



# HALF YEAR REPORT

OF FORTUNA ENTERTAINMENT GROUP N.V. FOR THE YEAR 2017







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# Overview

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

The founding company FORTUNA sázková kancelář a.s. (hereinafter “FORTUNA Betting Office, joint stock company” or “Fortuna SazKan”) was established in 1990 in Prague. Since its incorporation, Fortuna SazKan’s primary business has been sports fixed-odds betting. A year after it was formed, TERNÓ, akciová spoločnosť was established in Slovakia. In 2005, Penta Investments became the owner of both entities and in the same year it acquired Polish betting operator Profesjonal. Subsequently, all the companies were re-branded under one brand: Fortuna.

In 2010, FEG completed a successful IPO, with shares listed on the Prague and Warsaw stock exchanges.

In September 2015, Fortuna signed a brand licensing agreement to license its brand to the sports betting & gaming companies Bet Active Concept s.r.l. and Bet Zone s.r.l. in Romania. Under the brand licensing agreement, Fortuna provided both companies with the right to use its trademark FORTUNA for the purposes of sports betting and gaming in Romania. In March 2017, Fortuna announced its 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. The transaction was approved by the Company’s shareholders in August 2017.

In May 2017, Fortuna acquired a 100% stake in Hattrick Sports Group Ltd., Ireland (“Hattrick Sports Group”), the owner of Casa Pariurilor, the leading betting operator in Romania, and PSK, the second largest operator in Croatia, and B2B in Spain and other countries.

Thanks to more than 20 years of experience on the CEE market, Fortuna sets industry standards and trends in the betting sector. The Group constantly invests

in the development of new products and services; it has expanded its branch network as well as the quality of its distribution channels.

As of 30 June 2017, Fortuna operated 2,486 points-of-sale in the Czech Republic, Slovakia, Poland, Romania and Croatia.

Fortuna entered the numerical lottery market in the Czech Republic by launching its first numerical lottery game in July 2011. Until May 2017, Fortuna operated numerical lottery games and instant scratch tickets. On 23 May 2017, Fortuna sold its lottery business represented by the company FORTUNA sázky a.s. to SAZKA a.s.

As of the end of June 2017, Fortuna’s majority shareholder was FORTBET HOLDINGS LIMITED, a subsidiary of Penta Investments Limited, which held a 76.32% stake.

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# **First Half 2017 Financial Highlights**

FINANCIALS (EUR THOUSANDS)	SIX MONTHS TO JUNE 30		
	2017	2016	% CHANGE
<b>Amounts Staked</b>	<b>720,675</b>	<b>511,555</b>	<b>40.9%</b>
of which Sports betting & Gaming	658,418	501,978	31.2%
of which Lottery (discontinued operations)	5,664	9,577	(40.9%)
of which Hatrick <sup>1</sup>	56,593	0	n/a
<b>Gross Win</b>	<b>100,248</b>	<b>80,516</b>	<b>24.5%</b>
of which Sports betting & Gaming	90,064	76,387	17.9%
of which Lottery (discontinued operations)	2,373	4,129	(42.5%)
of which Hatrick	7,811	0	n/a
<b>Net Gross Win</b>	<b>65,894</b>	<b>54,863</b>	<b>20.1%</b>
of which Sports betting & Gaming	57,910	51,642	12.1%
of which Lottery (discontinued operations)	1,830	3,221	(43.2%)
of which Hatrick	6,154	0	n/a
<b>Revenues</b>	<b>63,654</b>	<b>52,579</b>	<b>21.1%</b>
of which Sports betting & Gaming	54,531	49,312	10.6%
of which Lottery (discontinued operations)	1,870	3,267	(42.7%)
of which Hatrick	7,253	0	n/a
<b>EBITDA</b>	<b>7,555</b>	<b>9,684</b>	<b>(22.0%)</b>
of which Sports betting & Gaming	8,323	9,061	(8.1%)
of which Lottery (discontinued operations)	(202)	623	(132.3%)
of which Hatrick	(566)	0	n/a
<b>Operating Profit</b>	<b>4,995</b>	<b>7,965</b>	<b>(37.3%)</b>
of which Sports betting & Gaming	6,821	7,726	(11.7%)
of which Lottery (discontinued operations)	(207)	239	(186.5%)
of which Hatrick	(1,619)	0	n/a
<b>Net Profit for the Period</b>	<b>2,511</b>	<b>5,358</b>	<b>(53.1%)</b>
of which Sports betting & Gaming	4,461	5,091	(12.4%)
of which Lottery (discontinued operations)	(245)	267	(191.6%)
of which Hatrick	(1,705)	0	n/a

1 Includes operations in Romania and Croatia consolidated from 20 May 2017

FINANCIALS (EUR THOUSANDS)	SIX MONTHS TO JUNE 30		
	2017	2016	% CHANGE
<b>Ratios</b>			
EBITDA Margin	11.9%	18.4%	(6.5 pp)
Operating Profit Margin	7.8%	15.1%	(7.3 pp)
Net Profit Margin	3.9%	10.2%	(6.3 pp)
CAPEX as % of Revenues	6.7%	12.2%	(5.5 pp)
<b>Operations</b>			
Number of Points-of-Sale	2,486 <sup>2</sup>	1,562	59.2%
Number of Employees – EOP	4,828 <sup>3</sup>	2,327	107.5%

	AS AT JUNE 30, 2017	AS AT JUNE 30, 2016	% CHANGE
No. of Shares EOP	52,000,000	52,000,000	0%
Total Assets	256,426	121,606	110.9%
Total Equity	63,008	56,291	11.9%
Total Borrowings	110,433	32,837	236.3%
Net Debt/ (Net Cash)	62,583	2,277	2,648.5%
CAPEX	4,289	6,399	(33.0%)

<sup>2</sup> Includes betting shops of Hatrick in Romania and Croatia, more detail on page in Chapter Multi-channels and Distribution Network on page 11

<sup>3</sup> Including Hatrick





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# **Management Report for the First Half of 2017**

## 3.1 Financial Results in the First Half of 2017

### AMOUNTS STAKED AND GROSS WIN

In the first half of 2017, Fortuna recorded total Amounts Staked of EUR 720.7 million, 40.9% more than in the first half of 2016, according to the consolidated unaudited financial results. The strong Amounts Staked performance was driven by growth in online, especially sports betting and mobile sports betting in all the countries where Fortuna operates; by the newly introduced online casino in the Czech Republic at the end of February 2017; and partially by the consolidation of Hattrick operations in Romania and Croatia from May 2017.

The Amounts Staked from Sports betting & Gaming reached EUR 658.4 million in the first six months of 2017, 31.2% more than in the same period of 2016. Of this amount, online gaming in the Czech Republic added EUR 87.6 million. The Amounts Staked from discontinued lottery operations totalled EUR 5.7 million in the first half of 2017, a 40.9% yoy decrease. The Amounts Staked resulting from the Hattrick consolidation from 20 May 2017 amounted to EUR 56.6 million.

In the first half of 2017, the Gross Win came to EUR 100.2 million, an increase of 24.5% compared with the same period of 2016. Annual growth was pri-

marily driven by online betting which implies a lower Gross Win margin than in retail betting while unfavourable sport results in February, March and June 2017 in particular further depressed the overall betting Gross Win margin.

In the first half of 2017, the Gross Win from Sports betting & Gaming was EUR 90.1 million, a 17.9% increase yoy. The Gross Win from online sports betting (excl. Hattrick) in the first half of 2017 increased to EUR 60.8 million, an increase of 21.2% over the same period of 2016. The Gross Win from retail sports betting (excl. Hattrick) in the first half of 2017 amounted to EUR 25.2 million, 3.6% less yoy. The Gross Win from gaming reached EUR 4.0 million in the first half of 2017.

The Gross Win from the discontinued lottery segment amounted to EUR 2.4 million in the first half of 2017, a 42.5% yoy drop. The Gross Win generated by Hattrick amounted to EUR 7.8 million from 20 May 2017.

### REVENUES, OPEX, EBITDA

In the first half of 2017, the Company recorded total revenues in the amount of EUR 63.7 million, 21.1% more than in the same period of the previous year. Of this, revenue from Sports betting & Gaming (excl. Hattrick) amounted

to EUR 54.5 million and increased by 10.6% yoy. Revenues from the lottery amounted to EUR 1.9 million, 42.7% yoy less. Revenues recorded by Hattrick in the first half of 2017 were EUR 7.3 million. The betting taxes included in the revenues paid in respective countries came to EUR 34.3 million, up 33.9% yoy and driven by higher betting volumes and the Hattrick consolidation.

Total operating costs in the first half of 2017 came to EUR 56.1 million, 30.8% more than in the same period of 2016. The total operating costs excluding the Hattrick consolidation reached EUR 48.3 million, up 13.4% if compared with the first half of 2016. Staff costs went up 30.4% yoy to EUR 22.8 million, due to investments made in people's capacities and capabilities, growth opportunities, operational excellence, building scalability and the Hattrick acquisition. Apart from the Hattrick acquisition, higher operating costs can be attributed to data feed and live streaming, variable costs and a new sponsoring agreement with the Czech football association.

Total EBITDA amounted to EUR 7.6 million in the first half of 2017, 22.0% less than in the first half of 2016. Of this, Sports betting & Gaming EBITDA reached EUR 8.3 million, down 8.1% yoy. The EBITDA of the discontinued lottery

segment was a negative EUR 0.2 million, 132.3% less than in the first half 2016. EBITDA recorded by Hattrick from 20 May 2017 was a negative EUR 0.5 million.

Excluding 2017 one-offs related to M&A and integration costs EBITDA increased to EUR 10.5 million (up 7.9% yoy).

Fortuna is retaining its initial full year guidance and further anticipates:

Excluding new acquisitions, the Company expects that during the rest of 2017 organic growth will continue to be primarily driven by online betting. However it will be impacted by the absence of major international football championships in 2017. On the other hand, Fortuna has introduced new products, e.g. online gaming in the Czech Republic and virtual games in Poland.

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

Including the Hattrick acquisition consolidated from mid-May, the Company expects that total Amounts Staked could grow to EUR 1,700 million and total EBITDA could increase from 55-60%. Total CAPEX spending could reach EUR 11-13 million.

#### **EBIT AND NET PROFIT**

In the first half of 2017, operating profit (EBIT) amounted to EUR 5.0 million, 37.3% less than in the same period of the previous year. It was driven by higher

operating costs. Total depreciation and amortisation in the first half of 2017 was EUR 2.6 million, up 48.9% yoy due to the Hattrick consolidation.

Net finance costs reached EUR 1.2 million in the first half of 2017, up 38.0% yoy on the back of refinancing related to M&A.

Income tax amounted to EUR 1.3 million, 29.2% less than in 2016. The effective tax rate in the first half of 2017 was 33.2%.

In the first half of 2017, the Company recorded a net profit of EUR 2.5 million, 53.1% less yoy. The net profit decline was related to lower EBITDA, the sale of the lottery business, higher depreciation and higher costs of financing. Excluding 2017 one-offs related to M&A and integration costs net profit increased to EUR 5.5 million (up 3.2% yoy).

#### **Cash and Indebtedness**

The total amount of bank debt as of 30 June 2017 was EUR 110.4 million, 236.3% more in comparison with 30 June 2016. It was driven by the M&A financing. Cash and cash equivalents as of 30 June 2017 amounted to EUR 47.9 million, 56.6% more than the figure as of 30 June 2016. The total balance of those two items resulted in a Company net debt position of EUR 62.6 million as of 30 June 2017, 2,648.5% higher than the position as of 30 June 2016.

In March 2017, the Management Board and the Supervisory Board of Fortuna approved new financing related to the regional acquisitions and refinancing of existing loans – approximately EUR 160 million in total. More details on the outstanding bank debt can be found in the Notes to the Financial Statements.

#### **CAPEX and Investments**

In the first half of 2017, total capital expenditures amounted to EUR 4.3 million, 33.0% less than in the same period of last year.

#### **Breakdown by country**

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

**The Czech Republic** generated 52% of total Amounts Staked for the Company in the first half of 2017. Total Amounts Staked in the Czech Republic grew at a double-digit rate compared with the total in the first half of 2016, due to higher betting volumes and newly introduced online gaming/casino.

The Gross Win from sports betting in the Czech Republic in the first half of 2017 rose at a high single-digit rate if compared with the first half of 2016, driven by strong LIVE betting online.

The contribution of the Slovak business represented 27% of the Group's Amounts Staked in the first half of 2017. The total Amounts Staked in **Slovakia** in the first half of 2017 grew at a double-digit rate. The total Gross Win in Slovakia grew in the first half of 2017 at a high single-digit rate, driven by online betting, while the retail betting Gross Win declined.

The total Amounts Staked in **Poland** in the first half of 2017 grew at a strong double-digit rate. The Gross Win from betting in Poland in the first half of 2017 likewise grew at a double-digit rate, driven by strong online betting, while retail betting declined.

