expressions identify forward-looking statements. FEG believes the expectations reflected in such forward-looking statements are based on reasonable assumptions. Nevertheless, no assurance can be given that such statements will be fulfilled or prove to be correct, and no representations are made as to the future accuracy and completeness of such statements. Any such forward-looking statements must be considered with the fact that actual events or results may vary materially from such forward-looking statements due to, among other things, political, financial, economic, commercial or legal changes in the markets and environments in which FEG does business, to competitive developments or risks inherent to FEG's business plans and to uncertainties, risk and volatility in financial markets and other factors affecting FEG. Shareholders are reminded that under Dutch law the FEG Boards owe fiduciary duties to FEG and through FEG to all of its stakeholders and not only to Shareholders. Decisions that boards may have to take pursuant to their fiduciary duties may adversely affect shareholder value.

This Position Statement is governed by the laws of the Netherlands. The District Court of Amsterdam (*Rechtbank Amsterdam*) and its appellate courts shall have exclusive jurisdiction to settle any disputes which might arise out of or in connection with this Position Statement. Accordingly, any legal action or proceedings arising out of or in connection with this Position Statement may be brought exclusively in such courts.

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1. LETTER FROM THE FEG BOARDS TO THE SHAREHOLDERS

Dear Shareholder,

It is our pleasure to provide you with our Position Statement in relation to the Offer.

On 2 January 2018, FEG announced that it had entered into a Merger Protocol with the Offeror in respect of the Offer. The Offer is fully supported and recommended by the FEG Boards and the Offer Price of CZK 182.50 or PLN 29.80 per Share is regarded by the FEG Boards as a full and fair valuation of FEG.

Before entering into the Merger Protocol, we made a thorough assessment of the Offer, based on the detailed considerations of the Transaction Committee comprised of Mr Tom de Waard, Mr Per Widerström and Mr Boudewijn Wentink, which was formed to assist our consideration of the Offer. We have also thoroughly considered the implications of the Delisting Resolution and of a subsequent delisting of Shares from the PSE and the WSE for FEG.

We have weighed up the interests of FEG and its stakeholders, including all Shareholders and the FEG Group's employees. We have sought and obtained extensive advice from our financial and legal advisors and have carefully considered the optimal strategy for FEG to pursue in light of the Offer.

We have consistently insisted that FEG's minority Shareholders should be offered a reasonable opportunity to exit FEG against a price that reflects the value of FEG and is fair from a financial point of view. We have used this as our guiding principle in assessing the terms proposed by the Offeror and believe the Offer meets this standard. As such, we support and recommend the Offer for your acceptance.

This Position Statement sets out in greater detail our rationale for supporting and recommending the Offer.

We look forward to welcoming you to the EGM convened to consider the Offer and the Delisting Resolution.

Yours faithfully,

Supervisory Board of FEG

Mr. Tom de Waard
Chairman

Mr. Morten Rønde

Mr. Michael Clark

Management Board of FEG

Mr. Per Evald Widerström
Chairman

Ms. Janka Galáčová

Mr. Richard van Bruchem

Mr. Boudewijn Wentink

2. BACKGROUND AND DECISION MAKING

This Section sets out a non-exhaustive overview of events that led to the signing of the Merger Protocol (as defined below) as well as a brief overview of certain events relating to the earlier offer for the Shares announced by the Offeror on 31 March 2017.

2.1 The 2017 Offer

On 31 March 2017 the Offeror announced a tender offer for all of the outstanding shares in FEG and to this end published a tender offer document for the Polish market and voluntary buy-out offer document for the Czech market (the "**2017 Offer**"). On the same date, the Offeror sent a letter to the Management Board of FEG informing them that it had announced the tender offer. At that time, the Offeror held 35,490,330 shares in the share capital of FEG, representing 68.25% of the share capital.

Prior to the announcement and the letter, FEG was not aware of the Offeror's intention to launch the 2017 Offer and as such not involved in setting the terms of the 2017 Offer.

The price initially offered by the Offeror in the 2017 Offer was CZK 98.69 or PLN 15.43 per Share. The price was subsequently increased to CZK 118.04 or PLN 18.68 per Share on 26 May 2017.

The evaluation of the 2017 Offer was led by an independent transaction committee appointed by the Supervisory Board and the Management Board. This committee consisted of Morten Rønde, as chairman, Per Evald Widerström and Janka Galáčová. The committee presented its recommendations to both the Supervisory Board and the Management Board.

Having received extensive external professional assistance and advice, and having given due and careful consideration to the strategic, operational, financial and social aspects and consequences of the unsolicited 2017 Offer, both the Supervisory Board and the Management Board reached the conclusion that, while there were certain advantages to a delisting of FEG, it could not recommend the 2017 Offer to the Shareholders.

Reference is made to Section 6 of the position statement issued in relation to the 2017 Offer in which the FEG Boards concluded that "while there are certain advantages to a delisting of FEG, [the FEG Boards] cannot recommend the Offer … from a financial point of view to the Shareholders".[1]

2.2 The Templeton Litigation

In June 2017 Franklin Templeton Investment Funds – Templeton Eastern European Fund, Franklin Templeton Investment Funds – Templeton Emerging Markets Smaller Companies Fund and Templeton Global Investment Trust – Templeton Emerging Markets Small Cap Fund (collectively "**Templeton**") initiated court proceedings against FEG and the Offeror at the Enterprise Chamber (*Ondernemingskamer*) of the Court of Appeal in Amsterdam, requesting (in addition to certain interim measures) the Enterprise Chamber to order an investigation into the policy and course of events at FEG since FEG's listing in 2010 and focusing on certain particular

[1] http://www.fortunagroup.eu/public/1f/45/5f/761479_1321040_EUI_1201468011_1_FEG_Position_Statement_2._6._2017.PDF

matters, including the 2017 Offer and the influence of the Offeror on the policy of FEG. The Enterprise Chamber rejected the application of Templeton in a decision dated 14 July 2017. In that decision the Enterprise Chamber ruled *inter alia* that the 2017 Offer and the then anticipated post-closing restructuring measures did not result in sufficient grounds to doubt a proper policy at FEG.

Shareholders should note that the above application was in addition to an earlier application made by Templeton in April 2017, relating to the acquisition of Bet Active Concept S.R.L., Bet Zone S.R.L., Public Slots S.R.L. and Slot Arena S.R.L. by FEG from Fortbet (the "**Romanian Acquisitions**"). That earlier application had led to interim measures preventing the shareholders from voting on the Romanian Acquisitions at the extraordinary general meeting which was scheduled on 26 April 2017, and installing an independent Supervisory Board member exclusively authorized to decide on the provision of information to the shareholders in relation to the Romanian Acquisitions. The Enterprise Chamber granted these interim measures as it believed that the shareholders were not provided with sufficient information to properly determine their vote on the Romanian Acquisitions prior to the extraordinary general meeting of 26 April 2017.
The Romanian Acquisitions ultimately proceeded after FEG, under the supervision and with the approval of the court appointed supervisory director, had provided additional information regarding the Romanian Acquisitions to its shareholders.

2.3 Enhanced Corporate Governance

Following this litigation FEG sought to appoint two additional independent Supervisory Board members and one additional independent Management Board member. This was done, amongst other reasons, with a view to further strengthen the breadth and depth of expertise on both the Management Board and Supervisory Board more generally and to safeguard the interests of all of FEG's stakeholders, including its minority shareholders.

In an extraordinary general meeting of FEG held on 1 December 2017, the Shareholders unanimously appointed:

- Mr. Boudewijn Wentink as a new member of the Management Board;
- Mr. Tom de Waard as a new member of the Supervisory Board; and
- Mr. Michael R. Clark as a new member of the Supervisory Board.

2.4 The current Offer

On 4 December 2017, the Offeror sent a non-binding indicative offer (the "**NBIO**") to the FEG Boards outlining the terms on which the Offeror proposed to acquire all of the issued and outstanding Shares in FEG not already held by the Offeror.

The NBIO entailed an offer price of CZK 170.00 or PLN 28.06 per Share and included information detailing the Offeror's rationale for a delisting of FEG and certain benefits that the Offeror believed would follow should the Offeror acquire 100% of FEG. At that time, the Offeror held 41,695,803 shares in the share capital of FEG, representing 80.18% of the share capital.

On 7 December 2017 the FEG Boards met in a joint meeting to consider the NBIO. The FEG Boards determined that the content of the NBIO was of sufficient substance and merit for FEG to engage in further negotiations with the Offeror in relation to the transaction as proposed therein. The FEG Boards also appointed the Transaction Committee to lead FEG's negotiating team and to make recommendations to the FEG Boards in relation to the review of the Offer and FEG's strategic alternatives.

To avoid the appearance of a conflict of interest in respect of FEG's consideration of the NBIO, Mr Iain Child and Mr Marek Šmrha did not participate in the deliberations and voting on the NBIO or the subsequent negotiations in respect of the Offer. To avoid any actual conflict of interest, or the appearance thereof, each of Mr Iain Child and Mr Marek Šmrha have not been and will not be part of any deliberations or decision-making by the FEG Boards in relation to the Offer, including the adoption of the FEG Boards' position regarding the Offer as set out in this Position Statement. To the extent reference is made in this Position Statement to the FEG Boards, this should be read as excluding Mr Iain Child and Mr Marek Šmrha.

In the period between 4 December 2017 and 2 January 2018, various meetings and calls took place between members of the Transaction Committee and/or FEG's general counsel and FEG's legal advisers. In addition, the Transaction Committee engaged in further correspondence and discussions with Offeror in relation to the terms of the Offer. Following such discussions the Offeror offered an improved price of CZK 182.50 or PLN 29.80 per Share and improved the post-closing governance by giving the independent members of the Supervisory Board an on-going role in safeguarding the interests of any minority Shareholders following completion of the Offer.

On 2 January 2018, the Offeror and FEG entered into a Merger Protocol in respect of the Offer setting out the terms upon which the Offeror would make the Offer with the support of the FEG Boards (the "**Merger Protocol**").

