

FEG

Fortuna Entertainment Group

ANNUAL REPORT

of Fortuna Entertainment Group N.V.
for the Year 2018



1. Overview of the Fortuna Entertainment Group N.V.	2
2. 2018 Financial Highlights	4
3. Management Board Report	6
4. Corporate Information	26
5. Consolidated Financial Statements of Fortuna Entertainment Group N.V.	30
6. Corporate Financial Statements of Fortuna Entertainment Group N.V.	110
7. Other Information	148
8. Glossary	152

1

Overview of the Fortuna Entertainment Group N.V.

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

Thanks to its accumulated experience from operating for more than 20 years on the market of Central & Eastern Europe, Fortuna sets industry standards and trends in the betting sector. 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, the Company’s primary business has been sports fixed-odds betting. A year after it was formed, T E R N O, akciová spoločnosť was established in Slovakia. In 2005, Penta Investments became the owner of both entities and in the same year it acquired Polish betting operator Profesjonal. Subsequently, all the companies were rebranded under one brand: Fortuna.

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

Croatia, and B2B in Spain, Germany and other countries. In August 2017, Fortuna acquired Romanian companies Bet Active Concept S.R.L. and Bet Zone S.R.L. (for which Fortuna had provided its trademark since 2015), Public Slots S.R.L. and Slot Arena S.R.L.

From October 2010 until June 2018, FEG’s shares were traded on the Prague and Warsaw stock exchanges. Since the squeeze-out of minority investors in November 2018, Fortuna’s sole shareholder has been FORTBET HOLDINGS LIMITED, a subsidiary of Penta Investments Limited. The Company is currently 100% private company.

2

2018 Financial Highlights

FINANCIALS (EUR THOUSANDS)	2018	2017
Amounts Staked	3,734,411	2,007,143
— of which Online ¹	2,734,954	1,502,174
— of which Retail	999,457	504,969
Gross Win	483,624	305,444
— of which Online	276,979	180,707
— of which Retail	206,645	124,737
Revenues	335,191	212,365
EBITDA	82,005	54,956
Operating Profit	61,865	40,232
Net Profit	47,656	15,437

RATIOS	2018	2017
Gross Win Margin	13.0%	15.2%
Net Gross Win Margin	9.2%	10.7%
EBITDA Margin	24.5%	25.9%
Operating Profit Margin	18.5%	18.9%
Net Profit Margin	14.2%	7.3%
CAPEX as % of Revenues	7.5%	5.5%

	AS OF 31 DEC 2018	AS OF 31 DEC 2017
Total Assets	505,078	336,528
Total Equity (including non-controlling interest)	123,825	76,955
Total Borrowings	217,069	129,663
Net Debt / (Net Cash) ²	132,691	48,947
CAPEX	25,050	11,641
Operations		
Number of Points-of-Sale (sports betting)	3,255	3,194
Number of Employees – EOP	6,275	6,064

¹ Online includes online sports betting and gaming, Retail includes retail sports betting, slots and SSBT.

² See the Section Glossary for a more detailed explanation.

3

Management Board Report

3.1 Description of the Company's Business and Markets

3.1.1 General Market Overview

The Group operates in the betting and gaming sector. The betting is mainly focused on sporting events while the gaming services include the following: online casino games such as slots, black jack, roulette as well as products like Poker and Bingo. After gaming and lotteries, betting is the biggest subsector in the overall EU betting and gaming market. Gaming is the most significant subsector, with further prospects for growth that mainly stem from the rapid development of online services. This trend is supported by cooperation between various entities in the betting and gaming sector: landline operators are starting to cooperate with online service providers, while betting organisers are entering into agreements with gaming operators.

The Group operates in the Czech Republic, Slovakia and Poland and from 2017 also in Romania and Croatia. Compared with the markets of Western countries, the Central & Eastern Europe betting markets are still relatively underdeveloped and offer opportunities for future growth. With the exception of the Czech Republic, the competitive landscape largely consists of a small number of single-country operators. However, due to the growth in the online betting industry, country operators have started

to compete not only at a local level, but also against offshore online operators. In terms of retail operations, potential new market entrants encounter significant entry barriers such as local licensing requirements, significant marketing and branding spend demands and high retail establishment costs.

3.1.2 Czech Republic

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

Fortuna has operated online gaming in the Czech Republic from 2017.

3.1.3 Slovakia

There are three main betting operators on the Slovak sports betting market. Niké is the market leader with a market share of approximately 36%, second place is

taken by Fortuna Slovakia with approximately 34% of the market and third place is taken by Tipsport with approximately 20%. Besides these three market leaders, other competitors include Tipos and Junior Game. The deregulation of internet betting has allowed for stronger market growth through the online sales channel.

In January 2019, the Slovak parliament approved new gambling regulations that the Ministry of Finance originally announced in the spring of 2018. The new regime will begin accepting applications for online casino licences as of March 1, 2019, with licence approvals to be issued starting July 1, 2019.

3.1.4 Poland

There are three strong players on the Polish betting market: Fortuna PL, Totolotek, and privately-owned STS (Ju-

Fortuna is the largest betting and gaming regulated operator in the CEE region

roszek family). Fortuna PL is currently number two in terms of market presence, with a market share of approximately 33% of the domestic regulated market. The big market players are followed by smaller operators such as Milenium, E-Toto, LVBet, ForBet, Superbet and two newcomers of 2018, Totalbet and BZBuk.

Fortuna PL was the first operator to receive an online betting licence from the Polish Ministry of Finance in January 2012.

3.1.5 Romania

Fortuna is the no. 1 multi-channel and multi-product (sports betting/gaming) operator with a combined market share of more than 30% and the biggest retail network in Romania. Other key players are Superbet and Stanleybet.

Other online betting & gaming players, which are also established on the European market, are Unibet, NetBet, Betano, Sportingbet, Betfair and 888.

3.1.6 Croatia

There are six licensed sports betting operators in Croatia, five of which are privately-owned companies. The State Lottery is the sixth operator. Fortuna is no. 2 on the market. The other five operators are Supersport, Germania, the State Lottery, Stanleybet and FavBet. Fortuna operates both online and offline sports betting and casino games in addition to offering slot machines in outlets.

3.2 Regulatory Environment

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

the sector does not have the objective of establishing a common market and the liberalisation of its area of activities. In accordance with Article 45, in conjunction with Article 62 of the Treaty on the Functioning of the European Union, the free movement of services, guaranteed in Article 56 of the Treaty, may be restricted only on the grounds of public policy, public security or public health.

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

3.2.1 Regulatory Environment in the Czech Republic

Czech Act No. 186/2016 on Gambling (the "Gambling Act") in the Czech Republic, which serves as the prime legislative tool regulating gaming in the country, defines gambling as a game of chance, betting or a lottery in which a participant wagers a bet while no return on such

a bet is guaranteed, and the win or loss is entirely or partly subject to chance or unknown circumstance.

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

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

Recent regulatory changes in the CEE region favour operators with local gaming licences

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

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

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

As of 1 January 2018, an amendment to the Anti-Money Laundering Act and Act on Public Registers became effective. On the basis of the amendment, the Register of beneficial owners was established. Legal entities registered in the Commercial Register had the obligation to record their beneficial owner in the Register of beneficial owners by 1 January 2019.

As of 25 May 2018, the GDPR – the new EU Regulation on data protection – became effective. The GDPR stipulates

new obligations related to personal data processing.

3.2.2 Regulatory Environment in Slovakia

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

CHANGES TO THE GAMING LAW IN 2018

In December 2018, the Slovak parliament approved new gambling regulations that the Ministry of Finance originally announced this spring. As a result of the proposed regulation, international operators should finally be able to apply for local gambling licences.

The new regime will begin accepting applications for online casino licences as of March 1, 2019, with licence approvals to be issued starting July 1, 2019. Online sports betting licence applications will be accepted starting July 1, 2019, but the licences will not take effect until July 1, 2020.

Online sports betting and casino licences will cost operators EUR 3 million, although operators interested in offering both products can save EUR 1 million. Licences will be valid for a 10-year term, but operators who want to offer both online and land-based betting will be given 5-year licences with an option to extend for an additional 5-year term. International operators who wish to operate online will have to establish a relationship with a local representative who will serve as the operators' government liaison. The government won't accept licence applications from any operator if their domains – or those of any of their

affiliated companies – have appeared on the country's online gambling blacklist in the 12 months preceding their application filing.

Betting operators will be subject to a 22% gambling tax on online revenue. The state-owned TIPOS will retain its online monopoly over lotteries, bingo and raffles, but will now compete equally with private operators for the rest of the online market.

The government plans to create a new Office for Regulation of Gambling, which will assume the oversight role currently performed by the Slovak Ministry of Finance. Furthermore, local authorities in Slovakia will be able to restrict gambling for a certain number of days per year and prohibit the establishment of points-of-sale in proximity to schools, and so forth.

As of 15 March 2018, an amendment to the Anti-Money Laundering Act became effective. The amendment contains changes especially with regard to the AML/CFT obligations related to Customer Due Diligence and AML/CFT risk assessment.

As of 25 May 2018, the GDPR – the new EU Regulation on data protection – became effective. The GDPR stipulates new obligations related to personal data processing.

3.2.3 Regulatory Environment in Poland

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

An entity that intends to organise betting is obliged to apply for the permission of the ministry responsible for public finances. The permission

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

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

The total amount of money paid for bets is subject to taxation. A 2.5% tax is imposed on Amounts Staked for bets concerning the results of a competition involving animals if permission is issued only for this kind of betting and a 12% tax is imposed on Amounts Staked for bets concerning the results of other events. This licence was prolonged in January 2018 for the next 6 years.

Over the last years, Polish regulation has improved its compliance with EU recommendations

RECENT CHANGES AND OUTLOOK

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

these concerns were not heard by the authorities.

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

Among the most significant new elements introduced in the amendment is the introduction of the blocking of unlicensed gambling websites. From July 2017, the minister in charge of public finance became able to select websites that – in his or her opinion – are used to offer gambling games for residents of Poland without the possession of a valid licence or permit. Polish internet service providers will be required to redirect users who try to access the websites to a government website. Payment service providers will be required to cease cooperation with such blacklisted operators. This measure is intended to cut off their funding. The impact of these laws is significant. Several highly significant foreign gambling websites have been blocked to users in Poland.

The amendment reintroduces slot machine parlours to the market after their

de facto banishment in 2009, but this time they will be exclusively operated by a state-owned company. Totalizator Sportowy opened the first venues in the fourth third quarter of 2018. In December 2018, Totalizator Sportowy was expected to start the online casino.

As of 13 July 2018, the Anti-Money Laundering Act transposing the 4th AML Directive became effective. The Anti-Money Laundering Act contains changes especially with regard to the AML/CFT obligations related to Customer Due Diligence and AML/CFT risk assessment.

As of 25 May 2018, the GDPR – the new EU Regulation on data protection, became effective. The GDPR stipulates new obligations related to personal data processing.

3.2.4 Regulatory Environment in Romania

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

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

As a matter of principle, the very first article of the primary gambling legislation sets forth that the organisation and operation of gambling in Romania represents a state monopoly and may be

performed only within the specific legal parameters imposed by the gambling regulation.

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

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

to 100,000 lei. In addition, the blacklist may contain individuals or legal entities who have carried out or are carrying out unlicensed gambling activity.

LEGAL AND REGULATORY FRAMEWORK

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

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

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

rorism are also applicable to gambling activities, and are generally laid out in the following normative acts:

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

THE LICENSING PROCESS

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

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

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

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

In terms of costs, the licence fee is calculated with reference to the operator's turnover. GEO 77/2009 provides for several turnover thresholds in order to determine the applicable licence fee (e.g., the minimum amount of the licence fee is €6,000 per year for a turnover of less than €500,000 per year while the maximum amount is €120,000 per year for a turnover exceeding €10 million per year).

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

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

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

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

TAXATION

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

of revenues. Online gambling operators are subject to corporate tax in Romania.

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

ADVERTISING AND MARKETING

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

Most recently, Law no. 250/2018 entered into force which modified GEO no. 77/2009. The new law brought several modifications. The most important modification by far is the one regarding the ban on displaying outside the betting agencies the value/the goods awarded through bonuses, campaigns/promotions or jackpots.

RECENT CHANGES AND OUTLOOK

At the end of 2018, Romania approved new gambling legislation, namely Government Emergency Ordinance (GEO) no. 114/2018. The main change adopted by the law is an introduction of a 2% tax from the cash deposited by players for online gambling operators licensed in the country.

Hence, operators will be required to pay an additional 2% on iGaming cash deposits by players from January 1, 2019.

The tax will be imposed in addition to existing licence and authorisation requirements. Operators holding licences from national regulator Oficiul National Pentru Jocuri de Noroc (ONJN) currently pay a rate of 16% on Gross Win.

The published GEO 114/2018 also sets out measures for iGaming companies to pay an annual fee for social responsibility in the gambling sector of EUR 5,000 each year, while land-based operators will now pay an extra EUR 1,000. In addition, the annual fixed fee for each slot machine in Romania will increase from EUR 2,600 to EUR 3,600.

Adoption of the Anti-Money Laundering Act transposing the 4th AML Directive is expected in 2019. This Anti-Money Laundering Act should include providers of gambling services as obliged entities (currently obliged entities are considered casinos).

As of 25 May 2018, the GDPR – the new EU Regulation on data protection – became effective. The GDPR stipulates new obligations related to personal data processing.

3.2.5 Regulatory Environment in Croatia

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

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

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

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

Online betting operators are required to be already providing land-based betting services, and to employ a minimum of 100 employees and have a minimum of 50 active payment spots. Online casino operators are required to have a licence for at least one land-based

Over the last two year, Croatia made a significant progress in betting & gaming market regulation

casino in the country and the servers have to be located in Croatia. Online betting and gaming is fully regulated and permitted based on domestic licences.

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

As of 1 January 2018, the Anti-Money Laundering Act transposing the 4th AML Directive became effective. The Anti-Money Laundering Act contains changes especially with regard to the AML/CFT obligations related to Customer Due Diligence and AML/CFT risk assessment.

As of 25 May 2018, the GDPR – the new EU Regulation on data protection – became effective. The GDPR stipulates new obligations related to personal data processing.

As of 1 July 2019, the Law on Protection of Persons who Report the Irregularity will become effective. The act regulates the matter of whistleblowing.

TAXATION

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

Casino games are subject to a 15% Gross Win tax. There is an annual concession fee of 3 million HRK for operating

an online casino, and a 500,000 HRK annual concession fee for operating a land-based casino. There is a 25% Gross Win tax on tournament games.

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

ADVERTISING AND MARKETING

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

3.3 Products and Services

Fortuna Entertainment Group is a multi-channel regulated sports betting & gaming company which provides its customers with an extensive range of products and first-class service wherever and whenever they want to have a bet.

3.3.1 Sports Betting

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

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

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

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

In 2018, Fortuna replaced its main LIVE odds supplier Bwin with Betgenius and with an extension of the existing Betradar. As a result, Fortuna now receives odds from current leading data feed providers and is able to offer more than 20,000 LIVE events per month.

Although the popularity level of sports events is similar in each country in which the Group operates, there is some local bias towards particular sporting disciplines. However, the favourite sports are similar in all countries, namely football, ice hockey, tennis and basketball.

In 2018, Fortuna extended its partnership with Nsoft, the leading provider of software solutions for the gaming and betting industry. In March 2018, Fortuna Romania commenced offering a wide portfolio of retail products including LIVE sportsbook, Virtual Sports and popular RNG lottery Lucky Six. Fortuna launched Lucky Six in the Czech Republic in December 2018, being the first company to launch such a product in the country.

In February 2017, Fortuna was granted an online casino licence, first in Czech Republic

3.3.2 Online Casino

In February 2017, Fortuna was granted an online casino licence (technical games) by the Ministry of Finance of the

Czech Republic and therefore became the first company to start operating online casino / technical games on the Czech market. Through the licence, Fortuna obtained the right to launch games like online roulette and online slots. In October 2017, Fortuna was granted an additional licence by the Ministry of Finance of the Czech Republic allowing for the operation of "live games" which enable more players to join a game at the same time. As a result, Fortuna launched two new types of online roulette and one of the most popular card games, blackjack.

In addition to online casino in the Czech Republic, online gaming is also offered by Fortuna Romania (16.9% of total Amounts Staked of Fortuna Romania in 2018) and Hattrick's operation in Croatia and Romania (Casa Pariurilor) representing 57.9% of total Amounts Staked of PSK in 2018.

During the last two years Fortuna added new games from its existing and new providers. The goal has been to offer a portfolio of both international and locally popular games. That's why games from NetEnt, one of the most popular gaming system suppliers worldwide, were launched at Fortuna Romania and later in the Czech Republic. In addition Fortuna launched local popular games from suppliers such as EGT, Synot, Apollo and Live Dealer Casino supplied by Evolution and Playtech.

3.3.3 Slot Business

The slot business is operated mainly in Romania and to a small extent also in Croatia. The slot business is represented by two models: own slots and rented slots operated in own shops and slot clubs. Slot rentals are based on a revenue share with an external partner.

3.3.4 Other Products and Services

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

During 2018, main odds provider Bwin was replaced by one of the best suppliers in the industry Betgenius. Betgenius has been offering LIVE sports betting data, including odds, fixtures, results, scoreboards and event calendar for 14 LIVE sports that have been integrated to date. The most popular sports provided by Betgenius are football, tennis and basketball.

In order to offer the best LIVE betting product to its customers, Fortuna extended the coverage from Betradar. Existing sports were improved, more markets and more events are offered to customers and also, new sports were added to our product portfolio: snooker, table tennis, handball and baseball. The most relevant sports provided by Betradar are tennis and ice hockey.

3.3.5 Multi-channels and Distribution Network

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

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

	CZECH REPUBLIC	SLOVAKIA	POLAND	ROMANIA	CROATIA
Betting outlets	Available	Available	Available	Available	Available
"Partner" betting outlets	Available	Available	Available	Available	n/a
Online&Mobile	Available	Available	Available	Available	Available
SSBT	n/a	n/a	n/a	Available	Available

Source: the Company

The management believes that the distribution channels used by the Group complement each other while serving different groups of customers. Betting outlets and especially "Partner" betting outlets operated in bars appeal to customers who like to discuss bets

and prefer watching sports events in a social setting. The users of online services are generally younger and better educated, and the users of social networking sites and the various functionalities of smart phones and mobile phones value their independ-

ence and expect immediate access to betting products regardless of the time of day.

The table below presents information on the Group's retail network for the year ending 31 December 2018:

	CZECH REPUBLIC	SLOVAKIA	POLAND	FORTUNA ROMANIA	HATTRICK	TOTAL
Betting outlets	174	182	373	485	945	2,159
"Partner" betting outlets	396	173	212	309	0	1,090
Slots (own)	0	0	0	225	1,261	1,486
SSBT	0	0	0	0	3,547	3,547
Total number in 2018	570	355	585	1,019	5,753	8,282

3.4 Marketing, Sponsorship and CSR

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

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

CZECH REPUBLIC

Fortuna has been in a long-term strategic partnership with the Czech Football Association including a general partnership with the First Football League. This sponsorship also covers amateur foot-

ball leagues, the Second League (Fortuna národní liga), the Cup and the National Team. As a result of this sponsorship, Fortuna was able to organise a number of events during the 2018 FIFA World Cup qualifiers. Fortuna participates in the re-branding of football stadiums and obtains visibility including via TV broadcasts and polls.

SLOVAKIA

Fortuna has been a long-term titular partner for Slovak football, including its titular sponsorships of the Slovak football league (Fortuna Liga) and the Slovak National Football Team (U21 included). In addition, Fortuna sponsors the Slovak tennis association, local American football team Bratislava Monarchs and Y-Games (Slovak e-sport tournaments).

POLAND

The main sponsoring activity in Poland is focused on Legia Warsaw football club, Fortuna First League and the SkyJumping

Federation. There are also five other contracts with ExtraKlasa and First League football teams – GKS Katowice, Miedź Legnica, Raków Częstochowa, Wigry Suwałki and Podbeskidzie Bielsko-Biała. In addition, Fortuna is a sponsor of the Ago eSport team and Playarena (biggest semi-professional football club in Poland).

ROMANIA

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

The National Football Team is the focus of Fortuna's flagship sponsoring activity in Romania. Casa Pariurilor is a titular partner for Football League 2 (now named League 2 Casa Pariurilor) and the sponsor of the Romanian Football Cup.

CROATIA

There were no flagship sponsorships in Croatia in 2018.

3.5 Corporate social responsibility

Management believes that being a responsible member of the community can play a role in building customer loyalty and strengthening a corporate brand. The Group is therefore committed to

its own corporate social responsibility programme. The Group undertakes charitable activities in countries where it operates and also donates to selected child support programmes. Fortuna also

backs disabled sportspersons and other disabled people in adapting and returning to social life after suffering debilitating injuries.

3.6 Research & Development

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

The Group owns more than 120 trademarks, registered in the countries of operations as well as international trademarks. The Group has more than 100 registered Internet domains. Under intragroup agreements, Group companies may provide other Group compa-

nies with the right to use certain of the Group's domain names.

As in previous years, the Group has not conducted any material research and development activities in 2018.

3.7 Review of 2018

The consolidated financial results of Fortuna Entertainment Group for the full year 2018 confirm growth in all markets where the Company is operating:

- Total Amounts Staked in 2018 increased by 86.1% to EUR 3,734.4 mn
- Total Gross Win in 2018 increased by 58.3% to EUR 483.6 mn
- Total EBITDA amounted to EUR 82.0 mn, up 49.2% yoy
- Net profit in 2018 increased by 208.7% to EUR 47.7 mn

Fortuna, the leading Central & Eastern European regulated fixed-odds sports betting and gaming operator present on the markets of Poland, the Czech Republic, Slovakia, Romania and Croatia recorded in 2018 a total Amounts Staked figure of EUR 3,734.4 mn, 86.1% more than in 2017. This increase was driven primarily by the organic growth of both sports betting and gaming online and retail in all Group countries and by the full consolidation of 2017 acquisitions (Hattrick Sports Group and Fortbet Romanian entities).

In 2018, total Gross Win reached EUR 483.6 mn, an increase of 58.3%

compared with 2017. The absolute Gross Win increase was driven by Amounts Staked growth and by the full consolidation of acquisitions of 2017 acquisitions. The Gross Win from the Online segment in 2018 reached EUR 277.0mn, 53% more than in 2017. The Gross Win from the Retail segment in 2018 was EUR 206.6 mn, a 69% increase compared to the previous year.

The Total Group Gross Win margin in 2018 slightly declined to 13.0% from 15.2% in 2017 as a result of a product and channel mix shift to lower margin products / channels.

SELECTED FINANCIAL INDICATORS OF FORTUNA ENTERTAINMENT GROUP N. V.

FINANCIALS (EUR THOUSANDS)	FY 2018	FY 2017	% CHANGE
Amounts Staked	3,734,411	2,007,143	86.1%
Gross Win	483,624	305,444	58.3%
Revenues	335,191	212,365	57.8%
EBITDA	82,005	54,955	49.2%
Operating Profit	61,865	40,232	53.8%
Net Profit	47,656	15,437	208.7%

REVENUES, OPEX, EBITDA

In 2018, the Company recorded total revenues in the amount of EUR 335.2 mn, 57.8% more than in the previous year.

Total operating costs in 2018 reached EUR 253.2 million, 60.8% more than in 2017. Staff costs went up 55.6% yoy to EUR 101.6 million due to fully consolidated new acquisitions.

In 2018, the overall amount of betting taxes paid in respective countries came to EUR 141.4 mn, up 57.1% yoy driven by higher betting volumes.

Total consolidated EBITDA recorded in 2018 was EUR 82.0 mn, up 49.2% yoy.

In 2018, total depreciation rose 36.7% to EUR 20.1 mn.

EBIT AND NET PROFIT

In 2018, operating profit (EBIT) amounted to EUR 61.9 mn, 53.8% more than in the previous year due to higher EBITDA.

Net finance costs reached EUR 1.6 mn in 2018 and declined by 89.5% yoy primarily due to the recognition of earn-outs at fair value in 2017, which relates to the acquisitions of Hattrick and former Fortbet Romanian entities.

Total long-term and short-term indebtedness as of December 31, 2018 was EUR 217.1 mn, 67.4% more compared with December 31, 2017 as a result of higher bank debt. The Net Debt position as of December 31, 2018 was EUR 132.7 mn, a 171.4% increase over the end of 2017.

Income tax equalled EUR 12.6 mn in 2018, 32.6% more than in 2017 due to the higher Profit before Tax figure.

In 2018 the Company recorded Net Profit for the period of EUR 47.7 mn, 208.7% more than in the previous year due to higher profitability and lower finance costs.

CAPEX AND INVESTMENTS

In 2018, total capital expenditures amounted to EUR 25.1 mn, 116.4% more than in 2017. Of this, EUR 10.6 mn was related to investments in retail. Higher capital expenditures resulted from the consolidation of new entities and investments in Group headquarter systems (sports betting & gaming platform, data warehouse and front-end system).

3.8 2019 Outlook

In 2019, Fortuna Entertainment Group as a regulated multi-channel sports betting & gaming company will continue to provide its customers with an extensive range of products and first-class service wherever and whenever they want to have a bet. FEG will further focus on investments in core competencies and in

building competitive advantages and scalability for future value creation. The strategic focus will be given to Operational Excellence, Technology Foundation and People Capability and Capacity build-up.

In 2019, the Company expects that organic growth will accross all markets.

Furthermore, the Company will take advantage of new opportunities in the online gaming segment in Slovakia following up on regulatory changes and the approval of the new gambling law in 2018. Fortuna will also closely monitor M&A opportunities in the region.

3.9 Material Subsequent Events

In February 2019, the registered office of Fortuna Entertainment Group N.V. was changed to Strawinskyalaan 1223, 1077XX

Amsterdam, Netherlands. The change of the seat was solely administrative, within the same office building.

3.10 Risk Section

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

RISK APPETITE WITH RESPECT TO SIGNIFICANT RISKS AND UNCERTAINTIES AND CONTROL MEASURES TAKEN

Fortuna accepts risk in the normal course of business and aims to deliver sustainable returns on risk-

based capital in excess of the cost of capital.