The Hattrick group, consolidated as of May 2017, contributed a 7.9% share to

total Amounts Staked. Of this, operations from Hattrick Romania contributed a 2.4% share and Hattrick Croatia a 5.5% share. Hattrick's operations in

Croatia are driven by online business in both sports betting and gaming (covering also Romanian territory) and Hattrick Romania is primarily land-

based. The Gross Win generated by Hattrick Group from its consolidation represented a 7.8% share in the total Gross Win.

## 3.2 Multi-channels and Distribution Network

The Group delivers its products to customers through retail betting outlets, Self Service Betting Terminals (SSBTs) and via online/mobile. The Group offers retail betting through outlets operating under its own brand name, and at counters and betting points-of-sale installed

at other retail outlets (such as sports bars, restaurants and pubs) as well as at outlets operated by third parties under the Group's "Partner" programme. The availability of distribution channels varies between the countries in which the Group operates, primarily reflecting

the legal framework regulating betting services in each given jurisdiction.

The table below presents information on the Group's retail network as of 30 June 2016 and 2017:

	CZECH REPUBLIC	SLOVAKIA	POLAND	HATTRICK GROUP	TOTAL
Betting outlets	241	207	397	–	845
"Partner" betting outlets	402	198	117	–	717
<b>Total number as of 30 June 2016</b>	<b>643</b>	<b>405</b>	<b>514</b>	<b>–</b>	<b>1,562</b>

	CZECH REPUBLIC	SLOVAKIA	POLAND	HATTRICK GROUP	TOTAL
Betting outlets	224	193	377	923	1,717
"Partner" betting outlets	428	185	156	0	769
<b>Total number as of 30 June 2017</b>	<b>652</b>	<b>378</b>	<b>533</b>	<b>923</b>	<b>2,486</b>

Source: the Company

### ONLINE SPORTS BETTING

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

Polish Ministry of Finance, Fortuna was able to launch licensed online operations in Poland in January 2012.

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

### GVC SERVICES LTD. (PREVIOUSLY BWIN)

The B2B deal, which commenced in autumn 2013, integrates GVC's sports content – bwin Feed – into the For-

tuna Entertainment Group N.V. sports betting client. bwin Feed provides live sports betting data including odds, fixtures, results, scoreboards and events calendars in multiple languages to online and land-based B2B clients. The feed can be integrated into Fortuna's betting points-of-sales via a state-of-the-art interface, enabling Fortuna to offer its customers an extensive sportsbook and supporting content. The bets in LIVE betting are not only originated by Bwin but also by the proprietary



bookmakers, Betradar and other data suppliers. The most popular sports bet are on football, ice hockey and tennis (pre-match) and tennis, football and basketball (LIVE).

Online sports betting accounted for 62.5% of the Group's Gross Win in the first half of 2017.

### LOTTERY IN THE CZECH REPUBLIC

In March 2017, Fortuna announced its intention to sell its Czech lottery business operated via its subsidiary FORTUNA sázky a.s. based in Prague. On 23 May 2017, the Company signed an agreement under which it agreed to sell its 98.4% stake in FORTUNA sázky a.s. to SAZKA a.s. The transaction was settled and closed on the signing date.

The 1.6% stake held by E-invest was sold as well. Fortuna started reporting financial results from the lottery business as discontinued operations from end-2016.

### HATTRICK SPORTS GROUP

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

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

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

Hattrick has developed a B2B technology platform with a licensing revenue model. It has a significant presence in Spain (Luckia – a retail software provider to 120 retail outlets and 600 SSBTs in different regions) and other countries.

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

## 3.3 Regional Expansion

In February 2017, Fortuna Entertainment Group N.V. entered into an agreement under which Fortuna would acquire a 100%-stake in Hattrick Sports Group Ltd., Ireland. The initial consideration paid by Fortuna for the acquisition of Hattrick Sports Group was EUR 85 million. As a further consideration, an earn-out mechanism was agreed with the sellers. It is based on the future financial performance of Hattrick Sports Group and may lead to the payment of a maximum additional amount of EUR 50 million. On 19 May 2017, the Company successfully closed the acquisition. The deal was approved by the regulatory authorities as well as by the shareholders of the Company. Hattrick is the owner of the betting operator in Romania, Casa Pariurilor, the operator in Croatia, PSK, and B2B operations in Spain and other countries.

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

The initial consideration was expected to be around EUR 47 million out of which approx. EUR 15 would be deferred for up to 48 months. In addition, Fortuna agreed to refinance around EUR 3 million of loans. The purchase price was supported by an independent third party evaluation. 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 Central and Eastern Europe.

In connection with the above-mentioned acquisition of Romanian companies Bet Active Concept s.r.l., Bet Zone s.r.l., Public Slots s.r.l. and Slot Arena s.r.l. from Fortbet Holdings Limited, in April 2017 Franklin Templeton Investment Funds – Templeton Eastern Europe Fund, Franklin Templeton Investment Funds – Templeton Emerging Markets Small Cap Fund, and Templeton Emerging Markets Small Cap Fund (hereinafter together referred to as "Templeton") commenced legal proceedings before the Enterprise Court of Amsterdam, seeking among matters, immediate injunctive relief with the effect of among other matters of i) prohibiting the voting on the

proposed approval within the meaning of 2:107a Dutch Civil Code for the proposed acquisition of Bet Active Concept s.r.l., Bet Zone s.r.l., Public Slots s.r.l. and Slot Arena s.r.l. at the extraordinary shareholders meeting

held on 26 April 2017 and ii) the suspending of any actions or resolutions to keep the aforementioned transaction from completion. On 14 July 2017, the Enterprise Division of the Amsterdam Court of Appeals dismissed all

the requests submitted by Templeton and the transaction will proceed further with the shareholders' approval. More information about the court proceedings can be found in the Chapter Corporate Governance.

## 3.4 Strategy

### STRATEGIC INITIATIVES

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

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

platform", and "International expansion"), and People (1 Strategic Initiative: "People Management").

### FORTUNA VALUE CREATION STORY

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

The three main pillars of the strategy are:

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

### EXPECTED TIMELINE

#### 2015-2016: Building the foundation

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

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

### 2017: Going for the Vision

*Phase 2: Going for the Vision*

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

Key enablers:

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

### NEW MULTI-CHANNEL, MULTI-PRODUCT AND MULTI-MARKET PLATFORM

The objective is to ensure Fortuna is prepared to provide its customers with a market-leading Multi-channel Betting and Gaming offering in all its markets where regulation so allows it as well as to implement a technology platform to support Fortuna's Vision and Growth Strategy.

## 3.5 Risk Factors

### GENERAL MARKET CONDITIONS

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

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

The number of the Group's customers is in turn directly related to the reputation of betting and gaming and the general public's perception of betting and gaming in the countries in which the Group operates. Public sentiment towards the betting and gaming industry can vary considerably. While the Group is attempting to improve the image of betting and gaming in its core markets, the activities are often labelled as less socially desirable types of entertainment. Peaks in anti-betting and anti-gaming sentiment may occur from time to time, causing significant damage to the betting and gaming industry as a whole. Adverse changes in the general public's perception of the betting and gaming industry may lead to a decrease in de-

mand for betting and gaming services or increased regulatory restrictions which, in turn, may have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

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

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

Demand for betting and gaming products is somewhat difficult to predict and may fluctuate over time. While it is possible to draw certain parallels between the macro-economic situation, the amount of disposable income and the amount of money that an average household spends on entertainment in general, the correlation between overall leisure spending and spending on betting and gaming appears to be far from linear. Demand for betting and gaming services may be affected by public opinion in regard to the betting

and gaming industry, negative or positive publicity surrounding the betting and gaming industry and other volatile factors. Therefore, the revenue of the Group may be adversely affected by temporary or permanent, sudden or gradual fluctuations in demand for the Group's products which cannot be explained by the Group's operating performance or the condition of the economy in general.

Management of the Company regularly monitors the development of revenue, margin, costs and other key indicators. In the case of a negative trend in the long run, it might prompt further action.

### CHANGES IN THE REGULATORY ENVIRONMENT

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

Another aspect of the regulatory issue is the uncertainty embedded in operations in highly regulated sectors. Some crucial matters are not directly regulated and depend on the discretion of regulators or interpretations that could be changed at any moment. Besides, the legal framework is currently under

review in many European countries, resulting in various amendments and proposals for amendments. New legislation may be unfavourable to the operations of the Group or may require necessary adjustments to the operations. Consequently, the Group's operations in particular countries may change. An inability to use common solutions or implement a common strategy may lead to additional expenses. Moreover, since the Group operates in a highly regulated market, the relationships with local regulators are very important to the business.

The Compliance and Legal department of the Group monitors local legislative environments. This concerns gaming legislation, tax and commercial legislation and other regulations. Adherence to local legislation is regularly reviewed and major changes for the period ahead are updated. The Group regularly evaluates the impacts of legal changes (including proposed legal changes in process) and prepares follow-up action where necessary.

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

#### **CHANGES IN THE TAXATION OF BETTING SERVICES AND OTHER PRODUCTS**

The Group is subject to taxation and/or levies in each of the countries in which it operates. The taxation and levies imposed upon the Group have changed over time. In the past certain governments considered that the sports betting and gaming sector was a potential source of additional taxation or other income. As the recent global economic crisis has led to a decrease in revenues from taxes in the countries in which the Group operates, some or all of those countries may consider increasing taxes

on, or imposing new taxes on, services and products offered by the Group.

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

#### **DEPENDENCE ON LICENCES**

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

#### **RESTRICTIONS ON MARKETING & ADVERTISING**

Extensive restrictions apply to the marketing of betting and gaming services

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

#### **RISK RELATED TO STRATEGY Acquisitions**

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

#### **The Group relies on the strength of its brands**

The Group's revenues from operations depend largely on the strength of the Group's brands.

Management believes that the “Fortuna” brand is perceived as a stable and trustworthy brand. Accordingly, any errors in the Group’s marketing planning, the ineffective use of marketing expenditures or the loss of customer trust may have a material adverse effect on the Group’s business, financial condition, results of operations or prospects.

### Competition

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

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

### RISKS RELATED TO OPERATING ACTIVITIES Volatility of Gross Win margin

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

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

### Crime, Fraud & Security

Like many operators in the betting and gaming industry, the Group faces challenges caused by crime and fraud in the countries in which it conducts its business. The betting and gaming industry is subject to various pressures as a result of criminal activity, including organised crime, fraud, robbery, petty crime and theft. As the Group expands its operations, both in the markets in which it

currently operates as well as in new markets, the Group expects criminal activity to continue to present certain challenges, especially in newly entered countries.

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

The integrity and security of betting and gaming operations are significant factors in attracting betting and gaming customers and in dealing with state authorities. Notwithstanding the Group’s attempts to strengthen the integrity and security of its betting and gaming operations by improving its compliance functions and anti-money laundering procedures and its corporate governance policies and procedures, an allegation or a finding of illegal or improper conduct on the Group’s part, or on the part of one or more of the Group’s employees, or an actual or alleged system security defect or failure, could materially adversely affect the Group’s business, financial condition, results of operations or prospects.

### Key Personnel

The Group’s success depends to a significant extent upon the contributions of a limited number of the Group’s key senior management and personnel, especially bookmakers and local managers. There can be no certainty that the Group will be able to retain its key personnel. The loss (whether temporary or permanent) of the services of any director, member of the senior management team or other key personnel such as



bookmakers, either at the FEG level or within a local management team, could have an adverse material effect on the business, financial condition or results of operations of the Group.

### Disruptions in IT network services

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

### FINANCIAL RISKS

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

### Currency Fluctuations

The Group's operating entities use the currency of the country in which they are domiciled as their functional cur-

rency, as the Group considers that this best reflects the economic substance of the underlying events and circumstances relating to that entity. The Group reports its financial results in EUR. The Group also has expenses, assets and liabilities denominated in currencies other than in EUR due to its international operations, most particularly, the Czech koruna and Polish zloty. The Group does not hedge the risk of operating companies' profit translations. Fluctuations in the exchange rates of these foreign currencies could have an impact on the Group's results.

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

### Pledge in Favour of Česká spořitelna, a.s.

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

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

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

### RISK MANAGEMENT SYSTEM

The success of the Group depends on its risk management system. The internal risk management and control systems provide a reasonable assurance that the financial information does not contain any material misstatements and that the risk management and control systems functioned properly in the year ending 30 June 2017.

Effective risk management and profit protection is of the highest importance to the Group. Management believes that having more than 20 years' experience

in risk management and bookmaking procedures and being supported by a team of experienced bookmakers, well-qualified risk management professionals and state of the art IT systems gives the Group a strong competitive advantage.

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

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

### **Odds Compilation**

The Group cooperates with a team of experienced bookmakers who are responsible for determining fixed odds. Initial odds are compiled from first principles and the mathematical chance of an outcome based on previous results. The odds also have an embedded assumed margin. Initial odds are further processed to set additional odds related to a particular game and are adjusted for any market information, bookmakers' knowledge of the sport and local expertise. The bookmakers have access to Betradar databases which collect information on odds from more than 450 bookmaker clients in over 80 countries. Betradar is a brand of Sportradar, the world's leading supplier of sports-related live data, odds solutions and fraud detection services to bookmakers, media companies, sports federations and government agencies. The databases help to monitor, assess and compare odds proposed by the Group's competitors. The management believes that the odds compilation process used by the Group is more accurate than fully-automated odds generation, thus enabling the Group to provide competitive odds to its customers.

