

Interim Management Statement of Fortuna Entertainment Group N.V. for the period from July 1<sup>st</sup>, 2016 to November 2<sup>nd</sup>, 2016

## Fortuna accepted bets of EUR 756.0 million up 22.9% in the first nine months of 2016

AMSTERDAM/Warsaw/Prague – Fortuna Entertainment Group, the leading Central European fixed-odds betting operator, has announced its unaudited consolidated results for the first nine months of 2016.

The unaudited consolidated results of Fortuna Entertainment Group for the first nine months of 2016 confirmed growth in the amount of bets in all countries.

- **Total Amounts Staked in 9M 2016 increased by 22.9% to EUR 756.0 million**
- **Total Gross Win in 9M 2016 went up by 14.4% to EUR 120.2 million**
- **Online Sports Betting Gross Win in 9M 2016 increased by 25.0% to EUR 75.0 million**

The Group's Amounts Staked for the first nine months of 2016 were EUR 756.0 million, a strong 22.9% yoy growth. This increase was driven primarily by the double digit growth in online betting in all the countries where Fortuna operates while Retail grew single digit. The Amounts Staked on sports betting reached EUR 741.6 million in the first nine months of 2016, a 23.4% improvement on the first three quarters of 2015. The Amounts Staked on lottery betting in the first nine months of 2016 totalled EUR 14.4 million, a 2.6% yoy increase.

In the first nine months of 2016, the total Gross Win reached EUR 120.2 million, an increase of 14.4% compared to the first nine months of 2015.

The Gross Win from sports betting was EUR 113.8 million, a 15.0% increase yoy. Of this figure, the Gross Win from online betting in the first three quarters of 2016 increased to EUR 75.0 million, a solid increase of 25.0% over the same period of 2015. The Gross Win from retail betting in the first three quarters of 2016 amounted to EUR 38.8 million, a slight 0.4% decline yoy.

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

In the first nine months of 2016, the Gross Win from the lottery business was EUR 6.4 million, a 5.1% growth over the same period of last year.

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**In the first nine months of 2016, total EBITDA reached EUR 15.9 million, a 9.9% decrease over the same period of last year.** The total is drawn from a 8.9% decline in sports betting to EUR 15.3 million and the lottery EBITDA of EUR 0.6 million, which is up 23.2% over the last year. The EBITDA decrease resulted mainly from the higher betting tax rate in the Czech Republic which impacted both the sports betting and lottery, the abolishment of the online handling fee in Slovakia at the end of February 2015 and by the anticipated increase in operating costs of the Group to build further capability and capacity for future growth.

*“In the first nine months of 2016, the Company continued to deliver strong growth in Amounts Staked and we accepted total bets in the amount of EUR 756.0 million, which is 22.9% more than last year. The Amounts Staked grew double digits in all our key markets, primarily driven by the online betting growth and in particular mobile sports betting while retail grew single digit. Our operating profitability measured by EBITDA was impacted by the increase in the betting tax rate in the Czech Republic and by planned increase of operating costs to support future growth opportunities of the company,”* said Per Widerström, CEO of Fortuna Entertainment Group.

*Selected financial indicators – FEG total*

<b>(EUR million)</b>	<b>9M 2016</b>	<b>% yoy</b>
Amounts Staked	756.0	22.9%
- Sports betting	741.6	23.4%
- Lottery	14.4	2.6%
Gross Win	120.2	14.4%
- Sports betting	113.8	15.0%
- Lottery	6.4	5.1%
Revenues	79.1	8.0%
- Sports betting	74.1	8.5%
- Lottery	5.0	1.7%
EBITDA	15.9	(9.9%)
- Sports betting	15.3	(8.9%)
- Lottery	0.6	23.2%
Net Profit	9.6	(28.0%)
- Sports betting	9.5	(30.6%)
- Lottery	0.1	123.9%

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## Country by Country Sports Betting

### **Sports Betting – Czech Republic**

Sports betting in the Czech Republic generated more than 50% of total Amounts Staked for the Company in the first nine months of 2016. **Total Amounts Staked in the Czech Republic grew at a solid double digit rate compared with the first three quarters of 2015.**

**The first nine months of 2016 Gross Win from sports betting in the Czech Republic grew double digit compared to the same period in 2015.** The Gross Win growth was driven by online while retail sports betting moderately declined on a yoy basis.