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

High standards of risk management have been Fortuna's long term priority

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

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

RISKS RELATING TO THE BETTING AND GAMING INDUSTRY

General Market Conditions

Changes and developments in economic, regulatory, administrative or other policies in the countries in which the Group operates, over which the Group has no control, could significantly affect the Group's business, prospects, financial conditions and results of operations in manners that 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 demand for betting and gaming services or increased regulatory restrictions which, in turn, may have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Fortuna Entertainment Group espouses a wholly responsible approach to betting. It strictly operates within the confines of the law in the countries where it is active and, contrary to "virtual" online

operators, it is also a regular taxpayer in all locations. In relation to the local regulations, it turns over a certain percentage of its earnings to purposes for the common good.

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

Changes in the Regulatory Environment

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

Another aspect of the regulatory issue is the uncertainty embedded in operations in highly regulated sectors. Some crucial matters are not directly regulated and depend on the discretion of regulators or interpretations that could

be changed at any given moment. New legislation may be unfavourable to the operations of the Group or may require necessary adjustments to the operations. Consequently, the Group's operations in particular countries may change. An inability to use common solutions or implement a common strategy may lead to additional expenses. Moreover, since the Group operates in a highly regulated market, the relationships with local regulators are very important to the business.

The Compliance and Legal department of the Group monitors local 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 coming period are updated. The Group evaluates impacts of changes (as well as changes that are simply possible looking ahead) and prepares follow-up action where needed.

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

Changes in the Taxation of Betting Services and Other Products

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

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

Dependence on Licences

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

Restrictions on Marketing and Advertising

Extensive restrictions apply to the marketing of betting and gaming services in some countries in which the Group operates. In those countries where such restrictions apply, the Group is forced to limit its marketing activities according to the relevant applicable laws. Such

Compliance with local regulations is one of the key pillars of the Company's business

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.

RISKS RELATED TO OPERATING ACTIVITIES

Volatility of Gross Win Margin

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

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

Crime, Fraud And Security

Like many operators in the betting and gaming industry, the Group faces chal-

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

**The Company
pays a high
attention to
supervision and
management
of risks of the
Group**

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

The integrity and security of betting and gaming operations are significant factors in attracting betting and gaming customers and in dealing with state authorities. Notwithstanding the Group's attempts to strengthen the integrity and security of its betting and gaming operations by improving its compliance functions and anti-money laundering procedures and its corporate governance policies and

procedures, an allegation or a finding of illegal or improper conduct on the Group's part, or on the part of one or more of the Group's employees, or an actual or alleged system security defect or failure, could materially adversely affect the Group's business, financial condition, results of operations or prospects.

Key Personnel

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

Disruptions in IT Network Services

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

FINANCIAL RISKS

The Group's results of operations are directly affected by the general financial risks related to conducting business

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

Currency fluctuations

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

Increases and decreases in the value of the euro versus other currencies could affect the Group's reported results of operations and the reported value of its assets and liabilities in its statement of its financial position even if the Group's results or the value of those assets and liabilities has not changed in their original currency. These currency translations could sig-

nificantly 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.

RISK MANAGEMENT SYSTEM

The success of the Group depends on its risk management system. The internal risk management and control systems provide a reasonable assurance that the financial information does not contain any material misstatements and that the risk management and control systems functioned properly in the year ending 31 December 2018.

**The Group
invests
significantly
into the risk
management
systems**

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

The Group has a multi-layered risk management system, divided into four phases: odds compilation, odds adjusting, bet acceptance and payment management. Management believes that the Group's risk management system gives the Group a comprehensive

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

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

clients in over 80 countries. Betradar is a brand of Sportradar, the world's leading supplier of sports-related live data, odds solutions and fraud detection services to bookmakers, media companies, sports federations and government agencies. The databases help to monitor, assess and compare odds proposed by the Group's competitors. The management believes that the odds compilation process used by the Group is more accurate than fully-automated odds generation, thus enabling the Group to provide competitive odds to its customers.

STATEMENT OF THE MANAGEMENT BOARD ON RISK MANAGEMENT

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

- i.** the report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems;
- ii.** the aforementioned systems provide reasonable assurance that the financial

reporting does not contain any material inaccuracies;

iii. based on the current state of affairs, it is justified to state that the financial reporting is prepared on a going concern basis; and

iv. the report states those material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of 12 months after the preparation of the report.

4

Corporate Information

4.1 Information on Shares and Shareholding

SHAREHOLDERS AS OF 31 DECEMBER 2018:

FORTBET HOLDINGS LIMITED, a subsidiary of Penta Investments Limited

100%

Source: Company Data

On 15 February 2018, the Extraordinary General Meeting of shareholders of Fortuna Entertainment Group N.V. held in Amsterdam adopted a proposal to delist the Company from trading on both the Warsaw Stock Exchange and the Prague Stock Exchange.

Fortuna delisted its shares from stock exchanges in spring 2018

Effective 2 May 2018, Fortuna's shares were excluded from the trading on the Prime Market of the Prague Stock Exchange. The trading of shares continued on the Free Market of the Prague Stock Exchange until delisting from the stock exchange in Warsaw. The management board of the Warsaw Stock Exchange adopted a resolution on the delisting effective as of 10 June 2018. The last day of the trading of shares

issued by FEG was 8 June 2018. The shares issued by FEG were delisted from the unregulated Free Market of the Prague Stock Exchange on the same day.

VOLUNTARY BUY-OUT BY THE MAJORITY SHAREHOLDER IN 2018

On 2 January 2018, Fortuna Entertainment Group N.V. announced that it had reached an agreement with Fortbet in connection with a public tender offer by Fortbet for all issued and outstanding shares in the capital of Fortuna at an offer price of CZK 182.50 or PLN 29.80 in cash for each share.

The offer price represented a full and fair valuation of the Company and a premium of 54.2% in CZK and 53.5% in PLN over the 12-month volume weighted average price, and was also above the spot price which already incorporated the substantial takeover premium potential based on Fortbet's previous offer and Fortbet's subsequent public statements.

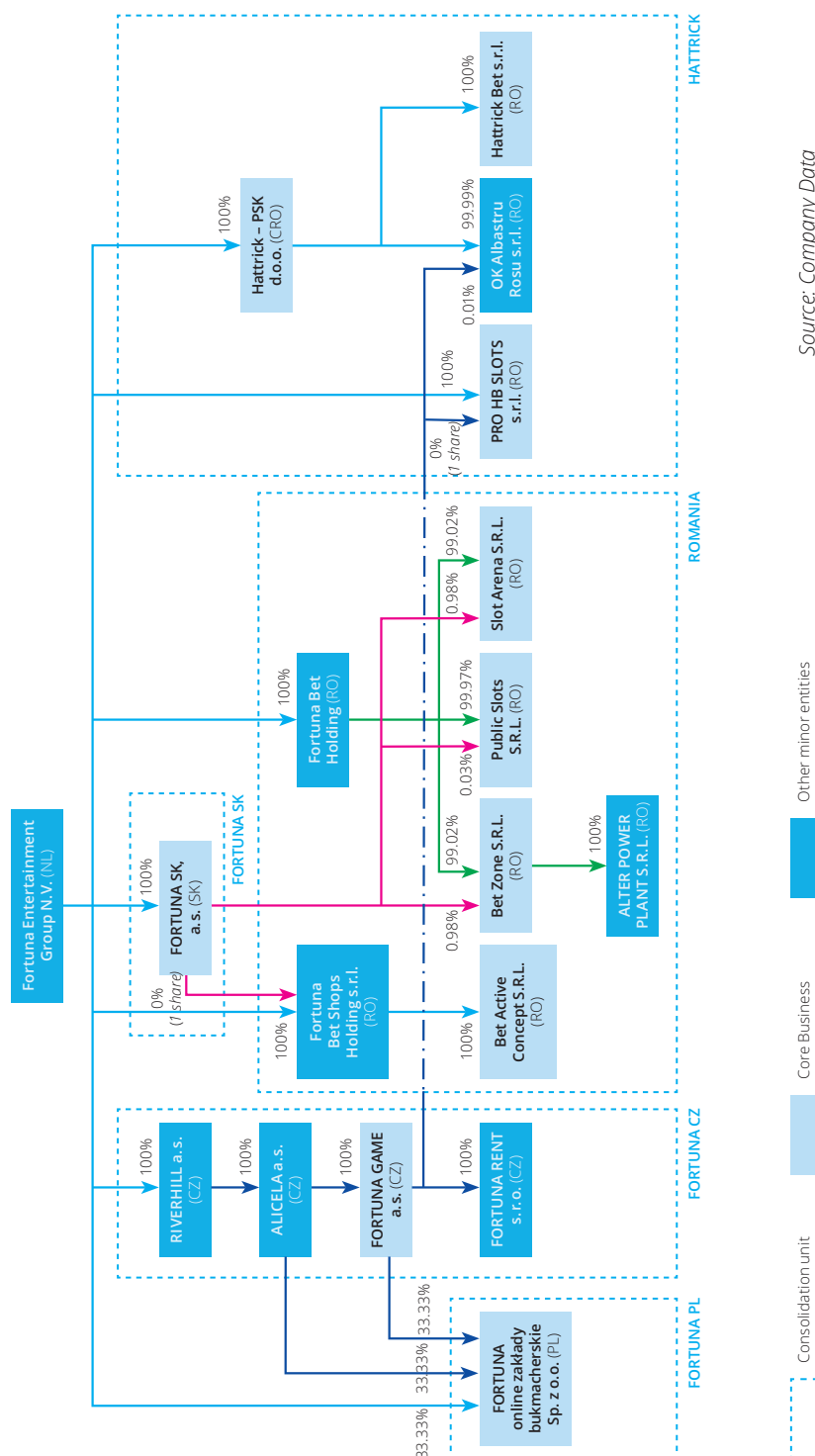
MINORITY SHAREHOLDERS SQUEEZE-OUT

On 20 June 2018, Fortbet Holdings Limited initiated squeeze-out proceedings before the Enterprise Chamber (Ondernemingskamer) of the Amsterdam Court of Appeals (Gerechtshof Amsterdam) under the applicable Dutch law provisions. On 30 October 2018, the Enterprise Chamber granted Fortbet's request and set the price at EUR 7.83 per share plus Dutch statutory interest as per 9 March 2018 (which amounted to EUR 7.94 per share as at 19 November 2018).

On 19 November 2018, Fortbet paid an amount corresponding to the number of Fortuna shares it did not already own into the consignment account of the Dutch Ministry of Finance. As such, Fortbet became the sole shareholder of Fortuna by operation of Dutch law and the former minority shareholders obtained a right to receive their share of the proceeds from the Dutch consignment office (i.e. EUR 7.94 per previously held share).

4.2 Organisational Structure

The diagram below presents the structure of the Group as of 31 December 2018:



4.3 Management Board

As of 31 December 2018, FEG had a Management Board composed of two members. As of 31 December 2018, the Company had no Supervisory Board. The

function of the Supervisory Board was terminated in 2018 following the delisting of the Company's shares from the regulated stock exchanges. The table

below sets out the names and positions of the current members of the Management Board:

NAME	POSITION
Per Widerström	Chairman of the Management Board
Marek Rendek	Member of the Management Board

The General Meeting of shareholders held in June 2018 approved changes to the Management Board of Fortuna. Ms. Janka Galáčová and Mr. Richard van Bruchem stepped down from the Management Board. Ms. Galáčová stepped down because her maximum office term of eight years had expired.

Mr. Boudewijn Wentink resigned from the position of Management Board member. Mr. Marek Rendek joined the Management Board as a new member.

At the end of the year the business address of the members of the Management Board was FEG's principal place

of business at Strawinskylaan 809 WTC T.A/L 8, 1077XX Amsterdam, Netherlands. In January 2019 it was changed to Strawinskylaan 1223, 1077XX Amsterdam, Netherlands.

Amsterdam, 29 March 2019



Per Widerström

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



Marek Rendek

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

5

Consolidated Financial Statements of Fortuna Entertainment Group N.V.

As of 31 December 2018

Table of Contents

Consolidated statement of financial position	32-33
Consolidated statement of profit or loss	34
Consolidated statement of other comprehensive income	35
Consolidated statement of cash flows	36-37
Consolidated statement of changes in equity.	38-39
Notes to the consolidated financial statements	40-109

Consolidated statement of financial position for the year ended 31 December 2018

€ 000	NOTES	2018	2017
ASSETS			
Non-current assets			
Goodwill	5.14	150,618	150,912
Intangible assets	5.15	58,162	60,075
Property, plant and equipment	5.16	24,930	18,375
Deferred tax assets	5.12	6,763	3,831
Related party loans rendered	5.19	105,084	—
Restricted cash	5.20	734	3,101
Other non-current assets	5.18	4,047	2,748
Total non-current assets		350,338	239,042
Current assets			
Current receivables	5.17	13,987	8,412
Income tax receivable	5.12	205	111
Loan notes	5.21	20,411	—
Derivatives	5.24	3	—
Other current assets	5.18	10,755	8,247
Bank term deposit	5.22	25,001	—
Cash and cash equivalents	5.23	84,378	80,716
Total current assets		154,740	97,486
Assets held for sale	5.11	—	—
TOTAL ASSETS		505,078	336,528

€ 000	NOTES	2018	2017
EQUITY AND LIABILITIES			
Share capital	5.25	520	520
Share premium	5.25	8,262	8,262
Statutory reserve	5.25	161	116
Foreign currency translation reserve	5.25	(705)	108
Hedge reserve	5.25	(33)	(60)
Retained earnings	5.25	115,620	68,009
Reserves of a disposal group held for sale	5.11	—	—
Equity attributable to equity holders of the parent		123,825	76,955
Non-controlling interest		—	—
Total Equity		123,825	76,955
Non-current liabilities			
Deferred tax liability	5.12	5,825	6,983
Provisions	5.28	25,991	10,535
Long-term bank loans	5.29	184,806	113,615
Financial leasing – long-term portion	5.34	1,532	335
Other non-current liabilities	5.30	21,971	50,231
Total non-current liabilities		240,125	181,699
Current liabilities			
Trade and other payables	5.31	61,837	47,405
Income tax payable	5.12	8,009	6,817
Provisions	5.28	8,830	5,860
Current portion of long-term bank loans	5.29	32,263	16,048
Financial leasing – short-term portion	5.34	369	20
Derivatives	5.24	45	66
Other current financial liabilities	5.32	29,775	1,658
Total current liabilities		141,128	77,874
Liabilities directly associated with the assets held for sale	5.11	—	—
EQUITY AND LIABILITIES		505,078	336,528

Consolidated statement of profit or loss for the year ended 31 December 2018

€ 000	NOTES	2018	2017
Continuing operations			
Amounts Staked ¹	5.6	3,734,411	2,001,479
Revenue		335,191	210,495
License fees		(207)	(55)
Personnel expenses	5.7	(101,590)	(64,681)
Depreciation and amortisation	5.15, 5.16	(20,129)	(11,797)
Impairment of property, plant and equipment and intangible assets	5.15	(11)	(2,921)
Other operating income	5.8	527	1,115
Other operating expenses	5.9	(151,916)	(91,717)
Operating profit		61,865	40,439
Finance income	5.10	5,917	3,066
Finance cost	5.10	(7,568)	(18,285)
Profit before tax		60,214	25,220
Income tax expense	5.12	(12,558)	(9,538)
Profit for the year from continuing operations		47,656	15,682
Discontinued operations			
Profit / (loss) after tax for the year from discontinued operations	5.11	—	(171)
Loss on disposal of discontinued operations		—	(74)
Net profit / (loss) for the period from discontinued operations total		—	(245)
Profit for the year		47,656	15,437
Attributable to:			
Equity holders of the parent			
Continuing operations		47,656	15,682
Discontinued operations		—	(240)
Non-controlling interest			
Continuing operations		—	—
Discontinued operations		—	(5)

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

Consolidated statement of comprehensive income for the year ended 31 December

€ 000	NOTES	2018	2017
Profit for the year		47,656	15,437
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Net movement on cash flow hedges		33	(66)
Income tax effect		(6)	6
		27	(60)
Exchange differences on translation of foreign operations		(813)	2,297
Income tax effect		—	—
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(786)	2,237
Other comprehensive income for the year, net of tax		(786)	2,237
Total comprehensive income for the year, net of tax		46,870	17,674
Attributable to:			
Equity holders of the parent		46,870	17,679
Non-controlling interest		—	(5)

Consolidated statement of cash flow for the year ended 31 December 2018

€ 000	NOTES	2018	2017
Cash flows from operating activities			
Profit before tax from continuing operations		60,214	25,220
Profit / (loss) before tax from discontinued operations		—	(245)
Profit before tax		60,214	24,975
Adjustments for:			
Depreciation, amortisation and impairment	5.15	20,139	14,723
Loss on disposal of subsidiary		—	74
Changes in provisions		18,506	8,336
(Gain) / Loss on disposal of property, plant and equipment	5.8	(15)	(5)
Interest expenses and income		2,934	2,345
Revaluation of earn-out liability carried at fair value through P&L		(1,947)	8,657
Other non-cash items		(1,256)	1,594
Operating cash flow before working capital changes		98,575	60,699
(Increase) / Decrease in other current assets		(289)	(1,518)
(Increase) / Decrease in receivables		(6,813)	7,411
(Decrease) / Increase in payables and other liabilities		16,618	6,011
Corporate income tax paid		(15,547)	(4,678)
Net cash flows provided by / (used in) operating activities		92,544	67,925
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	5.5	—	(91,733)
Proceeds from disposal of a subsidiary, net of cash disposed	5.11	—	3,299
Interest received		221	245
Loan provided to the acquiree, prior to the acquisition	5.5	—	(12,586)
Loan acquired from the seller	5.5	—	(2,923)
Earn-out payment for acquisition		—	(59)
Purchase of property, plant and, equipment and intangible assets		(23,233)	(11,547)
Proceeds from sale of property, plant and equipment		69	129
Rendering of related party loans	5.19	(105,000)	—
Purchase of short-term financial Instruments	5.21, 5.22	(45,000)	—
Net cash flows provided by / (used in) investing activities		(172,943)	(115,175)

€ 000	NOTES	2018	2017
Cash flows from financing activities:			
Net proceeds from long-term borrowings	5.29	104,340	134,808
Repayments of long-term borrowings	5.29	(16,241)	(38,548)
Finance lease payments		(258)	(97)
Interest paid		(2,907)	(2,144)
Interest paid on finance lease liability		(45)	(6)
Net cash flows provided by / (used in) financing activities		84,889	94,013
Net effect of currency translation in cash		(828)	1,960
Net increase / (decrease) in cash and cash equivalents		3,662	48,723
Cash and cash equivalents at the beginning of the year		80,716	31,993
Cash and cash equivalents at the end of the year from continuing operations	5.23	84,378	80,716
Cash and cash equivalents at the end of the year from discontinued operations	5.23	—	—
Cash and cash equivalents at the end of the year (total)		84,378	80,716

Consolidated statement of changes in equity for the year ended 31 December 2018

	NOTES	ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT								NON-CONTROLLING INTEREST	TOTAL
		SHARE CAPITAL	SHARE PREMIUM	STATUTORY RESERVES	RETAINED EARNINGS	HEDGE RESERVE	RESERVE OF DISPOSAL GROUP HELD FOR SALE	FOREIGN CURRENCY TRANSLATION RESERVE	TOTAL		
		€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
1 January 2018		520	8,262	116	68,009	(60)	—	108	76,955	—	76,955
Profit for the year		—	—	—	47,656	—	—	—	47,656	—	47,656
Other comprehensive income		—	—	—	—	27	—	(813)	(786)	—	(786)
Total comprehensive income		—	—	—	47,656	(33)	—	(705)	123,825	—	123,825
Disposal of non-controlling interest		—	—	—	—	—	—	—	—	—	—
Transfer of statutory reserves		—	—	45	(45)	—	—	—	—	—	—
31 December 2018		520	8,262	161	115,620	(33)	—	(705)	123,825	—	123,825

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2017

	NOTES	ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT								NON-CONTROLLING INTEREST	TOTAL	€ 000
		SHARE CAPITAL	SHARE PREMIUM	STATUTORY RESERVES	RETAINED EARNINGS	HEDGE RESERVE	RESERVE OF DISPOSAL GROUP HELD FOR SALE	FOREIGN CURRENCY TRANSLATION RESERVE	TOTAL			
		€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
1 January 2017		520	8,262	66	52,617	—	(125)	(2,064)	59,276	199	59,475	
Profit for the year		—	—	—	15,442	—	125	(125)	15,442	(5)	15,437	
Other comprehensive income		—	—	—	—	(60)	—	2,297	2,237	—	2,237	
Total comprehensive income		—	—	—	15,442	(60)	—	2,172	17,679	(5)	17,674	
Disposal of non-controlling interest		—	—	—	—	—	—	—	—	(194)	(194)	
Transfer of statutory reserves		—	—	50	(50)	—	—	—	—	—	—	
31 December 2017		520	8,262	116	68,009	(60)	—	108	76,955	—	76,955	

Notes to the consolidated financial statements as of 31 December 2018

5.1 Corporate Information

The consolidated financial statements for the year ended 31 December 2018 of Fortuna Entertainment Group N.V. (hereinafter "FEGNV" or "the Parent Company") comprise of the consolidated statements of the financial positions as of 31 December 2018 and 31 December 2017, respectively, the consolidated statements of profit or loss, the consolidated statements of other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years ended 31 December 2018 and 31 December 2017, respectively, and a summary of significant accounting policies and other explanatory notes.

The Parent Company has its registered office at Strawinskylaan 809, Amsterdam, Netherlands, Chamber of Commerce number 34364038. An amount of 100% of the shares of the Company is held by Fortbet Holdings Limited (formerly AIFELMONA HOLDINGS LIMITED), having its registered office at Agias Fylaxeos & Polygnostou 212, C&I Center, 2nd floor, 3082 Limassol, Cyprus.

5.1.1 Description of business

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

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

As of 31 December 2018, FEG had a Management Board which comprised of two members. As of 31 December 2018, the Company had no Supervisory Board. The function of the Supervisory Board was terminated in 2018 following the delisting of the Company's shares from the regulated stock exchanges. The table below sets out the names and positions of the current members of the Management Board:

MANAGEMENT BOARD

Chairman:	Per Widerström
Member:	Marek Rendek

The General Meeting held on 11 June 2018 appointed a new member of the Management Board, Mr. Marek Rendek. As Ms. J. Galacova's eight-year term had expired, she stepped down from the Management Board. Mr. B. Wentink tendered his resignation as a Management Board member. His resignation was accepted by the General Meeting.

No further changes in the composition of the Management Board occurred in 2018.

5.2 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. IFRS as adopted by the European Union comprises of standards and interpretations issued by the International

Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

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

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

These financial statements do not represent statutory financial statements,

and are not prepared for the purposes of submitting it to the regulatory bodies as the Company is exempt from presenting statutory consolidated financial statements since its parent Fortbet Holdings Ltd, which sits in Cyprus presents consolidated FS in accordance to IFRS (EU).

5.2.1 Basis of consolidation

The consolidated financial statements comprise of the financial statements of the Company and its subsidiaries (together "Group") as of 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

As of the date of these consolidated financial statements, FEGNV is the legal parent of legal entities operating in the betting and lottery industry which are ultimately owned by Penta Investments Limited. The consolidated financial statements were prepared by FEGNV, as the reporting entity, as of 31 December 2018 and include the following entities (together "Fortuna Group"):

- Fortuna Entertainment Group N.V.
- Riverhill a.s.
- Alicela a.s.
- Fortuna Game a.s.
- Fortuna Rent s.r.o.
- Fortuna SK, a.s.
- FORTUNA online zakłady bukmacherskie Sp. z o.o.
- Hatrick – PSK d.o.o.
- Hatrick Bet s.r.l.
- OK Albastru Rosu s.r.l.
- PRO HB Slots s.r.l.
- Fortuna Bet Shops Holding s.r.l.
- Fortuna Bet Holding s.r.l.
- Bet Zone s.r.l.
- Bet Active Concept s.r.l.
- Slot Arena s.r.l.
- Public Slots s.r.l.
- Alter Power Plant s.r.l.

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

In May 2018, the merger of Hatrick Sports Group Ltd. with FORTUNA Virtual d.o.o. (as a successor) was completed.

In November 2018, the merger of FORTUNA Virtual d.o.o and Hatrick PSK d.o.o. (as a successor) was completed.

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 Romanian betting and gaming companies (Bet Zone s.r.l., Bet Active s.r.l., Slot Arena s.r.l. and Public Slots s.r.l.).

On 19 May 2017, the acquisition of 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 5.5.

FORTUNA sázky a.s. (representing the lottery segment) is reported according to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations due to the decision of the management to sell the lottery segment. The transaction was completed on 23 May 2017 and the company was sold beyond the Group (see note 5.11 Discontinued operations).

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

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

On 30 November 2017 the report of the liquidator of FortunaWin Ltd. (Malta) was

issued. The company has been subject to liquidation since 2015 when it ceased its business activities.

On 28 December 2017 the merger of Polish companies FORTUNA SERVICES Sp. z o.o. and FORTUNA SERVICE

ES Sp. z o.o. SKA with FORTUNA online zakłady bukmacherskie Sp. z o.o. was completed.

5.3 Summary of significant accounting policies

The accounting policies used in preparing the consolidated financial statements for the years ended 31 December 2018 and 31 December 2017, respectively, are set out below.

5.3.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it recognises the separately identifiable acquired assets and liabilities at fair value and it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired

in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units which are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

5.3.2 Current versus non-current classification

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

- Expected to be realised or intended to be sold or consumed in a normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within 12 months after the reporting period, or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

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

- It is expected to be settled in a normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Group classifies all other liabilities as non-current.

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

5.3.3 Fair value measurement

The Group measures financial instruments, such as derivatives, at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset according to its highest and best use or by selling it to another market participant that would use the asset according to its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements

on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

5.3.4 Revenue recognition and measurement – IFRS 15

RECOGNITION AND MEASUREMENT

Revenue represents the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised services to the customer, excluding amounts collected on behalf of third parties (for example, value added taxes); the transaction price. The Group includes in the transaction price an amount of variable consideration as a result of rebates/discounts only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Estimations for rebates and discounts are based on the Group's experience with similar contracts and forecasted sales to the customer.

The Group recognises revenue when the parties have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations, the Group can identify each party's rights and the payment terms for the services to be

transferred, the contract has commercial substance (i.e. the risk, timing or amount of the Group's future cash flows is expected to change as a result of the contract), it is probable that the Group will collect the consideration to which it will be entitled in exchange for the services that will be transferred to the customer and when specific criteria have been met for each of the Group's contracts with customers.

The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In evaluating whether collectability of an amount of consideration is probable, the Group considers only the customer's ability and intention to pay that amount of consideration when it is due.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimates are reflected in the consolidated statement of profit or loss and other comprehensive income in the period in which the circumstances that give rise to the revision become known by management.