### **Odds Adjusting**

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

exposure related to each event on which it has accepted bets and adjusts its odds to decrease the risk of incurring a significant loss on that event.

In 2016, a new system for arbitrage identification was launched. The solution enables a quick response to risky odds and helps to significantly reduce the number of arbitrage bets.

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

### **Bet Acceptance**

The Group is under no obligation to accept any bet. The procedure of bet acceptance is designed to eliminate suspicious bets and to adjust the odds ratio to generate a positive Gross Win for the Group. In addition, there are a "black-list" and a "whitelist" of customers. For different types of bets, the Group sets limits on the stake value and particular leagues. If a particular game is defined as risky, customers are not allowed to make a solo bet on this game; they can only make a combination bet of 3 to 5 games, one of which is the risky game. Each bet request is entered into the centralised system accessible to all outlets for automatic approval. If the bet is not accepted by this automated mechanism, the bet is transferred to the Group's headquarters where a bookmaker may refuse to accept the bet based on his own judgement, or propose new odds, or propose new amounts to be staked. Each bookmaker is permitted to accept a bet within particular limits. If a bet exceeds such limits, a bookmaker can ask a more highly qualified bookmaker with bigger limits for permission to approve the bet.

### **Paying Out Winnings**

The results of each sports event are downloaded from two sources and veri-

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

#### **Payment Management**

The Group has implemented internal procedures to ensure proper cash

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

#### **Information Technology Solutions**

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

maintains considerable IT security services, including firewalls and virus controls.

The online software platform, which allows for the provision of online services in Slovakia, Poland and the Czech Republic, is scalable and has not in the past encountered any problems with betting capacity.

#### **Employee Misconduct**

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

## **3.6 Material Subsequent Events**

On 14 July 2017, the Enterprise Division of the Amsterdam Court of Appeals dismissed all requests submitted by Franklin Templeton Investment Funds SICAV – Templeton Eastern Europe Fund, Franklin Templeton Investment Funds SICAV – Templeton Emerging Markets Smaller Companies Fund and Templeton Global

Investment Trust – Templeton Emerging Markets Small Cap Fund.

The Extraordinary General Meeting of shareholders of Fortuna Entertainment Group N.V. held on 1 August 2017 in Amsterdam adopted the sole resolution on the agenda: the approval within the mean-

ing of article 2:107a Dutch Civil Code of the acquisition of Bet Active Concept s.r.l., Bet Zone s.r.l., Public Slots s.r.l. and Slot Arena s.r.l. through two SPVs to be incorporated by the Company in Romania.

No other material events occurred after 30 June 2017.

## 4

# **Shares and Shareholder Structure**

**SHAREHOLDER STRUCTURE AS OF 30 JUNE 2017**

FORTBET HOLDINGS LIMITED, a subsidiary of Penta Investments Limited	76.32%
Templeton Asset Management Ltd	10.61%
Other free float	13.07%

Source: Company Data, according to the latest available information

The total stake held by the management of the Company as of 30 June 2017 was 0%.

As of 30 June 2017, the issued and paid-up share capital of FEG amounted to EUR 520,000 and was divided into 52,000,000 shares with a nominal value of EUR 0.01 each. All of the shares are ordinary registered shares, are fully paid up and rank *pari passu* with each other, and there is no other class of shares authorised. All shares have been or will be issued under Dutch law. All shares carry one vote and equal dividend rights.

**SHARE PRICE DEVELOPMENT AND TRADING ACTIVITY IN THE FIRST HALF OF 2017<sup>1</sup>**

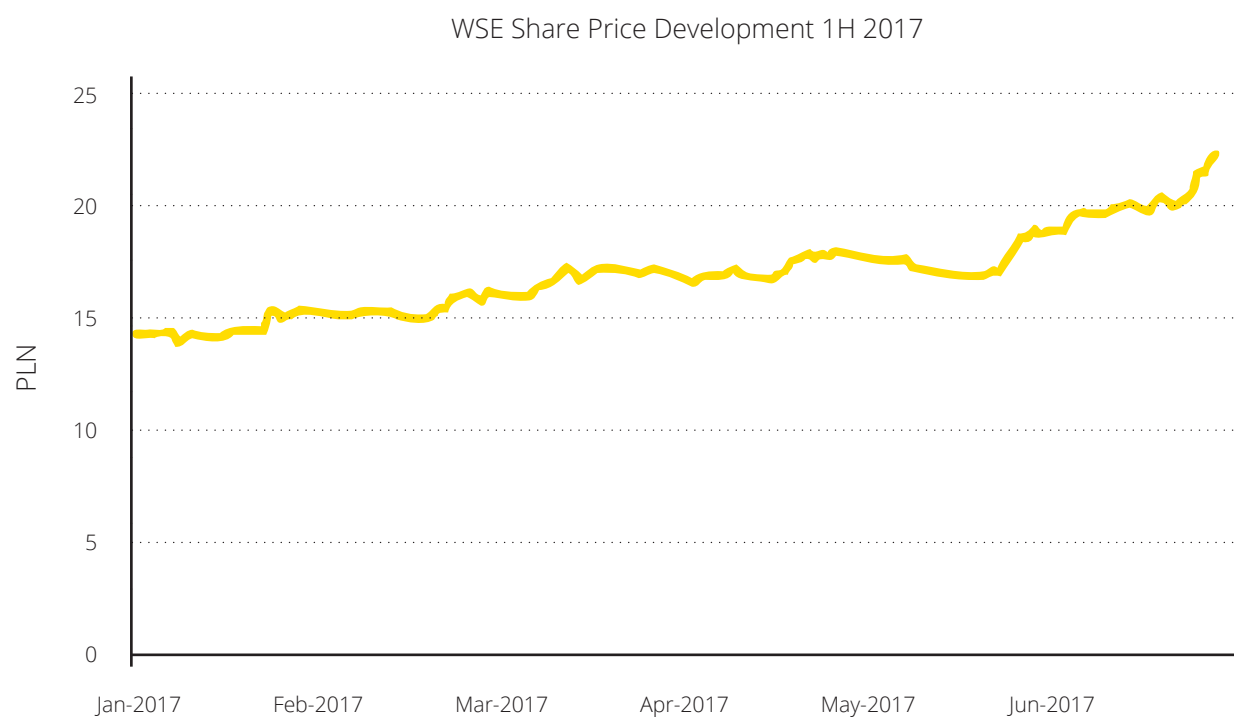
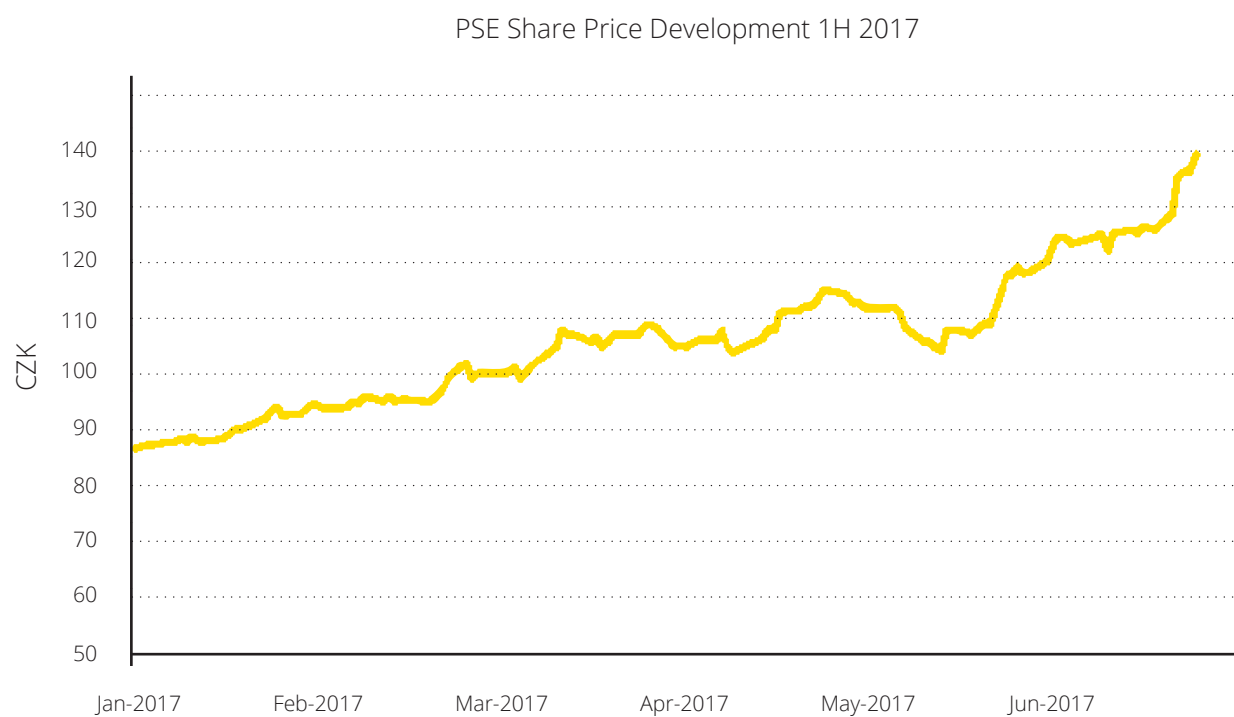
Shares of Fortuna Entertainment Group N.V. were listed on the Prague Stock Exchange on 27 October 2010 (conditional trading from 22 October) and on the Warsaw Stock Exchange on 28 October 2010. The shares are traded on the Prague Stock Exchange under ISIN NL0009604859 BAAFOREG and on the Warsaw Stock Exchange under FEG.

During the first half of 2017, the lowest trading prices were CZK 86.6 and PLN 13.9 and the highest were CZK 139 and PLN 22.4 on the Prague and Warsaw Stock Exchanges, respectively.

The closing price on 30 June 2017 was CZK 139 on the Prague Stock Exchange, while it was PLN 22.4 on the Warsaw Stock Exchange. Market capitalisation reached EUR 275.9 million (based on the Prague Stock Exchange quote).

<sup>1</sup> Sources: PSE and WSE websites, Bloomberg



**DIAGRAM: SHARE PRICE DEVELOPMENT FROM 1 JANUARY 2017 UNTIL 30 JUNE 2017**

Source: Bloomberg

**VOLUNTARY BUY-OUT BY THE MAJORITY SHAREHOLDER**

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

Through the tender offer, Fortbet intended to acquire all the remaining shares in Fortuna representing 31.75% of the share capital with the view to becoming the Company's sole shareholder, delisting the shares from both the Prague Stock Exchange and Warsaw Stock Exchange and enabling all the minority shareholders to dispose

of their shares under equal terms. The agent for the tender offer is Česká spořitelna a.s., a member of the Erste Bank Group. The initial offer price was CZK 98.69 per one share or PLN 15.43. On 29 May, the buy-out price was increased to CZK 118.04 or PLN 18.68. The results of the voluntary buy-out have not been disclosed.

**CHANGES TO THE SHAREHOLDER'S STRUCTURE IN THE FIRST HALF OF 2017**

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

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

Penta Investments Limited, through its subsidiary Fortbet Holdings Limited held as of 27 June 2017 39,686,346 shares in the Company, constituting 76.32% of the share capital and of the total voting rights attached to the shares issued by the Company.

5

# **Dividend Policy and Dividend Payment**

Over the past two years, the dividend policy of FEG has been under review due to the planned investments in future growth opportunities, especially investments in a new IT platform enabling multi-channel, -product and -country capability, operational excellence and personnel 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. confirmed its dividend policy to pay out zero dividends in 2016 and 2017. The general dividend policy after 2017 going forward will be announced after the year-end of 2017.

6

# **Related Parties' Transactions**



**Notifications of Transactions of Directors and Members of the Supervisory Board and Notifications of Insider Transactions according to Section 5:60 of the Financial Supervision Act (Wft)**

No transactions with shares were executed during the first half of 2017.

7

# Corporate Governance

## 7.1 Annual General Meeting of 12 June 2017

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

### (1) The 2016 annual report

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

### (2) The adoption of the 2016 annual accounts

The annual accounts for the 2016 financial year were prepared under Dutch law (applying IFRS) by the Management Board and audited and provided with

the auditor's report by EY, the Company's external auditor.

### (3) The Company's dividend policy

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

The dividend policy will also support Fortuna in its ambition to become the undisputed leader in the regulated Central & Eastern European sports betting and gaming sector with the most trusted and exciting multi-channel betting and gaming brand, scalable platform and best-in-class experience for the Company's customers. The Chairman stated that, as was announced previously, the Management Board proposed no dividend payments in 2016 and 2017 due to high investment made in M&A. The long-term dividend policy will be revised after 2017.

This agenda item was for discussion purposes only and would not be voted upon.