On 3 January 2018, the Offeror published a tender offer document for the Polish market[2] (the "**Polish Offer Memorandum**") and a voluntary buy-out offer document for the Czech market[3] (the "**Czech Offer Memorandum**"), relating to the acquisition by the Offeror of all issued outstanding shares in FEG admitted to trading on the Warsaw Stock Exchange ("**WSE**") and the Prague Stock Exchange ("**PSE**") (jointly referred to as the "**Offer Memoranda**").

On 3 January 2018, following the announcement of the Offer, the Offeror requested for an extraordinary general meeting of FEG to be convened and to vote on delisting of FEG. FEG then issued a notice for an extraordinary general meeting of shareholders of FEG to be held on 15 February 2018 ("**EGM**"). One of the agenda items is the discussion of the Offer and the other is a vote on FEG's delisting at the request of the Offeror.

On 7 February 2018, the FEG Boards unanimously resolved to adopt the position as set out in this Position Statement.

[2] https://www.esp.pl/pl/departament-rynkow-kapitalowych/oferty/fortuna-dokumenty-oferty.

[3] https://cdn.patria-direct.cz/Odkup/Nabidka-na-koupi-akcii_CZ.pdf.

3. STRATEGIC CONSIDERATIONS

This Section sets out the principal strategic matters and market background considered by the FEG Boards and the Transaction Committee in their assessment of the Offer.

3.1 Current and future strategy

FEG is the leading Central and Eastern European ("**CEE**") betting and gaming operator and offers a comprehensive range of online and land network-based betting and gaming products, including pre-match and live betting on a range of sporting events as well as number games. FEG's vision is to be the number 1 licensed sports betting and gaming operator in Central and Eastern Europe with the most trusted and exciting multi-channel betting and gaming brands.

In order to achieve FEG's vision and growth ambitions, FEG has developed a value creation strategy which is based upon 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 CEE regulated markets through mergers and acquisitions.

As the number 1 licensed sports betting and gaming operator in CEE, with the most trusted and exciting multichannel betting and gaming brands, FEG is well positioned to deliver on these initiatives.

The objective is to ensure FEG is prepared to provide its customers with a market leading multichannel and cross platform betting and gaming offering in all its markets where regulation allows it, as well as to implement a technology platform that will support FEG's vision and growth strategy. FEG aims, by 2019, to:

- maintain its position as the #1 licensed betting and gaming operator in CEE, active in 5 markets;
- have the most trusted and exciting betting and gaming brands;
- explore further merger and acquisition opportunities in other markets; and
- be a regional leader on both a Gross Winnings and EBITDA basis.

Achieving these objectives will require further long term investments in FEG's growth strategy. To this end, the FEG Boards have previously proposed not to pay dividends but instead to reinvest profits in the FEG Group. In addition, further funding and shareholder support may be required to finance merger and acquisition transactions and to pursue other strategic opportunities which align with FEG's growth strategy.

3.2 Strategic advantages of the Offer

The FEG Boards have considered the implications of the Offer for FEG and its stakeholders in light of the foregoing strategy. Set out below is the FEG Boards' analysis of the principal strategic implications of the Offer: namely the implications of a "public-to-private" transaction, whereby the Offeror proposes to become FEG's sole shareholder, and the proposed delisting of Shares from the WSE and the PSE.

Offeror as sole shareholder

The Offeror is (and since the initial public offer in 2010 has been) the majority shareholder of FEG and is now seeking to acquire all shares in FEG such that FEG becomes wholly-owned by the Offeror.

The Offeror has made it clear in the Offer Memoranda that it intends to support the continuation of the business operations of FEG in the foreseeable future. The Offeror will continue to support both the organic and acquisition growth of FEG in the future.

The FEG Boards see structural advantages to pursuing FEG's growth strategy in a wholly-owned environment, given the Offeror's stated support for FEG's existing strategy. The FEG Board believes that a simplified shareholder structure will:

(i) afford FEG more flexibility in implementing its vision and strategy;

(ii) free management resources to fully focus on the implementation of the strategy of FEG (e.g. organic growth, integration, further acquisitions) and further market share gains and will permit the swifter integration of acquisitions and FEG's realization of resultant efficiencies; and

(iii) remove potential barriers to pursuing opportunities in riskier markets or product segments.

The FEG Boards take great comfort from the Offeror's intention to continue its support for FEG's vision and future growth strategy by, amongst others, furthering regulatory reform and government relations in relevant jurisdictions and supporting acquisitions. The FEG Boards note that the Offeror has recorded its support in the Merger Protocol.

Considerations relating to delisting

The FEG Boards have also given detailed consideration to the Offeror's stated intention to delist the Shares and withdraw the Shares from trading on the regulated markets of the PSE and the WSE.

The FEG Boards see considerable strategic benefit to the proposed delisting and believe such action will strengthen FEG's position in the market and facilitate the achievement of our strategic goals. Specifically, we share the belief of the Offeror that ending the listings of FEG's Shares on the PSE and WSE will:

(i) release FEG from its public disclosure obligations, which are currently a significant disadvantage as FEG's major competitors are private companies that are subject to less extensive and transparent reporting requirements, but are able to benefit from the information publicly shared by FEG and thus compete more effectively with FEG;

(ii) eliminate the regulatory and compliance aspects associated with a listing, which impose a significant financial and management burden on FEG which is not sufficiently compensated by benefits that are often associated with a listing (such as market profile or improved access to capital and investors);

(iii) enable FEG, as an unlisted company with no public disclosure requirements, to more easily take advantage of market opportunities and to adopt a more aggressive acquisition strategy;

(iv) allow an increased focus on long-term goals instead of the short-term goals often encouraged in a public markets context; and

(v) enable FEG to realize cost savings, given the costs associated with maintaining the dual listing.

The FEG Boards have accordingly formed the view that the Offer and the proposed delisting present significant and convincing strategic advantages for FEG. The strategic vision of the Offeror closely aligns with FEG's own objectives and will facilitate the sustained growth of FEG and in the future.

In addition to furthering FEG's own strategic ambitions, the FEG Boards require that the Offer and the proposed delisting also provides FEG's other Shareholders with a reasonable opportunity to exit their FEG shareholding for a price that reflects the value of FEG and is fair to the Shareholders from a financial point of view. The following Section 4 provides an overview of the terms of the Offer and Section 5 includes the FEG Boards' financial and non-financial assessment of the Offer.

4. OVERVIEW OF THE OFFER MEMORANDA

This Section provides a high level overview of the Offer as set out in the Offer Memoranda. Shareholders should note that this does not include all details from the Offer Memoranda and Shareholders should review the Offer Memoranda relating to their Shares in full detail.

4.1 Dual Public Offers

The Offer consists of two public offers, the Polish Tender Offer and the Czech Voluntary Buy-Out Offer.

The Polish Tender Offer is a regulated tender offer announced in accordance with applicable Polish law. The Polish Tender Offer concerns those Shares that were acquired through transactions executed as part of trading on a regulated market in Poland and which were registered in a securities account maintained in Poland as at the end of the second calendar day from the announcement of the Offer.

The Czech Voluntary Buy-Out Offer is voluntarily made in the Czech Republic under equivalent terms to the Polish Tender Offer. The Czech Voluntary Buy-Out Offer concerns all issued outstanding Shares admitted to trading on the PSE and WSE.

The Shares to be subscribed under the Offer must not be encumbered with any pledge or by any third party rights.

4.2 Current and intended shareholding of the Offeror

At the date of the Offer, the Offeror held 41,695,803 of the 52,000,000 outstanding Shares, entitling the Offeror to exercise 41,695,803 votes at the general meeting of FEG and representing 80.18% of the share capital and 80.18% of the total number of votes at the general meeting of FEG.

Through the Offer, the Offeror wishes to acquire the entire registered issued and outstanding share capital of FEG and 100% of votes in the general meeting of FEG.

Notwithstanding the above, the Offeror has not made the Offer conditional on achieving any minimum acceptance threshold. Given the Offeror's position as the current majority shareholder of FEG, the Transaction Committee considered it imperative that the Offer be unconditional in this respect. The Offer is also not subject to any regulatory approvals.

As the Offer is unconditional and the Offer is not subject to any minimum acceptance threshold, the Offeror will accept all Shares that have been validly tendered (or defectively tendered provided that such defects are minor or technical and have been waived by the Offeror) and not previously withdrawn pursuant to the terms of the Offer in accordance with the procedures set forth in the Offer Memoranda.

4.3 Offer Price

The Offer Price set by the Offeror to Shareholders tendering their Shares is an amount of PLN 29.80 under the Polish Tender Offer or CZK 182.50 under the Czech Voluntary Buy-Out Offer.

The Offer Price was agreed between the Offeror and FEG based on the CZK price per Share, and converted into PLN using the PLN/CZK average exchange rate published by the National Bank of Poland on 28 December 2017.

Section 5.1 of this Position Statement includes an assessment of the Offer Price as against the recent trading history of FEG Shares on the PSE and WSE.

According to the Polish Offer Memorandum, the Offer Price of the Shares complies with the provisions of Polish law regulating tender offers, i.e. the provisions of Article 79 sections 1, 2 and 3 of the Act of 29 July 2005 on Public Offering, the Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies (the "**Polish Public Offering Act**").

Changes to the Offer Price

Under the terms of the Merger Protocol the Offeror is not permitted to decrease the Offer Price.

Under applicable Polish law, the Offeror is entitled to, but not required to, increase the Offer Price and this process is detailed in Section 28(a) of the Polish Offer Memorandum and Section 14(a) of the Czech Offer Memorandum.

4.4 Offer Documentation

The information in this Section 4 on the terms of the Offer is neither complete nor comprehensive. Full information on the terms and conditions of the Offer is contained in the "**FEG Offer Documentation**", being:

(A) the Polish Offer Memorandum dated 3 January 2018 (in Polish) and other announcements published via the Polish Press Agency and available on:

https://www.esp.pl/pl/departament-rynkow-kapitalowych1;

(B) the consolidated text of the Polish Offer Memorandum, published on 22 January 2018 in the Polish newspaper, *Parkiet*;

(C) the voluntary buy-out offer for the Czech Republic dated 3 January 2018 and other announcements available on:

https://www.patria.cz/; and

(D) such other documents or announcements in relation to the Offer as are made publicly available by the Offeror or the intermediary entities in the Offer.