IDENTIFICATION OF PERFORMANCE OBLIGATIONS

The Group assesses whether contracts that involve the provision of a range of services contain one or more performance obligations (that is, distinct promises to provide a service) and allocates the transaction price to each performance obligation identified on the basis of its stand alone selling price. A service that is promised to a customer is distinct if the customer can benefit from the service, either on its own or together with other resources that are readily available to the customer (that is the service is capable of being distinct) and the Group's promise to transfer the service to the customer is separately identifiable from other promises in the

contract (that is, the service is distinct within the context of the contract).

Revenues earned by the Group are recognised on the following bases:

Fixed-odds betting

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

Revenue is recognised as the net win or loss on an event, net of betting tax. Open betting positions, which are accounted for as derivative financial instruments, are carried at fair value and gains and losses arising on these positions are recognised in revenue. Odds betting is outside IFRS 15 and is recognised in accordance to IFRS 9 (as previously recognised under IAS 39).

Other wagers

Slots and other games of chance are identified as separate performance obligations giving the right for the customer to provide tries in the game of chance. Performance obligations are fulfilled when the customer tries in a game of chance. Revenue is recognised immediately after the game's end as the result of the game is known. Any open betting positions are accounted for as derivative accounting instruments measured at fair value with gains or losses arising on these positions recognised in the income statement. This is accounted for in accordance with IFRS 9.

Customer loyalty programme and client bonuses

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

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

Income from B2B licences

Hattrick Group developed its own betting platform. The B2B solution is provided to the partners for a regular fee. The Group recognises revenue for a sales based royalty promised in exchange for a license of the intellectual property (B2B solution) as the latter of the following events occurs. Subsequent sales (usage) by ultimate customers of partners using B2B solution occurs and the performance obligation has been satisfied (rendering the technology solution). The licensing fee is calculated as a percentage of revenue invoiced on a monthly basis.

5.3.5 Revenue recognition – 2017

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

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

FIXED-ODDS BETTING REVENUE

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

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

LOTTERY

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

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

GAMING REVENUE

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

SLOTS

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

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

CUSTOMER LOYALTY PROGRAMME AND CLIENT BONUSES

Fortuna Group operates a loyalty programme enabling customers to accumulate awarded credits for gaming spends. A portion of the gaming spend, equal to the fair value of the awarded credits

earned, is treated as deferred revenue. Revenue from the awarded credits is recognised when the credits are redeemed. The credits expire at the end of the financial year and are not redeemable afterwards.

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

INTEREST INCOME/EXPENSE

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

5.3.6 Cash dividend

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

5.3.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost and those acquired as part of a business combination are recognised separately

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

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

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

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

The straight-line amortisation method is used.

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

Intangible assets with indefinite useful lives (brand names Fortuna) are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite

to finite is made on a prospective basis. Annual impairment tests are performed also for the intangible assets not yet in use.

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

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

DEVELOPMENT COSTS

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

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

Following the initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is com-

pleted and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in the statement of profit or loss in the depreciation and amortisation line item.

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

5.3.8 Property, plant and equipment

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

USEFUL LIFE	
Buildings	15-20 years
Plant and equipment	2-6 years
Other Fixed Assets	4-6 years

The buildings also include leasehold improvements.

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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal

or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

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

5.3.9 Leases

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

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

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

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

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

5.3.10 Recoverable amount of non-current assets

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

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

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

Impairment losses are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset. Assets and any significant part initially recognised are derecognised upon disposal or when no future economic benefits are expected from use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the

net disposal proceeds and the carrying amount of the asset) is included in the statement of income when the asset is derecognised.

5.3.11 Financial assets and financial liabilities – 2018

FINANCIAL ASSETS – CLASSIFICATION

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Group may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI to be classified at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For investments in equity instruments that are not held for trading, classification will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI. This election is made on an investment by investment basis.

All other financial assets are classified as measured at FVTPL.

For assets measured at fair value, gains and losses will either be recorded in

profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

FINANCIAL ASSETS – RECOGNITION AND DERECOGNITION

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Group commits to deliver a financial instrument. All other purchases and sales are recognized when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

FINANCIAL ASSETS – MEASUREMENT

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Financial assets with embedded derivatives are considered in their entirety

when determining whether their cash flows are solely payment of principal and interest.

DEBT INSTRUMENTS

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in 'other income'. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income. Financial assets measured at amortised cost comprise: cash and cash equivalents, bank deposits with original maturity over 3 months, trade receivables and financial assets at amortised cost.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses).

FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss in the period in which it arises.

EQUITY INSTRUMENTS

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment, any related balance within the FVOCI reserve is reclassified to retained earnings. The Group's policy is to designate equity investments as FVOCI when those investments are held for strategic purposes other than solely to generate investment returns. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in the consolidated statement of profit or loss and other comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

FINANCIAL ASSETS - IMPAIRMENT - CREDIT LOSS ALLOWANCE FOR ECL

From 1 January 2018, the Group assesses on a forward looking basis the ECL for debt instruments (including loans) measured at amortized cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all

the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The Group measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of profit or loss and other comprehensive income.

Debt instruments measured at amortized cost are presented in the consolidated statement of financial position net of the allowance for ECL. For loan commitments and financial guarantee contracts, a separate provision for ECL is recognised as a liability in the consolidated statement of financial position.

For debt instruments at FVOCI, an allowance for ECL is recognised in profit or loss and it affects fair value gains or losses recognised in OCI rather than the carrying amount of those instruments.

Expected losses are recognized and measured according to one of two approaches: general approach or simplified approach.

For trade receivables including trade receivables with a significant financing component and contract assets and lease receivables the Group applies the simplified approach permitted by IFRS 9, which uses lifetime expected losses to be recognised from initial recognition

of the financial assets. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For all other financial asset that are subject to impairment under IFRS 9, the Group applies general approach three stage model for impairment. The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit impaired on initial recognition is classified in Stage 1.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 month ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to note 3.10, Risk section for a description of how the Group determines when a SICR has occurred. If the Group determines that a financial asset is credit impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Group's definition of credit impaired assets and definition of default is explained in note 3.10, Risk section.

Additionally the Group has decided to use the low credit risk assessment exemption for investment grade financial assets. Refer to note 3.10, Risk section for a description of how the Group determines low credit risk financial assets.

FINANCIAL ASSETS – RECLASSIFICATION

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

FINANCIAL ASSETS – WRITE OFF

Financial assets are written off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write off represents a derecognition event. The Group may write off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

FINANCIAL ASSETS – MODIFICATION

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (eg. profit share or equity based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition

for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

FINANCIAL ASSETS AT AMORTISED COST

These amounts generally arise from transactions outside the usual operating activities of the Group. These are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Financial assets at amortised cost are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non current assets.

FINANCIAL LIABILITIES – MEASUREMENT CATEGORIES

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

5.3.12 Financial assets – 2017

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

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

- Financial assets at fair value through profit or loss (including cash flow hedges)
- Loans and receivables, cash and cash equivalents
- Held-to-maturity investments
- Available-for-sale financial investments

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

LOANS AND RECEIVABLES, CASH AND CASH EQUIVALENTS

This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are

subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in other operating expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to note 5.17.

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

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

HELD-TO-MATURITY INVESTMENTS

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

any held-to-maturity investments during the years that ended 31 December 2018 and 2017, respectively.

AVAILABLE-FOR-SALE (AFS) FINANCIAL INVESTMENTS

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

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using the EIR method. The Group did not have any AFS financial investments during the years that ended 31 December 2018 and 2017, respectively.

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may

include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss.

5.3.13 Financial liabilities – 2017

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

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

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

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of

repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

LOANS AND BORROWINGS

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

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

This category generally applies to interest-bearing loans. For more information refer to note 5.29.

5.3.14 Derecognition of financial assets and liabilities

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

- The rights to receive cash flows from the asset have expired
- Fortuna Group has transferred its rights to receive cash flows from the

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that Fortuna Group could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

5.3.15 Derivative financial instruments and hedge accounting

Fortuna Group uses derivative financial instruments, such as interest rate swaps, to hedge its risks associated with interest rates. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes

identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

In relation to cash flow hedges that meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income and presented within equity in the hedge reserve. The ineffective portion is recognised in the statement of profit or loss. For all other cash flow hedges, the gains or losses that are recognised in other comprehensive income are transferred to the statement of income in the same period in which the hedged cash flow affects the statement of profit or loss. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument presented in the hedge reserve is kept in the hedge reserve until the forecast transaction affects profit or loss. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss is transferred from the hedge reserve to the statement of profit or loss for the period.

In relation to net investment hedges, the post-tax gains or losses on the translation at the spot exchange rate of the hedged instrument are recognised in other comprehensive income. The portion of the post-tax gains or losses on

the hedging instrument that is determined to be an effective hedge is recognised through other comprehensive income and presented within equity in the hedge reserve. The ineffective portion is recognised in the statement of profit or loss. The interest element of the fair value of the hedged item is recognised in the statement of profit or loss.

For derivative financial instruments that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the statement of profit or loss.

Open betting positions for sports betting and lottery are accounted for as derivative financial instruments and are carried at their fair value with gains and losses recognised in revenues. As these financial instruments are not quoted on an active market and no observable data is available, the fair value of these financial instruments is neither determined by reference to published price quotations nor estimated by using a valuation technique based on assumptions supported by prices from observable current market transactions. Open bets are paid out within a short time-frame after the year-end. Payables from open bets at the year-end are recorded based on historical pay-out ratios and are included in other current financial liabilities in the consolidated statement of the financial position. The difference between the fair value of these financial instruments as of the year-end and the actual pay-out is deemed immaterial.

5.3.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to prepare for its intended use or sale are capitalised as part of the cost of the respective

assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

5.3.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss, net of any reimbursement.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

5.3.18 Foreign currency translation

The presentation currency of Fortuna Group is EUR ("€"). The functional currency of FEGNV is EUR, and those of its subsidiaries are Czech crowns ("CZK"), Polish zlotys ("PLN"), Croatian kunas ("HRK"), Romanian Leus ("RON") and EUR.

Transactions in foreign currencies are initially recorded in the functional currency

at the foreign currency rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign currency rate of the exchange prevailing at the balance sheet date. All differences are taken to the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as of the date when the fair value is determined.

In the consolidated financial statements the assets and liabilities of the consolidated entities are translated into the presentation currency of Fortuna Group at the rate of the exchange prevailing at the balance sheet date with the statement of profit or loss items translated at the monthly weighted average exchange rates for the period. The exchange differences arising on the translation are taken directly to a separate component of equity recorded via other comprehensive income.

Goodwill arising on the acquisition of a foreign operation is treated as an asset of the foreign operation and translated at the closing rate.

The Profit and Loss statement is recalculated to EUR on the monthly average FX rate. Balance sheet balances are recalculated from local currencies to EUR with the closing FXs:

The closing FX rate in 2018 changed from 27.540 CZK/EUR as of 31 December 2017 to 25.725 CZK/EUR as of 31 December 2018.

The closing FX rate in 2018 changed from 4.177 PLN/EUR as of 31 Decem-

ber 2017 to 4.302 PLN/EUR as of 31 December 2018.

The closing FX rate in 2018 changed from 7.427 HRK/EUR as of 31 December 2017 to 7.411 HRK/EUR as of 31 December 2018.

The closing FX rate in 2017 changed from 4.659 RON/EUR as of 31 December 2017 to 4.664 RON/EUR as of 31 December 2018.

5.3.19 Taxation

CURRENT INCOME TAX

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, as of the reporting date in the countries where the Group operates and generates taxable income.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

DEFERRED TAX

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements

and corresponding tax bases used in the computation of taxable profits and it is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be realised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

TAXES ON BETTING

Czech Republic

According to Czech regulations, a unified 23% tax rate (2017: 23%) is applied on the Gross Win of the Company. Revenue is stated net of this tax. The tax on the Gross Win was increased from 20% to 23% effective from 1 January 2017 for both sports betting and the lottery segment.

Slovakia

According to Slovak regulations, the Company is obliged to pay a gaming tax of 6% (2017: 6%) of total Amounts Staked, of which 0.5% is paid to municipalities. Revenue is stated net of this tax.

Poland

According to Polish regulations, the Company is obliged to pay a gaming tax of 12% (2017: 12%) of total Amounts Staked. The amount paid by customers is deducted by 12% and only the remaining 88% of ticket amounts is used to calculate the potential winning prize (the potential winning prize = 88% of the ticket (paid) amount * betting rate). Revenue is stated net of this tax.

Romania

According to Romanian regulations, the Company is obliged to pay a gaming tax of 16% (2017: 16%) of the difference between total Amounts Staked and wins. Revenue is stated net of this tax.

Croatia

According to Croatian regulations, the Company is obliged to pay a 5% (2017: 5%) sports betting tax of the total Amounts Staked and a 15% casino games tax of the Gross Win (25% tax of the Gross Win for tournament games). Revenue is stated net of this tax.

Pursuant to the Act on the Games of Chance, the Company pays taxes on all gains and on behalf of all players. The tax amount depends on the gain and ranges from 10% to 30%.

5.3.20 Employee benefit plan

PENSION PLAN

In the normal course of business, the companies within Fortuna Group pay statutory social insurance on behalf of their employees in accordance with the legal requirements of the respective

countries. Fortuna Group does not operate any other pension plan or post-retirement benefit plan, and, consequently, has no legal or constructive obligation in this respect.

BONUS PLAN

A liability for employee benefits in the form of bonus plans is recognised under provisions; the bonus is paid following the performance evaluation in the year concerned.

Liabilities for bonus plans are measured at the amounts expected to be paid when they are settled.

5.3.21 Equity instruments

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

5.3.22 Segment disclosure

For management purposes, Fortuna Group is divided into operating segments based on geographical areas. The management reviews also operating segments by considering new material acquisitions. Fortuna Group follows criteria set out by IFRS 8 Operating Segments to determine the number and type of reportable segments. At the level of the accounting unit as a whole, Fortuna Group discloses information on revenues to external customers for major products and services, respectively groups of similar products and services, and on non-current assets by geographical segment location and key significant acquisitions.

5.3.23 Contingencies

Contingent assets are not recognised in the consolidated financial statements but are disclosed when an inflow of

economic benefits is probable. Contingent liabilities are not recognised in the consolidated financial statements but are disclosed in the notes, unless the possibility of an outflow of economic resources is remote.

5.3.24 Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sale. Costs to sale are the incremental costs directly attributable to the sale, excluding finance costs and income tax expense.

The criteria held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for an immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale, which is expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of the financial position.

A disposal group qualifies as discontinued operations if it is a component of

an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations

Or

- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Additional disclosures are provided in note 5.11. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

5.3.25 New and amended standards and interpretations

The Group applied IFRS 15, IFRS 9 and several other amendments and interpretations for the first time in 2018. None of the changes have any impact on the consolidated financial statements of the Group. The Group has not earlier adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2018:

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

In accordance with the transition provisions of IFRS 15, the Group has elected the simplified transition method for adopting the new standard. Accordingly, any cumulative effect of transition to IFRS 15 should be recognized as at 1 January 2018 as an adjustment to opening retained earnings directly in equity.

The Group has applied IFRS 15 retrospectively only to contracts that are not completed contracts at the date of initial application and adopted the practical expedient not to retrospectively restate contracts for which contract modifications occurred before the date of initial application. In accordance with the transition method elected by the Group for implementation of IFRS 15 the comparatives have not been restated but

are stated based on the previous policies which comply with IAS 18 and IAS 11 and related interpretations.

The Group operates in the business of sports betting and gaming. The Group adopted IFRS 15 as of 1 January 2018, the Group is considering the following sources of revenue:

(a) Odds betting

The result of a game of chance depends on a future event. Odds betting is governed by IFRS 9 and is reported in fair value as a derivative.

IFRS 15 application has no impact on the Group with respect to the revenue from Odds betting.

(b) Other wagers

The other wagers (slot machines and other games of chance) are reported in accordance with IFRS 15. Steps applied for revenue recognition are:

1. Identify the contract with a customer
 - Customer's willingness to play
 - Casino's technological equipment set up and ready to use
2. Identify all the individual performance obligations within the contract
 - The performance obligation of the casino is to provide tries in a game of chance
 - Individual performance is an individual game where the customer wins or loses (a spin in case of slots)
3. Determine the transaction price
 - Transaction price, wager, is recognised at the beginning or during the game

4. Allocate the price to the performance obligations

- Allocation is performed immediately after the game ends with respect to the result

5. Recognise revenue as the performance obligations are fulfilled

- Revenue is recognised immediately after the game's end with respect to the result

Revenue is recognised immediately after the game's end, when the result of the performance obligation is known.

IFRS 15 application has no impact on the Group with respect to the revenue from Other wagers.

Open betting positions for numerical games are accounted for as derivative financial instruments and are carried at fair value and gains and losses arising on these positions are recognised in revenue. This is rather the scope of IFRS 9. These revenues are part of discontinued operations – disposed of on May 2017.

(c) Customer loyalty programme and client bonuses

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

Fortuna Group also provides its clients with bonuses. If they meet certain conditions, bonuses increase the cash balance of the player. These requirements

are generally short-term (maximum of several months). To meet the future requirement of IFRS 15, bonuses are deducted from the revenue unless it is highly probable that the Company will not have to pay these bonuses.

In view of this, the application of IFRS 15 has no impact on the Group.

(d) Income from brand licence

Fortuna receives royalties from a brand licensing contract. These royalties are based on the revenue performance of the customer. This is therefore accounted for on a monthly basis as the revenues occur.

According to the contract, the licence is granted for an indefinite period. As the customer consumes the benefit from obtaining a licence over time, the application of IFRS 15 should not have any impact on the Group.

The royalty income relates to the Romanian companies acquired in 3Q 2017. The income from the brand licence is eliminated in the consolidation as the intercompany transaction from the acquisition date and has no impact to consolidated financials.

(e) Income from B2B licences

Hattrick Group developed its own betting platform. The B2B solution is provided to the partners for a regular fee. The licensing fee is calculated as a percentage of revenue invoiced on a monthly basis. Steps applied for revenue recognition are:

1. Identify the contract with a customer
 - Individual contract with each B2B partner
2. Identify all the individual performance obligations within the contract

- The performance obligation represents rendering the technology solution

- Individual performance represents gaming revenue generated via the solution

3. Determine the transaction price

- Transaction price represents share of the generated gaming revenue – licensing fee

4. Allocate the price to the performance obligations

- Allocation is performed immediately after the generation of gaming revenue, due to the simplification the licensing fee is calculated on a monthly basis

5. Recognise revenue as the performance obligations are fulfilled

- Revenue is recognised immediately after the generation of gaming revenue. Due to the simplification the licensing fee is calculated on a monthly basis

In view of this, the application of IFRS 15 does not have any impact on the Group.

IFRS 9 FINANCIAL INSTRUMENTS

(a) Classification and measurement

The new standard requires debt financial assets to be classified into two measurement categories: those to be measured subsequently at fair value, either through other comprehensive income (FVOCI) or through profit or loss (FVTPL) and those to be measured at amortized cost. The determination is made at initial recognition. For debt financial assets the classification depends on the entity's business model for managing its financial instruments

and the contractual cash flows characteristics of the instruments. For equity financial assets it depends on the entity's intentions and designation.

In particular, assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Lastly, assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

For investments in equity instruments that are not held for trading, the classification depends on whether the entity has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. If no such election has been made or the investments in equity instruments are held for trading they are required to be classified at fair value through profit or loss.

The classification and measurement requirements of IFRS 9 had only an immaterial impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the

Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets as well as cash deposits held at banks.

IFRS 9 also introduces a single impairment model applicable for debt instruments at amortised cost and fair value through other comprehensive income and removes the need for a triggering event to be necessary for recognition of impairment losses. The new impairment model under IFRS 9 requires the recognition of allowances for doubtful debts based on expected credit losses (ECL), rather than incurred credit losses as under IAS 39. The standard further introduces a simplified approach for calculating impairment on trade receivables as well as for calculating impairment on contract assets and lease receivables, which also fall within the scope of the impairment requirements of IFRS 9.

Upon the adoption of IFRS 9, the Group recognised no additional impairment on the Group's Trade receivables.

(c) Hedge accounting

The Group applied hedge accounting prospectively. At the date of initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Before the adoption of IFRS 9, the Group designated the change in fair value of the entire forward contracts in its cash flow hedge relationships. Upon adoption of the hedge accounting requirements of IFRS 9, the Group designates only the spot element of forward contracts as hedging instrument. The forward element is recognised in OCI and accumulated as a separate component of equity under Cost of hedging reserve. This change only applies prospectively from the date of initial application of

IFRS 9 and has no impact on the presentation of comparative figures.

Under IAS 39, all gains and losses arising from the Group's cash flow hedging relationships were eligible to be subsequently reclassified to profit or loss. However, under IFRS 9, gains and losses arising on cash flow hedges of forecast purchases of non-financial assets need to be incorporated into the initial carrying amounts of the non-financial assets. This change only applies prospectively from the date of initial application of IFRS 9 and has no impact on the presentation of comparative figures.

(d) Other adjustments

In addition to the adjustments described above, upon adoption of IFRS 9, other items of the primary financial statements such as deferred taxes, investment in an associate and a joint venture (arising from the financial instruments held by these entities), income tax expense, non-controlling interests and retained earnings were adjusted as necessary.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Group.

Amendments to IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, then it may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the dates on which:

- (a) the investment entity associate or joint venture is initially recognised;
- (b) the associate or joint venture becomes an investment entity; and
- (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters

Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Group's consolidated financial statements.

5.3.26 Future accounting developments

The new and amended standards and interpretations that are issued, but are not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 16 LEASES

IFRS 16 was issued in January 2017 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

TRANSITION TO IFRS 16

The Group plans to apply a modified approach when the lessee does not restate comparative figures. Instead, the lessee recognises the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application, e.g., 1 January 2019.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The Group has assessed that the preliminary impact as of 1 January 2019 will be the following:

€ 000	1.1.2019	31.12.2019
Assets		
Property, plant and equipment (right-of-use assets)	85,885	—
Prepayments	(73)	—
Liabilities		
Lease liabilities	85,812	—
Deferred tax liabilities	—	—
Trade and other payables	—	—
Net impact on equity		
	—	—
Expected impact on statement of comprehensive income:		
Increase of depreciation	—	21,708
Increase of interest expense	—	2,929
Decrease of other expense	—	(21,619)
Expected impact on statement of cash flows:		
Increase of net cash flow from operating activities	—	22,062
Decrease of net cash flow from financing activities	—	(22,062)

The group applies different incremental borrowing rates according to given countries. The rate is updated on a quarterly basis for new and modified contracts. The calculation is based on an inter-bank interest rate (EURIBOR, PRIBOR, ROBOR...) and a risk margin derived from bank loan tranches.

Due to the adoption of IFRS 16, the Group's operating profit will improve (rental costs decrease), while its interest expense and depreciation will increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17.

IFRIC INTERPRETATION 23 UNCERTAINTY OVER INCOME TAX TREATMENT

The Interpretation addresses the accounting for income taxes when tax

treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply the interpretation from its effective date.

AMENDMENTS TO IFRS 9: PREPAYMENT FEATURES WITH NEGATIVE COMPENSATION

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely

payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the consolidated financial statements of the Group.

AMENDMENTS TO IFRS 10 AND IAS 28: SALE OR CONTRIBUTION OF ASSETS BETWEEN AN INVESTOR AND ITS ASSOCIATE OR JOINT VENTURE

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

AMENDMENTS TO IAS 19: PLAN AMENDMENT, CURTAILMENT OR SETTLEMENT

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early ap-

plication permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

AMENDMENTS TO IAS 28: LONG-TERM INTERESTS IN ASSOCIATES AND JOINT VENTURES

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

ANNUAL IMPROVEMENTS 2015-2017 CYCLE (ISSUED IN DECEMBER 2017)

These improvements include:

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasur-

ing previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply on future business combinations of the Group.

IFRS 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint con-

trol on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the

beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

5.4 Use of accounting judgements, estimates and assumptions

JUDGEMENTS

The preparation of these consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

RECOGNITION OF GROSS VERSUS NET REVENUES

The Group is subject to various governmental taxes and levies. The regulations differ significantly from one country to another. Revenue includes the inflows of economic benefits received and receivable

by the entity on its own account. Amounts collected on behalf of third parties such as sales taxes, goods and services taxes and value-added taxes are not economic benefits which flow to the entity and do not result in increases in equity. Therefore, they should be excluded from revenue. The management makes its own judgement as to whether the entity is acting as principal or agent in collecting the tax based on various indicators as well as changing circumstances in each of the countries where the Group operates. Further details are given in notes 5.13.19 and 5.6.

ESTIMATES

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The key assumptions concerning future and other key sources of estimation uncertainty at the reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

**INDEFINITE LIFE
INTANGIBLE ASSETS AND
GOODWILL**

The Group determines at least on an annual basis whether indefinite life intangible assets and goodwill are impaired. This requires an estimate of an asset's recoverable amount which is the higher of an asset's or cash-generating unit's (CGU's) fair value less costs of disposal and its value in use and it is

determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in notes 5.3.1, 5.3.7, 5.14 and 5.15.

BETTING TRANSACTIONS

Betting transactions are measured at the fair value of the consideration received or paid. This is usually the nominal amount of the consideration; however, in relation to unresolved bets for sports betting and lottery, the fair value is estimated in accordance with IFRS 9 using valuation and probability techniques, taking into account the probability of the future win. Further details are given in notes 5.3.4 and 5.6. Open betting positions are recorded as a liability given the fact that the profit margins are fixed.

DEFERRED TAX

Deferred tax assets are recognised for deductible temporary differences, un-

used tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and the level of future taxable profits together with future tax planning strategies. Further details on taxes are disclosed in notes 5.3.19 and 5.12.

**RECOVERABLE AMOUNT OF
RECEIVABLES**

Where there are indicators that any receivable is impaired at a balance sheet date, management makes an estimate of the asset's recoverable amount. Further details are given in notes 5.3.11 and 5.17.

PROVISIONS

Provisions take into account an expected expense, showing it as a liability on the balance sheet. Created provisions represent the best management estimate of the future outflow of the economic benefits. Further details are given in notes 5.3.17 and 5.28.

5.5 Business combinations

ACQUISITIONS IN 2018

There were no acquisitions in 2018.