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

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

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

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

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

The Chairman introduced the next item on the agenda: the discussion of the tender offer announced by Fortbet Holdings Limited. The Chairman informed the meeting that this agenda item was for

discussion purposes only and would not be voted upon.

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

The Chairman informed the meeting that under article 9, paragraph 2 of the Company's Articles of Association, the Company may, subject to certain Dutch statutory provisions, acquire and hold up to 10% of the Company's issued share capital. Any acquisition of shares by the Company is subject to the authorisation of the General Meeting. An authorisation shall be valid for no more than 18 months, and shall require the prior approval of the Supervisory Board.

The General Meeting had most recently granted the above mentioned such authorisation at the 2016 AGM. In Dutch corporate practice, an annual extension is customary.

It was proposed to authorise the Management Board for a period of 18 months, taking effect per the date of this AGM, to acquire the Company's own ordinary shares of up to 10% of the issued share capital at the date of the authorisation (12 June 2017), whether through purchases on the stock exchange or by any other means, for a price per share that is between an amount equal to the nominal value of these shares and 110% of the average

quotation of the listed shares on the stock exchange maintained by WSE / PSE of the past 5 trading days before the date on which the purchase of such shares is effectuated. Any acquisition of such shares shall require the prior approval of the Supervisory Board. This authorisation replaced the prior authorisation to purchase shares in its own capital as permitted by the AGM on 23 May 2016.

**(8) Closing.**

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

## 7.2 The Extraordinary General Meeting of Shareholders on 26 April 2017

The Extraordinary General Meeting of shareholders of Fortuna Entertainment Group N.V. held on 26 April 2017 in Amsterdam adopted

the sole resolution on the agenda: the approval of the acquisition of Hat-trick Sports Group Limited within the meaning of article 2:107a, Dutch Civil

Code. The full minutes of the meeting are available on the Company's website.

## 7.3 Notice of the Extraordinary General Meeting of Shareholders to be held on 1 August 2017

The Extraordinary General Meeting of shareholders of Fortuna Entertainment Group N.V. will be held on 1 August 2017 with a sole resolution on

the agenda: Approval of the proposed acquisition of Bet Active Concept s.r.l., Bet Zone s.r.l., Public Slots s.r.l. and Slot Arena s.r.l. through two SPVs to be in-

corporated by the Company in Romania within the meaning of article 2:107a, Dutch Civil Code (voting item).

## 7.4 Management Board Structure as of 30 June 2017

NAME	POSITION
Per Widerström	Chairman of the Management Board
Janka Galáčová	Member of the Management Board
Richard van Bruchem	Member of the Management Board

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

On 1 January 2013, the Dutch Management and Supervision (Public and Pri-

vate Limited Liability Companies) Act [*Wet bestuur en toezicht in naamloze en besloten vennootschappen*] came into effect. New rules stipulated in this act also affect Fortuna Entertainment Group N.V. One of the rules introduced into limited liability company law pertains to the "balanced distribution" of men and women

on management boards and supervisory boards. Fortuna, as a Dutch public limited liability company (NV), must ensure that at least 30% of the seats on its management board are taken by women and that at least 30% are taken by men to the extent that those seats are occupied by natural persons. As of 30 June 2017, more than 30% of seats of the Management Board of Fortuna Entertainment Group N.V. were held by women (Janka Galáčová being the female board member), while the remainder were held by men; therefore, Fortuna complied with this rule.

## 7.5 Supervisory Board Structure as at 30 June 2017

NAME	POSITION
Marek Šmrha	Chairman of the Supervisory Board
Iain Child	Member of the Supervisory Board
Morten Rønde	Member of the Supervisory Board

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

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

On 1 January 2013, the Dutch Management and Supervision (Public and Private Limited Liability Companies) Act [*Wet bestuur en toezicht in naamloze en besloten vennootschappen*] came into effect. New rules stipulated in this act also affect Fortuna Entertainment Group N.V. One of the rules introduced into the limited liability company law pertains to the "balanced distribution" of men and

women on management boards and supervisory boards. Fortuna, as a Dutch public limited liability company (N.V.), must ensure that at least 30% seats of its supervisory board are taken by women and at least 30% are taken by men to the extent that those seats are occupied by natural persons. As of 30 June 2017, there were no females on the Supervisory Board of Fortuna Entertainment Group N.V. Looking ahead, the Company does not exclude appointing women to achieve a balanced distribution of seats.

There were no other changes to the Management Board or to the Supervisory Board in the first half of 2017.

## 7.6 Legal Proceedings

On 11 April 2017 Franklin Templeton Investment Funds – Templeton Eastern Europe Fund, Franklin Templeton Investment Funds – Templeton Emerging Markets Small Cap Fund, and Templeton Emerging Markets Small Cap Fund (hereinafter together referred to as “Templeton”), commenced legal proceedings before the Enterprise Court of Amsterdam seeking among other matters, immediate injunctive relief with the effect of among other matters i) prohibiting the voting on the proposed approval within the meaning of 2:107a, Dutch Civil Code for the proposed acquisition of Bet Active Concept s.r.l., Bet Zone s.r.l., Public Slots s.r.l. and Slot Arena s.r.l. at the extraordinary shareholders meeting to be held on April 26, 2017 and ii) to suspend any actions or resolutions in order to keep the aforementioned transaction from completion. The first hearing was held before the En-

terprise Division of the Amsterdam Court of Appeals on 20 April 2017.

On 24 April 2017, the Enterprise Division of the Amsterdam Court of Appeals (the “Court”) partially awarded the requests that were submitted on 11 April 2017 by Templeton in connection with the extraordinary meeting of shareholders to be held on 26 April 2017. In its decision, the Court imposed the following immediate measures on Fortuna Entertainment Group N.V.:

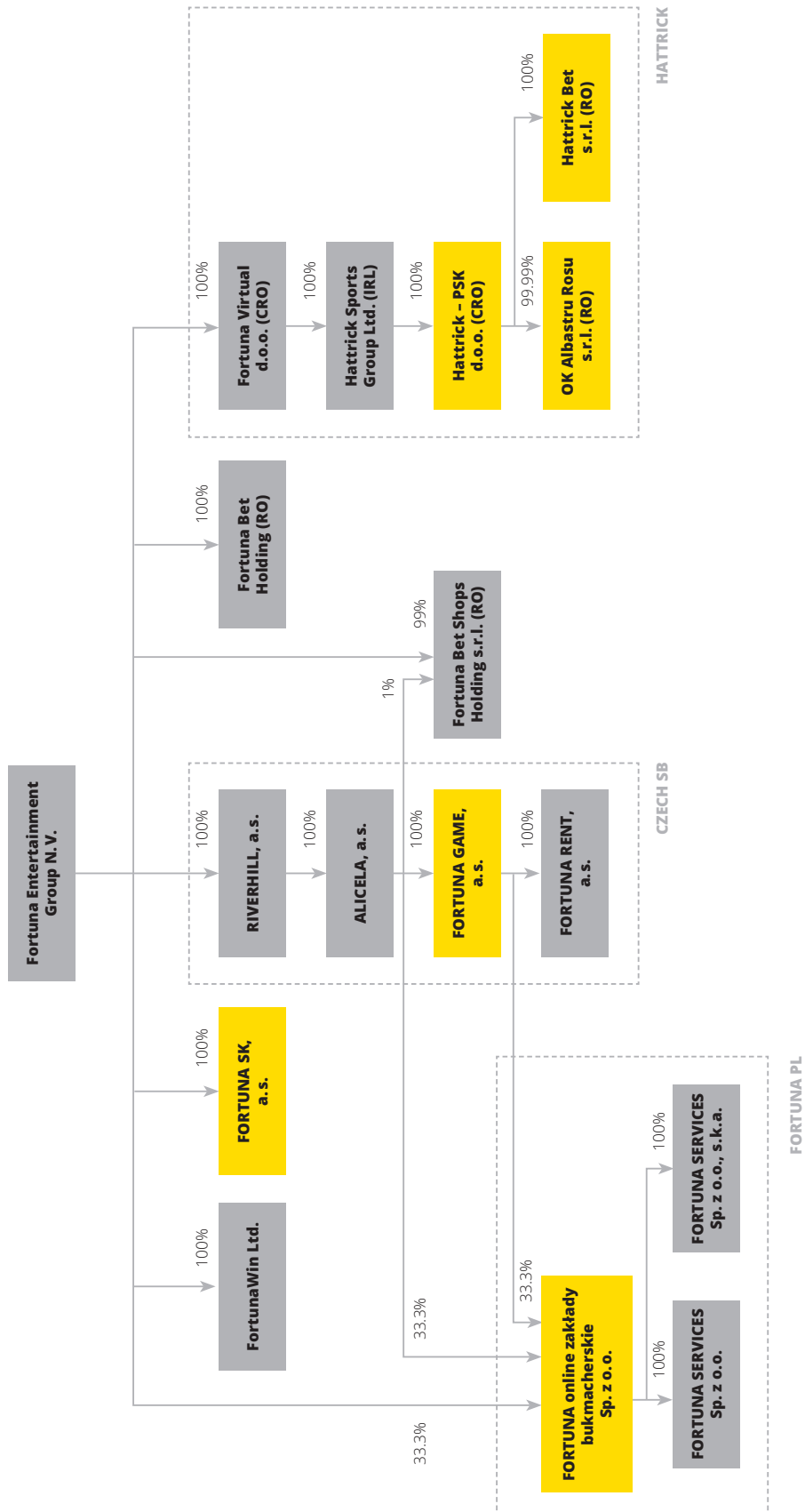
1. The Court prohibited the EGM from voting on the approval of the Transaction; and
2. The Court announced the appointment of an independent supervisory director at the Company (the “Supervisory Director”). The Supervisory Di-

rector would not become a member of the Company's supervisory board, but would have the exclusive authority to decide on the nature, size, content and timing of the information that the Company must provide to its shareholders in relation to the Transaction. The powers of the Supervisory Director shall remain limited to this information provision mandate only. The Court is yet to rule on when the actual appointment of the Supervisory Director will take place.

After Fortuna met all conditions set out by the Court decision, on 14 July 2017, the Enterprise Division of the Amsterdam Court of Appeals dismissed all requests submitted by Templeton. The extraordinary meeting of shareholders of 1 August 2017 was therefore held as scheduled.

## 7.7 Organisational Structure as of 30 June 2017

The diagram below presents the current structure of the Group as of 30 June 2017:



Source: Company Data



On 23 May 2017, Fortuna signed an agreement under which it agreed to sell its 98.4% stake in FORTUNA sázky a.s. to SAZKA a.s. There were no other changes to the organisational structure in the first half of 2017.

On 19 May 2017, Fortuna Entertainment Group N.V. acquired a 100% stake in Hatrick Sports Group Ltd., Ireland. Hatrick is the owner of the betting operator in Romania, Casa Pariurilor,

and the operator in Croatia, PSK, and with B2B activities in Spain and other countries.

## 7.8. Management Statement

The Company's members of the Management Board hereby declare that to the best of their knowledge:

- the half year financial statements for the first half of 2017 included in this Half Year Report give a true and fair view of the assets, liabilities, financial position, and profit and loss of the Company and the entities included in the consolidation;
- the half-year Directors' report gives a true and fair view of the

Company's position as of the balance sheet date of 30 June 2017, of the state of affairs during the six months of 2017 to which the report relates, and of those of the Company's related entities, the financial information of which has been consolidated in the Company's half-yearly financial statements, and of the expected course of affairs focusing in particular, where not detrimental to the Company's vital interests, on capital expenditures and circumstances affecting

revenue developments and profit-earning capacity.

- the half-year Management Board Report gives a true and fair view of the important events of the past six-month period and their impact on the half-year financial statements, as well as the principal risks and uncertainties for the six-month period ahead, and the most important related party transactions.

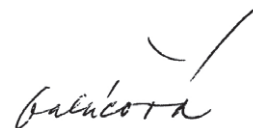
Amsterdam, 22 August 2017



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.