4.5 Offer Timetable

The contemplated offer timetable, as set out in the Offer Memoranda, is as follows:

Offer Date:	3 January 2018
Commencement of the subscription period:	23 January 2018

End of the subscription period:	23 February 2018
Expected date of the Share purchase transaction on the WSE:	28 February 2018
Expected settlement of the Share purchase transaction by the PNDS:	5 March 2018

The Offeror notes in the Offer Memoranda that the subscription period may be shortened or extended in accordance with applicable Polish law (see Section 10 of the Polish Offer Memorandum and Section 6 of the Czech Offer Memorandum for details).

5. ASSESSMENT OF THE OFFER

The Transaction Committee has reviewed and discussed the Offer with a view to come to a recommendation to the FEG Boards, allowing them to form a reasoned opinion on the Offer based on the current situation.

The fundamental guiding principle on which the Transaction Committee based its recommendation and upon which the FEG Boards have based their assessment of the Offer and the proposed delisting is to ensure that FEG's minority Shareholders are provided with a reasonable opportunity to exit their FEG shareholding for a price that reflects the value of FEG and is fair to the Shareholders from a financial point of view.

In addition, the FEG Boards thoroughly considered both the financial and the non-financial consequences of the Offer and the likely consequences for Shareholders who choose not to accept the Offer. In this context, the FEG Boards have sought to safeguard the interests of any minority Shareholders remaining following completion of the Offer.

In reaching our conclusion, the FEG Boards consulted extensively with the Transaction Committee and FEG's legal adviser, Allen & Overy. In arriving at its view, the Transaction Committee has independently reviewed the Offer, and considered the implications for FEG's future and best interests of FEG and its business, all Shareholders and other stakeholders.

The FEG Boards' assessment of the Offer is detailed below.

5.1 Financial assessment of the Offer

Share price of FEG

The Offer Price of CZK 182.50 or PLN 29.80 per Share is above the spot price for FEG Shares on both the PSE and the WSE as at the date of the Offer.

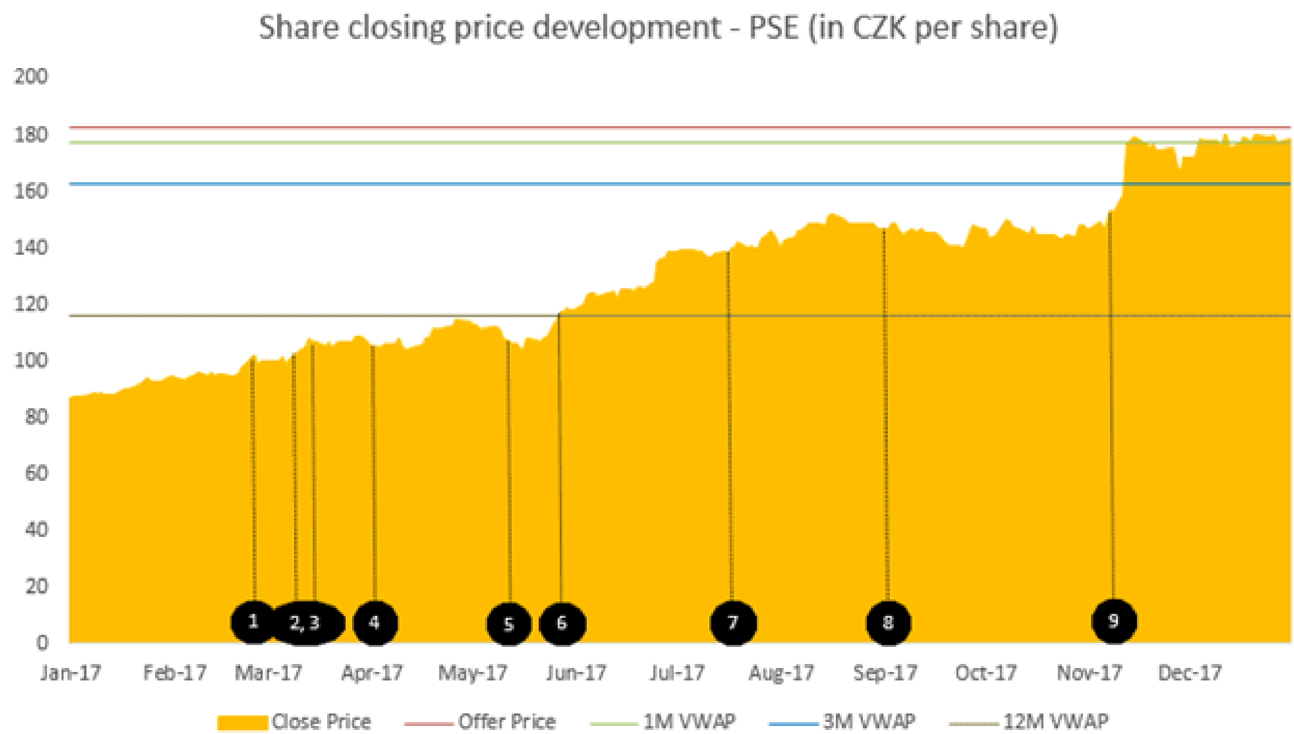
The Offer Price represents a premium of 57.4% (in CZK) and 52.9% (in PLN) over the volume-weighted average price during the twelve months preceding the announcement of the Offer, which for Shares traded on the WSE was PLN 19.49 and for Shares traded on the PSE was CZK 115.93.

The Offer Price is a substantial increase on the 2017 Offer, which the FEG Board determined at that time as one that could not be recommended to Shareholders from a financial point of view. The Offer Price now is:

- in CZK, 64.46 (54.6%) higher than the final price of CZK 118.04 proposed by the Offeror in the 2017 Offer; and

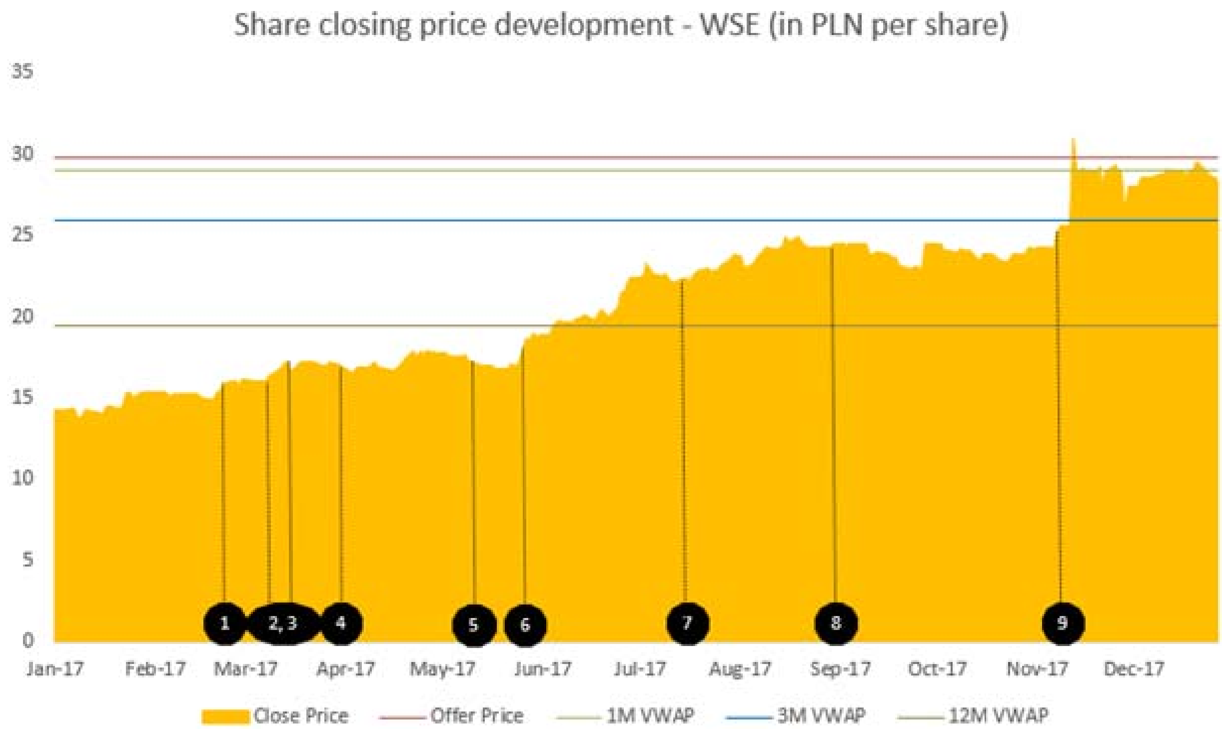
- in PLN, 11.12 (59.5%) higher than the final price of PLN 18.68 proposed by the Offeror in the 2017 Offer.

The graph below sets out the Share price development for FEG on the PSE in the period from 3 January 2017 to 2 January 2018 in CZK.



❶ 23.2.2017 Announcement of the Hattrick acquisition
❷ 9.3.2017 FY 2016 financial results
❸ 15.3.2017 Announcement of the Fortbet entities acquisition
❹ 31.3.2017 First Penta's offer
❺ 11.5.2017 Q1/2017 financial results
❻ 26.5.2017 Penta increases offer price
❼ 17.7.2017 Fortuna wins Court Ruling against Franklin Templeton
❽ 31.8.2017 Q2/2017 financial results
❾ 9.11.2017 Q3/2017 financial results

The graph below sets out the Share price development for FEG on the WSE in the period from 3 January 2017 to 2 January 2018 in PLN.



