



bet-at-home.com AG

Düsseldorf

**Financial Statements
as at 31 December 2016
Summarised Management Report 2016
Independent Auditors Report**

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Summarised Management Report 2016

Independent Auditors Report

Disclaimer:

The Financial Statement Report 2016 is a translation of the valid German version.

Statement of financial position at 31 December 2016

ASSETS

	31.12.2016		31.12.2015	
	EUR	EUR	EUR	EUR
A. Non-current assets				
I. Tangible assets				
Other equipment	1.00		1.00	
II. Financial assets				
Interests in affiliated companies	<u>3,771,313.19</u>		<u>3,771,313.19</u>	
		3,771,314.19		3,771,314.19
B. Current assets				
I. Receivables and other assets				
1. Receivables from affiliated companies	85,246,483.28		71,588,416.80	
2. Other assets	<u>163,772.06</u>		<u>174,165.13</u>	
	85,410,255.34		71,762,581.93	
II. Cash and cash equivalents	<u>6,393,913.54</u>		<u>6,126,109.62</u>	
		91,804,168.88		77,888,691.55
C. Prepaid expenses		53,309.66		70,495.23
		<u>95,628,792.73</u>		<u>81,730,500.97</u>

EQUITY & LIABILITIES

	31.12.2016		31.12.2015	
	EUR	EUR	EUR	EUR
A. Equity				
I. Share capital	7,018,000.00		3,509,000.00	
II. Capital reserves	7,366,000.00		10,875,000.00	
III. Total comprehensive income	<u>55,542,123.94</u>		<u>18,156,204.69</u>	
		69,926,123.94		32,540,204.69
B. Provisions				
1. Tax provisions	751,685.00		101,100.00	
2. Other provisions	<u>786,485.49</u>		<u>688,979.29</u>	
		1,538,170.49		790,079.29
C. Liabilities				
1. Liabilities from goods and services thereof with a residual maturity of up to one year EUR 5.410,34 (FY 2015: EUR 27.652,70)	5,410.34		27,652.70	
2. Liabilities to affiliated companies thereof with a residual maturity of up to one year EUR 22.332.431,54 (FY 2015: EUR 48.300.000,00)	22,332,431.54		48,300,000.00	
3. Other liabilities	<u>1,826,656.42</u>		<u>72,564.29</u>	
thereof taxes		24,164,498.30		48,400,216.99
thereof relating to social security EUR 21.576,54 (FY 2015: EUR 3.463,02)				
thereof with a residual maturity of up to one year EUR 1.826.656,42 (FY 2015: EUR 72.564,29)				
		<u>95,628,792.73</u>		<u>81,730,500.97</u>

Income Statement
for the year ended 31 December 2016

	01.01.- 31.12.2016	01.01.- 31.12.2015
	<u>EUR</u>	<u>EUR</u>
1. Revenues	748,256.64	773,056.71
2. Other operating income	483,564.47	458,336.56
3. Personnel expenses	2,053,682.03	1,558,030.83
4. Other operating expenses	1,033,438.87	1,567,317.43
5. Income from investments thereof from affiliated companies EUR 54.000.000,00 (FY 2015: EUR 16.050.000,00)	54,000,000.00	16,050,000.00
6. Other interest and similar income thereof from affiliated companies EUR 2.161.555,56 (FY 2015: EUR 2.100.666,68)	2,370,527.48	2,304,808.03
7. Interest and similar expenses thereof to affiliated companies EUR 492.494,44 (FY 2015: EUR 479.402,78)	492,494.44	479,402.78
8. Income tax expense	<u>846,314.00</u>	<u>101,100.00</u>
9. Net income	53,176,419.25	15,880,350.26
10. Profit carried forward from previous year	<u>2,365,704.69</u>	<u>2,275,854.43</u>
11. Total comprehensive income	<u><u>55,542,123.94</u></u>	<u><u>18,156,204.69</u></u>

bet-at-home.com AG, Dusseldorf

Notes to the Financial Statement 2016

I. General Disclosures to the Financial Statement

The bet-at-home.com AG is based in Dusseldorf and registered in the commercial register B at Dusseldorf District Court under commercial register number HRB 52673.

The financial statement has been prepared in accordance with the requirements of Sections 242 et sqq. and Sections 264 et sqq. of the German Commercial Code (Handelsgesetzbuch; HGB) and the additional requirements of the German Stock Corporation Act (Aktiengesetz; AktG). The company is a large stock corporation pursuant to Section 267 (3) phrase 2 of the German Commercial Code in conjunction with Section 264d of the German Commercial Code as a consequence of the admission to an organized market (Frankfurt Stock Exchange) with effect from August 2016.

II. Information on significant accounting policies

The accounting policies comply with the legal requirements and remain unchanged compared with the previous year.

In the income statement, which is a component of the financial statement, revenues are reported for the first time pursuant to Section 277 (1) of the German Commercial Code in the version of the Accounts Directive Implementation Act (Bilanzrichtlinien-Umsetzungsgesetz; BilRUG) dated 17 July 2015. In the previous period, these revenues were shown under other operating income. Previous year's amounts for revenues and other operating income were modified and adjusted in accordance to that.

Property, plant and equipment are measured at cost upon initial recognition (acquisition costs) and reduced by systematic amortization. The systematic amortization was applied on a straight-line basis according to the estimated useful live of the assets

and the tax regulations. The useful life for property, plant and equipment is three to five years.

The financial assets are measured at cost upon initial recognition (acquisition costs).

Receivables and other assets are shown at their nominal value. Valuation adjustments were not necessary.

Prepaid expenses cover expenditures of the financial year that are considered as expenses for a certain period after the reporting date.

Provisions were formed with a reasonable commercial assessment. All recognizable risks and uncertain liabilities at the time of balance sheet preparation were taken into account.

The liabilities were carried at their fulfillment amount.