ACQUISITIONS IN 2017**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 & Southeastern Europe. The consolidated financial statements include the results of the Hattrick Group from 19 May 2017 (the acquisition date).

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

€ 000	19 MAY 2017 FAIR VALUE RECOGNISED ON ACQUISITION
Assets	
Intangible assets	43,904
Property, plant and equipment	6,943
Deferred tax assets	—
Restricted cash	340
Other non-current assets	1,503
Current receivables	6,026
Other current assets	825
Cash and cash equivalents	8,642
Assets total	68,183
Liabilities	
Non-current liabilities	12,640
Deferred tax liability	7,295
Provisions	260
Current liabilities	6,982
Total liabilities	27,177
Net assets directly associated with acquisition	41,006
Goodwill arising on acquisition	59,955
Purchase consideration transferred	100,961
<i>Analysis of cash flows on acquisition:</i>	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	8,642
Cash paid	(70,624)
Net cash flow on acquisition	(61,982)
Loan provided to the acquiree, prior to the acquisition	(12,590)
Contingent consideration	(30,869)
Total	(105,441)

The difference between the amount of the "Purchase consideration transferred" and the sum of "Cash paid" and the "Contingent consideration" represents the exchange rate difference arising on the translation of the transaction from the functional currency of the subsidiaries.

The price for Hatrick Sports Group consists of an initial consideration of approximately € 70 million and a contingent consideration represented by a retained liability and an earn-out mechanism based on the future financial performance of Hatrick Sports Group that may lead to a maximum payment of € 65 million. The

total maximum consideration therefore is € 135 million. The contingent considerations represent the best estimate in fair value. In addition Fortuna provided a loan to the acquiree in the amount of € 12.6 million. A reconciliation of fair value measurement of the contingent consideration liability is provided below:

	€ 000
As at 1 January 2018	39,358
Unrealised fair value changes recognised in profit or loss	(3,617)
Currency translation	(255)
As at 31 December 2018	35,486

	€ 000
As at 1 January 2017	—
Liability arising on business combination	30,869
Unrealised fair value changes recognised in profit or loss	8,127
Currency translation	362
As at 31 December 2017	39,358

As of the date of the acquisition, the fair value of the intangible assets was € 43,904 thousand. The carrying amount was € 2,165 thousand. The difference between the fair value and the gross amount is the result of the (re)valuation of the acquired software, brand names, betting licences and customer relationships. Deferred tax related to this adjustment was recognised in liabilities. The value of current receivables was € 6,026 thousand. The gross amount was € 6,552 thousand. The difference between the fair value and the gross amount represents bad debt provision.

From the date of acquisition, Hatrick Group has contributed € 56,102 thousand of revenue and € 3,431 thousand (loss) to profit before tax from the con-

tinuing operations of the Group. If the acquisition had taken place at the beginning of the year, revenue from continuing operations would have been approximately € 82,366 thousand and the profit from continuing operations for the period would have been approximately € 1,242 thousand.

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

The acquisition costs amounted to € 1,743 thousand and were fully recognised in Professional expenses (reported under "Third party services", see note 5.9, Other operating expenses).

Fortuna Bet Shops Holding s.r.l. and Fortuna Bet Holding s.r.l.

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

Romanian Companies (Bet Zone s.r.l., Bet Active s.r.l., Public Slots s.r.l., Slot Arena s.r.l.)

On 31 August 2017, the Group acquired a 100% stake in the Romanian companies referred to above. They are unlisted companies based in Romania.

The companies operate in Sports betting and Gaming. This acquisition will further strengthen Fortuna's position as the largest licensed multi-channel sports betting and gaming operator in Central & Southeastern Europe. The consolidated financial statements include the

results of the Romanian companies from 1 September 2017.

The companies were acquired from the majority shareholder Forbet. As such the acquisition is classified as a transaction under common control. The Company ap-

plied the acquisition method accounting as defined in IFRS 3 considering the economic substance of the business combination.

The fair values of the identifiable assets and liabilities of the Romanian companies as at the date of acquisition were:

€ 000	31 AUGUST 2017 FAIR VALUE RECOGNISED ON ACQUISITION
Assets	
Intangible assets	2,661
Property, plant and equipment	2,524
Deferred tax assets	—
Restricted cash	420
Other non-current assets	506
Current receivables	485
Other current assets	1,741
Cash and cash equivalents	2,329
Assets total	10,666
Liabilities	
Non-current liabilities	592
Deferred tax liability	404
Provisions	182
Current liabilities	9,328
Total liabilities	10,506
Net assets directly associated with acquisition	160
Goodwill arising on acquisition	41,920
Purchase consideration transferred	42,080
<i>Analysis of cash flows on acquisition:</i>	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	2,329
Cash paid	(32,080)
Net cash flow on acquisition	(29,751)
Loans acquired from the seller	(2,923)
Contingent consideration	(10,001)
Total	(42,675)

As of the date of the acquisition, the fair value of the intangible assets was € 2,661 thousand. The gross amount was € 133 thousand. The difference between the fair value and the gross amount is the result of the (re)valuation of the acquired software, brand

names, betting licences and customer relationships. Deferred tax related to this adjustment was recognised in liabilities.

The total consideration for the acquisition will be € 47 million, out of which approx.

€ 15 million represents a contingent liability based on the earn-out mechanism to be paid for up to 48 months. In addition, Fortuna Group refinanced € 3 million of Fortbet's loans. A reconciliation of the fair value measurement of the contingent consideration liability is provided below:

	€ 000
As at 1 January 2018	10,574
Unrealised fair value changes recognised in profit or loss	1,646
Currency translation	(3)
As at 31 December 2018	12,217

	€ 000
As at 1 January 2017	—
Liability arising on business combination	10,001
Unrealised fair value changes recognised in profit or loss	575
Currency translation	(2)
As at 31 December 2017	10,574

As of the date of the acquisition, the fair value of the intangible assets was € 2,660 thousand. The gross amount was € 133 thousand. The difference between the fair value and the gross amount is the result of the (re)valuation of the acquired customer relationships. Deferred tax related to this adjustment was recognised in liabilities.

€ 1,994 thousand (profit) to profit before tax from the continuing operations of the Group. If the acquisition had taken place at the beginning of the year, revenue from continuing operations would have been approximately € 46,151 thousand and the profit from continuing operations for the period would have been approximately € 2,241 thousand.

sets and activities of Hattrick Group with those of the Group. The goodwill is not deductible for income tax purposes.

The acquisition costs amounted to € 193 thousand and were fully recognised in Professional expenses (reported under "Third party services", see note 5.9, Other operating expenses).

From the date of acquisition, the Romanian companies have contributed € 18,374 thousand of revenue and

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the as-

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

€ 000	GOODWILL
Gross carrying amount	
As of 1 January 2017	47,111
Acquisition of a subsidiary (Hatrick Sports Group)	59,955
Acquisition of a subsidiary (Romanian companies)	41,920
Currency translation	1,926
As of 31 December 2017	150,912
Accumulated impairment losses	
As of 1 January 2017	—
Impairment losses recognised during the reporting period	—
Currency translation	—
As of 31 December 2017	—
Net book value	
As of 1 January 2017	47,111
Acquisition of a subsidiary (Hatrick Sports Group)	59,955
Acquisition of a subsidiary (Romanian companies)	41,920
Currency translation	1,926
As of 31 December 2017	150,912

5.6 Segment information

For management purposes, Fortuna Group is organised into business units based on geographical areas, and key material acquisitions with the following reportable operating segments being distinguished:

- Czech Republic
- Slovakia
- Poland
- Romania
- Hatrick Group
- Other countries

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

not qualify as a separate operating segment. The information of FEGNV and other immaterial locations is included in the "Other countries" column.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs and finance income) and income taxes

are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. The items included in transfer pricing comprise of bookmaking services, general management services and IT services which are primarily borne by Czech entity FORTUNA GAME a.s.

The following tables present revenue and profit information regarding Fortuna Group's continuing operating segments for the years 2018 and 2017, respectively:

YEAR ENDED 31 DECEMBER 2018	€ 000							TOTAL OPERATING SEGMENTS
	CZ	SK	PL	RO	HATTRICK GROUP	OTHER COUNTRIES	IC ELIMINA- TIONS	
Revenue	76,869	36,514	56,189	55,589	105,858	4,172	—	335,191
Depreciation and amortisation	4,576	351	1,050	2,965	11,185	2	—	20,129
Impairment	—	—	—	—	11	—	—	11
Operating profit / (loss)	10,218	12,622	16,816	(440)	22,085	564	—	61,865
Capital expenditure	8,157	855	2,412	6,059	7,540	27	—	25,050
Non-current assets	36,131	1,873	4,098	8,130	44,687	194,542	(206,369)	83,092
Operating segment assets	75,164	30,445	30,405	13,191	50,402	147,658	(75,902)	271,363
Operating segment liabilities	53,155	11,594	19,201	36,815	74,405	44,871	(75,902)	164,139

YEAR ENDED 31 DECEMBER 2017	€ 000							TOTAL OPERATING SEGMENTS
	CZ	SK	PL	RO	HATTRICK GROUP	OTHER COUNTRIES	IC ELIMINA- TIONS	
Revenue	61,738	33,654	40,636	18,374	56,079	24	(10)	210,495
Depreciation and amortisation	3,518	401	906	825	6,142	5	—	11,797
Impairment	2,921	—	—	—	—	—	—	2,921
Operating profit / (loss)	3,222	13,161	11,235	3,273	11,883	(1,682)	(653)	40,439
Capital expenditure	5,071	304	1,440	802	3,497	476	—	11,590
Non-current assets	32,705	1,386	2,833	5,057	48,328	194,510	(206,369)	78,450
Operating segment assets	51,480	29,930	20,368	9,434	30,867	3,655	(38,568)	107,166
Operating segment liabilities	32,315	9,663	11,877	21,764	72,434	20,359	(38,568)	129,844

CZ = Czech Republic; SK = Slovakia; PL = Poland; RO = Romania

Segment results for each operating segment exclude net finance costs of € 1,651 thousand and € 15,219 thousand for 2018 and 2017 and income tax expense of € 12,558 thousand and € 9,538 thousand for 2018 and 2017, respectively.

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

Segment assets exclude goodwill of € 150,618 thousand and € 150,912 thousand as of 31 December 2018 and 31 December 2017, respectively, and derivatives of EUR 3 thousand as of 31 December 2018, as these assets are managed on a group basis.

Segment liabilities excludes bank loans of € 217,069 thousand and € 129,663 thou-

sand as of 31 December 2018 and 31 December 2017, respectively, and derivatives of € 45 thousand and € 66 thousand as of 31 December 2018 and 31 December 2017, 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 from continuing operations for the period is as follows. Amounts Staked do not represent Fortuna Group's revenue and comprise of the total Amount Staked by customers on betting activities.

YEAR ENDED 31 DECEMBER 2018	€ 000						
	CZ	SK	PL	RO	HATTRICK GROUP	OTHER	TOTAL OPERATING SEGMENTS
Total Amounts Staked	1,202,003	492,961	406,418	470,334	1,091,459	71,236	3,734,411
— of which: Bets – Sports betting & Gaming	1,199,091	489,660	357,648	461,869	1,074,133	71,236	3,653,637
— of which: Commissions – Sports betting & Gaming	2,912	3,301	48,770	8,465	17,326	—	80,774
Paid out prizes	(1,092,810)	(425,226)	(297,261)	(402,107)	(973,308)	(60,075)	(3,250,787)
Gross Win	109,193	67,735	109,157	68,227	118,151	11,161	483,624
— of which: Online – Sports betting & Gaming	90,018	52,422	79,502	9,772	45,265	—	276,979
— of which: Retail – Sports betting & Gaming	19,175	15,313	29,655	58,455	72,886	11,161	206,645
Withholding tax paid	(27,110)	(29,380)	(48,770)	(11,622)	(21,665)	(2,823)	(141,370)
Other revenues	(5,214)	(1,841)	(4,198)	(1,016)	9,372	(4,166)	(7,063)
Revenue	76,869	36,514	56,189	55,589	105,858	4,172	335,191

YEAR ENDED 31 DECEMBER 2017	€ 000						
	CZ	SK	PL	RO	HATTRICK GROUP	OTHER	TOTAL OPERATING SEGMENTS
Total Amounts Staked	835,207	389,686	255,482	134,917	386,032	155	2,001,479
— of which: Bets – Sports betting & Gaming	832,617	386,421	224,824	132,061	375,879	155	1,951,957
— of which: Commissions – Sports betting & Gaming	2,590	3,265	30,658	2,856	10,153	—	49,522
Paid out prizes	(749,547)	(331,542)	(180,799)	(112,419)	(323,987)	(113)	(1,698,407)
Gross Win	85,660	58,144	74,683	22,498	62,044	(43)	303,072
— of which: Online – Sports betting & Gaming	68,923	43,044	47,303	3,181	18,256	—	180,707
— of which: Retail – Sports betting & Gaming	16,737	15,100	27,380	19,317	43,788	43	122,365
Withholding tax paid	(20,920)	(23,185)	(30,658)	(3,780)	(10,942)	(19)	(89,504)
Other revenues	(3,011)	(1,305)	(3,389)	(344)	4,976	—	(3,073)
Revenue	61,729	33,654	40,636	18,374	56,078	24	210,495

CZ = Czech Republic; SK = Slovakia; PL = Poland; RO = Romania

CONTRACT BALANCES

€ 000	31 DEC 2018	31 DEC 2017	1 JAN 2017
Players' accounts (liabilities)	9,107	6,273	4,836

The current business relations with customers are represented with players' accounts, current liability on the balance sheet. The Company manages the players' accounts as a wallet used

for transactions with individual players. The players' accounts represent money immediately available to customers. There are no material receivables in relation to customers.

5.7 Personnel expenses

€ 000	2018	2017
Wages and salaries	86,682	51,430
Social security costs	11,455	11,567
Directors' remuneration	384	176
Other payroll costs	3,070	1,508
Total	101,590	64,681
Number of employees in the period:		
Average number of employees	6,078	6,118
Key managers	12	12
Staff	6,066	6,106
Remuneration of key management personnel of Fortuna Group		
Wages and salaries	17,774	11,230
of which:		
<i>short-term employee benefits</i>	3,964	4,165
<i>post employment benefits</i>	—	—
<i>other long-term benefits</i>	13,810	7,065
<i>share-based payment</i>	—	—
Termination benefits	79	—
Social security costs	1,845	1,413
Total remuneration	19,698	12,643

Key management includes country managing directors and group top management.

5.8 Other operating income

€ 000	2018	2017
Gain on sale of fixed assets	32	40
Revenues from rental of real estate	101	131
Other income	394	944
Total	527	1,115

Other income 2017 includes services and the trademark lease rendered to Romanian entities in the amounts of

€ 520 thousand (pre-acquisition period in 2017 only). For more information refer to note 5.33.

5.9 Other operating expenses

€ 000	2018	2017
Operating lease expense (note 5.34)	42,752	24,263
Materials and office supplies	7,262	4,501
Marketing and advertising	31,460	17,724
Telecommunication costs	2,262	1,678
Energy and utilities	3,662	2,336
Repairs and maintenance	2,155	947
Taxes and fees to authorities	8,255	2,801
Bad debt expense	227	528
IT services	13,788	7,891
Third party services (legal, professional etc.)	28,493	21,799
Travelling and entertainment cost	3,102	1,841
Others	8,498	5,408
Total	151,916	91,717

Expenses of the Czech, Slovak, Polish, Croatian and Romanian companies are charged to the statement of profit or

loss including VAT, as VAT cannot be claimed on the input side.

5.10 Finance costs and income

€ 000	2018	2017
Interest on bank loans	3,604	2,581
Interest on other debts and borrowings	2	16
Other finance costs	1,019	753
Financial assets and liabilities at FV through P&L (contingent consideration transferred)	1,677	8,702
Foreign exchange losses	1,266	6,233
Total finance costs	7,568	18,285
Interest on bank deposits	198	118
Other finance income	565	142
Financial assets and liabilities at FV through P&L	3,624	—
Foreign exchange gains	1,530	2,806
Total finance income	5,917	3,066
Total finance costs, net	1,651	15,219

Financial assets and liabilities at FV through P&L represents a change in value of the variable part of consideration

from the acquisition of Hatrick Sports Group and former Fortbet Romanian companies.

5.11 Discontinued operations

In December 2017, 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. From December 2017 FORTUNA sázky a.s. was classified as

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

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

€ 000	2018	2017
Amounts Staked	—	5,664
Revenue	—	1,870
Personnel expenses	—	(610)
Depreciation and amortisation	—	—
Impairment of PPE and intangible assets	—	(5)
Other operating income	—	3
Other operating expenses	—	(1,465)
Operating profit	—	(207)
Finance income	—	45
Finance cost	—	(9)
Profit before tax	—	(171)
Income tax expense	—	—
Loss on disposal of discontinued operations	—	(74)
Profit for the year from discontinued operations	—	(245)

Analysis of the Lottery Revenue is as follows:

€ 000	2018	2017
Total Amounts Staked	—	5,664
Paid out prizes	—	(3,291)
Gross Win	—	2,373
Withholding tax paid	—	(543)
Other revenues	—	40
Revenue	—	1,870

The assets and liabilities of FORTUNA sázky a.s. classified as held for the sale of the parent as of the closing date (23 May 2017) are as follows:

€ 000	23 MAY 2017
<i>Assets</i>	
Intangible assets	36
Property, plant and equipment	1,199
Deferred tax assets	147
Restricted cash	1,893
Other non-current assets	221
Current receivables	263
Other current assets	1,234
Cash and cash equivalents	1,044
Assets held for sale	6,037
<i>Liabilities</i>	
Provisions	867
Trade and other payables – ST	635
Provisions – ST	63
Liabilities directly associated with assets held for sale	1,565
Net assets directly associated with disposal group	4,472
Amounts included in accumulated other comprehensive income:	
Exchange differences on translation of foreign operations	(125)
Reserve of disposal group classified as held for sale	(125)

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

€ 000	2018	2017
Operating	—	3,120
Investing	—	(40)
Financing	—	—
Net cash outflow / inflow	—	3,080

€ EARNINGS PER SHARE FROM DISCONTINUED OPERATIONS	5.13	2018	2017
Basic, profit / (loss) for the year	—	—	(0.005)
Diluted, profit / (loss) for the year	—	—	(0.005)

5.12 Income tax

The major components of the income tax expense are:

€ 000	2018	2017
Current income tax:		
Current income tax charge	16,820	11,386
Prior year adjustments	(126)	607
Deferred tax:		
Relating to origination and reversal of temporary differences	(4,136)	(2,455)
Income tax expense reported in the statement of profit or loss	12,558	9,538
Income tax expense from continuing operations	12,558	9,538
Income tax expense from discontinued operations	—	—

Reconciliation of the income tax expense applicable to the accounting profit before income tax at the statu-

tory income tax rate to income tax expense at Fortuna Group's effective income tax rate for the years ended

31 December 2018 and 2017, respectively, is as follows:

€ 000	2018	2017
Accounting profit before income tax from continuing operations	60,214	25,220
Profit / (loss) before tax from discontinued operations	—	(171)
Accounting profit before income tax	60,214	25,049
At Dutch statutory income tax rate of 25% (2017: 25%)	15,054	6,262
Effect of permanent and other differences	(2,469)	67
Effect of tax losses utilisation	(827)	—
Unrecognised tax asset from the tax losses incurred	1,004	1,493
Tax non-deductible expenses	6,330	2,959
Non-taxable betting revenues	—	—
Non-taxable other income	(2,282)	—
Adjustments in respect to current income tax of previous years	(126)	607
Effect of higher/lower tax rates in other countries	(4,216)	(1,850)
At the effective income tax rate of 20.9% (2017: 38.1%)	12,558	9,538
Income tax expense reported in the consolidated income statement	12,558	9,538
Income tax attributable to discontinued operations	—	—
Total	12,558	9,538

DEFERRED TAX

Deferred tax relates to the following:

€ 000	CONSOLIDATED STATEMENT OF FINANCIAL POSITION			CONSOLIDATED STATEMENT OF PROFIT OR LOSS	
	31 DECEMBER 2018	31 DECEMBER 2017	1 JANUARY 2017	2018	2017
Difference between carrying amounts of property, plant and equipment for accounting and tax purposes	(5,836)	(6,967)	91	922	632
Impairment adjustments and provisions	6,274	3,489	1,887	2,824	1,822
Tax losses carried forward	—	2	—	—	—
Difference between carrying amounts of trademarks for accounting and tax purposes	—	—	—	—	—
Other	500	324	87	143	—
Deferred tax income / (expense)				3,889	2,454
Deferred tax asset / (liability)	938	(3,152)	2,065		
Reflected in the statement of the financial position as follows:					
Deferred tax asset	6,763	3,831	2,065		
Deferred tax liability	(5,825)	(6,983)	—		
Deferred tax asset / (liability), net	938	(3,152)	2,065		
Deferred tax asset / (liability), net, attributable to a continuing operation	938	(3,152)	1,921		
Deferred tax asset / (liability), net, attributable to the disposal group held for sale	—	—	144		

Unused tax losses for which no deferred tax asset is recognised in the consolidated statement of the financial position are € 20,071 thousand (2017: € 14,616 thousand). Tax losses come primarily from holding companies.

YEAR OF EXPIRATION	2019	2020	2021	2022	2023	2024	2025	2026	2027	TOTAL
Amount of tax losses	1,577	1,437	2,522	448	3,281	1,743	5,418	2,457	1,188	20,071

Reconciliation of deferred tax asset:

€ 000	2018	2017
Opening balance as at 1 January	3,831	2,065
Tax income (expense) during the period recognised in profit or loss	2,971	1,905
Tax income (expense) during the period recognised in other comprehensive income	6	3
Currency translation	(45)	2
Discontinued operations	—	(144)
Closing balance, 31 December	6,763	3,831

Reconciliation of deferred tax liability:

€ 000	2018	2017
Opening balance as of 1 January	6,983	—
Deferred tax liability acquired as part of subsidiary	—	7,699
Tax income (expense) during the period recognised in other comprehensive income	1	—
Tax income (expense) during the period recognised in profit or loss	(1,164)	(663)
Currency translation	5	(53)
Discontinued operations	—	—
Closing balance, 31 December	5,825	6,983

5.13 Earnings per share

Basic earnings per share are calculated by dividing the net profit for the year attributable to the equity holders of the parent by the weighted average number of ordinary shares in FEGNV outstanding during the year.

There were no dilutive potential ordinary shares as of 31 December 2018 and 2017, respectively. Basic and diluted earnings per share were the same. The following reflects the in-

come and share data used in the basic and diluted earnings per share computations:

€ 000	2018	2017
Profit / (loss) attributable to ordinary equity holders of the parent :		
Continuing operations	47,656	15,682
Discontinued operations	—	(240)
Net profit attributable to ordinary equity holders of the parent for earnings per share calculation	47,656	15,442
Weighted average number of ordinary shares for earnings per share calculation	52,000,000	52,000,000

STATEMENT OF PROFIT OR LOSS – €	2018	2017
Basic and diluted earnings per share	0.916	0.297
Basic and diluted earnings per share from continuing operations	0.916	0.302
Basic and diluted earnings per share from discontinued operations	—	(0.005)

No other transactions involving ordinary shares or potential ordinary shares took place between the report-

ing date and the date of completion of these consolidated financial statements.

5.14 Goodwill

	€ 000
1 January 2018	150,912
Additions arising on acquisition of subsidiaries	—
Disposal of subsidiaries	—
Currency translation	(294)
31 December 2018	150,618

	€ 000
1 January 2017	47,111
Additions arising on acquisition of subsidiaries	101,875
Disposal of subsidiaries	—
Currency translation	1,926
31 December 2017	150,912

Goodwill arising from a business combination is allocated upon an acquisition to each of Fortuna Group's cash generating units (CGUs) expected to benefit from the synergies of the business combination.

The recoverable amounts of the CGUs are determined from the higher value-in-use calculations and the fair values of the related CGUs. The key assumptions for the value-in-use calculations are those regarding discount rates, growth rates and expected changes in revenue and direct costs incurred during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs.

The current goodwill relates to acquisitions of Czech companies operating in the sports betting industry, Romanian companies operating in the sports bet-

ting and gaming industry and Hatrick companies operating in the sports betting and gaming industry. The impairment test of goodwill (which relates to Czech companies) also includes the new gaming platform which makes the major part of intangible assets.

The cash flow projection covers a period of four years (2017: 4 years) and is discounted using an average pre-tax discount rate of 11.3% (2017: 9.2%) for the Czech Republic. The forecasted period of 4 years (2018-2021) assumes year on year average growth of 1% in Revenue. A long-term growth rate of 3% (2017: 3%) per annum is assumed for the period beyond the explicit cash flow projection.

The cash flow projection covers a period of four years and is discounted using an average pre-tax discount rate of 14.8% for the Fortuna Romania CGU (2017: 12.6%). The forecasted period

of 4 years (2018-2021) assumes year on year average growth of 17.66% in Revenue. A long-term growth rate of 3% per annum (2017: 3%) is assumed for the period beyond the explicit cash flow projection.

The cash flow projection covers a period of four years and is discounted using an average pre-tax discount rate of 15.0% for Hatrick Romania CGU (2017: 12.9%). The forecasted period of 4 years (2018-2021) assumes year on year average growth of 25.36% in Revenue. A long-term growth rate of 2% per annum (2017: 2%) is assumed for Hatrick Romania CGU, for the period beyond the explicit cash flow projection.

The cash flow projection covers a period of four years and is discounted using an average pre-tax discount rate of 11.9% for Hatrick Croatia CGU (2017: 10.6%). The forecasted period

of 4 years (2018-2021) assumes year on year average growth of 11.31% in Revenue. A long-term growth rate 3% per annum (2017: 3%) is assumed for Hatrick Croatia CGU, for the period

beyond the explicit cash flow projection.

As of 31 December 2018 and 2017, respectively, Fortuna Group has not iden-

tified any impairment indicators of the recognised goodwill.

The carrying amount of goodwill has been allocated as follows:

CARRYING AMOUNT OF GOODWILL ALLOCATED TO SEGMENTS

€ 000	31.12.2018	31.12.2017
Czech Republic – sports betting	49,483	49,841
Hattrick Sports Group – sports betting & gaming	59,852	59,745
Fortuna Romania – sports betting & gaming	41,283	41,326
Total	150,618	150,912

Fortuna Group annually tests goodwill for impairment or more frequently if there are indications that goodwill might be impaired.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use, management believes that no

reasonably possible change in any of the above key assumptions would cause the carrying amount of goodwill to materially exceed its recoverable amount.