1. 23.2.2017 Announcement of the Hattrick acquisition
2. 9.3.2017 FY 2016 financial results
3. 15.3.2017 Announcement of the Fortbet entities acquisition
4. 31.3.2017 First Penta's offer
5. 11.5.2017 Q1/2017 financial results
6. 26.5.2017 Penta increases offer price
7. 17.7.2017 Fortuna wins Court Ruling against Franklin Templeton
8. 31.8.2017 Q2/2017 financial results
9. 9.11.2017 Q3/2017 financial results

Premium

The Offer Price of CZK 182.50 or PLN 29.80 in cash per Share represents a premium of:

- 5.6% and 2.2% to the closing price per Share on the WSE and the PSE, respectively, as at 2 January 2018 (the "**Reference Date**");

- 2.6% and 3.0% to the daily volume weighted average price per Share on the WSE and the PSE, respectively, for the 1 month prior to and including the Reference Date;

- 15.0% and 11.9% to the daily volume weighted average price per Share on the WSE and the PSE, respectively, for the 3 months prior to and including the Reference Date; and

- 52.9% and 57.4% to the daily volume weighted average price per Share on the WSE and the PSE, respectively, for the 12 months prior to and including the Reference Date.

The price per Share on the WSE and the PSE has not moved materially since the announcement of the Offer.

Other financial considerations

In addition to the foregoing, the FEG Boards have considered the following in their financial assessment of the Offer:

- KPMG delivered a fairness opinion to the FEG Boards dated 2 January 2018 which has been updated and reissued as of 7 February 2018 (the "**Fairness Opinion**"), which states that – as of such date and based upon and subject to the factors, qualifications and assumptions set forth in the Fairness Opinion – the Offer Price per Share is fair to the Shareholders from a financial point of view.

  The full text of the Fairness Opinion is included in Schedule 1. KPMG provided its opinion solely for the information and assistance of the FEG Boards in connection with their consideration of the Offer. The Fairness Opinion is not a recommendation as to whether or not any Shareholder should tender such Shares in connection with the Offer or any other matter.

- Given the size of the majority shareholding of the Offeror, it is unlikely that a third party will make a competing offer. At the date of this Position Statement, FEG is not in discussions with a third party regarding a competing offer, nor has any approach been made.

- The Offer is unconditional and not subject to any minimum acceptance threshold, meaning that it is open to all or none of FEG's minority Shareholders to accept the Offer, without relying on the support of a qualified majority of other Shareholders.

- The Offeror already holds a substantial majority shareholding in FEG which combined with the proposed delisting of the Shares from the PSE and the WSE, means that the Offer likely represents the last liquidity opportunity for Shareholders for the foreseeable future.

Assessment

Based on all the above considerations and noting the content of the Fairness Opinion, the FEG Boards have concluded that the Offer Price compares favourably to the value of FEG and its prospects and that, taking into account the current circumstances and the foregoing considerations, the Offer Price of CZK 182.50 or PLN 29.80 per Share in cash to be paid pursuant to the Offer reflects the value of FEG and is fair to the Shareholders from a financial point of view.

5.2 Non-financial aspects of the Offer

Offeror's Corporate Governance commitments

The Offeror has advised that it wishes to acquire full ownership of FEG and its business. Nonetheless, the FEG Boards are cognizant that some Shareholders may not wish to accept the Offer and the FEG Boards have negotiated a suite of undertakings on the part of the Offeror designed to protect the interests of FEG's minority Shareholders in the period after settlement of the Offer.

The Offeror and FEG have agreed that, regardless of whether the Dutch Corporate Governance Code continues to apply to FEG, the Offeror and FEG mutually undertake to procure that following settlement of the Offer and until the End Date there shall be at least three Supervisory Board members who are independent within the meaning of the Dutch Corporate Governance Code (the "**Independent Members**") and the Independent Members shall form a majority on the Supervisory Board.

Furthermore, the Offeror and FEG have agreed certain restrictions which will apply to the following "**Monitored Post Closing Transactions**":

- any transaction aimed at the restructuring of the FEG Group where such transaction involves the Offeror or its affiliates;
- any change of the corporate form or corporate seat of FEG; and
- any transactions that may solely or disproportionately adversely impact Shareholders other than the Offeror.

Until the End Date, any approval of any Monitored Post Closing Transactions requires, in addition to any other requirements under applicable law, the prior approval of the Supervisory Board, including (i) if there are three or more Independent Members: the affirmative vote of at least a majority of the Independent Members, and (ii) if there are fewer than three Independent Members: the affirmative vote of at least one Independent Member.

Furthermore, the Offeror has agreed to observe the following "**Non-Financial Covenants**" until the earlier of the End Date or 2 January 2019:

1. That the Offeror shall procure that no member of the FEG Group shall agree to and enter into a related party transaction with any material shareholder which is not at arm's length;
2. That the Offeror supports the existing corporate strategy and business plan of FEG and shall procure that:
    - the core businesses and products of the FEG Group shall be maintained substantially intact, subject to and except for any amendments in the context of future market or product developments; and
    - the major brand and product names of the FEG Group in all relevant markets shall remain consistent with the FEG Group's current branding and marketing strategy, except for any amendments in the context of future market or product developments.

3. That, without prejudice to the Monitored Post Closing Transactions, any deviations from the Non-Financial Covenants shall require the affirmative vote of the Supervisory Board, including a vote in favour of such approval by at least a majority of the Independent Members.

The Non-Financial Covenants shall be enforced on FEG's behalf by the Independent Members acting jointly. Any deviations from the Non-Financial Covenants require, in addition to any other requirements under applicable law, the prior approval of the Supervisory Board, including the affirmative vote of at least a majority of the Independent Members.

Consequences for FEG's business and its employees

The Offeror stated that it intends to continue the business operations of FEG in the foreseeable future. As the current strategy of FEG has the support of the Offeror as the majority shareholder, the FEG Boards do not expect the consummation of the Offer to have a material impact on employment within the FEG Group. The Offer Memoranda include specific statements to this effect and this commitment is also reflected in the Non-Financial Covenant given by the Offeror relating to the maintenance of the core businesses of the FEG Group in the Merger Protocol (described above).

The Offeror foreshadows the possibility of transferring FEG's corporate seat to the Czech Republic following conclusion of the Offer. As the majority of the FEG Group's operations and employees are already located in CEE, the contemplated transfer of FEG's corporate seat to the Czech Republic will not have a material impact on employment within the group.

Majority Shareholding of the Offeror

The Offeror is, and since the initial public offer in 2010 has been, the majority shareholder of FEG and as such can cast the majority of the votes in the general meeting of shareholders of FEG. This will likely continue to be the case whether the Offer succeeds or not. Nonetheless, the FEG Boards see advantages in the Offeror moving from majority shareholder to sole shareholder. These considerations are set out in Section 3.2 of this Position Statement.

Delisting / "Go Private"

At the EGM, the Shareholders shall be requested, at the express request of the Offeror, to vote in favour of the delisting and rematerialisation of the Shares (the "**Delisting Resolution**"). FEG has agreed to do, and procure to be done, all those things necessary to ensure that the proposed Delisting Resolution is put to the EGM as a voting matter.

The FEG Boards see considerable strategic advantages to the proposed delisting and these are set out in detail in Section 3.2 of this Position Statement. The FEG Boards have also taken into their assessment the relatively low market liquidity for its Shares which, given the allocation of Shares, is not likely to change in the short term. Based on these considerations, the FEG Boards are in principle supportive of the delisting and the Delisting Resolution.

The view of the FEG Boards above is subject to their strong belief that, prior to any delisting, the minority Shareholders should be offered a reasonable opportunity to exit their FEG shareholding for a price that reflects the value of FEG and is fair from a financial point of view. As set out in Section 5.1, the assessment of the FEG Boards is that the Offer represents such a reasonable opportunity in financial terms.

5.3 Considerations with respect to the Offer for non-accepting Shareholders

Shareholders who do not intend to dispose of their Shares under the Offer should carefully review the risks they will be subject to as set out in the Offer Memoranda if they elect not to accept the Offer and certain measures the Offeror may take to achieve its goal of obtaining 100% of the Shares in FEG.

These risks are in addition to the risks associated with holding securities issued by FEG generally.[4] The FEG Boards have considered these specific risks in their assessment of the Offer and they are summarised below.

(A) Liquidity considerations

The Offeror has stated in the Offer Memoranda that it is the Offeror's intention, subject to applicable laws and regulations, to terminate the listing of the Shares, as described previously and as further set out in the Polish Offer Memorandum and the Czech Offer Memorandum.

The FEG Boards support and recommend the Delisting Resolution for the reasons set out in Section 3.2. The Offeror carries a significant majority of the votes that can be cast in respect of the Delisting Resolution, making it likely that such resolution will pass at the EGM and that FEG will proceed with the delisting process, notwithstanding that not all Shares may be tendered in the Offer.

If the listings of the Shares are terminated, such termination would further adversely affect the liquidity of any Shares not disposed of under the Offer. The purchase of Shares by the Offeror pursuant to the Offer, among other things, will also further reduce the number of Shareholders and the number of Shares that currently trade publicly. This will further adversely affect the liquidity of the Shares which are not disposed of under the Offer.

(B) Reduced governance rights

In the event that FEG or its successor entity is no longer listed and/or ceases to be a public company, the statutory provisions applicable to the governance of public or listed companies will no longer apply. The corporate governance protections outlined in Section 5.2 will apply following settlement of the Offer. However these protections are of a limited duration and should not be seen as a replacement for the statutory and regulatory standards that apply to listed public companies. Shareholders should note that following the expiry of those corporate governance protections, the rights of minority Shareholders will be limited to the statutory minimum applicable to non-listed companies.

(C) Post-Closing Restructuring Measures

The Offeror has stated in the Offer Memoranda that it may seek to effect or cause FEG to seek to effect certain restructuring actions in accordance with applicable laws (the "**Post-Closing Restructuring Measures**").

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[4] Such as the exposure to risks related to the business of FEG and its subsidiaries, the markets in which FEG operates, as well as economic trends affecting such markets generally as such business, markets or trends which may change from time to time.

