

Fortuna Entertainment Group N.V.

Preliminary Unaudited Financial Results for 2017

Amsterdam - Fortuna Entertainment Group N.V. announces its preliminary unaudited consolidated financial results for the fiscal year to 31st December 2017, prepared according to International Financial Reporting Standards (IFRS).

The preliminary unaudited results of Fortuna Entertainment Group for the full year 2017 confirm growth in all markets where the Company is operating:

- **Total Amounts Staked in 2017 increased by 93.1% to EUR 2,007.1 million**
- **Total Gross Win in 2017 increased by 87.4% to EUR 305.4 million**
- **Total EBITDA amounted to EUR 55.0 million up 148.1% yoy**
- **Net profit in 2017 increased by 86.4% to EUR 15.4 million**

Fortuna, the leading Central Eastern European regulated fixed-odds sports betting and gaming operator present in the markets of Poland, the Czech Republic, Slovakia, Romania and Croatia **recorded in 2017 total Amounts Staked figure of EUR 2,007.1 million, 93.1% more than in 2016**. This increase was driven primarily by the growth in online, particularly in fixed-odds betting in all original countries, by online gaming in the Czech Republic and consolidation of new acquisitions of Hatrick Sports Group and Fortbet Romanian entities.

The Amounts Staked on Sports Betting & Gaming in FEG's original markets reached EUR 1,480.3 million in 2017, a 45.2% increase on 2016, out of which EUR 243.0 million came from the online gaming in the Czech Republic. The Amounts Staked from the discontinued operations of the Lottery segment totalled EUR 5.7 million, a 72.0% decrease yoy. In 2017, the Amounts Staked from the Hatrick Sports Group consolidation reached EUR 386.2 million and from the consolidation of Fortuna Romanian entities since September 2017 reached EUR 134.9 million.

In 2017, total Gross Win reached EUR 305.4 million, an increase of 87.4% compared with 2016. The Gross Win increase was driven by Amounts Staked growth and improved profitability of retail sports betting channel as well as by the continuous strong performance of underlying key indicators. Gross Win margins improved in the second half of 2017 and especially in December 2017 thanks to favourable sport results and partially offset low margins in the first half of 2017 which were below average resulting in total Gross Win margin for 2017 of 15.2%.

Contact:

Klára Klímová

Mobil: +420 724 255 715

E-mail: klara.klimova@fortunaeg.nl

The Gross Win from Sports Betting & Gaming in FEG's original markets was EUR 218.4 million, a 42.1% increase yoy. Of this figure, the Gross Win from gaming in the Czech Republic represented EUR 10.5 million.

Gross Win from the discontinued Lottery segment operations amounted to EUR 2.4 million, a 74.2% decrease yoy. Gross Win generated by the Hattrick Sports Group since the consolidation amounted to EUR 62.1 million and Gross Win recorded by the Fortuna Romanian entities since September 2017 was EUR 22.5 million.

„The strong preliminary financial results for 2017 reflect our growth strategy with investments into operational excellence, new platforms and regional expansion. Thanks to that, we recorded a substantial growth in all reported key indicators. Our Amounts Staked increased by 93.1% yoy to EUR 2 billion, Gross Win amounted to EUR 305.4 million and EBITDA reached EUR 55.0 million a yoy increase of 87.4% and 148.1% respectively. If we adjust for one-off costs related to M&A and Integration, the EBITDA increased 169.0% yoy. said Per Widerström, CEO and Chairman of the Management Board of Fortuna Entertainment Group.