5.15 Intangible assets

€ 000	SOFTWARE	BRAND NAME	OTHER INTANGIBLE FIXED ASSETS	ASSETS NOT YET IN USE	TOTAL
Cost:					
1 January 2018	21,804	22,202	25,138	5,187	74,331
Acquisition of subsidiaries	—	—	—	—	—
Additions	4,533	—	20	4,433	8,986
Disposals	(7)	—	(4)	(2,921)	(2,932)
Transfers	4,460	—	26	(6,327)	(1,841)
Currency translation	(111)	(42)	(10)	(9)	(172)
31 December 2018	30,679	22,160	25,170	363	78,372
Accumulated amortisation and impairment:					
1 January 2018	7,493	816	3,026	2,921	14,256
Amortisation for the year	5,620	893	4,260	—	10,773
Impairment	11	—	—	—	11
Disposals	(7)	—	(4)	(2,921)	(2,932)
Transfers	(1,865)	—	24	—	(1,841)
Currency translation	(51)	6	(12)	—	(57)
31 December 2018	11,201	1,715	7,294	—	20,210
Carrying amount 31 December 2018	19,477	20,445	17,876	363	58,162
Carrying amount 1 January 2018	14,311	21,386	22,112	2,266	60,075

€ 000	SOFTWARE	BRAND NAME	OTHER INTANGIBLE ASSETS	ASSETS NOT YET IN USE	TOTAL
Cost:					
1 January 2017	9,105	6,053	438	9,217	24,813
Acquisition of subsidiaries	10,773	16,021	19,319	—	46,113
Additions	2,251	—	47	1,956	4,254
Disposals	(2,059)	—	(4)	—	(2,063)
Transfers	1,188	—	5,159	(6,356)	(9)
Currency translation	546	128	179	370	1,223
31 December 2017	21,804	22,202	25,138	5,187	74,331
Accumulated amortisation and impairment:					
1 January 2017	6,265	—	327	—	6,592
Amortisation for the year	3,266	817	2,694	—	6,777
Impairment	—	—	—	2,921	2,921
Disposals	(2,059)	—	(4)	—	(2,063)
Transfers	—	—	—	—	—
Currency translation	21	(1)	9	—	29
31 December 2017	7,493	816	3,026	2,921	14,256
Carrying amount 31 December 2017	14,311	21,386	22,112	2,266	60,075
Carrying amount 1 January 2017	2,840	6,053	111	9,217	18,221

BRAND NAME

Upon the acquisition of the subsidiary Fortuna sázková kancelář a.s. (merged with FORTUNA GAME, a.s., effective 1 January 2012), the Consolidated Group recognised the intangible brand name "FORTUNA" which was assessed as having an indefinite useful life, as there is no foreseeable limit to the period over which it is expected to generate net cash inflows, given the strength and durability of the brand and the level of marketing support. The brand has been on the market in the Czech Republic since 1990.

The intangible is not amortised and is tested for impairment at year-end. The

carrying amount of the intangible asset was € 6,357 thousand as of 31 December 2018 (2017: € 6,403 thousand). The brand name was pledged as a security for bank loans (note 5.29).

The intangible asset does not generate largely independent cash inflows and is allocated to the Czech operations as the lowest level of cash generating unit. The Czech operation was tested for impairment by applying the discounted cash flow technique and using projected financial results.

The cash flow projection covers a period of four years (2017: 4 years) and is discounted using an average pre-tax

discount rate of 11.3% (2017: 9.2%) for the Czech Republic. A long-term growth rate of 3% (2018: 3%) per annum is assumed for the period beyond the explicit cash flow projection.

SENSITIVITY TO CHANGES IN ASSUMPTIONS

With regard to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount of the unit to materially exceed its recoverable amount.

Within the acquisition of Hatrick Group, new Brand names were rec-

ognized on the balance sheet of the Group. Casa Pariurilor is a brand name related to the Romanian market and PSK represents a well-known trademark on the Croatian market. Those brand names are amortised and the amortisation period is set to 180 months. The brand names are pledged as a security on bank loans in favour of Česká Spořitelna a.s.

OTHER INTANGIBLE ASSETS

Other intangible assets represent primarily betting and gaming licences (€ 11,896 thousand) and customer relationship databases (€ 2,282 thousand) recognized as an intangible asset within acquisition.

ASSETS NOT YET IN USE

Assets not yet in use as of 31 December 2017 include investment in the

new sports betting and gaming platform. Part of the assets was put in use in 2018 due to launching a new gaming platform. Because of change in platform development strategy, portion of the Assets not yet in use was identified as unusable for the future and was impaired in the amount of € 2,921 thousand. The impaired asset was disposed in 2018.

5.16 Property, plant and equipment

€ 000	LAND AND BUILDINGS	PLANT AND EQUIPMENT	ASSETS NOT YET IN USE	TOTAL
Cost:				
1 January 2018	2,658	29,858	2,185	34,701
Acquisition of subsidiaries	—	—	—	—
Additions ¹	31	13,088	2,979	16,098
Disposals	(51)	(1,913)	—	(1,964)
Transfers	93	2,087	(2,180)	—
Currency translation	(20)	(233)	(40)	(293)
31 December 2018	2,711	42,887	2,944	48,542
Accumulated depreciation:				
1 January 2018	1,506	14,820	—	16,326
Depreciation charge for the year	139	9,261	—	9,400
Disposals	(381)	(1,553)	—	(1,934)
Transfers	—	—	—	—
Currency translation	9	171	—	180
31 December 2018	1,255	22,357	—	23,612
Carrying amount 31 December 2018	1,456	20,530	2,944	24,930
Carrying amount 1 January 2018	1,152	15,038	2,185	18,375

¹ The most significant additions in 2018 relate to investment into Retail network (IT and other equipment including furniture, outfit, slot machines etc.) in the total amount of € 10,618 thousands.

€ 000	LAND AND BUILDINGS	PLANT AND EQUIPMENT	ASSETS NOT YET IN USE	TOTAL
Cost:				
1 January 2017	2,327	14,626	3,521	20,474
Acquisition of subsidiaries	670	8,778	—	9,448
Additions	103	4,406	2,932	7,441
Disposals	(571)	(2,845)	—	(3,416)
Transfers	39	4,365	(4,395)	9
Currency translation	90	528	127	745
31 December 2017	2,658	29,858	2,185	34,701
Accumulated depreciation:				
1 January 2017	1,676	12,324	—	14,000
Depreciation charge for the year	304	4,716	—	5,020
Disposals	(540)	(2,662)	—	(3,202)
Transfers	—	—	—	—
Currency translation	66	442	—	508
31 December 2017	1,506	14,820	—	16,326
Carrying amount 31 December 2017	1,152	15,038	2,185	18,375
Carrying amount 1 January 2017	651	2,302	3,521	6,474

5.17 Current receivables

€ 000	31.12. 2018	31.12. 2017
Current receivables		
Receivables from related parties	50	55
Advance payments and deposits	3,741	3,722
Other receivables (current)	10,196	4,635
Total	13,987	8,412

For terms and conditions relating to related party receivables, refer to note 5.33.

Current receivables also include receivables related to licensing (B2B) and payment methods.

As of 31 December 2018, the provision for impairment of trade receivables (excluding receivables from employees mentioned above) amounted to € 529 thousand (2017: € 425 thousand). See the table below for the movements in the provision for impairment of receivables.

MOVEMENT IN THE PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES	€ 000
1 January 2018	425
Amounts written off during the year	(12)
Charge for the year	115
Currency translation	1
Provisions transferred to the Assets held for sale	—
31 December 2018	529
1 January 2017	1
Acquisition of subsidiaries	412
Charge for the year	11
Currency translation	1
31 December 2017	425

The following table relates to the ageing of current receivables. As of 31 December 2018 and 2017, respectively, most of the receivables were neither past due nor impaired.

€ 000	NOT YET DUE	PAST DUE					TOTAL
		<30 DAYS	31-60 DAYS	61-90 DAYS	91-180 DAYS	>181 DAYS	
31 December 2018	12,084	1,340	54	7	25	477	13,987
31 December 2017	6,343	973	16	126	73	881	8,412

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

5.18 Other assets

OTHER NON-CURRENT ASSETS – € 000	31.12.2018	31.12.2017
Advance payments and security deposits – related parties	42	42
Advance payments and security deposits	3,746	2,545
Prepayments	256	—
Other	3	161
Total	4,047	2,748

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

OTHER CURRENT ASSETS – € 000	31.12.2018	31.12.2017
Goods for sale	14	60
Other inventory	527	413
Prepayments – related parties	—	—
Prepayments	10,214	7,774
Total	10,755	8,247

Prepayments consist mostly of prepaid rent on branches and offices.

5.19 Related party loan

RELATED PARTY LOAN – € 000	31.12.2018	31.12.2017
Related party loan	105,000	—
Related party loan – interest	84	—
Total	105,084	—

Fortuna Group rendered a loan to its parent, Fortbet Holdings Ltd. in the amount of 105,000 tsd. EUR split into two tranches.

COMPANY	FACILITY € 000	STARTING DATE	EXPIRATION DATE	EFFECTIVE AVERAGE INTEREST %
Fortbet Holdings	74,391	20 Dec 18	24 Apr 23	2.360%
Fortbet Holdings	30,693	20 Dec 18	24 Apr 23	2.460%
Total	105,084			

Interest rate is based on the calculation of 3M EURIBOR and a margin of 2.36% (tranche € 74,332 tsd.) and a margin of 2.46% (tranche € 30,668 tsd.)

MOVEMENTS IN THE LOAN FACILITIES DURING 2018

€ 000	FORTBET	FORTBET	TOTAL
1 January 2018	—	—	—
Additions	74,332	30,668	105,000
Interest	59	25	84
Repayments	—	—	—
Currency translation	—	—	—
31 December 2018	74,391	30,693	105,084
Of which current portion	—	—	—

The rendered loan is denominated in EUR.

5.20 Restricted cash

€ 000	31.12.2018	31.12.2017
Restricted cash	734	3,101

Fortuna Group has limited access to the above-mentioned cash deposits made with banks. The funds are blocked in accordance with the Gaming regulations in Romania. Ac-

cording to Romanian legislation, a betting company has to deposit certain amounts of cash as security for potential liabilities to the state and bettors to a special bank account. The Com-

pany can only withdraw the security upon receiving an approval from the state authorities once the gaming activity terminates.

5.21 Loan notes

€ 000	2018	2017
Loan notes	20,000	—
Loan notes (interest)	411	—
31 December	20,411	—

The Group acquired two Loan notes from a related party, Penta funding a.s. The Loan notes are due in June 2019 and bear a fixed interest rate of 3.7%.

5.22 Bank term deposit

€ 000	2018	2017
Term deposit	25,000	—
Term deposit (interest)	1	—
31 December	25,001	—

The Company deposited cash in the amount of 25,000 tsd. EUR to a related party, PRIMA bank a.s. The term deposit is due in April 2019.

5.23 Cash and cash equivalents

€ 000	31.12.2018	31.12.2017
Cash at bank	73,890	69,528
Cash in hand and in transit	10,488	11,188
Cash and cash equivalents	84,378	80,716

Cash at bank bears interest at floating rates based on daily bank deposit rates.

Short-term deposits are classified as a cash equivalent only if they have terms to a maturity of three months or less.

Fortuna Group has pledged € 49,911 thousand of its cash in bank deposits as security for bank loans (2017: € 46,466 thousand).

5.24 Derivatives

As at 31 December 2018, Fortuna Group held interest rate swaps with a notional amount of € 51,400 thousand. These

swaps fixed the 3-month PRIBOR/EU-RIBOR variable interest rates and were designated as cash flow hedges.

INTEREST RATE SWAPS – € 000	31.12.2018 ASSETS	31.12.2017 ASSETS
Cash flow hedge	3	—
Total	3	—

INTEREST RATE SWAPS – € 000	31.12.2018 LIABILITIES	31.12.2017 LIABILITIES
Cash flow hedge	45	66
Total	45	66

5.25 Issued capital and reserves

AUTHORISED SHARES

	2018 # OF SHARES THOUSANDS	2017 # OF SHARES THOUSANDS
Ordinary shares of € 0.01 each	250,000	250,000
	250,000	250,000

ORDINARY SHARES ISSUED AND FULLY PAID

	# OF SHARES THOUSANDS	PAR VALUE PER SHARE €	SHARE CAPITAL € 000
31 December 2018	52,000	0.01	520
31 December 2017	52,000	0.01	520

STATUTORY RESERVE

In accordance with the commercial law in the Czech Republic (until 31 December 2013) and Slovakia, companies have been required to form an undistributable statutory reserve for contingencies against possible future losses and other events.

Until 31 December 2013 in the Czech Republic, contributions were at least 20% of after-tax profit in the first year in which profits were made and 5% of after-tax profit for each subsequent year, unless the fund reached at least 20% of share capital. The fund could only be used to offset losses. Since 2014, with new legislation in place, this obligation was cancelled. As a consequence, ALICELA a.s. and RIVERHILL a.s. transferred statutory reserves to the retained earnings in 2014, FORTUNA GAME a.s. in 2017 and FORTUNA RENT s.r.o. in 2015.

In Slovakia, contributions must be at least 10% of the share capital upon the foundation of the Company and at least 10% of after-tax profit for each subsequent year, until the fund reaches at least 20% of share capital. The fund can only be used to offset losses.

Romanian legislation states that the legal reserve is deductible within the limit of 5% applied to the accounting profit, plus the corporation tax expense, until it reaches 20% of the share capital. The reserve is calculated cumulatively from the beginning of the year and is deductible in the calculation of the quarterly or annual tax result, as the case may be. The reserves so formed will increase or decrease depending on the level of the accounting profit in the calculation period. Also, the increase or decrease of the reserve thus created is also made depending on the level of the share capital.

The reserve represents the amount of the undistributable funds, which cannot be transferred to the parent company in the form of dividends. The dividend capacity of FEGNV is not affected as the distribution to FEGNV shareholders is determined only by the shareholders' equity of FEGNV.

HEDGE RESERVE

The net loss on cash flow hedges recognised in equity as of 31 December 2018 was € 66 thousand net of the tax effect of € 6 thousand, i.e. € 60 thousand.

NATURE AND PURPOSE OF RESERVES

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial information of foreign subsidiaries.

5.26 Dividends paid and proposed

Since 2015, the dividend policy of FEG has been under review due to the planned investments in future growth opportunities, especially investments in a new IT platform enabling multi-chan-

nel, multi-product and multi-country capability, operational excellence and people that will support further organic growth and expansion into Central & Eastern Europe.

In light of this development, the management of Fortuna Entertainment Group N.V. will propose zero dividend payments in 2017 and 2018. The long term dividend policy will be revised after 2018.

5.27 Fair values

FAIR VALUE HIERARCHY

As of 31 December 2018 and 2017, respectively, Fortuna Group had open bets, which are regarded as derivative contracts, at a fair value of € 2,122 thousand (liability), and € 1,582 thousand (liability), respectively. In 2018, an interest rate swap fair value in the amount of € 66 thousand was also included.

All financial instruments carried at fair value are categorised in three categories by reference to the observability and significance of the inputs used in measuring fair value. The categories are defined as follows:

- Level 1 – Quoted market prices
- Level 2 – Valuation techniques (market observable)

- Level 3 – Valuation techniques (non-market observable)

As of 31 December 2018, the Group held the following financial instruments measured at fair value:

FINANCIAL INSTRUMENTS	31 DECEMBER 2018 € 000	LEVEL 1 € 000	LEVEL 2 € 000	LEVEL 3 € 000
Open bets (from continuing and discontinued operations)	(2,122)	—	—	(2,122)
Interest rate swaps	(45)	—	(45)	—
Jackpot provision	(18)	—	(18)	—

Open bets are regarded as derivative financial instruments which are not quoted on an active market and for which no observable data is available; the fair value of these financial instruments is not determined by reference to published price quotations or estimated by using a valuation technique based on assumptions supported by prices from observable current market transactions. Their fair value is derived from the average margin on betting events realised by the Group in the previous three months. Open bets are paid out within a short time-frame after the year-end and as

a result the difference between the fair value of these financial instruments as of the year-end and the actual pay-out is deemed immaterial. A higher average margin on betting would result in a lower fair value of open bets.

Fortuna Group enters into interest rate swap contracts with various counterparties, principally financial institutions with investment grade credit ratings. The derivatives valued using valuation techniques with market observable inputs are interest rate swaps. The most frequently applied valuation techniques

include swap models, using present value calculations. The models incorporate various inputs including the credit duality of counterparties and interest rate curves.

Jackpot provision is recognised in fair value as derivative and is classified as a long-term provision (note 5.28)

Set out below is a comparison by class between the carrying amounts and fair values of Fortuna Group's financial instruments as disclosed in the financial statements.

31 DECEMBER 2018	CARRYING AMOUNT € 000	FAIR VALUE € 000
Assets		
Related party loan	105,084	105,084
Restricted cash	734	734
Other non-current assets	4,047	4,047
Current receivables	13,987	13,987
Loan notes	20,411	20,411
Bank term deposit	25,001	25,001
Cash and cash equivalents	84,378	84,378
Liabilities		
Long-term bank loans	184,806	184,806
Other non-current liabilities	21,971	21,971
Trade and other payables	61,837	61,837
Current portion of long-term bank loans	32,263	32,263
Derivatives	45	45
Other current financial liabilities (open bets)	29,775	29,775

31 DECEMBER 2017	CARRYING AMOUNT € 000	FAIR VALUE € 000
Assets		
Restricted cash	3,101	3,101
Other non-current assets	2,748	2,748
Current receivables	8,412	8,412
Cash and cash equivalents	80,716	80,716
Liabilities		
Long-term bank loans	113,615	113,615
Other non-current liabilities	50,231	50,231
Trade and other payables	47,405	47,405
Current portion of long-term bank loans	16,048	16,048
Derivatives	66	66
Other current financial liabilities (includes open bets)	1,658	1,658

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

Cash and short-term deposits, current receivables, trade payables, and other current liabilities approximate their car-

rying amounts largely due to the short-term maturities of these instruments.

Long-term fixed-rate and variable-rate receivables and borrowings are evaluated by Fortuna Group based on parameters such as interest rates, specific country risk factors, the individual creditworthiness of customers and risk characteristics of the financed project. Based on this evaluation, provisions are formed for the expected losses of these receivables. As of 31 December 2018

and 2017, respectively, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

The fair value of loans from banks and other financial liabilities, obligations under finance leases as well as other non-current financial liabilities are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

5.28 Provisions

€ 000	EMPLOYEE BONUSES	JACKPOT	OTHER PROVISIONS	TOTAL
1 January 2018	15,371	—	1,024	16,395
Acquisition of subsidiaries	—	—	—	—
Additions	19,805	18	3,999	23,822
Utilised	(4,979)	—	(235)	(5,214)
Discount rate adjustment	—	—	—	—
Currency translation	(171)	—	(11)	(182)
Liabilities directly associated with the assets held for sale	—	—	—	—
31 December 2018	30,026	18	4,777	34,821
Short-term part of the provision	4,066	—	4,764	8,830
Long-term part of the provision	25,960	18	13	25,991
31 December 2018	30,026	18	4,777	34,821

€ 000	EMPLOYEE BONUSES	JACKPOT	OTHER PROVISIONS	TOTAL
1 January 2017	6,161	—	795	6,956
Acquisition of subsidiaries	—	—	441	441
Additions	11,152	—	174	11,326
Utilised	(2,525)	—	(419)	(2,944)
Discount rate adjustment	—	—	—	—
Currency translation	583	—	33	616
Liabilities directly associated with the assets held for sale	—	—	—	—
31 December 2017	15,371	—	1,024	16,395
Short-term part of the provision	4,844	—	1,016	5,860
Long-term part of the provision	10,527	—	8	10,535
31 December 2017	15,371	—	1,024	16,395

EMPLOYEE BONUSES

The Company has formed a provision for employee bonuses which relates to both the long-term incentive (LTIP) plan as well as annual bonuses. The long-term incentive plan represents a motivation plan for key management for the period of 3 to 5 years. The exact amount is uncertain as it represents management's best estimate. Employee bonuses are conditional on meeting goals which are set in advance (EBITDA). If the targets are met at the minimum level of 90%, the bonuses will be paid

in cash in 2019 after the confirmation of the annual results by the General meeting. The recognised provision for LTIPs is established based on the period served by the employee in proportion to the total target period.

PROVISION FOR JACKPOT

Jackpot provision is accounted for at fair value as derivative. As this financial instrument is not quoted on an active market and no observable data is available, the fair value of this financial instrument is not determined by reference to

published price quotations or estimated by using a valuation technique based on assumptions supported by prices from observable current market transactions. It is accrued at each draw taking into account the long-term pay-out ratio. The provision for Jackpot is reported in assets held for sale.

OTHER PROVISIONS

Other provisions contain liabilities related to possible legal claims, bonuses to suppliers and other liabilities with uncertain timing or amount.

5.29 Bank loans

The summary of the actual structure of the syndicated loans provided by Česká Spořitelna, a.s., acting as an agent and security agent, is provided below:

LONG-TERM BANK LOANS	CURRENCY	NOMINAL INTEREST RATE	SECURITY	MATURITY	2018 € 000	
Facility A1	CZK	3M PRIBOR + 1.10%	Shares of the subsidiary companies FORTUNA GAME a.s., RIVERHILL a.s., ALICELA a.s., Fortuna Entertainment Group N.V., Hattrick PSK d.o.o., Hattrick Bet s.r.l., FORTUNA online zakłady bukmacherskie Sp. z o.o., Bet Active s.r.l., Bet Zone s.r.l., Public Slots s.r.l., Slot Arena s.r.l., Fortuna Bet Shops Holding s.r.l. and Fortuna Bet Holding s.r.l.; Bank accounts receivables FORTUNA GAME a.s., FORTUNA SK a.s., FORTUNA online zakłady bukmacherskie Sp.z o. o., RIVERHILL a.s., ALICELA a.s., Fortuna Entertainment Group N.V., Fortuna Bet Shops Holding s.r.l., Fortuna Bet Holding s.r.l., Hattrick PSK d.o.o., Hattrick Bet s.r.l., Bet Active s.r.l., Bet Zone s.r.l., Public Slots s.r.l. Slot Arena s.r.l. ; IC receivables FORTUNA GAME a.s., FORTUNA SK a.s., Hattrick PSK d.o.o., Hattrick Bet s.r.l.,FORTUNA online zakłady bukmacherskie Sp. z o.o., FORTUNA SK a.s., Slot Arena s.r.l., Public Slots s.r.l., Bet Zone s.r.l., Fortuna Entertainment Group N.V.; Receivables related to acquisition agreements Hattrick PSK d.o.o. (Hattrick acquisition), Fortuna Bet Shops Holding s.r.l. and Fortuna Bet Holding s.r.l., Bet Active s.r.l., Bet Zone s.r.l.; Intellectual property (trade marks, internet domains) Hattrick PSK d.o.o., FORTUNA GAME a.s., Fortuna Entertainment Group N.V., FORTUNA online zakłady bukmacherskie Sp. z o.o., Bet Active s.r.l., Hattrick Bet s.r.l.	April 2023	15,671	
Facility A2	EUR	3M EURIBOR + 2.05%		April 2023	9,079	
Facility A3	EUR	3M EURIBOR + 2.05%		April 2023	1,297	
Facility A4	EUR	3M PRIBOR + 2.05%		April 2023	15,738	
Facility A5	EUR	3M EURIBOR + 2.05%		April 2023	11,068	
Facility B1	CZK	3M PRIBOR + 1.20%		April 2023	31,030	
Facility B2	CZK	3M PRIBOR + 1.20%		April 2023	10,138	
Facility A6	RON	3M ROBOR + 1.50%		April 2023	10,229	
Facility A7	RON	3M ROBOR + 1.50%		April 2023	8,402	
Facility A8	EUR	3M EURIBOR + 2.05%		April 2023	73,727	
Facility B3	EUR	3M EURIBOR + 2.15%		April 2023	30,690	
Total long-term bank loans					217,069	
of which non-current portion					184,806	
of which current portion					32,263	

LONG-TERM BANK LOANS	CURRENCY	NOMINAL INTEREST RATE	SECURITY	MATURITY	2017 € 000
Facility A1	CZK	3M PRIBOR + 2.00%	Shares of the subsidiary companies FORTUNA GAME a.s., RIVERHILL a.s., ALICELA a.s., Fortuna Entertainment Group Ltd., Fortuna Virtual d.o.o., Hattrick PSK d.o.o., Hattrick Bet S.R.L.; Intellectual property FORTUNA GAME a.s, FORTUNA online zakłady bukmacherskie Sp. z o.o., Hattrick PSK d.o.o., Hattrick Bet S.R.L.; Bank accounts receivables FORTUNA GAME a.s., FORTUNA SK a.s., FORTUNA online zakłady bukmacherskie Sp. z o.o., RIVERHILL a.s., ALICELA a.s., Fortuna Entertainment Group Ltd., Fortuna Virtual d.o.o., Fortuna Bet Shops Holding S.R.L., Fortuna Bet Holding S.R.L., Hattrick PSK d.o.o., Hattrick Bet S.R.L.; IC receivables FORTUNA GAME a.s., FORTUNA SK a.s., Hattrick PSK d.o.o., Hattrick 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. Intellectual property – trade marks, internet domains	April 2023	19,268
Facility A2	EUR	3M EURIBOR + 2.15%		April 2023	11,098
Facility A3	EUR	3M EURIBOR + 2.15%		April 2023	1,582
Facility A4	EUR	3M PRIBOR + 2.15%		April 2023	19,437
Facility A5	EUR	3M EURIBOR + 2.15%		April 2023	13,673
Facility B1	CZK	3M PRIBOR + 2.10%		April 2023	31,649
Facility B2	CZK	3M PRIBOR + 2.10%		April 2023	10,162
Facility A6	RON	3M ROBOR + 2.30%		April 2023	12,514
Facility A7	RON	3M ROBOR + 2.30%		April 2023	10,280
Total long-term bank loans					129,663
of which non-current portion					113,615
of which current portion					16,048

UNDRAWN BORROWING FACILITIES

As of 31 December 2018, Fortuna Group had undrawn committed borrowing facilities in the amount of € 6,500 thousand (in 2017: € 6,500).

Bank guarantees

Fortuna Group has utilised bank guarantees in the amount of € 11,469 thousand (in 2017: € 11,117 thousand).