Dutch squeeze out proceedings

The Offeror has advised that it wishes to acquire full ownership of FEG and its business. If, following the settlement of the Offer, the Offeror and its affiliates hold 95% or more of FEG's aggregate issued and outstanding ordinary share capital (*geplaatst en uitstaand kapitaal*) (excluding any Shares then held by FEG), the Offeror will be entitled to, and may commence:

- a compulsory acquisition procedure (*uitkoopprocedure*) in accordance with article 2:92a or 2:201a of the DCC; or

- the takeover buy-out procedure in accordance with article 2:359c of the DCC,

to buy out the holders of Shares who have not tendered their Shares under the Offer. The foregoing is a statutory minority shareholder 'squeeze-out' procedure under Dutch law and the corporate governance limitations described in Section 5.2 would not apply to such a procedure.

Other Post-Closing Restructuring Measures

In addition to the Dutch law squeeze out procedure, the Offeror outlines in the Offer Memoranda the broad array of potential Post-Closing Restructuring Measures which may be available to it after settlement of the Offer under applicable law. These are listed in detail in Section 28(i) of the Polish Offer Memorandum and Section 13(i) of the Czech Offer Memorandum and Shareholders are encouraged to review these sections of the Offer Memoranda in detail.

The Offeror specifically notes in the Offer Memoranda that it is considering transferring FEG's registered seat from the Netherlands to the Czech Republic and that the Offeror may subsequently seek to implement the forced transfer of all minority Shareholders' Shares pursuant to Sections 375 through 394 of the Czech Business Corporations Act (the "**Czech Squeeze-Out**"). Such a transfer of Shares requires the consent of 90% of the shareholders present and voting at a shareholder meeting.

The FEG Boards are not opposed in principle to transferring FEG's corporate seat to the Czech Republic. Such a transfer of FEG's corporate seat may bring with it certain advantages from a cost perspective and warrants further consideration given the jurisdictions in which FEG's operations are located. Transferring FEG's corporate seat while the Offeror's corporate governance commitments remain in effect will constitute a Monitored Post Closing Transaction and require majority approval by the Independent Members as outlined in Section 5.2.

For the avoidance of doubt, neither FEG nor the FEG Boards have in any way agreed to, or agreed to lend their co-operation to, the Czech Squeeze-Out (including any steps which may be part of, or a precursor to, the Czech Squeeze-Out) or any other potential Post-Closing Restructuring Measures. Such measures will be considered by the FEG Boards if and when proposed by the Offeror or its affiliates.

In the implementation of any Post-Closing Restructuring Measure, the Offeror will need to give due consideration to the requirements of any applicable laws and regulations. The members of the FEG Boards will also need to form an independent view of any relevant matter which requires their approval, either under applicable law or as such action constitutes a Monitored Post Closing Transaction.

(D) Dividend policy

Shareholders should be aware that FEG may not pay cash dividends in the future. The Offer Memoranda suggest that the Offeror intends that FEG shall refrain from paying cash dividends in the near future.

5.4 Assessment and conclusion

Taking into account all the above considerations, the FEG Boards have concluded that the rationale behind the Offer in as far as it concerns public-to-private aspects thereof and the delisting of Shares from the PSE and WSE have merit and are in the best interests of FEG and its businesses.

Furthermore, the FEG Boards are of the view that these proposals are accompanied by an Offer which presents FEG's minority shareholders with a reasonable opportunity to exit their FEG shareholding for a price that reflects the value of FEG and is fair to those Shareholders from a financial point of view.

6. POSITION OF THE FEG BOARDS

Since the Offeror first approached the FEG Boards with the NBIO on 4 December 2017, the Transaction Committee has had conference calls and meetings to discuss the developments, preparations and progress in relation to the Offer, as well as the considerations underlying the key decisions in connection therewith.

Throughout the process up to publication of this Position Statement, the Transaction Committee consisting of Mr Tom de Waard, Mr Per Widerström and Mr Boudewijn Wentink, held frequent conference calls and meetings with all key advisers retained to be fully updated on the latest developments, discuss the Offer and alternatives thereto, and to monitor the process. Each step in the decision-making process relating to the Offer, including the decision on its reasoned opinion set out in this Position Statement, has been carefully taken by the FEG Boards from the beginning.

To avoid any actual conflict of interest, or the appearance thereof, each of the conflicted supervisory board members, Mr Iain Child and Mr Marek Šmrha, have not been and will not be part of any deliberations or decision-making by the FEG Boards in relation to the Offer, including the adoption of the FEG Boards' position regarding the Offer as set out in this Position Statement.

After having received extensive external professional assistance and advice, and having given due and careful consideration to the strategic, operational, financial and social aspects and consequences of the Offer, both the Supervisory Board and the Management Board have reached the unanimous conclusion that the Offer is fully supported by the FEG Boards and to unanimously recommend the Offer for acceptance to all Shareholders.

Supervisory Board of FEG	**Management Board of FEG**
Mr Tom de Waard Chairman	Mr. Per Evald Widerström Chairman
Mr Morten Rønde	Ms. Janka Galáčová
Mr Michael Clark	Mr. Richard van Bruchem
	Mr Boudewijn Wentink

7. FINANCIAL INFORMATION

Annexed to this Position Statement as Annexure 2 is a comparative overview of the: (i) consolidated statement of financial position; (ii) consolidated statement of profit or loss; (iii) consolidated statement of comprehensive income; and (iv) consolidated statement of cash flow, each of the FEG Group as at and for the financial years ended 31 December 2014, 2015 and 2016 as extracted from the audited and adopted consolidated financial statements for those years, accompanied by an independent auditor's report of EY, as FEG's independent auditor.

The full adopted annual financial statements of the FEG Group for the financial year ended 31 December 2016, as extracted from FEG's 2016 Annual Report, are annexed to this Position Statement as Annexure 3.

A selection of non-audited and condensed financial information of the FEG Group for the 6 months to 30 June 2017 is set out in Annexure 4. This information comprises (i) an interim condensed consolidated statement of financial position; (ii) an interim condensed consolidated statement of profit or loss; (iii) an interim condensed consolidated statement of comprehensive income; and (iv) an interim condensed consolidated statement of cash flows of the FEG Group. This financial information is displayed alongside the equivalent period for financial year 2016 and is extracted from FEG's half year report for the 6 months to 30 June 2017, which is available in full on FEG's website (http://www.fortunagroup.eu) and which is incorporated by reference in this Position Statement.

The FEG Board also wishes to draw Shareholders' attention to the additional financial information of the FEG Group for the 2017 financial year which is also available on FEG's website.

8. INFORMATION ON SHARES HELD BY THE MEMBERS OF THE FEG BOARDS

No members of the Supervisory Board, of the Management Board, or their spouses and/or registered partners, their minors or any legal entities in which they and/or these persons have control hold any to securities of FEG or have concluded transactions and agreements in relation to securities of FEG in the year prior to the public statement announcing the availability of the Offer Memorandum (i.e. 3 January 2017 up to 3 January 2018).

9. DEFINITIONS

Defined terms used in this Position Statement shall have the following meanings:

Definition	**Explanation**
Business Day	any day other than a Saturday, Sunday or public holiday on which banks in the Netherlands, according to the collective agreements for the banking sector (*Algemene Bank-CAO*), are generally open for business
CEE	Central and Eastern Europe
CEST	Central European Time
Czech Offer Memorandum	the voluntary buy-out offer for the sale of shares in Fortuna Entertainment Group N.V. (*Nabídka na koupi akcií společnosti Fortuna Entertainment Group N.V. oznámená společností Fortbet Holdings Limited*) announced by Fortbet Holdings Limited on 3 January 2018
Czech Squeeze-Out	the Post-Closing Restructuring Measure as described in Section 5.3 of this Position Statement
Czech Voluntary Buy-Out Offer	the voluntary buy-out offer in the Czech Republic announced by the Offeror on 3 January 2018, as described in the Czech Offer Memorandum
DCC	the Dutch Civil Code
Delisting Resolution	the resolution to be put to the EGM at the express request of the Offeror, requesting the Shareholders to vote in favour of the delisting and rematerialisation of the Shares
EGM	the extraordinary general meeting of shareholders of FEG to be held on 15 February 2018
End Date	the earlier of (i) 2 July 2019, being the date that is eighteen (18) months following the date of the Merger Protocol and (ii) the date on which the Offeror and its affiliates, alone or together with FEG, hold such percentage of FEG's aggregate issued and outstanding ordinary share capital as is required to commence a compulsory acquisition procedure under applicable laws
Enterprise Division	the Enterprise Division of the Amsterdam Court of Appeals
EY	Ernst & Young Accountants LLP
Fairness Opinion	the opinion dated 2 January 2018, which has been updated and reissued on 7 February 2018, as prepared by KPMG and delivered to the FEG Boards regarding the fairness of the Offer

Definition	Explanation
FEG	Fortuna Entertainment Group N.V., a public company organized and existing under the laws of the Netherlands, with its registered office in Amsterdam at Strawinskylaan 809 WTC T.A/L 8, 1077 XX Amsterdam, the Netherlands, registered with the Dutch Commercial Register under number 34364038
FEG Boards	the Supervisory Board and the Management Board collectively, for the avoidance of doubt operating without the participation of the conflicted members Mr Iain Child and Mr Marek Šmrha
FEG Group	FEG and its subsidiaries as meant in article 2:24a DCC and the entities in which FEG directly or indirectly has a minority stake
FEG Offer Documentation	the following documents collectively: (i) the Polish Offer Memorandum, as updated from time to time; (ii) the Czech Offer Memorandum, as updated from time to time; (iii) the consolidated text of the Polish Offer Memorandum, published on 22 January 2018 in the Polish newspaper, *Parkiet*; and (iv) such other documents or announcements in relation to the Offer made publicly available by the Offeror or the intermediary entities in the Offer
Independent Member	a Supervisory Board member who is independent within the meaning of the Dutch Corporate Governance Code
KPMG	KPMG Česká republika, s.r.o.
Management Board	the board of management of FEG
Merger Protocol	the Merger Protocol dated 2 January 2018 between the Offeror and FEG setting out the terms upon which the Offeror would make the offer with the support of the FEG Boards
Monitored Post Closing Transactions	the restricted transactions of FEG Group described in Section 5.2 of this Position Statement
NBIO	the Non-binding Indicative Offer for all outstanding shares of FEG dated 4 December 2017 from the Offeror to the FEG Boards
Non-Financial Covenants	means the covenants which the Offeror has agreed to observe in the period following the Offer as identified in Section 5.2 of this Position Statement
Offer	the Polish Tender Offer and the Czech Voluntary Buy-Out Offer as described in the Offer Memoranda
Offer Memoranda	the Polish Offer Memorandum and the Czech Offer Memorandum
Offer Price	as at the date of this Position Statement, a cash amount of PLN 29.80 or CZK