III. Information on the balance sheet and the income statement

The composition and development of assets are shown in the changes in non-current assets (appendix to the notes).

Financial assets comprise solely of the stake in the bet-at-home.com Entertainment GmbH, Linz (Austria).

Receivables from associated companies in the amount of EUR 85,246 thousand contain the 2016 dividend of bet-at-home.com Entertainment GmbH, Linz, Austria, in the amount of EUR 54,000 thousand and loans granted to Mangas BAH SAS, Paris, France, in the amount of EUR 29,000 thousand.

Other assets and receivables from associated have a remaining term of less than one year.

The Group's share capital amounted to EUR 7,018,000.00 as at 31.12.2016 (previous year: EUR 3,509,000.00) and is divided into 7,018,000 bearer shares with a calculated proportion of the capital stock to the amount of EUR 1.00 per share. The reserves are EUR 7,366,000.00 as at 31.12.2016 (previous year: EUR 10,875,000.00). In 2016, the company increased its capital from its own funds by converting the partial amount of EUR 3,509,000.00 of the capital reserve stated in Company's balance sheet as at 31 December 2015 into share capital. The general meeting of shareholders on 18 May 2016 resolved to authorise the Management Board of the parent company, with the Supervisory Board's consent, to increase the Company's share capital by 17 May 2021 by issuing up to 3,509,000 new non-par value bearer shares for cash or non-cash contributions, once or several times, up to an amount of EUR 3,509,000.00.

Other provisions to the amount of EUR 707,265.49 relate to the management bonus granted to the members of the Management Board. Provisions have a remaining term of less than one year.

Liabilities to affiliated companies relate to loans issued by various subsidiaries of bet-at-home.com AG with a remaining term of less than one year.

Other liabilities consist of EUR 1,795,562.08 representing benefits from an incentive program granted by Mangas BAH SAS to both members of the Management Board. There are receivables from Mangas BAH SAS up to the corresponding amount.

Trade payables and other liabilities have a remaining term of less than one year.

Revenue comprises income from the transfer of management service charges to the amount of EUR 748,256.64 (previous year: EUR 773,056.71).

Other operating income of the financial year relate to the amount of EUR 431,529.00 (previous year: EUR 414,887.00) to revenues that are similar to dividends from affili-

ated companies, for which the company holds shares in a fiduciary capacity. Other income amounts to EUR 52,035.47 (previous year: EUR 43,449.56).

Personnel expenses refer exclusively to the members of the Management Board.

Income from investments result from dividends from associated companies in 2016.

IV. Other information

Other financial obligations and liabilities do not exist. The company has no employees.

The Betclie Everest Group SAS, as group parent, prepares consolidated financial statements for the largest group of associated companies, which includes the financial statement of the company.

In Germany and Austria, betting and gaming providers were subjected to legal attacks by state-owned and private competitors, attempting to stop the company from providing and advertising its activities. This concerns associated companies as well as legal representatives of the bet-at-home.com AG.

Members of the Management Board:

Franz Ömer, graduate engineer, Ansfelden / Austria

Michael Quatember, Master's degree, Linz / Austria

In 2016, the members of the Management Board of the parent company received fixed compensation in the amount of EUR 765 thousand (previous year: EUR 457 thousand) and variable compensation in the form of a management bonus in the amount of EUR 951 thousand (previous year: EUR 819 thousand). One Group company also paid for one consulting service in the amount of EUR 280 (previous year: EUR 140 thousand).

Cash inflow (in EUR)	Franz Ömer		Michael Quatember	
	CEO		CEO	
	2016	2015	2016	2015
Fixed compensation	440,000.00	257,142.86	325,000.00	200,000.00
Fringe benefits	280,000.00	140,000.00	0.00	100,000.00
Total	720,000.00	397,142.86	325,000.00	300,000.00
Variable compensation for one year (short-term component of the management bonus)	408,000.00	382,500.00	408,000.00	382,500.00
Variable compensation for multiple years (long-term component of the management bonus)	67,500.00	0.00	67,500.00	53,925.00
Others	0.00	0.00	0.00	0.00
Total	475,500.00	382,500.00	475,500.00	436,425.00
Expenditure of services	0.00	0.00	0.00	0.00
Total compensation	1,195,500.00	779,642.86	800,500.00	736,425.00

In 2016, the company furthermore assumed the costs of an accident insurance policy in the amount of EUR 1 thousand (previous year: EUR 1 thousand) for one of the members of the Management Board and carried the costs of the contributions due in accordance with the Austrian Corporate Employee and Self-Employed Pension Act (Betriebliches Mitarbeiter- und Selbständigenvorsorgegesetz, BMSVG) in the amount of EUR 11 thousand (previous year: EUR 11 thousand).

Allocations granted (in EUR)	Franz Ömer				Michael Quatember			
	CEO				CEO			
	2015	2016	2016 (Min)	2016 (Max)	2015	2016	2016 (Min)	2016 (Max)
Fixed compensation	257,142.86	440,000.00	440,000.00	440,000.00	200,000.00	325,000.00	325,000.00	325,000.00
Fringe benefits	140,000.00	280,000.00	280,000.00	280,000.00	100,000.00	0.00	0.00	0.00
Total	397,142.86	720,000.00	720,000.00	720,000.00	300,000.00	325,000.00	325,000.00	325,000.00
One-year variable compensation	408,000.00	425,960.00	0.00	484,500.00	408,000.00	425,960.00	0.00	484,500.00
Long-term management bonus	67,500.00	72,000.00	0.00	85,500.00	67,500.00	72,000.00	0.00	85,500.00
Variable third-party compensation	0.00	890,953.18	0.00	n.a.	0.00	890,953.18	0.00	n.a.
Multiple-year variable compensation	67,500.00	962,953.18	0.00	n.a.	67,500.00	962,953.18	0.00	n.a.
Total	475,500.00	1,388,913.18	0.00	n.a.	475,500.00	1,388,913.18	0.00	n.a.
Expenditure of service	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total compensation	872,642.86	2,108,913.18	720,000.00	n.a.	775,500.00	1,713,913.18	325,000.00	n.a.