In 2018, additional EUR tranches (A8 and B3) were drawn by FEG NV in total amount of € 105,000 thousands.

PLEDGES AND GUARANTEES

The parent company, Fortbet Holdings Limited, pledged all the shares of Fortuna Entertainment Group N.V. in favour of Česká spořitelna a.s. as a security to the bank loan facility.

Balance sheet items pledged as a security in favour of Česká Spořitelna a.s. represents primarily Cash and cash equivalents (note 5.23) and brand names (note 5.15). Inter-company receivables (which are eliminated from consolidation but are disclosed on the local level of individual statutory financial statements) represent a security in the amount of € 79,030 thousand as of 31 December 2018 (2017: € 53,429 thousand).

DERIVATIVES

Fortuna Group enters into interest rate swap contracts to hedge its risks associated with interest rates. Following tranches are hedged – A2, A4, A5 (100% of notional amount) and B1 (50% of notional amount). Hedged tranches represent about 25% of the total bank loan balance as of 31 December 2018. The hedging is effective and the A tranches (EUR) are hedged until repayment (April 2023). The B tranche (CZK) is hedged until 30 June 2020.

COMPLIANCE WITH BANK COVENANTS

Fortuna Group has to comply with bank loan covenants (leverage and cash flow cover). Fortuna Group provides a compliance certificate and reporting on the covenants on the quarter bases for the twelve-month period ending on 31 March, 30 June, 30 September and 31 December. The main financial covenants are a cash flow cover (last twelve months cash flow / debt service) ratio at of at least 1.1 and leverage (last twelve months EBITDA / net debt) ratio not exceeding 3.0 as of 31 December 2018. These covenants are calculated in accordance with definitions agreed with the lenders. As of 31 December 2018, the cash flow cover ratio was 3.40 and leverage ratio was 1.35.

As of 31 December 2018 and 31 December 2017, Fortuna Group was in compliance with all bank loan covenants.

5.30 Other non-current liabilities

€ 000	31.12.2018	31.12.2017
Liability from Purchase of Subsidiary – Long-term portion	21,654	49,932
Other payables and estimated accounts payable	317	299
Total	21,971	50,231

Liability from Purchase of Subsidiary represents contingent liabilities reported at fair value and related to acquisitions of Hatrick Sports Group in the amount of € 9,437 thousand (in 2017: € 39,358 thousand) and former Fortbet Romanian companies in the amount of € 12,217 thousand (in 2017: € 10,574 thousand). See the detail in note 5.5.

Short-term part of the liability related to acquisition of Hatrick Sports Group is recognized in Other current liabilities, see the note 5.32. Short term part in the amount of € 26,042 thousand is expected to be paid in 2019.

The liability related to former Fortbet Romanian companies is expected to be paid out in the course of 2021.

According to the Share Purchase agreements, the dates of payments of individual purchase parts depend on certain conditions to be satisfied.

5.31 Trade and other payables (current)

€ 000	31.12.2018	31.12.2017
Trade and other payables (current)		
Trade accounts and notes payable	8,361	5,178
Payables to related parties	1	16
Wages and salaries payable	8,521	6,358
Social security and health contributions payable	2,292	1,866
Betting tax and other tax payable	17,367	14,184
Unpaid wins	9,107	6,273
Accrued expenses	10,448	9,245
Received deposits	2	—
Other payables and estimated accounts payable	5,739	4,285
Total	61,837	47,405

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

5.32 Other current liabilities

€ 000	31.12.2018	31.12.2017
Liability from Purchase of Subsidiary – Short-term portion	26,049	—
Other payables and estimated accounts payable	1,604	77
Unresolved bets	2,122	1,581
Total	29,775	1,658

Liability from Purchase of Subsidiary represents contingent liabilities reported at fair value and related to

acquisitions of Hattrick Sports Group in the amount of € 26,049 thousand. In 2017 the earn-out was reported as

a long-term liability. See the detail in note 5.5 and also note 5.30 Other non-current liability.

5.33 Related party disclosures

The consolidated financial statements include the following companies:

CONSOLIDATED ENTITIES	COUNTRY OF INCORPORATION	NATURE OF ACTIVITY
Fortuna Entertainment Group N.V.	The Netherlands	Holding company
RIVERHILL a.s.	Czech Republic	Holding company
ALICELA a.s.	Czech Republic	Holding company
FORTUNA GAME a.s.	Czech Republic	Sports betting and gaming
FORTUNA RENT s.r.o.	Czech Republic	Rentals
FORTUNA online zakłady bukmacherskie Sp. z o.o.	Poland	Sports betting
FORTUNA SK, a.s.	Slovakia	Sports betting
Hattrick – PSK d.o.o.	Croatia	Sports betting and gaming
Hattrick Bet s.r.l.	Romania	Sports betting and gaming
OK Albastru Rosu s.r.l.	Romania	Rentals
PRO HB Slots s.r.l.	Romania	Slots
Fortuna Bet Shops Holding s.r.l.	Romania	Holding company
Fortuna Bet Holding s.r.l.	Romania	Holding company
Bet Active Concept s.r.l.	Romania	Sports betting
Bet Zone s.r.l.	Romania	Sports betting and gaming
Alter Power Plant s.r.l.	Romania	Other
Slot Arena s.r.l.	Romania	Slots
Public Slots s.r.l.	Romania	Slots

Compared to the previous period, there are no longer the disclosed companies Hattrick Sports Group Ltd. and Fortuna Virtual d.o.o. Both companies merged with their subsidiary Hattrick PSK d.o.o. which is the successor of the transaction.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – € 000	31.12.2018	31.12.2017
Other non-current assets		
Digital Park Einsteinova, a.s.	42	42
Total other non-current assets – related parties	42	42
Related party loans rendered		
FORTBET HOLDINGS LIMITED	105,084	—
Total related party loans rendered	105,084	—
Receivables from related parties		
Digital Park Einsteinova, a.s.	50	55
PRIMA banka Slovensko a.s.	25,001	—
Penta funding s.r.o.	20,411	—
Penta Investments Limited	—	—
Total receivables from related parties	45,462	55
Other non-current liabilities – contingent liability, earn-out		
FORTBET HOLDINGS LIMITED	12,217	10,574
Total other non-current liabilities – related parties	12,217	10,574
Payables to related parties		
DÔVERA zdravotná poisťovňa, a.s.	30	23
The Bookkeeper B.V.	—	2
Digital Park Einsteinova, a.s.	95	75
Media and Digital Services a.s.	44	10
Copenhagen Gambling	—	17
Penta Investments Limited	—	4
Total payables to related parties	169	131
Cash in related parties		
Privatbanka, a.s.	137	67
Total cash in related parties	137	67

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS – € 000	2018	2017
Other operating income from related parties		
Bet Zone s.r.l.	—	108
Bet Active Concept s.r.l.	—	412
Total other operating income from related parties	—	520
Financial income from related parties		
FORTBET HOLDINGS LIMITED	84	—
Penta funding s.r.o.	411	—
PRIMA banka Slovensko a.s.	1	—
Total financial income from related parties	496	—
Financial expense from related parties		
FORTBET HOLDINGS LIMITED	—	90
Privatbanka, a.s.	1	4
Total financial expense from related parties	1	94
Purchases from related parties		
DÔVERA zdravotná poisťovňa, a.s.	99	176
Digital Park Einsteinova, a.s.	240	245
AB Facility, s.r.o.	—	6
The Bookkeeper B.V.	—	25
Copenhagen Gambling	—	19
Bory Mall, a.s.	20	17
BM Energy, s.r.o.	—	1
Media and Digital Services a.s.	—	225
Mediworx software solutions a.s.	—	2
News and Media Holding a.s.	—	5
Nemocnice Vrchlabí a.s.	1	—
Penta Investments Limited	9	272
Total purchases from related parties	369	993

As of 31 December 2018, Fortuna's majority shareholder was FORTBET HOLDINGS LIMITED, a subsidiary of Penta Investments Limited, which held a 100% stake. All the above-mentioned companies are part of Penta Group and the sales to, and purchases from, related parties are conducted at normal

market prices. Outstanding balances at the year-end are unsecured, and interest-free, with the settlement being in cash. No guarantees have been provided or received for any related party receivables or payables. For the years ended 31 December 2018 and 2017, respectively, Fortuna Group has not

recorded any impairment of receivables relating to amounts owed by related parties. This assessment is made each financial year by examining the financial position of the related party and the market in which the related party operates. For 2018, the Group also applied the ECL model in accord-

ance with IFRS 9 regarding intergroup receivables and related party balances by using forward looking information. The Group measures ECL determined by evaluating a range of possible outcomes including the possibility that a credit loss occurs, and recovery action plans.

Other operating income from Bet Zone s.r.l. and Bet Active Concept s.r.l. relates to trademark lease and professional services re invoiced with mark-up. Due to the acquisition completed on 31 August 2017, only transactions reported in profit or loss are reported until the closing date. The companies were acquired from the majority shareholder FORTBET HOLDINGS LIMITED (together with Slot Arena s.r.l., and Public Slots s.r.l.). As such the acquisition clas-

sifies as a transaction under common control. The Company applied the acquisition method under IFRS 3 considering the economic substance of the business combination. For more information see note 5.5.

Financial expense from Privatbanka a.s. relates to bank fees and interest on bank account balances.

Purchases from DÔVERA zdravotná poisťovňa, a.s. represent health insurance payments. Purchases from Digital Park Einsteinova, a.s. relate to the rent on office premises.

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

SHARES HELD BY THE MANAGEMENT

As of 31 December 2018, Directors and Members of the Management Board did not hold any shares or stock options issued by the Company.

As of 31 December 2018, Directors and Members of the Supervisory Board did not hold any shares or stock options issued by the Company.

As of 31 December 2018, members of the management of the Group did not hold any shares or stock options issued by the Company.

There was no change in comparison with the state as of 31 December 2017 – no shares were held by management of the Company.

5.34 Commitments and contingencies

OPERATING LEASE COMMITMENTS – THE GROUP AS LESSEE

Operating leases mainly relate to buildings with lease terms of between three to 10 years. All operating lease con-

tracts contain market review clauses for the case in which Fortuna Group exercises its option to renew. The Company does not have an option to purchase the leased assets upon the expiry of the lease period.

Future minimum rental payments payable under non-cancellable operating leases as of 31 December are as follows:

€ 000	2018	2017
Instalments due within one year	15,354	10,251
Instalments due between two and five years	26,358	16,341
Instalments due after more than five years	388	480
Operating lease expense (note 5.9)	42,752	24,263

Some of the contracts also include variable payments dependent on Amounts Staked. These payments have not been

included in the table above as they are not part of the minimum rental payments.

FINANCE LEASE AND HIRE PURCHASE COMMITMENTS – THE GROUP AS LESSEE

Finance leases relate to cars with lease terms of between three to five years. All finance lease contracts contain

market review clauses for the case in which Fortuna Group exercises its option to renew. The Company does not have an option to purchase the leased assets upon the expiry of the lease period.

€ 000	2018	2017
Instalments due within 3 months	133	42
Instalments due between 3 months and within 1 year	581	139
Instalments due after 1 year and within 2 years	651	94
Instalments due after 2 years and within 5 years	536	80
Instalments due after 5 years	—	—
Total minimum lease payments	1,901	355
Future finance charges on finance leases	151	10
Present value of finance lease payments	1,750	345
Carrying amount of assets under finance leases	1,750	345

5.35 Financial risk management objectives and policies

Fortuna Group's principal financial instruments, other than derivatives, comprise of bank loans, cash and short-term deposits. The main purpose of these financial instruments is to raise funds for Fortuna Group's operations. Fortuna Group has various other financial instruments such as current receivables, trade and other payables that arise directly from its operations.

Fortuna Group also enters into derivative transactions, such as interest rate swaps. The purpose of these transactions is to assist in the management of Fortuna Group's financial risk and to generate the desired effective interest rate profile.

Fortuna Group is exposed to market risk, credit risk and liquidity risk.

MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise of three types of risk: interest rate risk, currency risk and other price risks, such as equity risk. Financial instruments affected by market risk include loans and borrowings, cash and cash equivalents, deposits and derivative financial instruments.

The sensitivity analyses in the following sections relate to the positions as of 31 December 2018 and 2017, respectively.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to float-

ing interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant, and on the basis of the hedge designations in place as of 31 December 2018 and 2017, respectively.

The following assumptions have been made in calculating the sensitivity analyses:

- The statement of the financial position sensitivity relates to derivatives
- The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial li-

abilities held as of 31 December 2018 and 2017, respectively, including the effect of hedge accounting.

It is, and has been throughout the year under review, the policy of the Fortuna Group that no trading in financial instruments shall be undertaken other than betting and gaming transactions.

INTEREST RATE RISK

Fortuna Group is exposed to interest rate risk on interest bearing loans and borrowings and on cash and cash equivalents.

Fortuna Group manages interest rate risk by having a portfolio of fixed and variable rate loans. The Group policy aims at having around 25% of its borrowings at fixed interest rates.

Currently about 50% of the bank tranches are secured via derivatives (IRS SWAP). Secured tranches are denominated in EUR and CZK.

FOREIGN CURRENCY RISK

Fortuna Group carries out operations through a number of foreign enterprises. The day to day transactions of foreign subsidiaries are carried out in local currencies. Fortuna Group's exposure to currency risk at the transactional level is monitored and reviewed regularly.

Fortuna Group seeks to mitigate the effect of its structural currency exposure arising from the translation of foreign currency assets through bank loan drawings in the same currencies. However there are bank loans drawn in CZK within the Polish entities and in EUR and CZK within Croatian entities which constitute currency exposure.

The exchange rate risk is kept at an acceptable level since the majority of operations are carried out within operating

companies and hence any movements of currency rates of their functional currencies against each other and the euro (e.g. Czech Koruna, Polish Zloty) does not give rise to significant exchange rate risk.

CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to Fortuna Group. Credit risk arises from cash and cash equivalents, trade receivables and loans.

In relation to its core business substance, Fortuna Group's exposure to credit risk is limited since the vast majority of its sales are carried out on the basis of prepayments made by customers. A marginal part of the pre-payments is executed with the use of credit cards, where management adopts monitoring and a credit control policy which minimises any credit risk exposure.

With respect to trade receivables related to other sales, Fortuna Group ensures that products and services are provided to customers with an appropriate creditworthy history. Risk control assesses the credit quality of customers, taking into account the financial position, past experience and other factors.

Regarding impairment analysis, for 2018, the Group applied the ECL model in accordance with IFRS 9 regarding intergroup receivables and related party balances by using forward looking information. The Group measures ECL determined by evaluating a range of possible outcomes including the possibility that a credit loss occurs and recovery action plans. The possibility of the credit loss occurring (PD) has been estimated by using reasonable and supportable information that is available as the reporting date about past events, current conditions, and forecasts of future eco-

nomie conditions. The Group also used publicly available information from rating agencies.

TRADE RECEIVABLES AND CONTRACT ASSETS

For trade receivables of non-core business assets, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type and rating, and coverage by letters of credit or other forms of credit insurance).

LIQUIDITY RISK

Fortuna Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of borrowings with a range of maturities.

Fortuna Group's policy on liquidity is to ensure that there are sufficient medium-term and long-term committed borrowing facilities to meet the medium-term funding requirements. As of 31 December 2018, there were undrawn committed borrowing facilities of CZK 160,000 thousand (€ 5,922 thousand; 2017: € 5,000 thousand). Total committed facilities had an average maturity of 2 years in 2018 (2017: 3 years).

Prudent liquidity risk management implies maintaining sufficient cash and other liquid assets, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Company's treasury maintains flexibility in funding.

The Company monitors the level of cash on a daily basis and draws bank cash when and if needed.

LIQUIDITY RISK PROFILE

The table below summarises the maturity profile of Fortuna Group's finan-

cial liabilities as of 31 December 2018 and 2017, respectively, based on contractual undiscounted payments:

€ 000	< 1 YEAR	1 TO 3 YEARS	3 TO 5 YEARS	> 5 YEARS	TOTAL
Trade and other payables	28,934	—	—	—	28,934
Interest-bearing loans and borrowings	37,419	72,362	124,299	—	234,080
Financing leasing	714	638	549	—	1,901
Other liabilities	36,559	12,459	1,604	—	50,622
31 December 2018	103,626	85,459	126,452	—	315,537

€ 000	< 1 YEAR	1 TO 3 YEARS	3 TO 5 YEARS	> 5 YEARS	TOTAL
Trade and other payables	47,405	—	—	—	47,405
Interest-bearing loans and borrowings	19,905	38,356	36,426	49,986	144,673
Financing leasing	181	174	—	—	355
Other liabilities	1,896	59,963	—	61	61,920
31 December 2017	69,387	98,493	36,426	50,470	254,353

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

€ 000	1 JANUARY 2018	CASH FLOWS - DRAWN	CASH FLOWS - REPAID	RECLASSIFIED AS PART OF DISPOSAL GROUP / NEW ACQUISITIONS	FOREIGN EXCHANGE MOVEMENT	CHANGES IN FAIR VALUE	NEW LEASES	OTHER	31 DECEMBER 2018
Current interest-bearing loans and borrowings (excluding items listed below)	16,048	—	(6,150)	—	145	—	—	22,769	32,812
Current obligations under finance leases and hire purchase contracts	20	—	(8)	—	1	—	—	356	369
Non-current interest-bearing loans and borrowings (excluding items listed below)	113,615	105,000	(10,114)	—	923	—	—	(22,769)	186,655
Non-current obligations under finance leases	335	—	(203)	—	26	—	1,730	(356)	1,532
Dividends payable	—	—	—	—	—	—	—	—	—
Derivatives	66	—	—	—	—	(24)	—	—	42
Total	130,084	105,000	(16,475)	—	1,095	(24)	1,730	—	221,410

€ 000	1 JANUARY 2017	CASH FLOWS - DRAWN	CASH FLOWS - REPAID	RECLASSIFIED AS PART OF DISPOSAL GROUP / NEW ACQUISITIONS	FOREIGN EXCHANGE MOVEMENT	CHANGES IN FAIR VALUE	NEW LEASES	OTHER	31 DECEMBER 2017
Current interest-bearing loans and borrowings (excluding items listed below)	5,528	—	(5,569)	—	41	—	—	16,048	16,048
Current obligations under finance leases and hire purchase contracts	—	—	(2)	22	—	—	—	—	20
Non-current interest-bearing loans and borrowings (excluding items listed below)	24,625	136,951	(35,122)	—	3,209	—	—	(16,048)	113,615
Non-current obligations under finance leases	—	—	(95)	373	(5)	—	62	—	335
Dividends payable	—	—	—	—	—	—	—	—	—
Derivatives	—	—	—	—	—	66	—	—	66
Total	30,153	136,951	(40,788)	395	3,245	66	62	—	130,084

INTEREST RATE SENSITIVITY

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other

variables held constant, of Fortuna Group's profit before tax and equity (through the impact on floating rate borrowings):

	INCREASE/(DECREASE) IN INTEREST RATE BY	EFFECT ON PROFIT BEFORE TAX € 000	EFFECT ON OTHER COMPREHENSIVE INCOME € 000
2018			
CZK	1% / (1%)	(263) / 263	129 / (129)
PLN	1% / (1%)	(13) / 13	— / —
EUR	1% / (1%)	(1,051) / 1,051	297 / (297)
RON	1% / (1%)	(188) / 188	— / —
HRK	1% / (1%)	(164) / 164	— / —
		(1,679) / 1,679	426 / (426)
2017			
CZK	1% / (1%)	(294) / 294	132 / (132)
PLN	1% / (1%)	(16) / 16	— / —
EUR	1% / (1%)	— / —	366 / (366)
RON	1% / (1%)	(228) / 228	— / —
HRK	1% / (1%)	(157) / 157	— / —
		(695) / 695	498 / (498)

FOREIGN CURRENCY RISK SENSITIVITY

The following table demonstrates the sensitivity to a change in foreign ex-

change rates, with all other variables held constant, of the Group's equity arising from the translation of the foreign operations:

INCREASE / DECREASE IN EXCHANGE RATE BY 1%	(DECREASE) / INCREASE IN EQUITY € 000
As of 31 December 2018:	
CZK/EUR	(334) / 334
PLN/EUR	(16) / 16
RON/EUR	(483) / 483
HRK/EUR	(115) / 115
As of 31 December 2017:	
CZK/EUR	(358) / 358
PLN/EUR	(118) / 118
RON/EUR	(408) / 408
HRK/EUR	(100) / 100

There are loan tranches denominated in CZK and RON. Those loans can have a significant impact on the foreign ex-

change losses and foreign exchange gains. The bank loans are not secured against the exchange rate movements.

INCREASE / DECREASE IN EXCHANGE RATE BY 1%	(DECREASE) / INCREASE IN BANK LOANS € 000
As of 31 December 2018:	
CZK/EUR	(418) / 418
RON/EUR	(188) / 188

INCREASE / DECREASE IN EXCHANGE RATE BY 1%	(DECREASE) / INCREASE IN EQUITY € 000
As of 31 December 2017:	
CZK/EUR	(613) / 613
PLN/EUR	(231) / 231

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

CAPITAL MANAGEMENT

Capital includes equity attributable to the equity holders of the parent.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support the business and maximise shareholder value.

Fortuna manages its capital structure and makes adjustments to it in light

of changes in economic conditions. To maintain or adjust the capital structure, Fortuna may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Fortuna monitors capital using a gearing ratio defined as net debt divided by EBITDA. The Group's policy is to keep the gearing ratio below 1.1.

Fortuna includes interest bearing short-term and long-term loans and borrowings less cash and cash equivalents in net debt. The Company defines EBITDA as net profit after tax before non-controlling interest, income tax, net financial costs, depreciation and amortisation, tangible and intangible assets impairment and goodwill impairment.

€ 000	31.12.2018	31.12.2017
Interest bearing loans and borrowings:		
Long-term loans	184,806	113,615
Current portion of long-term loans	32,263	16,048
Short-term loans	—	—
	217,069	129,663
Less cash and cash equivalents	84,378	80,716
Net debt	132,691	48,947

€ 000	2018	2017
Profit before taxation	60,214	25,220
Finance costs, net	1,651	15,219
Goodwill impairment	—	—
Depreciation and amortisation	20,140	11,797
Intangible assets impairment	—	2,921
EBITDA	82,005	55,152
Gearing ratio	1,62	0.89

5.36 Events after the balance sheet day

No significant event occurred between the balance sheet date and the date of the financial statements.

Amsterdam, 29 March 2019



Per Widerström

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



Marek Rendek

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

6

Corporate Financial Statements of Fortuna Entertainment Group N.V.

As of 31 December 2018

Table Of Contents

Statement of the financial position.	112-113
Statement of comprehensive income	114
Statement of cash flows.	115
Statement of changes in equity.	116
Notes to the financial statements	117-147

Statement of the financial position as of 31 December 2018

€ 000	NOTES	31 DECEMBER 2018	31 DECEMBER 2017
ASSETS			
Non-current assets			
Intangible assets	6.5	—	—
Property, plant and equipment	6.6	—	—
Investments in subsidiaries	6.7	194,516	194,510
Financial assets	6.8	105,290	203
Other non-current assets	6.9	—	6
Total non-current assets		299,806	194,719
Current assets			
Receivables from related parties	6.23	—	—
Prepayments and other current assets	6.10	59	104
Loan notes	6.11	10,206	—
Bank term deposit	6.11	25,001	—
Cash and cash equivalents	6.12	1,478	556
Total current assets		36,744	660
TOTAL ASSETS		336,550	195,379

€ 000	NOTES	31 DECEMBER 2018	31 DECEMBER 2017
EQUITY AND LIABILITIES			
Shareholders' equity	6.13		
Share capital		520	520
Share premium		115,705	115,705
Retained earnings		61,591	58,150
Profit for the year		13,793	3,441
Total Equity		191,609	177,816
Non-current liabilities			
Long-term bank loans	6.14	87,974	—
Loans from Group companies	6.15, 6.23	39,585	7,912
Total non-current liabilities		127,559	7,912
Current liabilities			
Creditors	6.16	95	182
Loans from Group companies	6.15, 6.23	—	8,747
Payables to related parties	6.23	119	344
Current portion of long-term bank loans	6.14	16,443	—
Accruals and other current liabilities	6.17	725	378
Total current liabilities		17,382	9,651
EQUITY AND LIABILITIES		336,550	195,379

Statement of comprehensive income for the year ended 31 December 2018

€ 000	NOTES	2018	2017
Dividend income	6.18	15,277	5,950
Net royalty income		25	13
Revenues		15,302	5,963
Personnel expenses	6.19	(280)	(182)
Depreciation and amortisation	6.5, 6.6	—	(5)
Other operating expenses	6.20	(774)	(2,028)
Operating profit		14,248	3,748
Finance income	6.21	308	85
Finance cost	6.22	(763)	(392)
Profit before tax		13,793	3,441
Income tax expense		—	—
Net profit for the year		13,793	3,441
Other comprehensive income for the year		—	—
Total comprehensive income for the year		13,793	3,441

Statement of cash flows for the year ended 31 December 2018

€ 000	NOTES	2018	2017
Cash flows from operating activities			
Profit before tax		13,793	3,441
Adjustments for:			
Depreciation and amortisation		—	5
Impairment of investment in subsidiary		—	—
Net interest expense (income)	(6.22, 6.11, 6.8)	109	288
Operating cash flow before working capital changes		13,902	3,734
(Increase) / Decrease in other current assets		5	—
(Increase) / Decrease in receivables		95	(83)
(Decrease) / Increase in payables and other liabilities		(14)	770
Cash generated from operating activities		13,988	4,421
Corporate income tax paid		—	—
Net cash flows provided by / (used in) operating activities		13,988	4,421
Cash flows from investing activities			
Net proceeds from borrowings (provided)	(6.8)	(105,000)	(200)
Purchase of short-term financial instruments		(35,000)	—
Purchase of equipment and intangible fixed assets		—	—
Proceeds / (Acquisition) of financial fixed assets		—	—
Acquisition of subsidiaries		(6)	(15,503)
Net cash flows provided by / (used in) investing activities		(140,006)	(15,703)
Cash flows from financing activities			
Net proceeds from borrowings (received)	(6.15)	22,600	3,400
Net proceeds from bank loans		104,340	—
Interest paid		—	—
Dividend paid		—	—
Additional withholding tax paid		—	—
Net cash flows (used in)/provided by financing activities		126,940	3,400
Net increase / (decrease) in cash and cash equivalents		922	(7,882)
Cash and cash equivalents at the beginning of the year		556	8,437
Cash and cash equivalents at the end of the year		1,478	556

In 2018 FEGNV received dividends of € 15,277 thousand and in 2017 dividends of € 6,011 thousand.