8

**Unaudited  
Interim  
Consolidated  
Financial  
Statements  
of Fortuna  
Entertainment  
Group N.V.**

for the six months ending June 30, 2017

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### Interim condensed consolidated statement of financial position as at 30 June 2017

€ 000	NOTES	30 JUNE 2017 UNAUDITED	31 DECEMBER 2016 AUDITED
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	8.5, 8.7	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
<b>Total non-current assets</b>		<b>196,303</b>	<b>78,300</b>
<b>Current assets</b>			
Current receivables		7,751	1,729
Income tax receivable		1,129	659
Other current assets		3,393	3,097
Cash and cash equivalents	8.12	47,850	30,249
<b>Total current assets</b>		<b>60,123</b>	<b>35,734</b>
<b>Assets held for sale</b>		<b>-</b>	<b>7,511</b>
<b>TOTAL ASSETS</b>		<b>256,426</b>	<b>121,545</b>

€ 000	NOTES	30 JUNE 2017 UNAUDITED	31 DECEMBER 2016 AUDITED
<b>EQUITY AND LIABILITIES</b>			
Share capital		520	520
Share premium		8,262	8,262
Statutory reserve		66	66
Foreign currency translation reserve		(973)	(2,064)
Retained earnings		55,133	52,617
Reserves of a disposal group held for sale		–	(125)
<b>Equity attributable to equity holders of the parent</b>		<b>63,008</b>	<b>59,276</b>
Non-controlling interests		–	199
<b>Total equity</b>		<b>63,008</b>	<b>59,475</b>
<b>Non-current liabilities</b>			
Deferred tax liability		7,819	–
Provisions		3,808	3,685
Long-term bank loans	8.14	98,584	24,625
Financial leasing – long-term portion		23	–
Other non-current liabilities		30,987	34
<b>Total non-current liabilities</b>		<b>141,221</b>	<b>28,344</b>
<b>Current liabilities</b>			
Trade and other payables		35,254	21,121
Income tax payable		300	166
Provisions		4,209	3,271
Current share of long-term bank loans	8.14	11,849	5,528
Financial leasing – short-term portion		19	–
Other current liabilities	8.15	566	771
<b>Total current liabilities</b>		<b>52,197</b>	<b>30,857</b>
<b>Liabilities directly associated with the assets held for sale</b>	<b>8.8</b>	<b>–</b>	<b>2,869</b>
<b>Total equity and liabilities</b>		<b>256,426</b>	<b>121,545</b>

# Interim condensed consolidated statement of profit or loss for the six months ended 30 June 2017

€ 000	NOTES	30 JUNE 2017 UNAUDITED	30 JUNE 2016 UNAUDITED
<b>CONTINUING OPERATIONS</b>			
Amounts staked	8.6	715,011	501,978
<b>Revenue</b>	<b>8.6</b>	<b>61,784</b>	<b>49,312</b>
Personnel expenses		(22,231)	(16,974)
Depreciation and amortisation	8.6	(2,555)	(1,335)
Other operating income		585	566
Other operating expenses	8.16	(32,381)	(23,843)
<b>Operating profit</b>	<b>8.6</b>	<b>5,202</b>	<b>7,726</b>
Finance income		708	188
Finance cost		(1,904)	(1,041)
<b>Profit before tax</b>		<b>4,006</b>	<b>6,873</b>
Income tax expense	8.9	(1,250)	(1,782)
<b>Net profit for the period from continuing operations</b>		<b>2,756</b>	<b>5,091</b>
<b>DISCONTINUED OPERATIONS</b>			
Profit / (loss) after tax for the year from discontinued operations	8.8	(171)	267
Loss on disposal of discontinued operations		(74)	–
<b>Net profit / (loss) for the period from operations total</b>		<b>(245)</b>	<b>267</b>
<b>Profit for the year</b>		<b>2,511</b>	<b>5,358</b>
<b>Attributable to:</b>			
Equity holders of the parent			
Continuing operations		2,756	5,091
Discontinued operations		(240)	263
Non-controlling interests			
Continuing operations		–	–
Discontinued operations		(5)	4
		<b>2,511</b>	<b>5,358</b>

	30 JUNE 2017 UNAUDITED	30 JUNE 2016 UNAUDITED
<b>Earnings per share</b>		
Weighted average number of ordinary shares for basic earnings per share	52,000,000	52,000,000
Basic and diluted, profit for the period attributable to ordinary equity holders of the parent	€ 0.048	€ 0.103
Basic and diluted, profit for the period from continuing operations attributable to ordinary equity holders of the parent	€ 0.048	€ 0.103
<b>Earnings per share from continuing operations</b>		
Weighted average number of ordinary shares for basic earnings per share	52,000,000	52,000,000
Basic and diluted, profit for the period attributable to ordinary equity holders of the parent	€ 0.053	€ 0.098
Basic and diluted, profit for the period from continuing operations attributable to ordinary equity holders of the parent	€ 0.053	€ 0.098



### Interim condensed consolidated statement of comprehensive income for the six months ended 30 June 2017

€ 000	30 JUNE 2017 UNAUDITED	30 JUNE 2016 UNAUDITED
<b>Profit for the period</b>	<b>2,511</b>	<b>5,358</b>
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Net gain / (loss) on revaluation of cash flow hedges	–	112
Income tax effect	–	(24)
	<b>–</b>	<b>88</b>
Exchange differences on translation of foreign operations	1,216	(398)
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>	<b>1,216</b>	<b>(310)</b>
<b>Other comprehensive income for the period, net of tax</b>	<b>1,216</b>	<b>(310)</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>3,727</b>	<b>5,048</b>
<b>Attributable to:</b>		
Equity holders of the parent	3,732	5,044
Non-controlling interests	(5)	4
	<b>3,727</b>	<b>5,048</b>

### Interim condensed consolidated statement of cash flows for the six months ended 30 June 2017

€ 000	NOTES	30 JUNE 2017 UNAUDITED	30 JUNE 2016 UNAUDITED
<b>Cash flows from operating activities</b>			
Profit before tax from continuing operations		4,006	6,873
Profit before tax from discontinued operations	8.8	(245)	251
<b>Profit before tax</b>		<b>3,761</b>	<b>7,124</b>
Adjustments for:			
Depreciation and amortisation	8.6	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 expense and income		706	498
Other non-cash items		(279)	(9)
<b>Operating profit before working capital changes</b>		<b>7,200</b>	<b>10,352</b>
Increase in other assets		825	(1,619)
(Increase) / decrease in receivables		1,578	1,011
Increase in payables and other liabilities		3,889	4,673
<b>Cash generated from operating activities</b>		<b>13,492</b>	<b>14,417</b>
Corporate income tax paid		(1,798)	(2,218)
<b>Net cash flows provided by / (used in) operating activities</b>		<b>11,694</b>	<b>12,199</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries, 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	8.11	(4,289)	(6,399)
Proceeds from sale of buildings and equipment		82	75
<b>Net cash flows provided by / (used in) investing activities</b>		<b>(75,544)</b>	<b>(6,358)</b>

€ 000	NOTES	30 JUNE 2017 UNAUDITED	30 JUNE 2016 UNAUDITED
<b>Cash flows from financing activities</b>			
Net proceeds from bank loans		79,130	(2,827)
Finance lease payments		(4)	–
Interest paid		(226)	(371)
Interest paid on finance lease liability		–	–
<b>Net cash flows provided by / (used in) financing activities</b>		<b>78,900</b>	<b>(3,198)</b>
Net effect of currency translation in cash		806	(227)
Net increase in cash and cash equivalents		15,856	2,416
Cash and cash equivalents at the beginning of the period		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
<b>Cash and cash equivalents at the end of the period (total)</b>		<b>47,850</b>	<b>30,560</b>

### Interim condensed consolidated statement of changes in equity for the six months ended 30 June 2017

€ 000	SHARE CAPITAL	SHARE PREMIUM	STATUTORY RESERVE	RETAINED EARNINGS	CASH FLOW HEDGE RESERVE	RESERVE OF DISPOSAL GROUP HELD FOR SALE	FOREIGN CURRENCY TRANSLATION RESERVE	TOTAL	NON-CONTROLLING INTERESTS	TOTAL
1 January 2017	520	8,262	66	52,617	-	(125)	(2,064)	59,276	199	59,475
Profit for the period	-	-	-	2,516	-	-	-	2,516	(5)	2,511
Other comprehensive income	-	-	-	-	-	-	1,216	1,216	-	1,216
<b>Total comprehensive income</b>	-	-	-	<b>2,516</b>	-	-	<b>1,216</b>	<b>3,732</b>	<b>(5)</b>	<b>3,727</b>
Dividend paid out to shareholders	-	-	-	-	-	-	-	-	-	-
Discontinued operations	-	-	-	-	-	125	(125)	-	-	-
Disposal of non-controlling interest	-	-	-	-	-	-	-	-	(194)	(194)
Statutory reserve movement	-	-	-	-	-	-	-	-	-	-
<b>30 June 2017 (unaudited)</b>	<b>520</b>	<b>8,262</b>	<b>66</b>	<b>55,133</b>	<b>-</b>	<b>-</b>	<b>(973)</b>	<b>63,008</b>	<b>-</b>	<b>63,008</b>

### Interim condensed consolidated statement of changes in equity for the six months ended 30 June 2016

€ 000	SHARE CAPITAL	SHARE PREMIUM	STATUTORY RESERVE	RETAINED EARNINGS	CASH FLOW HEDGE RESERVE	RESERVE OF DISPOSAL GROUP HELD FOR SALE	FOREIGN CURRENCY TRANSLATION RESERVE	TOTAL	NON-CONTROLLING INTERESTS	TOTAL
1 January 2016	520	8,262	67	44,307	(132)	-	(2,007)	51,017	226	51,243
Profit for the period	-	-	-	5,354	-	-	-	5,354	4	5,358
Other comprehensive income	-	-	-	-	88	-	(398)	(310)	-	(310)
<b>Total comprehensive income</b>	-	-	-	<b>5,354</b>	<b>88</b>	-	<b>(398)</b>	<b>5,044</b>	<b>4</b>	<b>5,048</b>
Dividend paid out to shareholders	-	-	-	-	-	-	-	-	-	-
Statutory reserve movement	-	-	(1)	1	-	-	-	-	-	-
<b>30 June 2016 (unaudited)</b>	<b>520</b>	<b>8,262</b>	<b>66</b>	<b>49,662</b>	<b>(44)</b>	<b>-</b>	<b>(2,405)</b>	<b>56,061</b>	<b>230</b>	<b>56,291</b>

## Notes to interim condensed consolidated financial statements for the six months ended 30 June 2017

### 8.1 Corporate Information

The interim condensed consolidated financial statements for the six months ended 30 June 2017 of Fortuna Entertainment Group N.V. ("FEGNV", "the Company") comprise the interim condensed consolidated statement of the financial position as of 30 June 2017 and 31 December 2016, the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of cash flows and the interim condensed consolidated statements of changes in equity for the six months ended 30 June 2017 and 30 June 2016, as well as a summary of significant accounting policies and other explanatory notes.

The interim condensed consolidated financial statements of FEGNV for the six months ended 30 June 2017 were authorised for issuance by the board of directors on 22 August 2017.

FEGNV has its registered office at Strawinskylaan 809, Amsterdam, the

Netherlands. As of 30 June 2017, FORTBET HOLDINGS LIMITED (formerly AIFELMONA HOLDINGS LIMITED), having its registered office at 212 Agias Fylaxeos & Polygnostou Street, C&I Center, 2<sup>nd</sup> Floor, 3082 Limassol, Cyprus, held 76.32% of the shares of the Company and was the controlling shareholder; the remaining 23.68% of shares are publicly traded on the Polish stock exchange in Warsaw and on 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, Poland and, since May 2017 also in Croatia and Romania. Sports betting is the key product of FEGNV with the most popular betting events being football, ice hockey, tennis and basketball. The odds are distributed to customers via retail chains, online websites and mobile applications in the Czech Republic, Slovakia, Poland, Croatia and Romania. Since February 2017, an online casino has been operated in the Czech Republic. Besides sports bet-

ting, the acquisition of Hattrick Group contributed another online casino, operated in Croatia, and software licensing in Ireland.

FEGNV had the following Management and Supervisory Board Members as of 30 June 2017:

#### MANAGEMENT BOARD

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

#### SUPERVISORY BOARD

Member:	Marek Šmrha
Member:	Iain Child
Member:	Morten Rønne

No changes in composition of the Management and Supervisory Boards have occurred since 1 January 2017.

### 8.2. Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Fortuna Group's annual

financial statements as at 31 December 2016.

FEGNV was incorporated on 4 November 2009 with the purpose of transferring all subsidiaries of Penta Invest-

ments Limited forming the betting business (the subsidiaries) to FEGNV, with the intention of making an initial public offering of Fortuna Entertainment Group N.V.'s shares on the main market of Giełda Papierów Wartościowych w Warszawie S.A. (the Warsaw Stock Exchange, "WSE") and the Burza cenných papírů Praha, a.s. (the Prague Stock Exchange, "PSE") in 2010. The transfer of the subsidiaries was completed on 12 May 2010 due to certain regulatory approvals being required to transfer FORTUNA online zakłady bukmacherskie Sp. z o.o. The initial public offering of FEGNV's shares was executed on the Warsaw and Prague stock exchanges on 28 October 2010 and 27 October 2010, respectively.

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

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

#### **BASIS OF CONSOLIDATION**

The interim condensed consolidated financial statements comprise the financial statements of FEGNV and its subsidiaries as of 30 June 2017.

As of the date of these interim condensed consolidated financial statements, FEGNV serves as the legal parent of the legal entities operating in the betting industry, which are ultimately owned by Penta. The interim condensed consolidated financial statements, which are in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union, were prepared by FEGNV, as the reporting entity, as of 30 June 2017 and include the following entities ("Fortuna Group", "the Group"):

- Fortuna Entertainment Group N.V.
- RIVERHILL a.s.
- ALICELA a.s.
- FORTUNA GAME a.s.
- FORTUNA RENT s.r.o.
- FortunaWin Ltd. (in liquidation)
- FORTUNA SK, a.s.
- FORTUNA online zakłady bukmacherskie Sp. z o.o.
- FORTUNA SERVICES Sp. z o.o.
- FORTUNA SERVICES Sp. z o.o., s.k.a.
- Fortuna Virtual d.o.o.
- Fortuna Bet Shops Holding s.r.l.
- Fortuna Bet Holding s.r.l.
- Hatrick Sports Group Ltd.
- Hatrick – PSK d.o.o.
- OK Albastru Rosu s.r.l.
- Hatrick Bet s.r.l.