Members of the Supervisory Board during the 2016 financial year:

Martin Arendts, MBL-HSG, lawyer, Grünwald -Chairman-

Jean-Laurent Nabet, Director, Paris / France

Isabelle Andres, Director, Paris / France

In 2016, the Chairman of the Supervisory Board received fixed compensation of EUR 20 thousand (previous year: EUR 20 thousand). Necessary expenses were also reimbursed. In 2016, the other members of the Supervisory Board waived compensation, just as in the previous year.

In financial year 2016, investments in the following companies were held:

Company, head office	Share of capital	Equity	Profit for the period
bet-at-home.com Entertainment GmbH, Linz/Austria	direct 100%	61,828,313.22	54,689,561.80
bet-at-home.com Holding Ltd., Portomaso/Malta	indirect 100%	33,488,992.73	31,057,295.51
bet-at-home.com Entertainment Ltd., Portomaso/Malta	indirect 100%	239,999.96	8,164,787.76
bet-at-home.com International Ltd., Portomaso/Malta	indirect 100%	82,966.24	-10,173.88
bet-at-home.com Internet Ltd., Portomaso/Malta	indirect 100%	339,248.71	13,411,642.4
Jonsden Properties Ltd., Gibraltar	indirect 100%	736,878.50	88,144.89

Subject to the Supervisory Board's consent, the Management Board of the parent company will propose to the general meeting of shareholders in 2017 to pay a dividend of EUR 7.50 per share, totalling EUR 52,635,000.00, from net profit for the year as at 31 December 2016 and to carry EUR 2,907,123.94 forward to new account.

Release pursuant to Section 21 (1a) of the WpHG (German Securities Trading Act) in financial year 2016

Stephane Courbit informed us that his share of voting rights in bet-at-home.com AG, Dusseldorf, Germany, amounted to 56.18% in total (corresponding to 3,942,674 out of a total of 7,018,000 voting rights) on 10.08.2016. Pursuant to Section 22 WpHG, all of these voting rights were attributed to the following companies based in Paris, France: LOV Group Invest SAS, Financiere LOV SAS, LG Industrie SAS, Mangas Lov SAS, BetClic Everest Group SAS and Mangas BAH SAS (which directly holds the investment).

The Principality of Monaco, Monaco, informed us that its share of voting rights in bet-at-home.com AG, Dusseldorf, Germany, amounted to 56.18% in total (corresponding to 3,942,674 out of a total of 7,018,000 voting rights) on 10.08.2016. Pursuant to Section 22 WpHG, all of these voting rights were attributed to the following companies: Société Anonyme des Bains de Mer et du Cercle des Étrangers à Monaco, the Principality of Monaco, Monaco, Monte-Carlo SBM International Sarl, the Principality Monaco, Monaco, BetClic Everest Group SAS, Paris, France and Mangas BAH SAS, Paris, France (which directly holds the investment).

Jochen Dickinger informed us that his share of voting rights in bet-at-home.com AG, Dusseldorf, Germany, amounted to 3.75% in total (corresponding to 263,176 out of a total of 7,018,000 voting rights) on 10.08.2016.

Franz Ömer informed us that his share of voting rights in bet-at-home.com AG, Dusseldorf, Germany, amounted to 3.75% in total (corresponding to 263,176 out of a total of 7,018,000 voting rights) on 10.08.2016.

V. Final declaration pursuant to Section 312 (3) AktG (German Companies Act)

Pursuant to Section 312 (3) of the German Companies Act, the Management Board states that, according to the circumstances known to the Board at the time when legal transactions were concluded with related parties, the parent company received appropriate compensation for each legal transaction. No actions subject to Section 312 (1) of AktG Act were taken or omitted.

VI. Material subsequent ebents

There were no events materially affecting the Group's business development and financial position in the period between the end of the 2016 financial year and preparation of the consolidated financial statements.

VII. Declaration pursuant to Section 161 AktG (German Companies Act) on the German Corporate Governance Code

The Supervisory and Management Boards of bet-at-home.com AG have issued the statutory declaration for listed companies pursuant to Section 161 of the German Companies Act (Aktiengesetz; AktG) and made it accessible to the shareholders. The declaration has been published in the Investor Relations section of www.bet-at-home.ag under Corporate Governance.

VIII. Responsibility statement

We assure that to the best of our knowledge, the consolidated financial statements give a true and fair view of the Group's financial position, financial performance and cash flows in accordance with the applicable reporting standards, and that the management report gives a true and fair view of the business development including the business performance and position of the Group and appropriately presents the significant opportunities and risks of the Group's anticipated development.

Dusseldorf, 24 February 2017

Franz Ömer

Michael Quatember

Summary of fixed assets as at 31 December 2016

	At cost				Accumulated depreciation					Carrying amount 31.12.2016 EUR	Carrying amount 31.12.2015 EUR	Depreciation 31.12.2016 EUR	
	Balance at 1.1.2016 EUR	Additions EUR	Reclassification EUR	Disposals EUR	Balance at 31.12.2016 EUR	Balance at 1.1.2016 EUR	Additions EUR	Reclassification EUR	Disposals EUR				Balance at 31.12.2016 EUR
I. Property and equipment													
Furniture and fixtures, office equipment													
Other furniture and fixtures, office equipment	2,374.57	0.00	0.00	0.00	2,374.57	2,373.57	0.00	0.00	0.00	2,373.57	1.00	1.00	0.00
Low-value assets	1.00	0.00	0.00	0.00	1.00	1.00	0.00	0.00	0.00	1.00	0.00	0.00	0.00
	2,375.57	0.00	0.00	0.00	2,375.57	2,374.57	0.00	0.00	0.00	2,374.57	1.00	1.00	0.00
II. Financial assets													
Holdings in affiliated companies													
bah Entertainment GmbH	3,771,313.19	0.00	0.00	0.00	3,771,313.19	0.00	0.00	0.00	0.00	0.00	3,771,313.19	3,771,313.19	0.00
	3,771,313.19	0.00	0.00	0.00	3,771,313.19	0.00	0.00	0.00	0.00	0.00	3,771,313.19	3,771,313.19	0.00
	3,773,688.76	0.00	0.00	0.00	3,773,688.76	2,374.57	0.00	0.00	0.00	2,374.57	3,771,314.19	3,771,314.19	0.00