Statement of changes in equity for the year ended 31 December 2018

	SHARE CAPITAL	SHARE PREMIUM	LEGAL RESERVE	PROFIT FOR THE YEAR	RETAINED EARNINGS	TOTAL
As of 1 January 2018	520	115,705	5,155	3,441	52,995	177,816
Appropriation of net result	—	—	—	(3,441)	3,441	—
Legal reserve on development cost	—	—	(4,791)	—	4,791	—
Profit for the year	—	—	—	13,793	—	13,793
As of 31 December 2018	520	115,705	364	13,793	61,227	191,609

Legal reserve on development cost represents the amount corresponding with the balance of internally developed in-

tangible assets which is not yet put in use on the Group level.

€ 000	SHARE CAPITAL	SHARE PREMIUM	LEGAL RESERVE	PROFIT FOR THE YEAR	RETAINED EARNINGS	TOTAL
As of 1 January 2017	520	115,705	9,217	6,937	41,996	174,375
Appropriation of net result	—	—	—	(6,937)	6,937	—
Legal reserve on development cost	—	—	(4,062)	—	4,062	—
Profit for the year	—	—	—	3,441	—	3,441
As of 31 December 2017	520	115,705	5,155	3,441	52,995	177,816

Notes to the financial statements as of 31 December 2018

6.1 Corporate information

The financial statements for the year ended 31 December 2018 of Fortuna Entertainment Group N.V. ("FEGNV") comprise of the statements of the financial position as of 31 December 2018 and 31 December 2017, respectively, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the years ended 31 December 2018 and 31 December 2017, respectively, as well as of a summary of significant accounting policies and other explanatory notes.

The Company's registered office is at Strawinskylaan 809, Amsterdam, Netherlands, Chamber of Commerce number 34364038. A total 100.00% of the shares of the Company are held by Fortbet Holdings Limited, having its registered office at Agias Fylaxeos & Polygnostou 212, C&I Center, 2nd floor, 3082 Limassol, Cyprus.

The Company has issued non statutory general purpose consolidated financial statement prepared in accordance with International Financial Reporting Standards (EU) on the same date of is-

suance of these stand alone financial statements. These financial statements should be read in conjunction with the IFRS consolidate financial statements to enable users to obtain appropriate and better understanding of the Group's financial performance, financial position, statement of changes in equity, and cash flows generated by the Group.

6.1.1 Description of business

Fortuna Entertainment Group N.V. is engaged through operating subsidiaries in the betting industry under local licences in the Czech Republic, Slovakia, Romania, Croatia and in Poland. Sports betting is the key product of FEGNV with the most popular betting events being football, ice hockey and basketball. The odds are distributed to customers via online websites and retail chains in the Czech Republic, Slovakia, Romania, Croatia and Poland.

FEGNV had the following members of its Management as of 31 December 2018:

MANAGEMENT BOARD

Chairman:	Per Widerström
Member:	Marek Rendek

The Annual General Meeting held on 11 June 2018 appointed new member of the Management Board Mr. Marek Rendek. Ms. Janka Galacova stepped down from the Management Board after her eight-year term expired. The General Meeting accepted the resignation letter of Mr. Boudewijn Wenting from the Management Board.

An Extraordinary General Meeting held on 11 November 2018 dismissed members of the Supervisory Board and accepted the resignation letter submitted by member of the Board of Directors, Mr. Richard van Bruchem.

No further changes in the composition of the Management Board and the Supervisory Board occurred in 2018.

6.2 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. IFRS comprises of standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial

Reporting Interpretations Committee ("IFRIC").

These financial statements do not represent statutory financial statements, and are not prepared for the purposes of submission to the regulatory bodies.

The financial statements were prepared on a historical cost basis unless disclosed otherwise.

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

6.3 Summary of significant accounting policies

The accounting policies used in preparing the financial statements for the year ended 31 December 2018 are set out below.

6.3.1 Intangible assets

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

The useful lives of intangible assets are assessed as either finite or indefinite. The straight-line amortisation method is used.

USEFUL LIFE	
Software	5 years

6.3.2 Property, plant and equipment

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

USEFUL LIFE	
Office furniture and equipment	5 years

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

An item of property, plant and equipment and any significant part initially rec-

ognised is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

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

RECOVERABLE AMOUNT OF NON-CURRENT ASSETS

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

For goodwill, and intangible assets that have indefinite useful lives, the recover-

able amount is estimated at each balance sheet date.

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

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

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

6.3.3 Investments in subsidiaries

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

A subsidiary is an entity that is directly or indirectly controlled by the Company.

Control is achieved when the Company, or through its subsidiaries, is exposed, or

has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has:

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

6.3.4 Financial assets and financial liabilities – 2018

FINANCIAL ASSETS – CLASSIFICATION

From 1 January 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI to be classified at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For investments in equity instruments that are not held for trading, classification will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI. This election is made on an investment by investment basis.

All other financial assets are classified as measured at FVTPL.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

FINANCIAL ASSETS – RECOGNITION AND DERECOGNITION

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Company commits to deliver a financial instrument. All other purchases and sales are recognized when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

FINANCIAL ASSETS – MEASUREMENT

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the finan-

cial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

DEBT INSTRUMENTS

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in 'other income'. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income. Financial assets measured at amortised cost comprise: cash and cash equivalents, bank deposits with original maturity over 3 months, trade receivables and financial assets at amortised cost.

FVOCI: Assets that are held for collection of contractual cash flows and for selling

the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses).

FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss in the period in which it arises.

EQUITY INSTRUMENTS

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment, any related balance within the FVOCI reserve is reclassified to retained earnings. The Company's policy is to designate equity investments as FVOCI when those investments are held for strategic purposes other than solely to generate investment returns. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in the consolidated statement of profit or loss and other comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not

reported separately from other changes in fair value.

FINANCIAL ASSETS - IMPAIRMENT - CREDIT LOSS ALLOWANCE FOR ECL

From 1 January 2018, the Company assesses on a forward looking basis the ECL for debt instruments (including loans) measured at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of profit or loss and other comprehensive income.

Debt instruments measured at amortised cost are presented in the consolidated statement of financial position net of the allowance for ECL. For loan commitments and financial guarantee contracts, a separate provision for ECL is recognised as a liability in the consolidated statement of financial position.

For debt instruments at FVOCI, an allowance for ECL is recognised in profit

or loss and it affects fair value gains or losses recognised in OCI rather than the carrying amount of those instruments.

Expected losses are recognized and measured according to one of two approaches: general approach or simplified approach.

For trade receivables including trade receivables with a significant financing component and contract assets and lease receivables the Company applies the simplified approach permitted by IFRS 9, which uses lifetime expected losses to be recognised from initial recognition of the financial assets. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For all other financial asset that are subject to impairment under IFRS 9, the Company applies general approach three stage model for impairment. The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit impaired on initial recognition is classified in Stage 1.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 month ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL").

Refer to note 3.10, Credit risk section for a description of how the Company determines when a SICR has occurred. If the Company determines that a financial asset is credit impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Company's definition of credit impaired assets and definition of default is explained in note 3.10, Credit risk section.

Additionally the Company has decided to use the low credit risk assessment exemption for investment grade financial assets. Refer to note 3.10, Credit risk section for a description of how the Company determines low credit risk financial assets.

FINANCIAL ASSETS - RECLASSIFICATION

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

FINANCIAL ASSETS - WRITE OFF

Financial assets are written off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write off represents a derecognition event. The Company may write off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

FINANCIAL ASSETS - MODIFICATION

The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company assesses whether the modification of contractual cash flows is substantial

considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (eg. profit share or equity based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Company also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Company compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

FINANCIAL ASSETS AT AMORTISED COST

These amounts generally arise from transactions outside the usual operating activities of the Company. These are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Financial assets at amortised cost are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non current assets.

FINANCIAL LIABILITIES – MEASUREMENT CATEGORIES

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

6.3.5 Financial assets – 2017

Financial assets within the scope of IFRS 9 are classified as

- financial assets at fair value through profit or loss
- financial assets at amortised cost (debt instruments)
- financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

FEGNV determines the classification of its financial assets on initial recognition.

Trade receivables are generally accounted for at amortised cost. FEGNV reviews indicators of impairment on an ongoing basis and, where indicators exist, FEGNV makes an estimate of the assets' recoverable amounts.

6.3.6 Financial liabilities – 2017

Financial liabilities comprise of interest-bearing loans and borrowings. On initial recognition, financial liabilities are measured at fair value less transaction costs where they are not categorised as financial liabilities at fair value through profit or loss. Except for derivative financial instruments, FEGNV has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are measured initially at fair value, with transaction costs taken

directly to the statement of profit or loss. Subsequently, the fair values are re-measured and gains and losses from changes therein are recognised in the statement of profit or loss.

6.3.7 De-recognition of financial assets and liabilities

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

The rights to receive cash flows from the asset have expired.

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

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

Continuing involvement, which takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset

and the maximum amount of consideration that FEGNV could be required to repay.

6.3.8 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. The amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs.

INTEREST-BEARINGS LOANS AND BORROWINGS

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

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

6.3.9 Foreign currency translation

The presentation and functional currency of FEGNV is the Euro ("EUR" or "€").

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign currency rate of exchange prevailing at the balance sheet date. All differences are taken to the statement of profit or loss.

Non-monetary items that are measured in terms of the historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

6.3.10 Expenses

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

6.3.11 Contingencies

Contingent assets are not recognised in the financial statements but are disclosed when an inflow of economic benefits is probable. Contingent liabilities are not recognised in the financial statements. They are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote.

6.3.12 New and amended standards and interpretations

The Company applied IFRS 15, IFRS 9 and several other amendments and interpretations for the first time in 2018. None of the changes have any impact on the consolidated financial statements of the Company. The Company has not earlier adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 9 FINANCIAL INSTRUMENTS

(a) Classification and measurement

The new standard requires debt financial assets to be classified into two measurement categories: those to be measured subsequently at fair value, either through other comprehensive income (FVOCI) or through profit or loss (FVTPL) and those to be measured at amortized cost. The determination is made at initial recognition. For debt financial assets the classification depends on the entity's business model for managing its financial instruments and the contractual cash flows characteristics of the instruments. For equity financial assets it depends on the entity's intentions and designation.

In particular, assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Lastly, assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

For investments in equity instruments that are not held for trading, the classification depends on whether the entity has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. If no such election has been made or the investments in equity instruments are held for trading they are required to be classified at fair value through profit or loss.

The classification and measurement requirements of IFRS 9 did have only an immaterial impact on the Company. The Company continued measuring at fair value all financial assets previously held at fair value under IAS 39.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets as well as cash deposits held at banks.

IFRS 9 also introduces a single impairment model applicable for debt instruments at amortised cost and fair value through other comprehensive income and removes the need for a triggering event to be necessary for recognition of impairment losses. The new impairment model under IFRS 9 requires the recognition of allowances for doubtful debts based on expected credit losses (ECL), rather than incurred credit losses as under IAS 39. The standard further introduces a simplified approach for calculating impairment on trade receivables as well as for calculating impairment on contract assets and lease receivables, which also fall within the scope of the impairment requirements of IFRS 9.

Upon the adoption of IFRS 9, the Company recognised no additional impairment on the Company's. Trade receivables or cash held as deposits with banks.

In accordance with the transition provisions in IFRS 9, the Company has elected the simplified transition method for adopting the new standard. Accordingly, any effect of transition to IFRS 9 should be recognised as at 1 January 2018 as an adjustment to the opening retained earnings (or other components of equity, as appropriate). In accordance with the transition method elected by the Company for implementation of IFRS 9 the comparatives have not been restated but are stated based on the previous policies which comply with IAS 39. However, for presentation purposes, the assets and liabilities at 31 December 2017 have been reclassified in accordance with the IFRS 9 principles, hence have been re-presented. The re-presentation had no material impact on the consolidated financial statements.

6.3.13 Future accounting developments

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 16 LEASES

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions) in a similar way to finance leases under IAS 17 with recognition exemptions for leases of 'low-value' assets and short-term leases. Lessees recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and deprecia-

tion separately. Reassessment of certain key considerations (e.g. the lease term, variable rents based on an index or rate, the discount rate) by the lessee is required upon certain events. Lessor accounting is substantially the same as today's lessor accounting, using IAS 17's dual classification approach. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. The new standard is effective for the financial years beginning on or after 1 January 2019, with certain transition reliefs permitted. Early application is permitted, but not before an entity applies IFRS 15 – Revenue from Contract with Customers. Entities that are lessees are allowed to choose either a full retrospective or a modified retrospective transition approach.

The Company is assessing the impact of IFRS 16. As of 31.12.2018, there is no lease contract which meets IFRS 16 criteria. The new standard has no impact on the balance sheet and equity of the Company.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates

- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Company will apply the interpretation from its effective date.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the consolidated financial statements of the Group.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint

venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Company will apply these amendments when they become effective.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without

considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Company.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:

- **IFRS 3 Business Combinations**

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply on future business combinations of the Group.

- **IFRS 11 Joint Arrangements**

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint

operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- **IAS 12 Income Taxes**

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first

applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

- **IAS 23 Borrowing Costs**

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

6.4 Use of accounting judgements, estimates and assumptions

JUDGEMENTS

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material

adjustment to the carrying amount of the asset or liability affected in future periods.

ESTIMATES

The key assumptions concerning future and other key sources of uncertainty in estimation at the reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within

the next financial year, are discussed below:

RECOVERABLE AMOUNTS OF RECEIVABLES

The Company performed impairment assessment analysis by using the ECL model and exercised judgement to estimate recoverable amounts based on various economic scenarios, recovery rates, and probability of defaults.

6.5 Intangible assets

€ 000	SOFTWARE	TOTAL
Cost:		
1 January 2018	303	303
Additions	—	—
Disposals	—	—
31 December 2018	303	303
Accumulated amortisation:		
1 January 2018	303	303
Additions	—	—
Disposals	—	—
31 December 2018	303	303
Carrying amount 31 December 2018	—	—
Carrying amount 1 January 2018	—	—

€ 000	SOFTWARE	TOTAL
Cost:		
1 January 2017	303	303
Additions	—	—
Disposals	—	—
31 December 2017	303	303
Accumulated amortisation:		
1 January 2017	298	298
Additions	5	5
Disposals	—	—
31 December 2017	303	303
Carrying amount 31 December 2017	—	—
Carrying amount 1 January 2017	5	5

6.6 Property, plant and equipment

€ 000	OTHER FIXED ASSETS	TOTAL
Cost:		
1 January 2018	9	9
31 December 2018	9	9
Accumulated amortisation:		
1 January 2018	9	9
Additions	—	—
Disposals	—	—
31 December 2018	9	9
Carrying amount 31 December 2018	—	—
Carrying amount 1 January 2018	—	—

€ 000	OTHER FIXED ASSETS	TOTAL
Cost:		
1 January 2017	9	9
31 December 2017	9	9
Accumulated amortisation:		
1 January 2017	9	9
Additions	—	—
Disposals	—	—
31 December 2017	9	9
Carrying amount 31 December 2017	—	—
Carrying amount 1 January 2017	—	—

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

6.7 Investments in subsidiaries

FEGNV held the following subsidiaries as of 31 December 2018:

ENTITY NAME	COUNTRY OF INCORPORATION	PERCENTAGE HELD 31. 12. 2018	PRINCIPAL ACTIVITY	HISTORIC COST € 000	CARRYING AMOUNT 31. 12. 2018 € 000
(i) RIVERHILL a.s.	Czech Republic	100%	Holding	105,977	105,977
(ii) FORTUNA SK, a.s.	Slovak Republic	100%	Entertainment	70,000	70,000
(iii) FORTUNA online zakłady bukmacherskie Sp. z o.o.	Poland	33.33%	Entertainment	3,030	3,030
(iv) Hatrick PSK d.o.o (Fortuna Virtual d.o.o.)	Croatia	100%	Entertainment	6,003	6,003
(v) Fortuna Bet Shops Holding s.r.l.	Romania	100%	Holding	5,250	5,250
(vi) Fortuna Bet Holding s.r.l.	Romania	100%	Holding	4,250	4,250
(vii) PRO HB Slots s.r.l.	Romania	100%	Entertainment	6	6
31 December 2018				194,516	194,516

MOVEMENTS IN INVESTMENTS IN SUBSIDIARIES

MOVEMENTS 2018	1.1.2018 € 000	ACQUISITION SHARE € 000	ADDITIONS SHARE € 000	IMPAIRMENT € 000	31.12.2018 € 000
(i) RIVERHILL a.s.	105,977	—	—	—	105,977
(ii) FORTUNA SK, a.s.	70,000	—	—	—	70,000
(iii) FORTUNA online zakłady bukmacherskie Sp. z o.o.	3,030	—	—	—	3,030
(iv) Hatrick PSK d.o.o. (Fortuna Virtual d.o.o.)	6,003	—	—	—	6,003
(v) Fortuna Bet Shops Holding s.r.l.	5,250	—	—	—	5,250
(vi) Fortuna Bet Holding s.r.l.	4,250	—	—	—	4,250
(vii) PRO HB Slots s.r.l.	—	6	—	—	6
Total	194,510	—	—	—	194,516

MOVEMENTS 2017	1.1.2017 € 000	ACQUISITION SHARE € 000	ADDITIONS SHARE € 000	IMPAIRMENT € 000	31.12.2017 € 000
(ii) RIVERHILL a.s.	105,977	—	—	—	105,977
(iii) FORTUNA SK, a.s.	70,000	—	—	—	70,000
(iv) FORTUNA online zakłady bukmacherskie Sp. z o.o.	3,030	—	—	—	3,030
(v) Fortuna Virtual d.o.o.	—	6,003	—	—	6,003
(vi) Fortuna Bet Shops Holding s.r.l.	—	5,250	—	—	5,250
(vii) Fortuna Bet Holding s.r.l.	—	4,250	—	—	4,250
Total	179,007	15,503	—	—	194,510

On 20 March 2017, the Company founded Fortuna Virtual d.o.o., based in Croatia. Fortuna Virtual was founded as a holding company with the purpose of acquiring Hatrick Group (Hattrick Sports Group Ltd. as a parent company and its subsidiaries operating in Romania and Croatia). On 19 May 2017, the transaction was closed.

In 2018, Fortuna Virtual d.o.o. merged with the holding company Hatrick Sports Group Ltd. (June 2018) as the successor. Subsequently (November 2018), Fortuna Virtual merged with Hatrick PSK

d.o.o. (HR) – Hatrick PSK as a successor. Since then, FEGNV has held a direct 100% share in Hatrick PSK d.o.o.

On 5 April 2017, the Company founded Fortuna Bet Shops Holding s.r.l., based in Romania. Fortuna Bet Shops Holding was founded as a holding company with the purpose of acquiring Romanian company Bet Active Concept s.r.l. On 31 August 2017 the transaction was closed.

On 4 April 2017, the Company founded Fortuna Bet Holding s.r.l., based in Romania. Fortuna Bet Holding was founded

as a holding company with the purpose of acquiring Romanian companies Bet Zone s.r.l., Public Slots s.r.l. and Slot Arena s.r.l. On 31 August 2017, the transaction was closed. In October 2017, the subsidiary OK Albastru Rosu s.r.l. founded PRO HB Slots s.r.l., based in Romania. The company was established with purpose to run slot business in Romania. In April 2018 FEGNV took over PRO HB Slots.

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

6.8 Long term Financial assets

FEGNV granted loans to the following subsidiaries:

- Fortuna Bet Shops Holding s.r.l. (hereinafter "FBSH")
- Fortuna Bet Holding s.r.l. (hereinafter "FBH")

The parent company granted loans to Romanian holding companies FORTUNA Bet Shops Holding s.r.l. and Fortuna Bet Holding s.r.l. in 2017.

In 2018, FEGNV granted a loan to its parent company Fortbet Holdings Ltd. (CY),

hereinafter "Fortbet". The loan was split into two tranches.

The following facilities were rendered:

COMPANY	FACILITY € 000	STARTING DATE	EXPIRATION DATE	EFFECTIVE AVERAGE INTEREST %
FBSH	114	3 Jul 17	30 Jun 23	1.900% ¹
FBH	92	3 Jul 17	30 Jun 23	1.900% ¹
Fortbet Holdings	74,391	20 Dec 18	24 Apr 23	2.360% ²
Fortbet Holdings	30,693	20 Dec 18	24 Apr 23	2.460% ²
Total	105,290			

¹ The facility bears an interest equal to the interest payable by the Company to the banks under the loan contract + margin of 0.5%.

² The facility bears an interest equal to the interest payable by the Company to the banks under the loan contract + margin of 0.31%, see below, 6.14 Bank loans

MOVEMENTS IN THE LOAN FACILITIES DURING 2018

€ 000	FBSH	FBH	FORTBET	FORTBET	TOTAL
1 January 2018	112	91	—	—	203
Additions	—	—	74,332	30,668	105,000
Interest	2	1	59	25	87
Repayments	—	—	—	—	—
Currency translation	—	—	—	—	—
31 December 2018	114	92	74,391	30,693	105,290
Of which current portion	—	—	—	—	—

€ 000	FBSH	FBH	TOTAL
1 January 2017	—	—	—
Additions	110	90	200
Interest	2	1	3
Repayments	—	—	—
Currency translation	—	—	—
31 December 2017	112	91	203
Of which current portion	—	—	—

All the rendered loans are denominated in EUR. Intercompany receivables are pledged in favour of Česká Spořitelna a.s.

6.9 Other non-current assets

€ 000	2018	2017
Deposits	—	6
31 December	—	6

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

6.10 Prepayments and other current assets

These consist of the following:

€ 000	2018	2017
Dutch VAT receivable	—	60
Deposits	6	—
Prepaid office rent	—	5
Other	53	39
31 December	59	104

6.11 Short-term Financial assets

€ 000	2018	2017
Loan notes	10,000	—
Loan notes (interest)	206	—
31 December	10,206	—

The Company acquired a Loan note from a related party, Penta Funding a.s. The Loan note is due in June 2019 and bears a fixed interest rate of 3.7%.

TERM DEPOSITS – € 000	2018	2017
Term deposit	25,000	—
Term deposit (interest)	1	—
31 December	25,001	—

The Company deposited cash in the amount of 25,000 tsd. EUR to a related party, PRIMA bank a.s. The term deposit is due in April 2019.

6.12 Cash and cash equivalents

€ 000	2018	2017
Cash at banks	1,478	556
31 December	1,478	556

The total amount of cash at banks includes an amount of € 59 thousand (2017: € 18 thousand) outstanding at related companies.

6.13 Shareholder's equity

AUTHORISED SHARES

	2018 # OF SHARES THOUSANDS	2017 # OF SHARES THOUSANDS
Ordinary shares of € 0.01 each	250,000	250,000
31 December	250,000	250,000

ORDINARY SHARES ISSUED AND FULLY PAID

	# OF SHARES THOUSAND	PAR VALUE PER SHARE – €	SHARE CAPITAL € 000
31 December 2018	52,000	0.01	520
31 December 2017	52,000	0.01	520

As of 31.12.2018, all the shares are owned by FORTBET Holdings Ltd.

All the shares issued by the Company are pledged as security for the bank loan facilities.

6.14 Bank loans

The summary of the actual structure of the loans from Česká Spořitelna, a.s. is provided below:

LONG-TERM BANK LOANS	CURRENCY	EFFECTIVE INTEREST RATE	MATURITY	2018 € 000
Facility A8	EUR	3M EURIBOR + 2.05%	April 2023	73,727
Facility B3	EUR	3M EURIBOR + 2.15%	April 2023	30,690
of which current portion				(16,443)
Total bank loans				104,417

Balance sheet items pledged as a security in favour of Česká Spořitelna a.s. represent primarily shares of subsidiary companies (see note 6.7), cash and cash equivalents (note 6.12) and intercompany receivables (intercompany loans, note 6.8).

Those two tranches are part of the syndicated bank loan described in the notes to the consolidated financial statements of Fortuna Group (see note 5.29). The description contains complete information on the security in favour of the financing banks.

The parent company, Fortbet Holdings Limited, pledged all the shares of Fortuna Entertainment Group N.V. in favour of Česká spořitelna a.s. as a security to the bank loan facility.

Fortuna Group has to comply with bank loan covenants (leverage and cash flow cover) based on consolidated financials. Fortuna Group provides a compliance certificate and reporting on the covenants on a quarterly basis for the 12-month periods ending on 31 March, 30 June, 30 September

and 31 December. The main financial covenants are a cash flow cover (last 12 months' cash flow / debt service) ratio of at least 1.1 and a leverage (last 12 months' EBITDA / net debt) ratio not exceeding 3.0 as of 31 December 2018. These covenants are calculated in accordance with defini-

tions agreed with the lenders. As of 31 December 2018, the cash flow cover ratio was 3.40 and the leverage ratio was 1.35.

As of 31 December 2018 and 31 December 2017, Fortuna Group was in compliance with all bank loan covenants.

6.15 Loans from group companies

FEGNV received loans from the following subsidiaries:

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

- FORTUNA online zakłady bukmacherskie Sp. z o.o. (FPL)

The parent company received new loans in the total amount of 22,600 tsd. EUR from its subsidiaries in 2018.

Loans provided by FORTUNA SK a.s. were consolidated into one loan with a prolonged maturity date at the end of 2018.

The following facilities were obtained:

COMPANY	FACILITY € 000	STARTING DATE	EXPIRATION DATE	EFFECTIVE AVERAGE INTEREST %
FSK	20,485	31 Dec.18	24 Apr 23	2.000% ¹
FG	1,540	3 Aug 17	30 Jun 23	1.600% ²
FG	2,551	3 Aug 17	30 Jun 23	1.631% ²
FZB	15,009	17 Dec 18	24 Apr 23	1.400% ²
Total facilities	39,585			

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

2 The facility bears an interest of 3 month EURIBOR + 140 points.

MOVEMENTS IN THE LOAN FACILITIES DURING 2018

€ 000	FORTUNA SK	FORTUNA GAME	FORTUNA PL	RIVERHILL	TOTAL
1 January 2018	13,224	3,435	—	—	16,659
Additions	7,000	600	15,000	—	22,600
Interest	261	56	9	—	326
Repayments	—	—	—	—	—
Currency translation	—	—	—	—	—
31 December 2018	20,485	4,091	15,009	—	39,585
Of which current portion	—	—	—	—	—

MOVEMENTS IN THE LOAN FACILITIES DURING 2017

€ 000	FORTUNA SK	FORTUNA GAME	FORTUNA PL	RIVERHILL	TOTAL
1 January 2017	12,968	—			12,968
Additions	—	3,400	—	—	3,400
Interest	256	35	—	—	291
Repayments	—	—	—	—	—
Currency translation	—	—	—	—	—
31 December 2017	13,224	3,435	—	—	16,659
Of which current portion	8,747	—	—	—	8,747

All the loans are denominated in EUR.