Selected financial indicators

Financials (EUR thousands)	FY 2016	FY 2017	% change
Amounts Staked	1,039,605	2,007,143	93.1%
- of which Sports Betting & Gaming	1,019,370	1,480,374	45.2%
- of which Lottery (discontinued operations)	20,235	5,664	(72.0%)
- of which Hattrick (05-12/2017 only)	n/a	386,187	n/a
- of which Fortuna Romania (09-12/2017 only)	n/a	134,918	n/a
Gross Win	162,968	305,444	87.4%
- of which Sports Betting & Gaming	153,773	218,487	42.1%
- of which Lottery (discontinued operations)	9,195	2,373	(74.2%)
- of which Hattrick (05-12/2017 only)	n/a	62,087	n/a
- of which Fortuna Romania (09-12/2017 only)	n/a	22,497	n/a
Revenues	106,189	212,365	100.0%
- of which Sports Betting & Gaming	98,966	136,028	37.4%
- of which Lottery (discontinued operations)	7,223	1,861	(74.2%)
- of which Hattrick (05-12/2017 only)	n/a	56,102	n/a
- of which Fortuna Romania (09-12/2017 only)	n/a	18,374	n/a
EBITDA	22,149	54,955	148.1%
- of which Sports Betting & Gaming	21,170	33,194	56.8%
- of which Lottery (discontinued operations)	980	(346)	(135.3%)
- of which Hattrick (05-12/2017 only)	n/a	18,009	n/a
- of which Fortuna Romania (09-12/2017 only)	n/a	4,098	n/a
Operating Profit	16,700	40,232	140.9%
- of which Sports Betting & Gaming	18,409	25,444	38.2%
- of which Lottery (discontinued operations)	(1,709)	(351)	79.5%
- of which Hattrick (05-12/2017 only)	n/a	11,866	n/a
- of which Fortuna Romania (09-12/2017 only)	n/a	3,273	n/a
Net Profit	8,282	15,437	86.4%
- of which Sports Betting & Gaming	9,965	17,190	72.5%

Contact:

Klára Klímová

Mobil: +420 724 255 715

E-mail:klara.klimova@fortunaeg.nl

- of which Lottery (discontinued operations)	(1,683)	(314)	81.3%
- of which Hattrick (05-12/2017 only)	n/a	(3,433)	n/a
- of which Fortuna Romania (09-12/2017 only)	n/a	1,994	n/a

Revenues, OPEX, EBITDA

In 2017, the Company recorded **total revenues in the amount of EUR 212.4 million, 100.0% more than in the previous year.**

Of which, revenue from Sports Betting & Gaming in FEG's original markets were EUR 136.0 million and went up 37.5% yoy. Revenues from the discontinued Lottery segment amounted to EUR 1.9 million in 2017, down 74.2% yoy. Revenues were impacted by higher betting volumes in all countries and better than previously anticipated margins.

Revenues recorded by the Hattrick Sports Group since the consolidation amounted to EUR 56.1 million in 2017 and revenues recorded by Fortuna Romanian entities since September 2017 was EUR 18.4 million.

Total operating costs in 2017 reached EUR 157.4 million, 87.3% more than in 2016. Staff costs went up 88.1% yoy to EUR 65.3 million primarily due to new acquisitions. Other operating expenses (net) increased in 2017 by 86.7% to EUR 92.1 million.

In 2017, overall amount of betting taxes paid in respective countries came to EUR 90.0 million, up 72.0% yoy.

Total consolidated EBITDA recorded in 2017 was EUR 55.0 million, up 148.1% yoy.

Of which, EBITDA from Sports Betting & Gaming in FEG's original markets was EUR 33.2 million and went up 56.8% yoy. EBITDA from the discontinued Lottery segment amounted to EUR 0.3 million (negative) in 2017, down 135.3% yoy.

EBITDA recorded by the Hattrick Sports Group since the consolidation amounted to EUR 18.0 million in 2017 and EBITDA recorded by Romanian entities since September 2017 was EUR 4.1 million.

In 2017 total depreciation went up 170.2% to EUR 14.7 million.

EBITDA adjusted by one-offs related to M&A and integration costs was EUR 57.4 million, up 169.0% yoy.

EBIT and Net Profit

In 2017 operating profit (EBIT) amounted to EUR 40.2 million, 140.9% more than in the previous year due to a higher EBITDA.

Contact:

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Net finance costs reached EUR 15.3 million in 2017 and went up by 885.6% yoy primarily due to the recognition of earn-outs at fair value related to the acquisitions in 2017.