Summarised 2016 Management Report

bet-at-home.com AG, Düsseldorf

A. Fundamentals of the Group

A.1 Business model

The bet-at-home.com AG Group is an online gaming and sports betting company. With 4.6 million registered customers, the Group is one of the most successful providers in Europe.

The varied options offered on www.bet-at-home.com include sports betting, poker, casino, games and virtual sports. In 2016, sports bets were placed on more than 387,000 events in over 75 types of sport. bet-at-home.com has companies in Germany, Austria, Malta and Gibraltar. The successful development of the company can be attributed to its 296 employees as at 31 December 2016.

In addition to several countries in Eastern Europe, particularly the German-speaking region and individual countries in Western Europe are key markets.

The Group holds various licences via its Maltese companies for online sports betting and gaming. These licences allow the Group to organise and market online sports betting and online casinos in its sales markets in Austria, Western Europe, Eastern Europe and in other countries.

bet-at-home.com AG Group structure in detail

The parent company, bet-at-home.com AG, Düsseldorf, was listed on the regulated market of the Frankfurt Stock Exchange in the Prime Standard section in August 2016. All operating activities are carried out exclusively by indirect associates.

bet-at-home.com AG holds 100% of bet-at-home.com Entertainment GmbH. This company, which has its registered office in Linz, Austria, is mainly responsible for the continuous transfer of technology within the Group as well as for further developing its internally developed software and provides services for the operating companies in Malta. The company holds its international gaming licences for sports betting, poker, casino, games and virtual sports via bet-at-home.com Holding Ltd., Malta.

Since 2009, bet-at-home.com AG has been a member of the Betclic Everest Group SAS, Paris, a French group specialising in online gambling and online sports betting.

A.2 Research and development

One of the most important assets of the Group is its effective state-of-the-art software. We are continuously enhancing and developing this software. Sports betting and casino products for the mobile platform were continuously enhanced and optimised during the course of 2016.

B. Business report

B.1 Overall economic and industry situation

Based on the previous experience from key markets of the Group companies, it can be assumed that the eGaming business development is largely independent from total economic developments in the respective market.

The Management Board assumes that the overall gaming market will develop positively in the long term, with the online segment gaining further in importance. Particularly the penetration of the target group with mobile devices, mobile gaming as innovative sales channel as well as demographic trends and increasing online affinity will become supporting factors. This development will be supported by the high scalability of the business model and the expected progressive deregulation of the market.

B.2 Business trend

(1) Highlights in 2016

In 2016, bet-at-home.com AG Group once again showed its strength by generating new records in betting and gaming volumes, betting and gaming income and key performance indicators in the history of the company. In 2016, the gross betting and gaming income amounted to EUR 138.7 million, thus 14.1% up on the previous year's figure of EUR 121.6 million and once again reaching a record in the history of bet-at-home.com. Despite the scheduled increase in investments in the brand's popularity, the EBITDA in 2016 also increased by 4.3% to a record of EUR 33.0 million, thus around EUR 1.3 million up on the comparative figure of EUR 31.7 million in the previous year. Group-wide bundling of the procurement of marketing services at the group company in Gibraltar resulted in significant synergies also during the 2016 financial year, which have influenced the Group's development positively.

Due to the extremely positive business development in the fourth quarter of 2016, the Group exceeded the expected EBITDA of around EUR 30.0 million originally announced with total EBITDA of EUR 33.0 million.

Starting with May 2016, bet-at-home.com had a presence throughout Europe in the form of international advertising campaigns such as TV spots, posters and online media. The contents of the comprehensive marketing measures were aimed at the European Football Championship in France, which started on 10 June 2016. International football tournaments and major events have always been an ideal time for bet-at-home.com to increase the popularity of the brand and therefore the number of registered customers on a lasting basis. At the end of the 2016 financial year, 4.6 million customers trusted in bet-at-home.com.

Further permanent expansion in the area of live betting will strengthen the Group's market position further and ensure its continued positive development. Ongoing innovations on the mobile platforms and the optimisation of the smartphone and tablet product portfolio are the main focus of operations. As a result, more than 30% of the gross betting and gaming revenue was already generated through mobile devices in 2016.

(2) Employees

During the 2016 financial year, the average number of staff (excluding the Board) employed by the Group rose to 289 (previous year: 266). As at the 2016 reporting date, the Group employed 296 staff (previous year: 264). Targeted personnel development combined with the recruitment of highly qualified professionals form the basis for the Group's continued successful development. The quality of recruitment measures is underpinned by a low staff turnover rate. Another key component to success is intensive further professional training.

B.3 Group situation

The Group further strengthened its position, and in particular that of the bet-at-home.com brand, throughout Europe during the 2016 financial year. This can be measured, in particular, by the number of registered customers increasing to 4.6 million (previous year: 4.3 million) in 2016.

B.3.1 Financial performance

Gross sports betting revenue (betting volume less payout of winnings) increased to EUR 66.2 million during the 2016 financial year (previous year: EUR 61.2 million) especially because of the higher betting volume.

The gross eGaming revenue (gaming volume less payout of winnings) increased to EUR 72.5 million year-on-year (previous year: EUR 60.4 million). eGaming contains the products casino, games, poker and virtual sports.