6.16 Creditors

€ 000	2018	2017
Third party creditors	95	182
31 December	95	182

As of 31 December 2018 the creditors were denominated in the following currencies:

€ 000	LOCAL CURRENCY	EQUIVALENT IN EUR
EUR	94	94
CZK	12	1

6.17 Accruals and other current liabilities

These consist of the following:

€ 000	2018	2017
Salary withholding taxes	—	4
Salary	8	21
Accrual, audit expenses	133	203
Accrual, other consultancy and administrative expenses	209	113
Other	375	37
31 December	725	378

6.18 Dividend income

In 2018 FEGNV recorded the following dividend income from subsidiaries:

COMPANY	RESOLUTION DATE	RELATING TO YEAR / PERIOD	LOCAL CURRENCY	AMOUNT 000	TOTAL € 000
FORTUNA SK, a.s.	2.5.2018	2017	EUR	8,785	8,785
FORTUNA online zakłady bukmacherskie Sp. z o.o.	26.4.2018	2017	PLN	12,771	3,022
RIVERHILL a.s.	10.12.2018	2018	CZK	89,271	3,470
31 December					15,277

In 2017 FEGNV recorded the following dividend income from subsidiaries:

COMPANY	RESOLUTION DATE	RELATING TO YEAR / PERIOD	LOCAL CURRENCY	AMOUNT 000	TOTAL € 000
FORTUNA SK, a.s.	29.5.2017	2016	EUR	5,843	5,843
RIVERHILL a.s.	1.12.2017	2017	CZK	2,816	107
31 December					5,950

6.19 Personnel expenses

The personnel expenses in 2018 were as follows:

€ 000	STAFF	DIRECTORS	TOTAL
Salaries / wages	—	273	273
Social security charges	7	—	7
31 December	7	273	280

The personnel expenses in 2017 were as follows:

€ 000	STAFF	DIRECTORS	TOTAL
Salaries / wages	92	75	167
Social security charges	15	—	15
31 December	107	75	182

As of 31 December 2018, the Company employed 2 part-time Managing Directors (2017: 4). In 2017, a full-time equivalent of 1 person was employed by FEGNV.

6.20 Other operating expenses

These consist of the following:

€ 000	2018	2017
Consultancy expenses	343	1,304
External auditor expenses	189	209
Other expenses	242	515
31 December	774	2,028

Expenses of Fortuna Group related to external auditor services in the year 2018:

€ 000	NETHERLANDS	OTHER ENTITIES	TOTAL
Audit of financial statements	189	438	627
Tax services	—	15	15
Other services	—	—	—
TOTAL	189	453	642

6.21 Finance income

These consist of the following:

€ 000	2018	2017
Interest income	294	3
Exchange rate gains, other	14	21
Other	—	61
31 December	308	85

6.22 Finance cost

These consist of the following:

€ 000		2018	2017
Interest expenses, loans from subsidiaries	(note 6.23)	327	291
Interest expenses, bank loans		77	—
Guarantee fee, subsidiaries		242	96
Exchange rate losses, banks and other		108	—
Banking expenses		9	5
31 December		763	392

6.23 Related party disclosures

As of 31 December 2018, Fortuna Entertainment Group N.V. consisted of the following entities, which were held as follows:

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

At the end of 2016, management decided to sell the lottery business represented by FORTUNA sázky, a.s. The transaction was closed on 23 May 2017.

On 20 March 2017, the Company founded Fortuna Virtual d.o.o., based in Croatia. Fortuna Virtual was founded as a holding company with the purpose of acquiring Hattrick Group (Hattrick Sports Group Ltd. as a parent company based in Ireland, and its subsidiaries operating in Romania and Croatia). On 19 May 2018, the transaction was closed.

On April 2017, the Company founded Fortuna Bet Holding s.r.l. and Fortuna

Bet Shops Holding s.r.l., both based in Romania. Both companies were founded as holding companies with the purpose of acquiring Romanian entities Bet Active Concept s.r.l., Bet Zone s.r.l., Slot Arena s.r.l. and Public Slots s.r.l. On 31 August 2018, the transaction was closed.

On December 2017, FORTUNA online zakłady bukmacherskie Sp. z o.o. (FORTUNA online), as the successor company, acquired FORTUNA SERVICES Sp. z o.o., s.k.a. (100% ownership in 2017) and FORTUNA SERVICES Sp. z o.o. (100% ownership in 2017) in accordance with the merger project carried out by the governing bodies of the participating companies.

On May 2018, Hattrick Sports Group Ltd. merged with Fortuna Virtual d.o.o. (Fortuna Virtual d.o.o. as a successor).

On November 2018, Fortuna Virtual d.o.o. merged with Hattrick PSK d.o.o. (Hattrick PSK d.o.o. as a successor).

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

RELATED PARTY LOANS RENDERED

€ 000	2018	2017
Fortuna Bet Shops Holding s.r.l.	113	112
Fortuna Bet Holding s.r.l.	93	91
Fortbet Holdings Ltd.	105,084	—
Penta Funding a.s.	10,206	—
31 December	115,496	203

RECEIVABLES FROM RELATED PARTIES

€ 000	2018	2017
FORTUNA online zakłady bukmacherskie Sp. z o.o.	35	31
PRIMA banka a.s.	25,001	—
FORTUNA SK, a.s.	17	8
31 December	25,053	39

CASH IN RELATED PARTIES

€ 000	2018	2017
Privatbanka, a.s.	38	18
PRIMA banka a.s.	21	—
31 December	59	18

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

€ 000	2018	2017
FORTUNA GAME a.s.	113	247
The Bookkeeper B.V. (formerly Avis Business Services B.V.)	—	2
Bet Active s.r.l.	—	25
Bet Zone s.r.l.	—	14
Slot Arena s.r.l.	—	5
Public Slots s.r.l.	—	4
OK Albastru Rosu s.r.l.	6	—
Hattrick Bet s.r.l.	—	47
31 December	119	344

LOANS RECEIVED FROM RELATED PARTIES

€ 000	2018	2017
FORTUNA SK, a.s.	20,485	13,225
FORTUNA GAME a.s.	4,091	3,434
FORTUNA online zakłady bukmacherskie Sp. z o.o.	15,009	—
31 December	39,585	16,659

OTHER INCOME FROM RELATED PARTIES

€ 000	2018	2017
FORTUNA SK, a.s. (royalty income)	119	73
FORTUNA GAME a.s. (royalty income)	—	1
FORTUNA online zakłady bukmacherskie Sp. z o.o. (royalty income)	407	194
Total	526	268

DIVIDENDS FROM RELATED PARTIES

€ 000	2018	2017
FORTUNA SK, a.s.	8,785	5,843
FORTUNA online zakłady bukmacherskie Sp. z o.o.	3,022	—
RIVERHILL a.s.	3,470	107
Total	15,277	5,950

OTHER EXPENSES-RELATED PARTIES

€ 000	2018	2017
Penta Investments Limited	—	268
The Bookkeeper B.V. (formerly Avis Business Services B.V.)	20	25
FORTUNA GAME, a.s.	112	121
Privatbanka a.s.	1	3
Copenhagen Gambling	—	3
Total	133	420

INTEREST INCOME-RELATED PARTIES

€ 000	2018	2017
Fortbet Holdings Ltd.	84	—
Penta Funding a.s.	206	—
FORTUNA Bet Shops Holding s.r.l.	2	—
FORTUNA Bet Holding s.r.l.	2	—
Total	294	—

INTEREST EXPENSE-RELATED PARTIES

€ 000	2018	2017
FORTUNA SK, a.s.	260	256
FORTUNA online zakłady bukmacherskie Sp. z o.o.	9	—
FORTUNA GAME a.s.	57	35
Privatbanka, a.s.	1	—
Total	327	291

OTHER FINANCIAL EXPENSE-RELATED PARTIES

€ 000	2018	2017
Bet Active s.r.l.	83	25
Bet Zone s.r.l.	49	14
Slot Arena s.r.l.	17	5
Public Slots s.r.l.	12	4
Hattrick Bet s.r.l.	82	47
31 December	243	95

6.24 Contingent liabilities

All shares of RIVERHILL, a.s., FORTUNA SK a.s., Fortuna Virtual d.o.o., Fortuna Bet Shops Holding s.r.l., Fortuna Bet Holding s.r.l. and FORTUNA online

zakłady bukmacherskie Sp. z o.o. held by the Company are pledged to Czech bank Česká spořitelna, a.s.

Fortbet Holdings Limited pledged all its FEGNV shares to Česká spořitelna, a.s.

6.25 Financial risk management objectives and policies

FEGNV's principal financial instruments comprise of cash, receivables from group companies and loans drawn from group companies.

FEGNV is exposed to market risk, credit risk and liquidity risk.

MARKET RISK

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise of three types of risk: interest rate risk,

currency risk and other price risk, such as equity risk. Financial instruments affected by market risk include loans and borrowings and deposits.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. FEGNV's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates. The Company monitors interest

rate fluctuations and acts accordingly. All the loans and borrowings are at a fluctuating rate of interest. The only exception is a short term loan note (see note 6.11) rendered at fixed rate (the loan note represents about 6% of total loans rendered).

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on loans and affected borrowings. With all other variables held constant, FEGNV's profit before tax is affected through the floating rate borrowings impact, as follows:

	INCREASE/(DECREASE) IN INTEREST RATE BY	EFFECT ON PROFIT BEFORE TAX € 000
2018		
EUR	1% / (1%)	(394) / 394
		(394) / 394
2017		
EUR	1% / (1%)	(128) / 128
		(128) / 128

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. FEGNV's exposure to the risk of changes in foreign exchange rates relates primarily to its operating activities (when revenue or expense is denominated in a foreign currency) and its net investments in foreign subsidiaries.

FEGNV does not manage its foreign currency risk.

CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to

FEGNV. Credit risk arises from cash and cash equivalents, trade receivables and loans.

For 2018, the Company also applied the ECL model in accordance with IFRS 9 regarding intergroup receivables and related party balances by using forward looking information. The Company measures ECL determined by evaluating a range of possible outcomes including the possibility that a credit loss occurs, and recovery action plans.

LIQUIDITY RISK

As FEGNV is a holding company and does not generate autonomous income, the primary source of liquidity

will continue to be cash generated from its operating entities as well as existing cash.

The Company monitors liquidity risk by establishing a rolling budget, and monitors the maturity of financial assets and financial liabilities.

The table below summarises the maturity profile of FEGNV's financial liabilities as of 31 December 2018 and 2017 based on contractual undiscounted payments (€ 000):

€ 000	< 1 YEAR	1 TO 3 YEARS	3 TO 5 YEARS	> 5 YEARS	TOTAL
Trade and other payables	214	—	—	—	214
Loans from group companies	—	—	42,851	—	42,851
Bank Loans	18,155	35,278	56,384	—	109,817
Other current liabilities	675	—	—	—	675
31 December 2018	19,044	35,278	99,235	—	153,557

€ 000	< 1 YEAR	1 TO 3 YEARS	3 TO 5 YEARS	> 5 YEARS	TOTAL
Trade and other payables	526	—	—	—	526
Loans from group companies	8,915	4,650	3,801	—	17,366
Other current liabilities	378	—	—	—	378
31 December 2017	9,819	4,650	3,801	—	18,270

CHANGE IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

€ 000	1 JANUARY 2018	CASH FLOW - DRAWN	CASH FLOWS - REPAID	RECLASSIFIED AS PART OF DISPOSAL GROUP / NEW ACQUISITIONS	FOREIGN EXCHANGE MOVEMENT	CHANGES IN FAIR VALUE	NEW LEASES	OTHER	31 DECEMBER 2018
Current interest-bearing loans and borrowings (excluding items listed below)	8,747	—	—	—	—	—	—	(8,747)	—
Current obligations under finance leases and hire purchase contracts	—	—	—	—	—	—	—	—	—
Non-current interest-bearing loans and borrowings (excluding items listed below)	7,912	127,600	—	—	—	—	—	9,074	144,586
Non-current obligations under finance leases	—	—	—	—	—	—	—	—	—
Dividends payable	—	—	—	—	—	—	—	—	—
Derivatives	—	—	—	—	—	—	—	—	—
Total	16,659	127,600	—	—	—	—	—	327	144,856

€ 000	1 JANUARY 2017	CASH FLOW - DRAWN	CASH FLOWS - REPAID	RECLASSIFIED AS PART OF DISPOSAL GROUP / NEW ACQUISITIONS	FOREIGN EXCHANGE MOVEMENT	CHANGES IN FAIR VALUE	NEW LEASES	OTHER	31 DECEMBER 2017
Current interest-bearing loans and borrowings (excluding items listed below)	—	—	—	—	—	—	—	8,747	8,747
Current obligations under finance leases and hire purchase contracts	—	—	—	—	—	—	—	—	—
Non-current interest-bearing loans and borrowings (excluding items listed below)	12,968	3,400	—	—	—	—	—	(8,456)	7,912
Non-current obligations under finance leases	—	—	—	—	—	—	—	—	—
Dividends payable	—	—	—	—	—	—	—	—	—
Derivatives	—	—	—	—	—	—	—	—	—
Total	12,968	3,400	—	—	—	—	—	291	16,659

CAPITAL MANAGEMENT

The primary objective of FEGNV capital management is to ensure that a strong credit rating and healthy capital ratios are maintained in order to support the

business and maximise shareholder value.

FEGNV manages its capital structure and makes adjustments to the structure in

light of changes in economic conditions. To maintain or adjust the capital structure, FEGNV may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

6.26 Significant events during the year

On 19 November 2018, Fortbet paid an amount corresponding to the number of Fortuna shares it did not already own into the consignment account of the Dutch Ministry of Finance. As such, Fortbet became the sole shareholder

of Fortuna by operation of Dutch law and the former minority shareholders have a right to receive their share of the proceeds from the Dutch consignment office (i.e. EUR 7.94 per previously held share).

No significant events occurred between the balance sheet date and the date of the financial statements.

7

Other Information

APPROPRIATION OF RESULT ACCORDING TO THE ARTICLES OF ASSOCIATION

The profit of the year is at the disposal of the General Meeting of Shareholders.

The profit is available for distribution as far as the shareholders' equity exceeds the issued part of the paid-in share capital plus the legal reserves.

7.1 Independent Auditor's Report

To the Board of Directors of Fortuna Entertainment Group N.V.

7.1.1 Report on the Audit of the non-statutory Consolidated Financial Statements and the non-statutory separate Financial Statements

OPINION

We have audited the consolidated financial statements of Fortuna Entertainment Group N.V. and its subsidiaries (the "Group") and the separate financial statements of Fortuna Entertainment Group N.V. (the "Company"), which are presented in pages 110 to 147 (separate financial statements) and in pages 30 to 109 (consolidated financial statements) and comprise the consolidated statement of financial position and the statement of financial position of the Company as at 31 December 2018, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows and the statements of profit or loss and other comprehensive income, changes in equity and cash

flows of the Company for the year then ended and notes to the consolidated and separate financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying non-statutory consolidated financial statements and separate financial statements give a true and fair view of the consolidated financial position of the Group and the Company as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and The Separate Financial Statements" section of our report. We are independ-

ent of the Group and the Company in accordance with the "International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants" (IESBA Code) together with the ethical requirements that are relevant to our audit of consolidated financial statements and separate financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the sections: Overview of the Fortuna Entertainment Group N.V., 2018 Financial Highlights, Management Board report and Corporate Information in pages 2 to 29, but does not include the consolidated financial statements and the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements and separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

OTHER MATTER- NON-STATUTORY CONSOLIDATED FINANCIAL STATEMENTS AND SEPARATE FINANCIAL STATEMENTS

The accompanying consolidated financial statements and separate financial statements are not statutory consolidated financial statements and separate financial statements of the Group and the Company, and are not intended for statutory filing purposes.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND SEPARATE FINANCIAL STATEMENTS

Management is responsible for the preparation of the consolidated financial statements and the separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and

for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and separate financial statements, Management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Group and the Company or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Group's and the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE NON- STATUTORY CONSOLIDATED FINANCIAL STATEMENTS AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the non-statutory consolidated financial statements and the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial

statements and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the re-

lated disclosures in the consolidated financial statements and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and separate financial statements, including the disclosures, and whether the consolidated financial statements and separate financial statements represent the underlying

ing transactions and events in a manner that achieves a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant defi-

ciencies in internal control that we identify during our audit.

OTHER MATTERS

This report is made solely to the Board of Directors of Fortuna Entertainment Group N.V., as a body. Our audit work has been undertaken so that we might state to the Board of Directors of Fortuna Entertainment Group N.V. those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Fortuna Entertainment Group N.V., for our audit work, for this report, or for the opinion we have formed.

Deloitte Limited

Certified Public Accountants
and Registered Auditors
Limassol, 29 March 2019

Amsterdam, 29 March 2019



Per Widerström

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



Marek Rendek

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

8

Glossary

“Alicela”	ALICELA a.s., a joint stock company (akciová spoločnosť), having its registered office at Praha 1, Na Florenci 2116/15, 110 00, Czech Republic, and registered with the Commercial Register maintained by the Regional Court in Prague, Section B, under the number 9476
“the Company”, “FEG”, “the Group”	Fortuna Entertainment Group N.V., a limited liability company (Naamloze Vennootschap), having its statutory seat in Amsterdam, Netherlands, and its registered offices at Strawinskylaan 1223, 1077XX Amsterdam, Netherlands, and registered with the Trade Register of the Chamber of Commerce of Amsterdam, Netherlands, under number 34364038
“FORTBET HOLDINGS LIMITED”	FORTBET HOLDINGS LIMITED, a company having its registered office at Agias Fylaxeos & Polygnostou, 212, C & I Center Building, 2nd floor, 3082, Limassol, Cyprus
“Fortuna GAME”	FORTUNA GAME a.s., a joint stock company (akciová spoločnosť), having its registered office at Praha 1, Na Florenci 2116/15, 110 00, Czech Republic and registered with the Commercial Register maintained by the Municipal Court in Prague, Section B under number 944
“Fortuna PL”	FORTUNA online zakłady bukmacherskie Sp. z o.o., a limited liability company (spółka z ograniczoną odpowiedzialnością) having its registered office at Bielska 47, Cieszyn, Poland, and registered with the register of entrepreneurs maintained by the District Court in Bielsko-Biała, VIII Commercial Division of the National Court Register, under number 0000002455
“Fortuna RENT”	FORTUNA RENT, s.r.o., a limited liability company (společnost s ručením omezeným) with its registered office at Prague 1, Vodičkova 699/30, 110 00, Czech Republic, and registered with the Commercial Register maintained by the Regional Court in Prague, Section C, under number 104630
“Fortuna SazKan”	FORTUNA sázková kancelář a.s., a joint stock company (akciová společnost), having its registered office at Prague 1, Vodičkova 30, 110 00, Czech Republic, and registered with the Commercial Register maintained by the Municipal Court in Prague, Section B under number 60
“Fortuna SK”	FORTUNA SK, a.s., a joint stock company (akciová spoločnosť), having its registered office at Digital park II, Einsteinova 23, 851 01, Bratislava 5, Slovak Republic, and registered with the Commercial Register maintained by the District Court of Bratislava I in Section Sa under number 123/B
“Fortuna Technology”	FORTUNA technology s. r. o. (formerly Intralot Czech s. r. o., a limited liability company (společnost s ručením omezeným) with its registered office at Praha 1, Na Florenci 2116/15, 110 00, Czech Republic, and registered with the Commercial Register maintained by the Regional Court in Prague, Section C, under number 181328

"FortunaWin"

FortunaWin Ltd., a limited liability company having its registered office at Villa Seminia, 8, Sir Temi Zammit Avenue, Ta' Xbiex XBX1011, Malta, and registered with the Malta Financial Services Authority under number C. 48339; liquidated in 2017

"Riverhill"

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

"Penta"

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

"Fortuna Romania"

A segment of Romanian companies Bet Active Concept S.R.L., Bet Zone S.R.L., Slot Arena S.R.L., Public Slots S.R.L. and acquiring holding companies Fortuna Bet Shops Holding S.R.L. and Fortuna Bet Holding S.R.L.

"Bet Zone"

Bet Zone S.R.L., a limited liability company having its registered office at Barbu Vacarescu Street, no. 13, 1st floor, District 2, Bucharest, Romania; registered under number 34774502

"Bet Active Concept"

Bet Active Concept S.R.L., a limited liability company having its registered office at Strada Nicolae G. Caramfil, Nr. 85A Camera Nr. 3, Etaj 5, Sectorul 1, Bucharest; registered under number 34223171

"Slot Arena"

Slot Arena S.R.L., a limited company having its registered office at Nicolae G. Caramfil Street, no. 85 A, 5th floor, Room 2, District 1, Bucharest, Romania; registered under number 36545823

"Public Slots"

Public Slots S.R.L., a limited company having its registered office at Nicolae G. Caramfil Street, no. 85 A, 5th floor, Room 5, District 1, Bucharest, Romania; registered under number 32616468

"Alter Power"

Alter Power S.R.L., a limited company having its registered office at Nicolae G. Caramfil Street, no. 85A, 5th floor, Room 6, District 1, Bucharest, Romania; registered under number 32783385

"Fortuna Bet Shops Holding"

Fortuna Bet Shops Holding S.R.L., a limited company having its registered office at Strada Nicolae G. Caramfil, Nr. 85A Camera Nr. 8, Etaj 5, Sectorul 1, Bucharest; registered under number 37334050

"Fortuna Bet Holding"

Fortuna Bet Holding S.R.L., a limited company having its registered office at Strada Nicolae G. Caramfil, Nr. 85A Camera Nr. 1, Etaj 5, Sectorul 1, Bucharest; registered under number 37326058

"Hattrick" ("Hattrick Group")

A segment of companies under Hattrick Sports Group Ltd., Hattrick Sports Group Ltd., Hattrick-PSK d.o.o., Hattrick Bet S.R.L., OK Albastru Rosu S.R.L., PRO HB Slots S.R.L. and the acquiring holding company Fortuna Virtual

"Fortuna Virtual"

FORTUNA VIRTUAL d.o.o., a limited company having its registered office at Hektorovićeve ulica 2, Zagreb, Croatia; registered under number MBS081087994

"Hattrick Sports Group"

Hattrick Sports Group Ltd., a limited company having its registered office at Deloitte & Touche House, Earlsfort Terrace, Dublin 2, Ireland; registered under number 482465

“Hatrick PSK”	Hatrick-PSK d.o.o., a limited company having its registered office at Sv Leopolda Mandica 14 Dugopolje, Croatia; registered under number 080223744
“Hatrick Bet”	Hatrick Bet S.R.L., a limited company having its registered office at Strada Negoiu, Nr. 12 Bucharest, Sectorul 3, Bucharest; registered under number 34373098
“OK Albastru Rosu”	OK Albastru Rosu S.R.L., a limited company having its registered office at Strada Negoiu, Nr. 12 Biroul Nr. 33, Etaj 3 Bucharest, Sectorul 3, Bucharest; registered under number 28980290
“PRO HB Slots”	PRO HB Slots S.R.L., a limited company having its registered office at Strada Negoiu 12, Parter, Birou Nr. 10, Sector 3, Bucharest; registered under number 38320045
“Yoy”	<p>Year on year, a percentage change in a specific parameter between two matching periods on an annual basis</p> $\text{Yoy (\%)} = (\text{parameter of the period} / \text{parameter of the same period from previous year} - 1) * 100$
“Margin”	<p>The Margin is an indicator that should help in the understanding of the effectiveness of the business.</p> $\text{Margin} = \text{the given indicator} / \text{revenue}$
“EBITDA”	<p>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.</p> $\text{EBITDA} = \text{Operating Profit} + \text{Depreciation Expense} + \text{Amortisation Expense}$ $\text{EBITDA} = \text{Net Profit} + \text{Interest} + \text{Taxes} + \text{Depreciation} + \text{Amortisation}$
“EBITDA Margin”	<p>The EBITDA Margin is an indicator that shows the effectiveness of the business on the level of EBITDA.</p> $\text{EBITDA Margin} = \text{EBITDA} / \text{Revenues}$
“Operating Profit Margin”	<p>The Operating Profit Margin is an indicator that shows the effectiveness of the business on the level of Operating Profit.</p> $\text{Operating Profit Margin} = \text{Operating Profit} / \text{Revenues}$
“Net Profit Margin”	<p>The Net Profit Margin is an indicator that shows the effectiveness of the business on the level of Net Profit.</p> $\text{Net Profit Margin} = \text{Net Profit} / \text{Revenues}$
“CAPEX as % of Revenues”	<p>CAPEX (Capital Expenditure) as a percentage of Revenues is an indicator that shows the rate of reinvested Revenues.</p> $\text{CAPEX as \% of Revenues} = \text{CAPEX} / \text{Revenues}$

“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.

$\text{Net Debt / (Net Cash)} = \text{Bank Loans and related obligations} - \text{Cash and cash equivalents}$

“Amounts Staked”

Amounts Staked is a non-IFRS measure representing the amount of bets paid by the players.

Amounts Staked related to Slots is represented with drops – real cash put in the slot machine.

“Payouts”

Payouts represents the winnings paid or to be paid to the players. Payouts include also an estimation of the winnings related to undecided bets.

“Gross Win”

The Gross Win (GW) represents in the revenue structure the output purely derived from betting before the Withholding Tax, bonuses and other impacts. It only addresses bets and payouts.

$\text{Gross Win} = \text{Amounts Staked} - \text{Payouts}$

“Net Gross Win”

The Net Gross Win (NGW) represents in the revenue structure the Gross Win including the effect of the Withholding Tax.

$\text{NGW} = \text{Amounts Staked} - \text{Payouts} - \text{Withholding Tax}$

“Market share”

With respect to Chapter 6.1, market share represents an estimated share of the gambling business in the relevant country, based on Amounts Staked.

“iGaming”

The iGaming or online gaming is the wagering of money or some other value on the outcome of an event or a game, using internet. The iGaming activities represent online casino (e.g. poker, roulette, slots...).



FEG

Fortuna Entertainment Group