Definition	Explanation
	182.50 per Share
Offeror	Fortbet Holdings Limited, a company organized and existing under the laws of Cyprus, with its registered office at Agias Fylaxeos & Polygnostou, 212, C&I Center Building, 2nd floor, P.C. 3082, Limassol, Republic of Cyprus, registered with the Department of Registrar of Companies and Official Receiver of the Ministry of Commerce, Industry and Tourism under registration number HE 295409
Penta	Penta Investments Limited, a limited liability company organized and existing under the laws of Jersey under registration number 109645, which is the indirect holder of 100% of the shares in the Offeror.
Polish Offer Memorandum	the tender offer for the sale of shares in Fortuna Entertainment Group N.V. announced by Fortbet Holdings Limited (*Wezwanie do zapisywania sie na sprezedaz akcji spolki Fortuna Entertainment Group N.V. ogloszone przez Fortbet Holding Limited*) as published on 3 January 2018
Polish Public Offering Act	the Act of 29 July 2005 on Public Offering, the Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies
Polish Tender Offer	the tender offer in the Republic of Poland announced by the Offeror on 3 January 2018, as described in the Polish Offer Memorandum
Position Statement	this position statement of FEG on the Offer in accordance with article 18 and Annex G of the Dutch Decree on Public Takeover Bids
Post-Closing Restructuring Measures	the restructuring measures referred to in Section 5.3 of this Position Statement which are described in further detail in the Offer Memoranda
PSE	the Prague Stock Exchange
Reference Date	2 January 2018
Romanian Acquisitions	the acquisition of Bet Active Concept S.R.L., Bet Zone S.R.L., Public Slots S.R.L. and Slot Arena S.R.L. from the Offeror
Shareholder(s)	the holder(s) of one or more Shares
Shares	all ordinary shares in the capital of FEG issued from time to time
Supervisory Board	the independent members of the supervisory board of FEG
Templeton	Franklin Templeton Investment Funds – Templeton Eastern European Fund, Franklin Templeton Investment Funds – Templeton Emerging Markets Smaller Companies Fund and Templeton Global Investment Trust – Templeton

Definition	Explanation
	Emerging Markets Small Cap Fund
Transaction Committee	the committee consisting of the independent chair of the Supervisory Board, Mr Tom de Waard, and Mr Per Widerström and Mr Boudewijn Wentink, both members of the Management Board, to lead FEG’s negotiating team and to make recommendations to the FEG Boards in relation to the review of the Offer and FEG's strategic alternatives
WSE	the Warsaw Stock Exchange

ANNEXURE 1: FAIRNESS OPINION

KPMG Česká republika, s.r.o.
Pobřežní 648/1a
186 00 Praha 8
Česká republika
+420 222 123 111
www.kpmg.cz

Board of Managing Directors and Supervisory Board
To the attention of Mr Widerstrom, the Chairman of the Board of Managing Directors
To the attention of Mr de Waard, the Chairman of the Supervisory Board
Fortuna Entertainment Group N.V.
World Trade Center, Tower Kevel 8
Strawinskylaan 809, 1077XX
Amsterdam
The Netherlands

7 February 2018

Dear Sirs,

Re: Fairness opinion on the financial conditions of the voluntary buy-out offer and the tender offer for the sale of shares in Fortuna Entertainment Group N.V. announced on 3 January 2018

KPMG Česká republika, s.r.o. ("KPMG"), is acting as a financial adviser to the Board of Managing Directors and the Supervisory Board of Fortuna Entertainment Group N.V. ("Fortuna" or the "Company") pursuant to an engagement letter concluded on 11 May 2017 as amended between KPMG and Fortuna in connection with the offer made in respect of ordinary registered shares issued by the Company, with the nominal value of EUR 0.01 each, officially listed and traded both on the Prague Stock Exchange and the Warsaw Stock Exchange and registered under ISIN code NL0009604859 (the "Shares") and announced by Fortbet Holdings Limited ("Fortbet" or the "Offeror"). The offer is described (i) in the voluntary buy-out offer in the Czech Republic announced by Fortbet as of 3 January 2018 subject of which are all issued outstanding Shares not already held by Fortbet ("Voluntary Buy-out Offer") and (ii) in the tender offer in the Republic of Poland announced by Fortbet as of 3 January 2018 and updated as of 8 January 2018 subject of which are all issued outstanding Shares not already held by Fortbet and registered on the securities accounts maintained in the Republic of Poland as of the end of 5 January 2018 (the "Tender Offer"), which have been provided to us.

As of the date of the Voluntary Buy-out Offer and the Tender Offer, the issued and outstanding share capital of Fortuna is EUR 520,000, comprising 52,000,000 Shares. Each of the Shares entitles its holder to one vote at the General Meeting of the Company's shareholders (the "SGM"). The Offeror held 41,695,803 Shares which accounted for approximately 80.18% of the outstanding number of Shares and the total number of votes at the SGM. As a result of the Voluntary Buy-out Offer and the Tender Offer, the Offeror intends to acquire 10,304,197 Shares (the "Transaction"), which account for approximately 19.82% of the outstanding number of Shares and the total number of votes at the SGM. With the Tender Offer, the Offeror intends to acquire 354,543 Shares, which account for approximately 0.68% of the outstanding number of Shares and the total number of votes at the SGM.

The consideration proposed to be paid by Fortbet for one Share is PLN 29.80 according to the Tender Offer or CZK 182.50 according to the Voluntary Buy-out Offer (the "Consideration").

The Board of Managing Directors and the Supervisory Board of Fortuna (together the "Boards") have requested KPMG to provide an opinion as to whether the Consideration to be paid by Fortbet as part of the Transaction is fair from a financial point of view. The opinion does not explicitly address the underlying business decision of Fortbet to effect the Transaction, nor does it address any potential alternatives. Consequently, no opinion is expressed on whether an alternative transaction might be more beneficial for the holders of the Shares than the Transaction.

For the purposes of this fairness opinion analysis, the Company includes, inter alia, (i) Hattrick Sports Group Ltd., acquired by Fortuna on 19 May 2017 and (ii) Bet Active Concept S.R.L., Bet Zone S.R.L., Public Slots S.R.L. and Slot Arena S.R.L., acquired by Fortuna on 1 September 2017.

In arriving at its opinion, KPMG has:

1. Reviewed certain publicly available financial and other information relating to Fortuna;
2. Reviewed certain internal reports and financial forecasts with respect to Fortuna's business operations, earnings, cash flow, assets, liabilities and prospects, prepared by the management of Fortuna;
3. Held discussions with the management of Fortuna regarding past and current business operations and financial condition and expectations for the future relating to Fortuna's strategic and financial development;
4. Reviewed certain publicly available reports prepared by third parties, including reports concerning prospects of the gambling markets in which Fortuna conducts its operations, prepared by third parties;
5. Reviewed the reported prices and trading activity of the Shares;
6. Analysed the Voluntary Buy-out Offer and the Tender Offer;
7. Considered the offer price stated in the Voluntary Buy-out Offer and the Tender Offer versus the value of the Shares from a financial point of view;
8. Reviewed certain comparable companies operating in sectors similar to that of Fortuna; and

9. Performed such other studies and analyses and considered such other matters as it deemed appropriate.

For the purpose of this opinion, KPMG has assumed and relied upon the accuracy and completeness of all information, whether furnished to it or publicly available, and has neither assumed responsibility for an independent verification of any information concerning Fortuna nor has independently verified such information. KPMG has not conducted any physical inspection of the properties or assets of Fortuna and has not prepared or obtained any independent valuation or appraisal of any of the assets or liabilities (contingent or otherwise). In rendering this opinion, KPMG has assumed that the Transaction will be consummated on the terms described in the Voluntary Buy-out Offer or the Tender Offer.

With regard to the financial forecasts provided to or discussed with KPMG and used in its analyses, KPMG has assumed that they have been reasonably prepared and reflect the best currently available estimates and judgments of the management of Fortuna as to the expected future financial performance of Fortuna.

KPMG has assumed that no information has been withheld from it which could have had a material influence on the underlying assumptions and consequently on the outcome of this opinion. The Board of Managing Directors of Fortuna has confirmed to KPMG in the form of a representation letter that, to the best of its knowledge and belief, (i) the information made available to KPMG is in all material respects complete and not misleading in the manner of its portrayal and without omissions and therefore forms a reliable basis for the opinion and (ii) after delivery of aforementioned information, no events have occurred that may reasonably have a material impact on the Fairness Opinion.

The fairness of the Consideration expressed in this opinion should only be viewed in the context of the Transaction as presented in the Voluntary Buy-out Offer or the Tender Offer. Consequently, this opinion does not address any other transaction that Fortuna has considered, may consider or could have considered in connection with Fortuna shares.

This opinion is addressed solely to, and for the use and benefit of, the Boards and is not a recommendation of KPMG to any shareholder or other security holder of Fortuna to accept or reject the Voluntary Buy-out Offer or the Tender Offer. Other parties cannot derive any rights from this opinion and may not rely on its contents. This letter shall not, in whole or in part, be disclosed, reproduced, disseminated, quoted, summarised or referred to in any document or provided to any person without the prior written consent of KPMG, other than through reproduction in full of this final signed letter in relation to the Voluntary Buy-out Offer or the Tender Offer and subsequent buy-out procedures, for information purposes to the holders of the Shares.