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

cept for OK Albastru Rosu s.r.l. FEGNV indirectly owns a 99.99% stake in OK Albastru Rosu s.r.l.

On 19 May 2017, the acquisition of Hatrick Group was completed. Hatrick Group consists of the parent company Hatrick Sports Group Ltd. operating in Ireland and subsidiaries Hatrick – PSK d.o.o. operating in Croatia and OK Albastru Rosu s.r.l. and Hatrick Bet s.r.l. operating in Romania. For more detailed information see note 8.5.

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

FORTUNA sázky a.s. (representing the lottery segment) is reported according to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations due to the decision of the management to sell the lottery segment. The transaction was completed on 23 May 2017 and the company was sold beyond the Group (see the note 8.8 Discontinued Operations).

## **8.3 Significant Accounting Policies**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Fortuna Group's consolidated financial statements for the year ended 31 December 2016, except for the adoption of new stand-

ards and interpretations effective as of 1 January 2017. The Group has not earlier adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Al-

though these new standards and amendments are being applied for the first time in 2017, they have no material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The nature and the impact of

each new standard or amendment is described below:

**AMENDMENTS TO IAS 7  
STATEMENT OF CASH FLOWS:  
DISCLOSURE INITIATIVE**

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On the initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

**AMENDMENTS TO IAS 12  
INCOME TAXES: RECOGNITION  
OF DEFERRED TAX ASSETS FOR  
UNRECOGNISED LOSSES**

The amendments clarify that an entity needs to consider whether tax law re-

stricts 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 profit 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.

**ANNUAL IMPROVEMENTS  
2014-2016 CYCLE**

**Amendments to IFRS 12 Disclosure  
of Interests in Other Entities:**

**Clarification of the scope of  
disclosure requirements in IFRS 12**

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The Group has adopted the amendments retrospectively. As the disclosure requirements in IFRS 12 do not specifically apply to the interim condensed consolidated financial statements, the Group did not provide these disclosures for its interest in a wholly owned subsidiary that was classified as held for sale as at 31 December 2016 and whose shares were sold prior to 30 June 2017 (see Note 8.8). The Group will disclose the required information in its annual consolidated financial statements for the year ended 31 December 2017.

## 8.4 Information about Products and Services

The Group's results of operations are affected by the schedule of sporting events on which the Group accepts bets. The international football tournaments in Europe and around the world that contribute significantly to the Group's revenue and gross win from betting are reflected in the financial results in the spring and autumn months. Therefore, the Group has traditionally recorded higher amounts staked in the spring and au-

turn months although this has been to some extent balanced by the online betting that is less exposed to seasonality.

The Group's results of operations are also affected by the significant sporting events that may occur at regular but infrequent intervals, such as the Olympic Games, the FIFA Football World Cup, the IIHF Ice Hockey World Championships and the UEFA European Football Championship.

The Group revenues are subject to the short-term volatility of profitability which may lead to either excess or insufficient revenue margins. The half-year results may be seen as relatively short-term. A comparison of the results over a longer period of time provides more precise information about the performance of the business, however the management has concluded that this is not "highly seasonal" in accordance with IAS 34.

## 8.5 Business Combinations

### **FORTUNA BET SHOPS HOLDING s.r.l. AND FORTUNA BET HOLDING s.r.l.**

In 2017 FEGNV founded Fortuna Bet Shops Holding s.r.l. and Fortuna Bet Holding s.r.l., which are Romanian limited liability companies incorporated as holding companies. They were founded with the purpose of taking over Romanian betting companies (Bet Zone s.r.l., Bet Active Concept s.r.l., Public Slots s.r.l., Slot Arena s.r.l.). Fortuna Entertainment Group N.V. owns directly or indirectly 100% stakes in both companies.

### **FORTUNA VIRTUAL d.o.o.**

In 2017 FEGNV founded Fortuna Virtual d.o.o., which is a Croatian limited

liability company incorporated as a holding company. It was founded with the purpose of taking over the Hattrick Group. The 100%-owner of Fortuna Virtual d.o.o. is Fortuna Entertainment Group N.V.

### **HATTRICK SPORTS GROUP LTD.**

On 19 May 2017, the Group acquired a 100% stake in Hattrick Sports Group Ltd., an unlisted company based in Ireland. The Hattrick Sports Group Ltd. (Hattrick Group) is the parent entity and it has the following subsidiaries – Hattrick – PSK d.o.o. (Croatia, 100% share), OK Albastru Rosu s.r.l. (Romania, 99.99% share) and Hattrick

Bet s.r.l. (Romania, 100% share). The Hattrick Group operates in sports betting and gaming. OK Albastru Rosu s.r.l. renders rental services to the members of the Hattrick Group. This acquisition will further strengthen Fortuna's position as the largest licensed multi-channel sports betting and gaming operator in Central and Southeastern Europe. The interim condensed consolidated financial statements include the results of the Hattrick Group from 20 May 2017.

The fair values of the identifiable assets and liabilities of Hattrick Group as at the date of acquisition were:

€ 000	19 MAY 2017 FAIR VALUE RECOGNISED ON ACQUISITION
<b>Assets</b>	
Intangible assets	47,873
Property, plant and equipment	6,943
Deferred tax assets	–
Restricted cash	340
Other non-current assets	1,503
Current receivables	6,026
Other current assets	825
Cash and cash equivalents	8,642
<b>Assets total</b>	<b>72,152</b>
<b>Liabilities</b>	
Non-current liabilities	20,572
Provisions	260
Current liabilities	6,982
<b>Total liabilities</b>	<b>27,814</b>



€ 000	19 MAY 2017 FAIR VALUE RECOGNISED ON ACQUISITION
<b>Net assets directly associated with acquisition</b>	<b>44,338</b>
Goodwill arising on acquisition (provisional)	56,623
<b>Purchase consideration</b>	<b>100,961</b>
<i>Analysis of cash flows on acquisition:</i>	
Net debt acquired with the subsidiary (included in cash flows from investing activities)	(3,948)
Cash paid	(70,627)
<b>Net cash flow on acquisition</b>	<b>(74,575)</b>
Deferred payment	(30,866)
<b>Total</b>	<b>(105,441)</b>

The difference between the amount of "Purchase consideration" and the sum of "Cash paid" and "Deferred payment" repre-

sents the exchange rate difference arising on the translation of the transaction from the functional currency of the subsidiaries.

Reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period is presented below:

	<b>GOODWILL € 000</b>
<b>Gross carrying amount</b>	
At 1 January 2017	47,111
Acquisition of a subsidiary	56,623
Currency translation	1,502
<b>At 30 June 2017</b>	<b>105,236</b>
<b>Accumulated impairment losses</b>	
At 1 January 2017	–
Impairment losses recognised during the reporting period	–
Currency translation	–
<b>At 30 June 2017</b>	<b>–</b>
<b>Net book value</b>	
At 1 January 2017	47,111
Acquisition of a subsidiary	56,623
Currency translation	1,502
<b>At 30 June 2017</b>	<b>105,236</b>

As of the date of the acquisition, the fair value of the intangible assets was €47,873 thousand. The gross amount was €2,165 thousand. The difference between the fair value and the gross amount is the result of the (re)valuation of the acquired software, brand names, betting licences and customer relationships. Deferred tax related to this adjustment was recognised in liabilities.

From the date of acquisition, Hattrick Group has contributed €7,253 thousand of revenue and €769 thousand (loss) to profit before tax from the continuing operations of the Group. If the acquisition had taken place at the beginning of the year, revenue from continuing operations would have been approximately €33,516 thousand and the profit from continuing operations for the period

would have been approximately €4,018 thousand.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of Hattrick Group with those of the Group. The goodwill is not deductible for income tax purposes.

## 8.6 Segment information

### IDENTIFICATION OF REPORTABLE SEGMENTS

For management purposes, Fortuna Group is organised into business units, with the following financially reportable segments being distinguished:

- Czech Republic
- Slovakia
- Poland
- Hattrick Group
- Other countries

The parent company, FEGNV, does not report any significant results, assets and liabilities other than its interests in subsidiaries and equity and therefore does not qualify as a separate

operating segment. The information of FEGNV and other immaterial locations is included in the "Other countries" column.

Management monitors the operating results of its business units separately for 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 book-making 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 operating segments for the six months ended 30 June 2017 and 2016 respectively:

PERIOD ENDED 30 JUNE 2017 (UNAUDITED)	€ 000					
	CZECH REPUBLIC	SLOVAKIA	POLAND	HATTRICK GROUP	OTHER COUNTRIES	TOTAL OPERATING SEGMENTS
Revenue	27,745	14,286	12,500	7,253	–	61,784
Depreciation, amortisation and impairment of PPE and intangible assets	(888)	(216)	(393)	(1,053)	(5)	(2,555)
Operating profit / (loss)	1,208	5,212	1,066	(1,619)	(665)	5,202
Capital expenditure	2,731	106	1,180	222	–	4,239

30 JUNE 2017 (UNAUDITED)	€ 000					
	CZECH REPUBLIC	SLOVAKIA	POLAND	HATTRICK GROUP	OTHER COUNTRIES	TOTAL OPERATING SEGMENTS
Non-current assets	23,661	1,255	3,060	54,056	10	82,042
Operating segment assets	50,468	14,857	10,553	71,640	3,672	151,190
Operating segment liabilities	22,575	5,352	6,387	46,796	1,875	82,985

PERIOD ENDED 30 JUNE 2016 (UNAUDITED)	€ 000					
	CZECH REPUBLIC	SLOVAKIA	POLAND	HATTRICK GROUP	OTHER COUNTRIES	TOTAL OPERATING SEGMENTS
Revenue	24,887	13,500	10,925	–	–	49,312
Depreciation, amortisation and impairment of PPE and intangible assets	(790)	(283)	(256)	–	(6)	(1,335)
Operating profit / (loss)	2,783	4,407	764	–	(228)	7,726
Capital expenditure	5,172	628	549	–	–	6,349

30 JUNE 2016 (UNAUDITED)	€ 000					
	CZECH REPUBLIC	SLOVAKIA	POLAND	HATTRICK GROUP	OTHER COUNTRIES	TOTAL OPERATING SEGMENTS
Non-current assets	18,925	1,443	1,644	–	11	22,023
Operating segment assets	36,677	9,194	10,581	–	8,571	65,023
Operating segment liabilities	19,053	5,042	4,685	–	487	29,267

Segment results for each operating segment exclude net finance costs of €1,196 thousand and €853 thousand for the six months ended 30 June 2017 and 2016, respectively, and income tax expense of €1,250 thousand and €1,782 thousand for the six months ended 30 June 2017 and 2016, respectively.

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

Segment assets exclude goodwill of €105,236 thousand and €47,111 thousand as at 30 June 2017 and 31 December 2016, respectively, as these assets are managed on a group basis.

Segment liabilities exclude bank loans of €110,433 thousand and €30,153 thousand as at 30 June 2017 and 31 December 2016, respectively, 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 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.