Total gross betting and gaming revenue increased again significantly to EUR 138.7 million in the 2016 financial year (previous year: EUR 121.6 million). The gross betting and gaming revenue is a key financial performance indicator for the Group.

Taking into consideration betting taxes and gambling levies and the tax payable due to the VAT regulations for electronic service providers in the European Union, net gaming revenue in 2016 amounted to EUR 112.9 million (previous year: EUR 100.3 million).

During the 2016 financial year, the Group's **earnings position** was as follows:

	31/12/2016	31/12/2015
	EUR'000	EUR'000
Net gaming revenue	112,888	100,312
Total operating income	113,843	101,235
EBT (earnings before taxes) *)	34,095	32,941
EBIT (earnings before interest and taxes) **)	31,884	30,764
EBITDA (earnings before interest, taxes, depreciation and amortisation) ***)	33,044	31,690

*) corresponds to profit before income tax as shown in consolidated income statement

***) EBT less finance income (costs) in the consolidated income statement

****) EBIT plus depreciation, amortisation and write-downs as shown in consolidated income statement

The betting fees and gambling levies payable in various countries decreased earnings by EUR 16,545 thousand during the 2016 financial year (previous year: EUR 14,523 thousand). In addition, VAT regulations for electronic service providers in the European Union also decreased earnings by EUR 9,241 thousand (previous year: EUR 6,773 thousand).

As planned, marketing expenses (advertising plus sponsoring) increased to EUR 43,956 thousand in 2016 due to targeted campaigns (previous year: EUR 36,451 thousand). In line with the increase in staff, personnel expenses rose by EUR 1,762 thousand, from EUR 15,520 thousand in the 2015 financial year to EUR 17,282 thousand in the 2016 financial year.

B.3.2 Cash flows

As at 31 December 2016, the Group's **cash flows** were as follows:

	31.12.2016 EUR'000	31.12.2015 EUR'000
Comprehensive income	31,363	30,760
Cash flows from operating activities	30,229	31,749
+ Cash flows from investing activities	26,884	-9,046
+ Cash flows from financing activities	-15,791	-4,211
= Net cash from operating, investing and financing activities	41,322	18,492
= Cash and cash equivalents at 31 December	90,101	48,779

The cash flow from investing activities contains EUR 26.0 million from the cash received from the short-term loan granted to the majority shareholder Mangas BAH SAS, Paris, which accrues arm's length interest. The loan amounted to EUR 29.0 million as at 31 December 2016 (31 December 2015: EUR 55.0 million). The cash flows from financing activities reflect the dividend payment to the shareholders of the parent company.

Cash and cash equivalents of EUR 90,101 thousand boost the Group's excellent financial position as at 31 December 2016 in view of liabilities amounting to EUR 13,693 thousand and provisions to EUR 21,479 thousand. The Group was therefore able to meet its financial liabilities at all times.

B.3.3 Net assets

As at 31 December 2016, the Group's **net assets** were as follows:

Assets	31/12/2016 EUR'000	31/12/2015 EUR'000
Non-current assets	4,882	4,763
Current assets		
Receivables from associated companies	30,815	55,000
Receivables, other assets and prepayments	17,829	16,908
Securities	1,748	1,326
Cash and cash equivalents	90,101	48,779
	145,375	126,776

The receivables from associated companies arise from the overdraft facility of EUR 29,000 thousand extended to majority shareholder Mangas BAH SAS, Paris (previous year: EUR 55,000 thousand), which incurs interest at an arm's length rate.

Equity and liabilities	31/12/2016 EUR'000	31/12/2015 EUR'000
Group equity	109,571	93,999
Non-current liabilities (provisions)	108	40
Current liabilities (payables, provisions, accruals and deferred income)	35,696	32,737
	145,375	126,776

As at 31 December 2016, the equity ratio amounted to 75.4% (previous year: 74.2%); equity increased by EUR 15,572 thousand to a total of EUR 109,571 thousand in absolute figures. The increase in group equity resulted from the consolidated net profit as at 31 December 2016 in the amount of EUR 31,004 thousand less dividends paid from equity in May 2016 of EUR 15,791 thousand.

Current liabilities include trade payables in the amount of EUR 460 thousand (previous year: EUR 1,011 thousand), current provisions in the amount of EUR 21,371 thousand (previous year: EUR 19,943 thousand) and other liabilities in the amount of EUR 13,234 thousand (previous year: EUR 11,012 thousand), the majority of which are owed to customers.

Financing measures were not required during the 2016 financial year.

B.3.4 Overall evaluation of the Group's situation

The Group's economic position was very positive overall in 2016.

C. Events after the reporting date

There were no material events after the end of the financial year.

D. Outlook and opportunities and risks report

The bet-at-home.com brand is constantly expanded internationally in a cost-effective way through innovative marketing strategies. In accordance with regulatory developments in the respective countries, we are working intensively in all submarkets towards increasing our market.

D.1 Outlook

Based on the assumptions and premises presented in Section B.1 above, the Management Board expects the following development in 2017:

Based on the current trends and assuming an unchanging regulatory and tax law environment in the financial year 2017, the Management Board expects gross betting and gaming revenues to increase to EUR 144 million.

The Management Board expects EBITDA between EUR 34 million and EUR 38 million in the financial year 2017.

The maximum number of employees in the Group should increase to around 340 persons by 31 December 2017.

D.2 Risk report

D.2.1 Risk management system

The group parent's Management Board is responsible for establishing risk management policies. Compliance with these policies is monitored by the managing directors and department heads of the subsidiaries. Among the basic components of risk management are general principles for risk prevention, such as the segregation of duties and applying the four eyes principle for important internal controls. Various partially automated procedures using software systems are also applied

Risk management measures include continuously performing credit ratings and auditing the risk control system through credit card checks, payment verifications and analyses of gaming behaviour. In addition, we have further intensified our controlling activities in the marketing, partner programme, payment systems and intercompany clearing subsegments.