KPMG is acting as a financial adviser to the Boards and will receive a fee for its services. This fee is contingent neither on the content of this opinion nor on the execution of the Transaction. Other than KPMG Česká republika, s.r.o., no other offices or other KPMG member firms have been involved for the purpose of this opinion. Information available to all other independent KPMG member firms cannot be considered part of the information that was available to KPMG for the purpose of the opinion.

KPMG has been engaged by the Boards. All other parties involved in the Transaction should obtain separate advice in relation to legal, tax and technical accounting matters in connection with the Transaction. The work of KPMG related to issuing this opinion did not include an analysis of the financial or legal-tax status of Fortuna (*due diligence*) or any potential impact of financial-accounting-tax or legal issues, which may be relevant for the execution of the Transaction. KPMG does not accept any responsibility or liability in respect thereof.

KPMG has neither been involved in nor has it influenced the process of discussions and negotiations between Fortbet and any other third parties.

KPMG's opinion is necessarily based on financial, economic, monetary, market and other conditions existing on and the information which has been provided to us up until the date of this letter. Any subsequent changes in these conditions or this information could change both the assumptions on which this opinion is based and the opinion itself. In such a case, KPMG will not be obliged to renew, review or confirm this opinion.

Based upon and subject to the contents of this letter, KPMG is of the opinion that as at the date of this letter the Consideration is fair to the shareholders (other than Fortbet) from a financial point of view.

Yours faithfully,

Pavel Falout

Partner and proxy holder

KPMG Česká republika, s.r.o.

ANNEXURE 2: SELECTED HISTORICAL FINANCIAL INFORMATION

SELECTED CONSOLIDATED FINANCIAL INFORMATION FORTUNA GROUP

Basis for preparation

In accordance with the Dutch Decree on Public Takeover Bids (*Besluit Openbare Biedingen Wft*), selected consolidated financial information of Fortuna Entertainment Group N.V. (FORTUNA Group) has been prepared and included in this Annexure 2 (*SELECTED CONSOLIDATED FINANCIAL INFORMATION FORTUNA GROUP*), comprising summaries of the consolidated statements of financial position, the consolidated statements of profit or loss, the consolidated statements of comprehensive income and the consolidated statements of cash flow for the financial years ended 31 December 2014, 2015 and 2016.

The selected consolidated financial information for the financial year 2014 has been derived from the consolidated financial statements for the financial year 2014 as audited by EY, which issued an independent auditor's report thereon, without qualification, on 2 April 2015, except for the statement of profit or loss which have been derived from the consolidated financial statements for the financial year 2015. The change in presentation has been disclosed in note 9.3.25 "Change in reporting of the Czech betting tax and the cost of fees for customer online accounts top-ups" of the consolidated financial statements for the financial year 2015.

The selected consolidated financial information for the financial year 2015 has been derived from the consolidated financial statements for the financial year 2015 as audited by EY, which issued an independent auditor's report thereon, without qualification, on 8 April 2016.

The selected consolidated financial information for the financial year 2016 has been derived from the consolidated financial statements for the financial year 2016 as audited by EY, which issued an independent auditor's report thereon, without qualification, on 10 April 2017.

The consolidated financial statements from which the selected consolidated financial information has been derived were prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, as adopted by the European Commission, and Part 9 of Book 2 of the Dutch Civil Code.

The selected consolidated financial information set out below contains summaries only of the consolidated statements of financial position, the consolidated statements of profit or loss, the consolidated statements of comprehensive income and the consolidated statements of cash flow, excluding related note disclosures and a description of significant accounting policies. For a better understanding of the FORTUNA Group's financial position, income and cash flows, the selected consolidated financial information should be read in conjunction with the unabbreviated audited consolidated financial statements for the financial years 2014, 2015 and 2016, including the related note disclosures and a description of significant accounting policies applied for each of these years, which are available on the website of FORTUNA Group at www.fortunagroup.eu (investors section) and the AFM Register of financial reporting.

Consolidated statement of financial position at 31 December 2014, 2015 and 2016

31 December	2016	2015	2014
	€ 000	**€ 000**	**€ 000**
ASSETS			
Non-current assets			
Goodwill	47,111	47,102	45,913
Intangible assets	18,221	12,964	8,253
Property, plant and equipment	6,474	7,975	8,150
Deferred tax assets	1,921	4,767	935
Restricted cash	2,971	4,820	4,718
Other non-current assets	1,602	2,045	2,007
Total non-current assets	**78,300**	**79,673**	**69,976**
Current assets			
Current receivables	1,729	3,250	1,949
Income tax receivable	659	955	98
Other current assets	3,097	2,995	2,380
Cash and cash equivalents	30,249	28,144	15,926
Total current assets	**35,734**	**35,344**	**20,353**
Assets held for sale	**7,511**	**-**	**-**
TOTAL ASSETS	**121,545**	**115,017**	**90,329**
EQUITY AND LIABILITIES			
Share capital	520	520	520
Share premium	8,262	8,262	8,262
Statutory reserve	66	67	797
Foreign currency translation reserve	(2,064)	(2,007)	(3,486)

Hedge reserve	-	(132)	(304)
Retained earnings	52,617	44,307	24,072
Reserves of a disposal group held for sale	(125)	-	-
Equity attributable to equity holders of the parent	**59,276**	**51,017**	**29,861**
Non-controlling interest	199	226	219
Total Equity	**59,475**	**51,243**	**30,080**
Non-current liabilities			
Deferred tax liability	-	35	31
Provisions	3,685	2,033	591
Long-term bank loans	24,625	30,139	35,182
Other non-current liabilities	34	352	35
Total non-current liabilities	**28,344**	**32,559**	**35,839**
Current liabilities			
Trade and other payables	21,121	21,344	15,700
Income tax payable	166	883	1,058
Provisions	3,271	2,837	1,366
Current portion of long-term bank loans	5,528	5,523	5,453
Derivatives	-	169	384
Other current financial liabilities	771	459	449
Total current liabilities	**30,857**	**31,215**	**24,410**
Liabilities directly associated with the assets held for sale	**2,869**	**-**	**-**
EQUITY AND LIABILITIES	**121,545**	**115,017**	**90,329**

Consolidated statement of profit or loss for the years ended 31 December 2014, 2015 and 2016

	2016	2015	Restated[5] 2014
	€ 000	€ 000	€ 000
Continuing operations			
Amounts staked	1,019,370	847,695	672,429
Revenue	**98,947**	**102,796**	**96,965**
Personnel expenses	(33,528)	(31,354)	(28,282)
Depreciation and amortisation	(2,761)	(4,184)	(4,338)
Impairment of PPE and intangible assets	-	(429)	-
Other operating income	1,248	1,393	985
Other operating expenses	(45,908)	(45,652)	(41,889)
Operating profit	**17,998**	**22,570**	**23,441**
Finance income	203	213	124
Finance cost	(1,761)	(2,193)	(2,251)
Profit before tax	**16,440**	**20,590**	**21,314**
Income tax expense	(6,885)	(1,078)	(5,386)
Profit for the year from continuing operations	**9,555**	**19,512**	**15,928**
Discontinued operations			

[5] Certain amounts shown here do not correspond to the 2014 financial statements and reflect adjustments made in the 2015 financial statements. For more detail please refer to the audited financial statements 2015, accessible via www.fortunagroup.eu, section "Investors – Financial Results and Presentations" and the detailed note disclosures.

Profit / (loss) after tax for the year from discontinued operations	**(1,273)**	**-**	**-**
Profit for the year	**8,282**	**19,512**	**15,928**

Consolidated statement of comprehensive income for the years ended 2014, 2015 and 2016

	2016	2015	2014
	€ 000	**€ 000**	**€ 000**
Profit for the year	**8,282**	**19,512**	**15,928**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net movement on cash flow hedges	169	216	70
Income tax effect	(37)	(44)	(15)
	132	**172**	**55**
Exchange differences on translation of foreign operations	(182)	1,479	(499)
Income tax effect	-	-	-
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(50)**	**1,651**	**(444)**
Other comprehensive income for the year, net of tax	**(50)**	**1,651**	**(444)**
Total comprehensive income for the year, net of tax	**8,232**	**21,163**	**15,484**
Attributable to:			
Equity holders of the parent	8,259	21,156	15,539
Non-controlling interest	(27)	7	(55)

Consolidated statement of cash flow for the years ended 31 December 2014, 2015 and 2016

	2016	2015	2014
	€ 000	**€ 000**	**€ 000**
Cash flows from operating activities			
Profit before tax from continuing operations	16,440	20,590	21,314
Profit / (loss) before tax from discontinued operations	(1,288)	-	-
Profit before tax	**15,152**	**20,590**	**21,314**
Adjustments for:			
Depreciation, amortisation and impairment	5,449	4,613	4,338
Changes in provisions	3,164	2,811	637
(Gain) / Loss on disposal of property, plant and equipment	(56)	(5)	(24)
Interest expenses and income	958	1,168	1,384
Other non-cash items	(102)	25	106
Operating cash flow before working capital changes	24,565	29,202	27,755
(Increase) / Decrease in other current assets	(1,597)	(575)	(293)
(Increase) / Decrease in receivables	806	(1,255)	2,393
(Decrease) / Increase in payables and other liabilities	1,842	5,911	559
Cash generated from operating activities	25,616	33,283	30,414
Corporate income tax paid	(4,814)	(6,043)	(6,167)
Net cash flows provided by / (used in) operating activities	**20,802**	**27,240**	**24,247**
Cash flows from investing activities			
Interest received	78	70	66
Acquisition of subsidiary, net of cash acquired	-	-	(4,917)
Earn-out payment for acquisition	(147)	(232)	(118)
Purchase of buildings, equipment and intangible assets	(10,516)	(8,840)	(3,108)

Proceeds from sale of buildings and equipment	162	15	35
Net cash flows provided by / (used in) investing activities	**(10,423)**	**(8,987)**	**(8,042)**
Cash flows from financing activities:			
Net proceeds from / (Repayments of) long-term borrowings	(5,640)	(5,618)	(4,179)
Net proceeds from / (Repayments of) short-term borrowings	-	-	1,276
Incurred transaction costs capitalised	-	-	(55)
Dividends paid	-	-	(11,440)
Receivable waived and additional withholding tax paid	-	-	(999)
Interest paid	(716)	(1,129)	(1,353)
Net cash flows provided by / (used in) financing activities	**(6,356)**	**(6,747)**	**(16,750)**
Net effect of currency translation in cash	(174)	712	(183)
Net increase / (decrease) in cash and cash equivalents	3,849	12,218	(728)
Cash and cash equivalents at the beginning of the year	28,144	15,926	16,654
Cash and cash equivalents at the end of the year from continuing operations	30,249	28,144	15,926
Cash and cash equivalents at the end of the year from discontinued operations	1,744	-	-
Cash and cash equivalents at the end of the year (total)	**31,993**	**28,144**	**15,926**

Ernst & Young Accountants LLP
Prof.Dr.Dorgelolaan 14
5613 AM Eindhoven, Netherlands
Postbus 455
5600 AL Eindhoven, Netherlands

Tel: +31 88 407 10 00
Fax: +31 88 407 48 00
ey.com

Independent auditor's report on the selected consolidated financial information

To: the shareholders and supervisory board of Fortuna Entertainment Group N.V.