### **Sports Betting – Slovakia**

The contribution of Slovakia represented one third of the Group's Amounts Staked in the first nine months of 2016. **The total Amounts Staked in Slovakia grew more than 30% yoy in the first nine months of 2016.**

**The first nine months of 2016 Gross Win from sports betting in the Slovak Republic grew double digit compared to the same period in 2015.** The Gross Win growth was driven by online while retail sports betting moderately declined on a yoy basis.

### **Sports Betting - Poland**

The share of Poland on Group's Amounts Staked came to 12% in the first nine months of 2016. **The total Amounts Staked in Poland in the first three quarters of 2016 grew at a moderate double digit rate.**

**The Gross Win from betting in Poland in the first three quarters of 2016 also grew at a moderate double digit rate,** supported by a strong growth in online while the retail Gross Win grew just moderately.

### **Lottery Business in the Czech Republic**

In the first nine months of 2016, **the Amounts Staked from the Fortuna Lottery reached EUR 14.4 million,** a 2.6% increase compared with the same period of last year, driven by the increase in the numerical games. **The Gross Win from the lottery amounted to EUR 6.4 million, which is 5.1% more than in the first nine months of 2015.**

**The EBITDA from the lottery was EUR 0.6 million,** up 23.2% compared with the first nine months of 2015.

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## **Other Business and Corporate Developments in the Reported Period**

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

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

Morten Rønde (43) is the owner of the consultancy agency Copenhagen Gambling and works in partnership with the Brussels based public affairs agency Instinctif and the London based law firm Harris Hagan. Morten has 17 years of experience in the gambling sector. He worked 12 years as the legal counsel for the Danish Gambling Authority and drafted the Danish gambling reform in 2012. Since 2012 he has been heading up the Danish trade association – DOGA. DOGA represents the licensed betting and online casino operators in Denmark. Morten also holds a position as Director Education and Association Development in the International Masters of Gaming Law (IMGL) where he organizes the content of gambling related conferences. He has been involved in advising the gambling regulators in the Netherlands and in the Czech Republic. Currently, he is appointed to a government mandated committee that advises the Swedish Government on the reform of the gambling regulation. Morten Rønde holds a law degree from the University of Copenhagen.

In October 2016, Fortuna signed a deal with the Czech football association and became a new partner of the Czech football. Under the contract, Fortuna becomes a partner of all Czech football competitions and leagues, including the Czech national football team. Since the season 2018/19 it will also serve as a main sponsor of the 1<sup>st</sup> Czech football league.

### **Guidance for the rest of 2016**

The Company confirms its guidance for 2016 and further anticipates:

The Company anticipates that the total Amounts Staked could grow up to EUR 1,010 million and EBITDA in 2016 could decline in a range between 10% to 15% due to the increase in the betting tax in the Czech Republic, Online Handling Fee abolishment in Slovakia and continuing investments in the operational excellence and building scalability. The investments into new sports betting & gaming platform should further

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drive the CAPEX spending in 2016 and the capital expenditures in 2016 are expected to reach between EUR 11 - 13 million.

In 2016, Fortuna as a multi-channel regulated multi-channel sports betting company shall continue to provide its customers with extensive range of products and top class services wherever and whenever they want to have a bet. Fortuna will further focus on investments into core competencies and building competitive advantage 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 the Czech Republic, a change of the taxation of sports betting and lottery business came into force on January 1<sup>st</sup>, 2016 which implies an increase of the Gross Win tax on both the sports betting and lottery from 20% to 23%. The Company estimates that the change in taxation will have a negative impact on the full year EBITDA of approximately EUR 2 million.

*There have been no material events, transactions or changes in the financial position of the Group other than as outlined in this statement. Furthermore, the Board of Directors is not aware of any material events, transactions or changes in the financial position of the Group which have occurred since July 1<sup>st</sup>, 2016 up to and including November 2<sup>nd</sup>, 2016 – the date before the publication of this Interim Management Statement.*

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