The Management Board is also responsible for identifying negative developments in good time by employing cross-departmental monitoring systems. For example, IT risks are monitored and reported through the voluntary appointment of external certification institutions (such as eCogra), operational risks through automated plausibility checks during the preparation of offers and financial risks through the ongoing analysis of key financial performance indicators.

D.2.2 Group accounting-related internal control and risk management system

The internal control and risk management system of the bet-at-home.com AG Group comprises all principles, processes and measures aimed to ensure the effectiveness, profitability and orderliness of the accounting system and compliance with the relevant legal requirements. There have been no material changes since the reporting date.

The Management Board of bet-at-home.com AG is responsible for the internal control and risk management system required for protecting against risks and designs and monitors the scope and focus of the systems in place on the basis of specific requirements within the Group. Monitoring measures integrated and not integrated in the processes are the components of the internal monitoring system.

The measures of the internal control system focus on the orderliness and reliability of the Group's accounting system and ensure that business transactions are reported completely, on time and in compliance with the legal and statutory requirements. The Group's consolidation and accounting policies also ensure that assets and liabilities are stated, measured and reported accurately in the consolidated financial statements. The policies also ensure that the accounting documents provide reliable and traceable information.

D.2.3 Legal risks

In some European countries, betting and gaming providers are targeted by legislative interventions aiming to terminate the offering and operation of their activities, based in particular on regulations enforcing state monopolies on gambling. Based on the positive judgements by the European Court of Justice and other regulatory developments, the Management Board expects further liberalisation of the eGaming market in many EU member states in the coming years. However, a large number of laws and proposed laws contain rules discriminating against foreign providers with a view to keeping the market sealed off to the benefit of national providers/monopolists. The Management Board will closely monitor future developments and strives to obtain eGaming licences in countries facilitating fair market access, as to ensure more legal certainty. However, there is the risk that individual countries could exclude customers from private foreign gaming offerings by imposing provider blocks, even though there are no legal grounds for such measures. This risk has only increased now that a number of new statutory provisions regarding eGaming explicitly provide for such measures, in violation of EU law.

bet-at-home.com has implemented various measures to encourage its customers to gamble responsibly and for many years has been cooperating with organisations such as the Institute for Gambling and Dependence in Salzburg, Austria. These measures are complemented by voluntary annual compliance checks by eCogra, the industry testing organisation. Nonetheless, there is the risk that occasionally individual customers will raise claims against the group companies due to their own lack of business sense and gambling addiction.

We explicitly refer to the detailed explanation of changes in the regulatory and/or legal environment and proceedings of concern to the bet-at-home.com Group in the Notes to the Consolidated Financial Statements for the Year Ended 31 December 2016 (section 'Other commitments and contingent liabilities').

Reputable external legal advisers are engaged to reduce legal risks and take into account the complex regulatory environment.

D.2.4 Market risks

The liberalisation anticipated by our Management Board could attract large gaming and media groups to the (continental) European market, which could result in a loss of market share for the Group. This risk is significantly reduced by various measures, including membership of the Betclac Everest Group SAS. The Group's state-of-the-art technology should be an advantage over competitors.

Based on the changes in the legislation and court rulings on eGaming, restrictions could be imposed on individual submarkets, and markets could even become inaccessible to private betting providers. However, given the rulings of the European Court of Justice and the measures taken by the European Commission (proceedings against EU member states for treaty violations), these are considered to be minor risks in the medium term.

D.2.5 Tax risks

In addition to the betting fees or taxes and gambling levies payable in various countries, new (adverse) tax laws could be introduced in other countries with significant effects on the Group's financial position, performance and changes in financial position.

D.2.6 Technical risks

The products and services offered by the Group depend on the reliable functioning of numerous technical systems. Serious interference with IT systems, particularly through negative external influences such as hacker attacks, DDos attacks etc., could therefore significantly affect the Group's financial position, performance and changes in financial position. Another steep rise in business volume will place increasing demands on the accounting and controlling systems of associated companies.

The Management Board believes that comprehensive measures have been taken to minimise these risks. The Management Board and management personnel regularly analyse the risk environment and evaluate new and alternative measures for the prevention and reduction of risks.

D.2.7 Operational risks

Acquired software (casino, poker, games, virtual sports) could involve specific risks caused by hardware and software errors. Likewise, incorrect estimations of betting odds by bookmakers could result in higher payments to customers. This risk is minimised by a multitude of backup systems and by con-

tinuous monitoring of betting odds through market comparison. The IT project team continues to develop all the software required to provide a competitive product in the betting market. All measures necessary to minimise these risks have been implemented.

D.3 Opportunities

The bet-at-home.com brand is continuously enhanced in the international market in a cost-effective way through innovative marketing strategies. In accordance with regulatory developments in the respective countries, we are working intensively in all submarkets towards increasing our market.

The development of the global online gaming market shows that the European market (EU 28) has made the largest contribution to growth in the past 10 years world-wide and is expected to continue generating annual growth rates of around 9%. This is confirmed by various studies by H2 Gambling Capital, also in 2016.

According to recent studies, this trend will continue in the wake of broad-based acceptance of e-commerce and the global penetration of mobile applications and demographic trends and help the gambling sector – which does not depend on the state of the economy – on its way to further sustained growth in the years to come.

Thanks to bet-at-home.com's strong brand presence and its firmly established position in the European market for online gambling, the Management Board is convinced it will continue to grow faster than the global industry, just as it has done in the past.

E. Notes to the Financial Statements of bet-at-home.com AG

The financial statements of bet-at-home.com AG have been prepared in accordance with the requirements of the German Commercial Code (Handelsgesetzbuch; HGB) and the additional requirements of the German Stock Corporation Act (Aktiengesetz; AktG). Any deviations from the International Financial Reporting Standards (IFRS) to be applied in the consolidated financial statements are of an immaterial nature.