PERIOD ENDED 30 JUNE 2017 (UNAUDITED)	€ 000					
	CZECH REPUBLIC	SLOVAKIA	POLAND	HATTRICK GROUP	OTHER COUNTRIES	TOTAL
<b>Amounts staked</b>						
Bets – Sports betting & Gaming	369,378	192,968	81,957	55,074	–	699,377
Commissions – Sports betting	1,261	1,678	11,176	1,519	–	15,634
<b>Total amounts staked</b>	<b>370,639</b>	<b>194,646</b>	<b>93,133</b>	<b>56,593</b>	<b>–</b>	<b>715,011</b>
<b>Paid out prizes</b>	<b>(331,856)</b>	<b>(168,016)</b>	<b>(68,481)</b>	<b>(48,782)</b>	<b>–</b>	<b>(617,135)</b>
<b>Gross win</b>						
Gross win – Online Sports betting & Gaming	31,255	19,473	14,093	2,375	–	67,196
Gross win – Retail Sports betting	7,528	7,157	10,559	5,436	–	30,680
<b>Total Gross win</b>	<b>38,783</b>	<b>26,630</b>	<b>24,652</b>	<b>7,811</b>	<b>–</b>	<b>97,876</b>
<b>Withholding tax paid</b>	<b>(9,400)</b>	<b>(11,578)</b>	<b>(11,176)</b>	<b>(1,657)</b>	<b>–</b>	<b>(33,811)</b>
<b>Other revenues</b>	<b>(1,638)</b>	<b>(766)</b>	<b>(976)</b>	<b>1,099</b>	<b>–</b>	<b>(2,281)</b>
<b>Revenue</b>	<b>27,745</b>	<b>14,286</b>	<b>12,500</b>	<b>7,253</b>	<b>–</b>	<b>61,784</b>

PERIOD ENDED 30 JUNE 2016 (UNAUDITED)	€ 000					
	CZECH REPUBLIC	SLOVAKIA	POLAND	HATTRICK GROUP	OTHER COUNTRIES	TOTAL
<b>Amounts staked</b>						
Bets – Sports betting	273,969	164,445	52,898	–	–	491,312
Commissions – Sports betting	1,709	1,744	7,213	–	–	10,666
<b>Total amounts staked</b>	<b>275,678</b>	<b>166,189</b>	<b>60,111</b>	<b>–</b>	<b>–</b>	<b>501,978</b>
<b>Paid out prizes</b>	<b>(242,305)</b>	<b>(141,767)</b>	<b>(41,519)</b>	<b>–</b>	<b>–</b>	<b>(425,591)</b>
<b>Gross win</b>						
Gross win – Online Sports betting	25,818	16,632	7,752	–	–	50,202
Gross win – Retail Sports betting	7,555	7,790	10,840	–	–	26,185
<b>Total Gross win</b>	<b>33,373</b>	<b>24,422</b>	<b>18,592</b>	<b>–</b>	<b>–</b>	<b>76,387</b>
<b>Withholding tax paid</b>	<b>(7,665)</b>	<b>(9,867)</b>	<b>(7,214)</b>	<b>–</b>	<b>–</b>	<b>(24,746)</b>
<b>Other revenues</b>	<b>(821)</b>	<b>(1,055)</b>	<b>(453)</b>	<b>–</b>	<b>–</b>	<b>(2,329)</b>
<b>Revenue</b>	<b>24,887</b>	<b>13,500</b>	<b>10,925</b>	<b>–</b>	<b>–</b>	<b>49,312</b>

## 8.7 Impairments

### GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets with indefinite lives are tested for impairment annually (as of 31 December) and when circumstances indicate the carrying value may be impaired. Fortuna Group's

impairment test for goodwill and intangible assets with indefinite lives is based on value-in-use calculations that use a discounted cash flow model. The key assumptions used to determine the recoverable amount for different cash generating units were discussed in the

consolidated financial statements for the year ended 31 December 2016.

The Group management is of the opinion that there are no indications for a potential impairment of goodwill and intangible assets with indefinite lives as at 30 June 2017.

## 8.8 Discontinued Operations

In December 2016, management of Fortuna Group decided to start the process to sell a 98.4% share in FORTUNA sázky a.s. to an unrelated party. On 9 March 2017, Fortuna announced the intention to sell the Czech lottery business. Since December 2016 FORTUNA sázky a.s. is classified as held for sale

and as discontinued operations. The sale was completed on 23 May 2017. The consideration received of €4,315 thousand represents cash proceeds for the 98.4% net of the related reimbursement of minority shareholder. The business of FORTUNA sázky, a.s. represented the entirety of the Czech

Republic lottery segment. Being classified as discontinued operations, the Czech Republic lottery segment is no longer presented in the segment note. The results of FORTUNA sázky, a.s. are presented below, the current period ends on the day of the transaction completion:

€ 000	30 JUNE 2017 UNAUDITED	30 JUNE 2016 UNAUDITED
Amounts staked	5,664	9,577
<b>Revenue</b>	<b>1,870</b>	<b>3,267</b>
Personnel expenses	(610)	(548)
Depreciation and amortisation	–	(384)
Impairment of PPE and intangible assets	(5)	–
Other operating income	3	52
Other operating expenses	(1,465)	(2,148)
<b>Operating profit</b>	<b>(207)</b>	<b>239</b>
Finance income	45	24
Finance cost	(9)	(12)
<b>Profit before tax</b>	<b>(171)</b>	<b>251</b>
Income tax expense	–	16
Loss on disposal of discontinued operations	(74)	–
<b>Net profit for the period</b>	<b>(245)</b>	<b>267</b>

€ 000	30 JUNE 2017 UNAUDITED	30 JUNE 2016 UNAUDITED
<b>Amounts staked</b>		
Bets – Scratch cards	3,609	6,673
Bets – Numerical games	2,055	2,904
<b>Total amounts staked</b>	<b>5,664</b>	<b>9,577</b>
<b>Paid out prices</b>	<b>(3,291)</b>	<b>(5,448)</b>
<b>Gross win</b>		
Gross win – Scratch cards	1,563	2,874
Gross win – Numerical game	810	1,255
<b>Total Gross win</b>	<b>2,373</b>	<b>4,129</b>
Withholding tax paid	(543)	(908)
Other revenues	40	46
<b>Revenue</b>	<b>1,870</b>	<b>3,267</b>

€ 000	30 JUNE 2017	31 DECEMBER 2016 AUDITED
<b>Assets</b>		
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
<b>Assets held for sale</b>	<b>–</b>	<b>7,511</b>

€ 000		31 DECEMBER 2016 AUDITED
<b>Liabilities</b>		
Provisions	–	816
Trade and other payables (ST)	–	1,812
Provisions (ST)	–	241
<b>Liabilities directly associated with assets held for sale</b>	<b>–</b>	<b>2,869</b>
<b>Net assets directly associated with disposal group</b>	<b>–</b>	<b>4,642</b>

€ 000	30 JUNE 2017 UNAUDITED	31 DECEMBER 2016 AUDITED
Amounts included in accumulated other comprehensive income:		
Exchange differences on translation of foreign operations	–	(125)
<b>Reserve of disposal group classified as held for sale</b>	<b>–</b>	<b>(125)</b>

During the period ended on 30 June 2017, lottery acquired non-current assets with a cost of €50 thousand (30 June 2016: €51 thousands).

The net cash flows generated / (incurred) by FORTUNA sázky a.s. are, as follows:

€ 000	30 JUNE 2017 UNAUDITED	31 DECEMBER 2016 AUDITED
Operating	3,120	1,485
Investing	(40)	(97)
Financing	–	–
<b>Net cash inflow / (outflow)</b>	<b>3,080</b>	<b>1,388</b>

## 8.9 Income Tax

The Group calculates the period income tax expense using the tax rate that would be applicable to expected total annual

earnings, i.e., the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

The major components of income tax expense in the interim condensed consolidated statement of income are:

€ 000	PERIOD ENDED 30 JUNE 2017 (UNAUDITED)	PERIOD ENDED 30 JUNE 2016 (UNAUDITED)
<b>Current income tax:</b>		
Current income tax charge	1,622	2,001
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	(372)	(219)
<b>Income tax expense reported in the statement of income</b>	<b>1,250</b>	<b>1,782</b>

## 8.10 Components of other Comprehensive Income

€ 000	PERIOD ENDED 30 JUNE 2017 (UNAUDITED)	PERIOD ENDED 30 JUNE 2016 (UNAUDITED)
<b>MOVEMENTS OF OTHER COMPREHENSIVE INCOME BEFORE TAX</b>		
<b>Cash flow hedges</b>		
<i>Gains / (losses) arising during the year</i>		
Interest rate swap contracts	–	112
<b>Exchange differences on translation of foreign operations</b>		
<i>Gains / (losses) arising during the year</i>	1,216	(398)
<b>Total effect on other comprehensive income (before tax)</b>	<b>1,216</b>	<b>(286)</b>
<b>TAX EFFECT OF COMPONENTS OF OTHER COMPREHENSIVE INCOME</b>		
<b>Cash flow hedges</b>		
<i>Gains / (losses) arising during the year</i>		
Interest rate swap contracts	–	(24)
<b>Total tax effect on other comprehensive income resulting from cash flow hedges</b>	<b>1,216</b>	<b>(310)</b>

## 8.11 Intangible Assets and Property, Plant and Equipment

During the six months ended 30 June 2017, Fortuna Group acquired non-current assets with a cost of €4,239 thousand (30 June 2016: €6,348 thousand).



## 8.12 Cash and Cash Equivalents

€ 000	30 JUNE 2017 (UNAUDITED)	31 DECEMBER 2016 (AUDITED)
Cash at bank	41,737	27,437
Cash in hand and in transit	6,113	2,812
<b>Cash and cash equivalents</b>	<b>47,850</b>	<b>30,249</b>

### CASH AND INDEBTEDNESS

Fortuna Group has pledged €33,884 thousand of its cash in bank deposits as security for bank loans (2016: €16,940 thousand). Bank loans are further secured by the shares of Group subsidiaries in the Czech Republic, Slovakia, Poland, Croatia and Romania, by the intellectual

property FORTUNA GAME a.s., FORTUNA online zakłady bukmacherskie Sp. z o.o., Hattrick PSK d.o.o. and Hattrick Bet s.r.l. enterprises (brand name FORTUNA, registered trademarks, internet domains).

The total bank debt as of 30 June 2017 amounted to €110,433 thousand (31

December 2016: €30,153). Cash and cash equivalents as of 30 June 2017 amounted to €47,850 thousand (31 December 2016: €30,249). As a result, the net debt position of the Group as of 30 June 2017 changed to €62,583 from a net cash position of €96 thousand as of 31 December 2016.

## 8.13 Dividends Paid and Proposed

The Annual General Meeting (AGM) of shareholders of Fortuna Entertainment Group N.V. held on 23 May 2017 in Amsterdam approved the Management

Board's proposal to pay no dividend for the financial year 2016. The dividend policy is under review and will be communicated after the financial year of 2017.

## 8.14 Bank Loans

The summary of the actual structure of the syndicated bank loans is provided below:

LONG-TERM BANK LOANS	CURRENCY	EFFECTIVE INTEREST RATE	SECURITY	MATURITY	30 JUNE 2017 (UNAUDITED) € 000
Facility A1	CZK	3M PRIBOR + 2.00%	Shares of the subsidiary companies FORTUNA GAME a.s., RIVERHILL a.s., ALICELA a.s., Fortuna Entertainment Group Ltd., Fortuna Virtual d.o.o., Hatrick PSK d.o.o., Hatrick Bet s.r.l.; Intellectual property FORTUNA GAME a.s, FORTUNA online zaklady bukmacherskie Sp. z o.o., Hatrick PSK d.o.o., Hatrick Bet s.r.l.; Bank accounts receivables FORTUNA GAME a.s., FORTUNA SK a.s., FORTUNA online zaklady bukmacherskie Sp. z o.o., RIVERHILL a.s., ALICELA a.s., Fortuna Entertainment Group Ltd., Fortuna Virtual d.o.o., Fortuna Bet Shops Holding s.r.l., Fortuna Bet Holding s.r.l., Hatrick PSK d.o.o., Hatrick Bet s.r.l.; IC receivables FORTUNA GAME a.s., FORTUNA SK a.s., Hatrick PSK d.o.o., Hatrick Bet s.r.l.; Receivables related to acquisition agreements Fortuna Virtual d.o.o. (Hattrick acquisition), Fortuna Bet Shops Holding s.r.l. and Fortuna Bet Holding s.r.l.	June 2023	20,277
Facility A2	EUR	3M EURIBOR + 2.15%		June 2023	1,726
Facility A3	EUR	3M EURIBOR + 2.15%		June 2023	12,157
Facility A4	EUR	3M EURIBOR + 2.15%		June 2023	21,080
Facility A5	EUR	3M EURIBOR + 2.15%		June 2023	14,789
Facility B1	CZK	3M PRIBOR + 2.10%		June 2023	30,198
Facility B2	CZK	3M PRIBOR + 2.10%		June 2023	10,206
of which current portion					11,849
Total long-term loans					98,584

LONG-TERM BANK LOANS	CURRENCY	EFFECTIVE INTEREST RATE	SECURITY	MATURITY	31 DECEMBER 2016 (AUDITED) € 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 a.s. and ALICELA a.s. enterprises, lottery terminals	June 2018	5,603
Facility A2	EUR	3M EURIBOR + 1.75%		June 2018	1,864
Facility A	EUR	3M EURIBOR + 1.75%		June 2018	3,320
Facility B	CZK	3M PRIBOR + 2.00%		June 2019	10,408
Facility B	EUR	3M EURIBOR + 2.00%		June 2019	8,958
of which current portion					5,528
Total long-term loans					24,625

As of 30 June 2017, Fortuna Group had undrawn committed borrowing facilities of €32,000 thousand (2016: €5,000 thousand) of which €25,500 thousand is earmarked for the acquisition of Roma-

nian companies and €6,500 thousand represents an undrawn revolving loan.

Fortuna Group has utilised bank guarantees in the amount of €8,222 thousand.

Fortuna Group was compliant with bank loan covenants (leverage and cash flow cover). The next testing with respect to the new loan contract will take place on 31 December 2017.

## 8.15 Other Financial Assets and Financial Liabilities

### DERIVATIVES

As of 30 June 2017, Fortuna Group held no derivatives (31 December 2016: €0 thousand).

### FAIR VALUE HIERARCHY

As of 30 June 2017, Fortuna Group had open bets, which are regarded as derivative contracts, at a fair value of a liability

in the amount of €513 thousand (31 December 2016: €780 thousand).

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 30 June 2017, the Group held the following financial instruments measured at fair value:

FINANCIAL INSTRUMENTS	30 JUNE 2017 € 000	LEVEL 1 € 000	LEVEL 2 € 000	LEVEL 3 € 000
Open bets (included in other current liabilities)	(513)	–	–	(513)

There is no change in the classification of the derivatives occurring since the previous year.