Total long-term and short-term indebtedness as of December 31, 2017 was EUR 129.7 million, 330.0% more compared with December 31, 2016. Net Debt position as of December 31, 2017 was EUR 48.9 million, a 2,759.6% increase over the end 2016.

Income tax equalled EUR 9.5 million in 2017, 143.7% more than in 2016. The effective tax rate in 2017 was 38.2%.

In 2017 the Company recorded Net Profit for the period of EUR 15.4 million, 86.4% more than in the previous year. If adjusted by one-offs related to M&A and integration costs, the Net Profit would be EUR 20.3 million.

CAPEX and Investments

In 2017, total capital expenditures amounted to EUR 11.6 million, 31.7% more than in last year. Higher capital expenditures resulted from consolidation of new entities.

Breakdown of Revenues by Country¹

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

Czech Republic

Czech Republic generated 41.9% of all Amounts Staked for the Group in 2017. Amounts Staked reached EUR 840.9 million, 44.6% more than in 2016 driven by a growth of both Online and Retail sports betting and newly launched Online gaming. The 2017 Gross Win in the Czech Republic amounted to EUR 88.0 million, a 14.4% more than in the previous year driven by Online products.

Slovakia

The share of Slovakia with regards to total Amounts Staked in 2017 represented 19.4%. Total Amounts Staked reached EUR 389.7 million, 16.5% more than in 2016 driven by strong Online growth while Retail Amounts Staked declined. Gross Win in Slovakia amounted to EUR 58.1 million in 2017, 20.4% more than previous year.

Poland

Poland accounted for a 12.7% share of total Amounts Staked in 2017. Total Amounts Staked in Poland reached EUR 255.5 million, a 106.7% increase on 2016 driven by strong Online and Retail growth. Gross Win from betting in Poland increased by 98.1% yoy to EUR 74.7 million in 2017, driven by a rapid Online growth.

¹ The split of reported Revenues between Lottery and Sports Betting is including intersegment income and expenses in opposite to financial statements

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Hattrick Sports Group

Hattrick Sports Group consolidated from the end of May 2017 contributed to Group's Amounts Staked by 19.2% in 2017. Of this, the share of Hattrick Romania was 29.1% and the share of Hattrick Croatia that also operates online betting in the Romanian territory was 70.9%. Total Amounts Staked generated by Hattrick reached EUR 386.2 million and Gross Win reached EUR 62.1 million.

Fortuna Romanian entities

Companies acquired from Fortbet in Romania were consolidated from 1 September 2017 and their share of total Amounts Staked was 6.7% in 2017. Total Amounts Staked generated by Fortuna Romanian entities reached EUR 134.9 million and Gross Win reached EUR 22.5 million.

Dividend Policy and Dividend

Over the last three years, the dividend policy of FEG has been under review due to the planned investments into future growth opportunities, especially investments into a new IT platform enabling multi-channel, -product and -country capability, operational excellence and people that support further organic growth and expansion into Central & Eastern Europe.

In light of this development and further M&A expansion strategy, the management of Fortuna Entertainment Group N.V. confirms its zero dividend policy for the next 3 years and zero dividend payment for 2017.

2017 Outlook and Guidance

In 2018, Fortuna Entertainment Group as a multi-channel regulated sports betting & gaming company will continue to provide its customers with extensive range of products and first class service wherever and whenever they want to have a bet. FEG will further focus on investments into core competencies and 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 2018, the Company expects that the organic growth will continue to be primarily driven by online betting & gaming and newly acquired entities in Romania and Croatia. In addition, the growth should be further boosted by the 2018 FIFA World Cup in Russia.

As a result, the Company anticipates that the total Amounts Staked could grow up to EUR 3.0 billion and EBITDA in 2018 could increase in a range of 25% to 35%. The investments into new enhanced sports betting & gaming platform, data warehouse and front-end system should drive the CAPEX spending in 2018 that are expected to be between EUR 20 – 24 million.

Contact:

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