The management report of bet-at-home.com AG has been consolidated with the Group management report of bet-at-home.com AG Group. Bet-at-home.com AG is the management holding company of bet-at-home.com AG Group and as such depends to a significant extent on the development of the bet-at-home.com Group in terms of business trend, position and expected development, including all related material opportunities and risks, which are disclosed in this summarised management report.

E.1 Financial performance of bet-at-home.com AG

	2016		2015		Change	
	EUR'000		EUR'000		EUR'000	%
Revenue	748		773		-25	-3.2
Other operating income	484		458		26	5.7
Ordinary operating income	1,232		1,231		1	0.1
Personnel expenses	2,054		1,558		496	31.8
Administrative expenses	1,033		1,567		-534	-34.1
	3,087		3,125		-38	-1.2
Operating income (expenses)	-1,855		-1,894		39	-2.1
Income from investments	54,000		16,050		37,950	> 100
Interest received	2,370		2,304		66	2.9
Interest paid	493		479		14	2.9
Net finance income (costs)	55,877		17,875		38,002	> 100
Earnings before taxes	54,022		15,981		38,041	> 100
Income taxes	846		101		745	> 100
Net income for the year	53,176		15,880		37,296	> 100

The financial performance of bet-at-home.com AG is impacted by the significant increase in dividend payments of its subsidiary bet-at-home.com Entertainment GmbH, Linz, Austria. Revenue comprises income from the transfer of management service charges to subsidiaries.

Personnel expenses exclusively pertain to the two members of the Management Board of the Company.

Tax expenses exclusively refer to income taxes.

E.2 Net assets of bet-at-home.com AG

	31/12/2016		31/12/2015		Change	
	EUR'000	%	EUR'000	%	EUR'000	%
<u>Non-current assets</u>						
Financial investments	3,771	3.9	3,771	4.6	0	0.0
<u>Current assets</u>						
Other assets, including accruals and deferred income	217	0.2	245	0.3	-28	-11.4
Receivables from associated companies	85,247	89.2	71,588	87.6	13,659	19.1
Cash and cash equivalents	6,394	6.7	6,126	7.5	268	4.4
	91,858	96.1	77,959	95.4	13,899	17.8
	95,629	100.0	81,730	100.0	13,899	17.0

Net assets exclusively comprise the investment in bet-at-home.com Entertainment GmbH, Linz, Austria.

Receivables from associated companies in the amount of EUR 85,247 thousand contain the 2016 dividend of bet-at-home.com Entertainment GmbH, Linz, Austria, in the amount of EUR 54,000 thousand and loans granted to Mangas BAH SAS, Paris, France, in the amount of EUR 29,000 thousand.

E.3 Cash flows of bet-at-home.com AG

	31/12/2016		31/12/2015		Change	
	EUR'000	%	EUR'000	%	EUR'000	%
Equity	69,926	73.1	32,540	39.8	37,386	> 100
Current liabilities and provisions						
Suppliers	5	0.0	28	0.0	-23	-82.1
Subsidiaries/associates	22,333	23.4	48,300	59.1	-25,967	-53.8
Provisions	1,538	1.6	790	1.0	748	94.7
Other current liabilities	1,827	1.9	72	0.1	1,755	> 100
	95,629	100.0	81,730	100.0	13,899	17.0

In 2016, the Company increased its capital from its own funds by converting the partial amount of EUR 3,509 thousand of the capital reserve stated in Company's balance sheet as at 31 December 2015 into share capital.

Liabilities to affiliated companies relate to loans issued by two subsidiaries of bet-at-home.com AG with a remaining term of less than one year.

F. Risk management in relation to the use of financial instruments

Freely available cash and cash equivalents were invested in fixed-income securities and shares in investment funds. The Management Board only approves investment if net profit or growth is forecast for the relevant securities or if the issuers have an excellent credit rating. The Group believes that the risk relating to the use of these financial instruments is very minor.

G. Compensation report

G.1 Management Board

Compensation structure

The structure and amount of the emoluments of the Management Board are determined by the Supervisory Board. The company has refrained from setting up a separate HR committee as its Supervisory Board consists of three members and there is thus no need for such a committee.

The appropriateness of the compensation defined for the Management Board is regularly tested. This is based on the scope of tasks and responsibilities of the individual members of the Management Board and on other factors such as the size of the company, its net assets, financial position and results of operations as well as its development potential and prospects for the future.

Compensation for the members of the Management Board, insofar as it is paid in part by bet-at-home.com AG and in part by one of the subsidiaries, consists of the following:

- Non-performance-based components
- Performance-based annual bonuses with long-term incentives or based on multi-year assessment
- Fringe benefits

The granting and the amount of the individual components of compensation, in particular bonuses and other performance-based components, to the respective members of the Management Board are commensurate with the functions and tasks which they perform.

a) Non-performance-based components:

A fixed monthly salary is paid as a non-performance-based component.

b) Performance-based annual bonuses with long-term incentives or based on multi-year assessment:

The performance relationship of the annual bonuses is based on the key financial ratios taken from the consolidated financial statements. The gross betting and gaming income as well as an earnings component are also taken into account. Due to these parameters, target achievement is based on the targets set for several years in advance. The income and earnings targets are connected in such a way that both parameters must exceed a minimum target to lead together to entitlement to a bonus.

Instead of annual bonuses becoming payable in full after one financial year, part of the bonus is paid out if the performance targets set at the beginning of the first year are met in the following year as well.

Variable compensation is computed using a base amount and an achievement corridor of from 70% to 150%. The amount is therefore capped at 150%. Subsequent changes to the performance targets are excluded.

c) Fringe benefits:

One Group company also paid for one consulting service in the amount of EUR 280 thousand.