Our opinion

The selected consolidated financial information for the years ended 31 December 2014, 2015 and 2016 of Fortuna Entertainment Group N.V., based in Amsterdam, as included in Annex 2 of this Position Statement is derived from the audited consolidated financial statements of Fortuna Entertainment Group N.V. for the years ended 31 December 2014, 2015 and 2016.

In our opinion, the selected consolidated financial information for the years ended 31 December, 2014, 2015 and 2016 is consistent, in all material respects, with the audited consolidated financial statements for the years ended 31 December 2014, 2015 and 2016, on the basis described in section Basis for preparation.
The selected consolidated financial information comprises summaries of the:

- consolidated statements of financial position at 31 December 2014, 2015 and 2016
- consolidated statements of profit or loss for the years ended 31 December 2014, 2015 and 2016
- consolidated statements of comprehensive income for the years ended 31 December 2014, 2015 and 2016
- consolidated statements of cash flow for the years ended 31 December 2014, 2015 and 2016; and
- explanatory notes

Restriction of use

The selected consolidated financial information for the years ended 31 December 2014, 2015 and 2016 and our independent auditor's report thereon are intended solely for enclosure in this Position Statement in connection with the public offer in cash on all outstanding shares in the capital of Fortuna Entertainment Group N.V. by its majority shareholder Fortbet Holdings Limited and cannot be used for other purposes.

Summary financial statements

The selected consolidated financial information as included in Annex 2 does not contain all the disclosures required by International Financial Reporting Standards as adopted by the European Union and Part 9 of Book 2 of the Dutch Civil Code. Reading the selected consolidated financial information and our independent auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of Fortuna Entertainment Group N.V. and our independent auditor's report thereon. The consolidated financial statements and the selected consolidated financial information, do not reflect the effects of events that occurred subsequent to the date of our independent auditor's reports on those financial statements of 2 April 2015, 8 April 2016 and 10 April 2017.

The audited consolidated financial statements and our independent auditor's report thereon

We expressed unqualified independent auditor's reports on the consolidated financial statements for the years ended 31 December 2014, 2015 and 2016 in our independent auditor's reports dated 2 April 2015, 8 April 2016 and 10 April 2017.

Responsibilities of the management board and the supervisory board for the summary financial statements

The management board is responsible for the preparation of the selected consolidated financial information for the years ended 31 December 2014, 2015 and 2016, on the basis as described in accordance with the criteria as set out in section Basis for preparation above.
The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibility

Our responsibility is to express an opinion on whether the selected consolidated financial information for the years ended 31 December 2014, 2015 and 2016 is consistent, in all material respects, with the audited consolidated financial statements for the years ended 31 December 2014, 2015 and 2016 based on our procedures, which we conducted in accordance with Dutch law, including the Dutch Standard on Auditing 810 "Opdrachten om te rapporteren betreffende samengevatte financiële overzichten" (Engagements to report on summary financial statements).

Eindhoven, 8 February 2018

Ernst & Young Accountants LLP

Signed by Mark-Jan Moolenaar

ANNEXURE 3: 2016 AUDITED FINANCIAL STATEMENTS

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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

11 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

	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 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 intragroup 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.

ANNEXURE 4: SELECTED INTERIM FINANCIAL INFORMATION TO 30 JUNE 2017

Interim Unaudited Condensed Consolidated statement of financial position as at 30 June 2017

	30 June 2017 € 000	31 December 2016 € 000
ASSETS		
Non-current assets		
Goodwill	105,236	47,111
Intangible assets	67,923	18,221
Property, plant and equipment	14,119	6,474
Deferred tax assets	2,229	1,921
Restricted cash	3,382	2,971
Other non-current assets	3,414	1,602
Total non-current assets	**196,303**	**78,300**
Current assets		
Current receivables	7,751	1,729
Income tax receivable	1,129	659
Other current assets	3,393	3,097
Cash and cash equivalents	47,850	30,249
Total current assets	**60,123**	**35,734**
Assets held for sale	**-**	**7,511**
TOTAL ASSETS	**256,426**	**121,545**
EQUITY AND LIABILITIES		
Share capital	520	520
Share premium	8,262	8,262
Statutory reserve	66	66
Foreign currency translation reserve	(973)	(2,064)

Hedge reserve	-	-
Retained earnings	55,133	52,617
Reserves of a disposal group held for sale	-	(125)
Equity attributable to equity holders of the parent	**63,008**	**59,276**
Non-controlling interest	-	199
Total Equity	**63,008**	**59,475**
Non-current liabilities		
Deferred tax liability	7,819	-
Provisions	3,808	3,685
Long-term bank loans	98,584	24,625
Financial leasing – long-term portion	23	-
Other non-current liabilities	30,987	34
Total non-current liabilities	**141,221**	**28,344**
Current liabilities		
Trade and other payables	35,254	21,121
Income tax payable	300	166
Provisions	4,209	3,271
Current portion of long-term bank loans	11,849	5,528
Financial leasing – current portion	19	-
Other current financial liabilities	566	771
Total current liabilities	**52,197**	**30,857**
Liabilities directly associated with the assets held for sale	**-**	**2,869**
EQUITY AND LIABILITIES	**256,426**	**121,545**

Interim Unaudited Condensed Consolidated statement of profit or loss for the first six months ended 30 June 2017

	30 June 2017	30 June 2016
	€ 000	**€ 000**
Continuing operations		
Amounts staked	715,011	501,978
Revenue	**61,784**	**49,312**
Personnel expenses	(22,231)	(16,974)
Depreciation and amortisation	(2,555)	(1,335)
Other operating income	585	566
Other operating expenses	(32,381)	(23,843)
Operating profit	**5,202**	**7,726**
Finance income	708	188
Finance cost	(1,904)	(1,041)
Profit before tax	**4,006**	**6,873**
Income tax expense	(1,250)	(1,782)
Profit for the year from continuing operations	**2,756**	**5,091**
Discontinued operations		
Profit / (loss) after tax for the year from discontinued operations	**(171)**	**267**
Loss on sale of discontinued operations	**(74)**	**-**
Profit for the year	**2,511**	**5,358**

Interim Unaudited Condensed Consolidated statement of comprehensive income for the six months ended 30 June 2017

	30 June 2017	30 June 2016
	€ 000	**€ 000**
Profit for the year	**2,511**	**5,358**
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Net movement on cash flow hedges	-	112
Income tax effect	-	(24)
	-	**88**
Exchange differences on translation of foreign operations	1,216	(398)
Income tax effect	-	-
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**1,216**	**(310)**
Other comprehensive income for the year, net of tax	**1,216**	**(310)**
Total comprehensive income for the year, net of tax	**3,727**	**5,048**
Attributable to:		
Equity holders of the parent	3,732	5,044
Non-controlling interest	(5)	4

Interim Unaudited Condensed Consolidated statement of cash flows for the six months ended 30 June 2017

	30 June 2017 € 000	30 June 2016 € 000
Cash flows from operating activities		
Profit before tax from continuing operations	4,006	6,873
Profit / (loss) before tax from discontinued operations	(245)	251
Profit before tax	**3,761**	**7,124**
Adjustments for:		
Depreciation, amortisation and impairment	2,560	1,719
Loss on disposal of subsidiary	74	-
Changes in provisions	393	1,013
(Gain) / Loss on disposal of property, plant and equipment	(15)	7
Interest expenses and income	706	498
Other non-cash items	(279)	(9)
Operating cash flow before working capital changes	7,200	10,352
(Increase) / Decrease in other current assets	825	(1,619)
(Increase) / Decrease in receivables	1,578	1,011
(Decrease) / Increase in payables and other liabilities	3,889	4,673
Cash generated from operating activities	13,492	14,417
Corporate income tax paid	(1,798)	(2,218)
Net cash flows provided by / (used in) operating activities	**11,694**	**12,199**
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	(61,982)	-
Proceeds from disposal of a subsidiary, net of cash disposed	3,276	-
Repayment of liabilities for purchase of subsidiary	(59)	(87)

Interest received	18	53
Loan provided to a future subsidiary	(12,590)	-
Purchase of buildings, equipment and intangible assets	(4,289)	(6,399)
Proceeds from sale of buildings and equipment	82	75
Net cash flows provided by / (used in) investing activities	**(75,544)**	**(6,358)**
Cash flows from financing activities:		
Net proceeds from bank loans	79,130	(2,827)
Finance lease payments	(4)	-
Interest paid	(226)	(371)
Net cash flows provided by / (used in) financing activities	**(78,900)**	**(3,198)**
Net effect of currency translation in cash	806	(227)
Net increase / (decrease) in cash and cash equivalents	15,856	2,416
Cash and cash equivalents at the beginning of the year	31,993	28,144
Cash and cash equivalents at the end of the year from continuing operations	47,850	28,881
Cash and cash equivalents at the end of the year from discontinued operations	-	1,679
Cash and cash equivalents at the end of the year (total)	**47,850**	**30,560**