Open bets are regarded as derivative financial instruments which are not quoted on an active market and where no observable data is available; the fair value

of these financial instruments is neither determined by reference to published price quotations nor estimated by using a valuation technique based on assumptions supported by prices from observable current market transactions. 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.

## 8.16 Other Operating Expenses

€ 000	30 JUNE 2017 (UNAUDITED)	30 JUNE 2016 (UNAUDITED)
Operating lease expense	4,775	4,092
Franchise fees	2,125	1,350
Materials and office supplies	1,488	942
Marketing and advertising	6,581	5,706
Telecommunication costs	682	577
Energy and utilities	732	576
Repairs and maintenance	393	331
Taxes and fees paid to authorities	955	492
IT services	2,494	2,586
Professional services (legal, consultancy, data services etc.)	9,941	5,849
Travelling and representation costs	561	393
Others	1,654	949
<b>Total other operating expenses</b>	<b>32,381</b>	<b>23,843</b>

“Others” includes fees paid for client account top-ups, insurance expenses, auditors’ remuneration, bad debt expenses etc. Higher professional services expenses relate mainly to the acquisition of Hattrick Group.

## 8.17 Related Party Disclosures

The interim condensed consolidated financial statements include the following companies (together "Fortuna Group", "the Group"):

CONSOLIDATED ENTITIES	COUNTRY OF INCORPORATION	NATURE OF ACTIVITY
Fortuna Entertainment Group N.V.	The Netherlands	Holding company
RIVERHILL a.s.	Czech Republic	Holding company
ALICELA a.s.	Czech Republic	Holding company
FORTUNA GAME a.s.	Czech Republic	Sports betting and Gaming
FORTUNA RENT s.r.o.	Czech Republic	Rentals
FORTUNA sázky a.s. (sold on 23 May 2017)	Czech Republic	Lottery
FORTUNA online zakłady bukmacherskie Sp. z o.o.	Poland	Sports betting
FORTUNA SK, a.s.	Slovakia	Sports betting
FortunaWin Ltd.	Malta	Online betting
FORTUNA SERVICES Sp. z o.o.	Poland	Holding company
FORTUNA SERVICES Sp. z o.o., s.k.a.	Poland	Marketing
Fortuna Virtual d.o.o.	Croatia	Holding company
Fortuna Bet Shops Holding s.r.l.	Romania	Holding company
Fortuna Bet Holding s.r.l.	Romania	Holding company
Hatrick Sports Group Ltd.	Ireland	Holding company
Hatrick – PSK d.o.o.	Croatia	Sports betting and Gaming
OK Albastru Rosu s.r.l.	Romania	Rentals
Hatrick Bet s.r.l.	Romania	Sports betting and Gaming

The following table provides the total amount of transactions which have been entered with related parties, which were part of the Penta portfolio of companies during the six months ended 30 June 2017 and 2016, respectively:

<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b> <b>€ 000</b>	<b>30 JUNE 2017</b> <b>(UNAUDITED)</b>	<b>31 DECEMBER 2016</b> <b>(AUDITED)</b>
<b>Receivables from related parties</b>		
Bet Zone s.r.l.	83	114
Bet Active Concept s.r.l.	328	548
Penta Investments Limited	8	11
Digital Park Einsteinova, a.s.	65	85
<b>Total receivables from related parties</b>	<b>485</b>	<b>758</b>
<b>Payables to related parties</b>		
DÔVERA zdravotná poisťovňa, a.s.	23	22
Penta Investments Limited, Jersey	–	–
The Bookkeeper B.V. (formerly Avis Business Services B.V.)	2	3
AB Facility, s.r.o.	–	1
Digital Park Einsteinova, a.s.	30	–
<b>Total payables to related parties</b>	<b>55</b>	<b>26</b>
<b>Cash with related parties</b>		
Privatbanka, a.s.	72	21
<b>Total cash with related parties</b>	<b>72</b>	<b>21</b>

<b>CONSOLIDATED STATEMENT OF PROFIT OR LOSS € 000</b>	<b>PERIOD ENDED 30 JUNE 2017 (UNAUDITED)</b>	<b>PERIOD ENDED 30 JUNE 2016 (UNAUDITED)</b>
<b>Other income from related parties</b>		
Bet Active Concept s.r.l.	299	371
Bet Zone s.r.l.	84	48
Development Florentinum s.r.o.	–	46
Penta Investments Ltd.	36	35
<b>Total income from related parties</b>	<b>419</b>	<b>500</b>
<b>Interest income from related parties</b>		
Privatbanka, a.s.	–	–
<b>Total interest from related parties</b>	<b>–</b>	<b>–</b>
<b>Interest expense from related parties</b>		
Privatbanka, a.s.	1	1
<b>Total interest from related parties</b>	<b>1</b>	<b>1</b>
<b>Purchases from related parties</b>		
Development Florentinum s.r.o.	–	544
Predict Performance Improvement Ltd.	–	–
The Bookkeeper B.V. (formerly Avis Business Services B.V.)	13	15
DÔVERA zdravotná poisťovňa, a.s.	92	81
Digital Park Einsteinova, a.s.	124	91
AB Facility, s.r.o.	1	4
<b>Total purchases from related parties</b>	<b>229</b>	<b>735</b>

AB Facility, s.r.o. is no longer reported in the statement of the financial position due to a sale beyond the Penta Group at the beginning of 2017.

Development Florentinum s.r.o. is no longer reported in the statement of the financial position due to a sale beyond the Penta Group at the end of 2016.

#### **SHARES HELD BY THE MANAGEMENT**

As of 30 June 2017, no Member of the Management Board, the Supervisory Board or the key management owns any shares in FEGNV.

## 8.18 Events after the Reporting Period

On 14 July 2017, the Enterprise Division of the Amsterdam Court of Appeals dismissed all requests submitted by Franklin Templeton Investment Funds SICAV – Templeton Eastern Europe Fund, Franklin Templeton Investment Funds SICAV – Templeton Emerging Markets Smaller Companies Fund and Temple-

ton Global Investment Trust – Templeton Emerging Markets Small Cap Fund.

The Extraordinary General Meeting of shareholders of Fortuna Entertainment Group N.V. held on 1 August 2017 in Amsterdam adopted the sole resolution on the agenda: the approval within the mean-

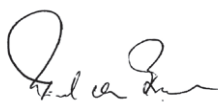
ing of article 2:107a, Dutch Civil Code of the acquisition of Bet Active Concept s.r.l., Bet Zone s.r.l., Public Slots s.r.l. and Slot Arena s.r.l. through two SPVs to be incorporated by the Company in Romania.

No other material events occurred after 30 June 2017.

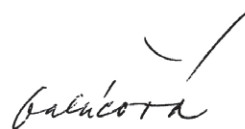
Amsterdam, 22 August 2017



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.



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# Glossary

## Defined Terms

<b>"ALICELA"</b>	ALICELA a.s., a joint stock company (akciová spoločnosť), having its registered office at Prague 1, Na Florenci 2116/15, 110 00, Czech Republic, and registered with the Commercial Register maintained by the Regional Court in Prague, Section B, under the number 9476
<b>"COMPANY", "FEG", "GROUP"</b>	Fortuna Entertainment Group N.V., a limited liability company (Naamloze Vennootschap), having its statutory seat in Amsterdam, the Netherlands, and its registered offices at Strawinskylaan 809, 1077XX Amsterdam, the Netherlands, and registered with the Trade Register of the Chamber of Commerce of Amsterdam, the Netherlands, under number 34364038
<b>"FORTBET HOLDINGS LIMITED"</b>	FORTBET HOLDINGS LIMITED, a company having its registered office at Agias Fylaxeos & Polygnostou, 212, C & I Center Building, 2 <sup>nd</sup> floor, 3082, Limassol, Cyprus
<b>"FORTUNA GAME"</b>	FORTUNA GAME a.s., a joint stock company (akciová spoločnosť), having its registered office at Prague 1, Na Florenci 2116/15, 110 00, Czech Republic and registered with the Commercial Register maintained by the Municipal Court in Prague, Section B under number 944
<b>"FORTUNA PL"</b>	FORTUNA online zakłady bukmacherskie Sp. z o.o., a limited liability company (spółka z ograniczoną odpowiedzialnością) having its registered office at Bielska 47, Cieszyn, Poland, and registered with the register of entrepreneurs maintained by the District Court in Bielsko-Biała, VIII Commercial Division of the National Court Register, under number 0000002455
<b>"FORTUNA RENT"</b>	FORTUNA RENT, s.r.o., a limited liability company (společnost s ručením omezeným) with its registered office at Prague 1, Na Florenci 2116/15, 110 00, Czech Republic, and registered with the Commercial Register maintained by the Regional Court in Prague, Section C, under number 104630
<b>"FORTUNA SAZKAN"</b>	FORTUNA sázková kancelář a.s., a joint stock company (akciová společnost), having its registered office at Prague 1, Vodičkova 30, 110 00, Czech Republic, and registered with the Commercial Register maintained by the Municipal Court in Prague, Section B under number 60
<b>"FORTUNA SÁZKY"</b>	FORTUNA sázky a.s., a joint stock company (akciová společnost), with its registered office at Prague 1, Na Florenci 2116/15, 110 00, Czech Republic, and registered with the Commercial Register maintained by the Regional Court in Prague, Section B, under number 14936
<b>"FORTUNA SK"</b>	FORTUNA SK, a.s., a joint stock company (akciová spoločnosť), having its registered office at Digital park II, Einsteinova 23, 851 01, Bratislava 5, Slovak Republic, and registered with the Commercial Register maintained by the District Court of Bratislava I in Section Sa under number 123/B

**"FORTUNAWIN"**

FortunaWin Ltd., a limited liability company having its registered office at Villa Seminia, 8, Sir Temi Zammit Avenue, Ta' Xbiex XBX1011, Malta, and registered with the Malta Financial Services Authority under number C. 48339

**"HATTRICK SPORTS GROUP"**

Hattrick Sports Group Ltd., a limited liability company, having its statutory seat in Dublin, Republic of Ireland, and its registered offices at 29 Earlsfort Terrace, Dublin 2, Republic of Ireland, Eircode D02AY28

**"RIVERHILL"**

RIVERHILL a.s., a joint stock company (akciová společnost), having its registered office at Prague 1, Na Florenci 2116/15, 110 00, Czech Republic, and registered with the Commercial Register maintained by the Regional Court in Prague, Section B, under number 9437

**"PENTA"**

Penta Investments Limited, a limited liability company having its registered office at 47 Esplanade, JE1 0BD St. Helier, Jersey, and registered under number 109645

## Glossary

**"MARGIN"**

- The Margin is an indicator that should help you to understand the effectiveness of the business
- $\text{Margin} = \frac{\text{the given indicator}}{\text{revenue}}$

**"EBITDA"**

- Earnings Before Interest, Tax, Depreciation and Amortisation; EBITDA should help in the understanding of the earning potential of a business, without the effect of taxes, cost of debt capital and depreciation/amortisation
- $\text{EBITDA} = \text{Operating Profit} + \text{Depreciation Expense} + \text{Amortisation Expense}$
- $\text{EBITDA} = \text{Net Profit} + \text{Interest} + \text{Taxes} + \text{Depreciation} + \text{Amortisation}$

**"EBITDA MARGIN"**

- The EBITDA Margin is an indicator that shows the effectiveness of the business on the level of EBITDA.
- $\text{EBITDA Margin} = \frac{\text{EBITDA}}{\text{Revenues}}$

**"OPERATING PROFIT MARGIN"**

- The Operating Profit Margin is an indicator that shows the effectiveness of the business on the level of Operating Profit.
- $\text{Operating Profit Margin} = \frac{\text{Operating Profit}}{\text{Revenues}}$

**"NET PROFIT MARGIN"**

- The Net Profit Margin is an indicator that shows the effectiveness of the business on the level of Net Profit.
- $\text{Net Profit Margin} = \frac{\text{Net Profit}}{\text{Revenues}}$

**"CAPEX AS % OF REVENUES"**

- CAPEX as a percentage of Revenues is an indicator that shows the rate of reinvested Revenues.
- $\text{CAPEX as \% of Revenues} = \frac{\text{CAPEX}}{\text{Revenues}}$

**"NET DEBT / (NET CASH)"**

- Net Debt means the aggregate amount of all obligations in respect of bank loans deducting the aggregate amount of cash and cash equivalents at the same time and shows the financial position of the Group. Net Debt is used in the case of the obligations being higher than cash and cash equivalents; Net Cash occurs in the opposite situation.
- $\text{Net Debt / (Net Cash)} = \text{Bank Loans and related obligations} - \text{Cash and cash equivalents}$

**"GROSS WIN"**

- The Gross Win (GW) represents in the revenue structure the output purely derived from betting before the Withholding tax, bonuses and other impacts. It only addresses bets and payouts.
- $\text{Gross Win} = \text{Amounts Staked} - \text{Payouts}$

**"NET GROSS WIN"**

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