In 2016, the Company furthermore assumed the costs of an accident insurance policy in the amount of EUR 1 thousand (previous year: EUR 1 thousand) for one of the members of the Management Board and carried the costs of the contributions due in accordance with the Austrian Corporate Employee and Self-Employed Pension Act (Betriebliches Mitarbeiter- und Selbständigenvorsorgegesetz, BMSVG) in the amount of 1.53% of gross salary. No other fringe benefits, particularly company cars, were granted.

Third-party benefits for members of the Management Board

In 2016, Mangas BAH SAS, the majority shareholder of bet-at-hom.com AG, approved variable compensation for the members of the Management Board for the first time. Mangas BAH SAS is the sole payee of this compensation, which therefore does not place any financial burden on bet-at-home.com AG or its subsidiaries. The accrual and amount of this variable compensation is based on the price of the shares of bet-at-home.com AG exceeding a certain level at the end of 2016, 2017 and 2018 (basic allowance). An additional incentive for the members of the Management Board is to pay attention to the development of the share price. It is created by decreasing the percentage of compensation if the basic allowance is exceeded during the reporting period and that an agreed minimum dividend does not reduce the basic allowance. Contracts have been concluded to ensure that bet-at-home.com AG will not assume any liability in this respect, including for any taxes payable.

Benefits and allocations granted in 2016

Please refer to the disclosures in the notes to the consolidated financial statements.

G.2 Supervisory Board

As resolved by the general meeting of shareholders on 12 May 2014, each member of the Supervisory Board receives, beginning from 1 January 2014, fixed remuneration of EUR 10,000 for each full financial year, which is payable one month after the end of the financial year.

The Chairman of the Supervisory Board receives fixed remuneration of EUR 20,000 p.a. In addition, reimbursement is given for the necessary out-of-pocket expenses and VAT.

The details of this compensation can be found in the notes to the consolidated financial statements.

H. Additional information regarding the right to take over (Section 315 (2) page 1 no. 4 HGB)

The composition of the subscribed capital of the parent company and the investments in capital exceeding ten out of hundred voting rights are stated in the notes to the consolidated financial statements (Section V.2 (16) and Section I.) as corresponding disclosures have to be included in this document.

The respective provisions of the German Stock Corporation Act (Section 84 AktG) apply to the appointment and recall of the members of the Management Board of the parent company.

The general meeting of shareholders on 18 May 2016 resolved to authorise the Management Board of the parent company, with the Supervisory Board's consent, to increase the Company's share capital by 17 May 2021 by issuing up to 3,509,000 new non-par value bearer shares for cash or non-cash contributions, once or several times, up to an amount of EUR 3,509,000.00. The shareholders shall be invited to purchase new shares. However, the Management Board is authorised, upon approval by the Supervisory Board, to exclude the shareholders' subscription right in certain cases.

By shareholder resolution of 18 May 2016, the Management Board further may, with the Supervisory Board's consent, purchase treasury shares of up to 10% of share capital, i.e. up to EUR 701,800.00, until 12 May 2018. When pooled with other treasury shares, the shares to be purchased may never exceed 10% of the Company's share capital. The authorisation must not be exploited for the purpose of trading in treasury shares.

I. Corporate governance statement

Due to the fact that bet-at-home.com AG was not obliged to issue a corporate governance statement in accordance with Section 161 AktG in the previous year, such does not have to be published at this point.

With regard to the disclosures on the working methods of the Management Board and Supervisors Board, please refer to the website of the parent company, www.bet-at-home.ag under Corporate Governance.

In accordance with Section 76 (4) AktG, the management boards of companies that are listed or subject to co-determination must specify the target percentages of women on both executive levels below the management board. However, bet-at-home.com AG is unable to determine such targets as the company does not have any employees and/or executive levels below the management board.

In accordance with Section 111 (5) AktG, the supervisory boards of companies that are listed or subject to co-determination must specify the target percentages of women on the supervisory and management boards. When determining the targets for its composition, the Supervisory Board specified that one third of the Supervisory Board should be women. This target has been reached at present. The Management Board is currently comprised of two men. As none of the management board contracts are expiring in the near future and there are no plans to add further members to the Management Board, the company is currently not endeavouring to increase the percentage of women on the Management Board.

J. Responsibility statement

We assure that to the best of our knowledge the Group management report provides a true and fair view of business developments, including the results of operations and situation of the Group, and that it describes the material opportunities and risks of future developments within the Group.

Dusseldorf, 24 February 2017

Franz Ömer

Michael Quatember

Independent Auditor's Report

To the bet-at-home.com AG

We have audited the financial statements - comprising the balance sheet along with the profit and loss statement together with the accounting records and combined management report of the bet-at-home.com AG for the fiscal year from January 1 to December 31, 2016. The accounting system and the preparation of the financial statements as well as the combined management report in accordance with German commercial law are the responsibility of the company's management. Our responsibility is to express an opinion on the financial statements together with the accounting system and the combined management report based on our audit.

We conducted our audit of the financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the financial statements in accordance with the Generally Accepted Accounting Principles and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the accounting system, financial statements and the combined management report are examined primarily on a test basis within the framework of the audit.

The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the company in accordance with the Generally Accepted Accounting Principles. The combined management report is consistent with the financial statements, complies with the legal requirements and as a whole provides a suitable view of the company's position and suitably presents the opportunities and risks of future development.

Without qualifying this opinion, we refer to the discussion of legal risks in the notes to the consolidated financial statements and the combined management report.

Duisburg, February 27, 2017

PKF FASSELT SCHLAGE
Partnerschaft mbB
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft
Rechtsanwälte

Th. Pannenbäcker

Görtz

German Qualified Auditor

German Qualified Auditor

(The independent auditors report relates to the financial statement as per 31 December 2016 (balance sheet total EUR 95,628,792.73; net income for the year EUR 53,176,419.25) and the combined management report of the bet-at-home.com AG, Dusseldorf, for the fiscal year 2016.)