

**This document and the accompanying explanatory notes are important and require your immediate attention.**

## **NOTICE OF THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS OF FORTUNA ENTERTAINMENT GROUP N.V.**

Shareholders and persons entitled to attend shareholders' meetings of Fortuna Entertainment Group N.V. (the "**Company**") are invited to the Extraordinary General Meeting of Shareholders of the Company (the "**EGM**") to be held at the registered office of the Company at the address Strawinskylaan 809 WTC T.A/L 8, 1077 XX AMSTERDAM, The Netherlands, on Tuesday 1 August 2017, starting at 11.00 a.m. (CET) and to take note of these explanatory notes to the agenda of the EGM.

### **Agenda for the Extraordinary General Meeting**

1. Opening
2. Approval of the proposed acquisition of Bet Active Concept S.R.L., Bet Zone S.R.L., Public Slots S.R.L. and Slot Arena S.R.L. through two SPVs to be incorporated by the Company in Romania within the meaning of article 2:107a Dutch Civil Code (voting item)
3. Closing

The Management Board and Supervisory Board of the Company consider that the proposals described in this Notice are in the best interests of the Company as a whole, and unanimously recommend shareholders to vote in favour of the resolutions. Mr. André Olijslager, appointed by the Amsterdam Court of Appeal (Enterprise Chamber), confirms that the information contained herein has been reviewed by him as to its nature and scope. He considers this information to be adequate and usual for the Transaction at hand.

## Documents

The agenda, the explanatory notes to the agenda and the Company's Annual Report (including the 2016 annual accounts) can be found on the Company's website ([www.fortunagroup.eu](http://www.fortunagroup.eu)) and are also available for review at the Company's offices at Strawinskylaan 809, 1077 XX Amsterdam, The Netherlands.

## Attending the EGM / Voting instructions

### Registered shareholders

With respect to holders of registered shares, the sub-register will be the shareholders' register of the Company, as maintained by it. Holders of registered shares (and other persons/entities entitled to attend the EGM) who wish to attend the EGM must inform the Company's Management Board thereof in writing at the latest on Tuesday 25 July 2017.

### Beneficial holders of shares listed on the Warsaw Stock Exchange or the Prague Stock Exchange ("Listed Shares")

Beneficial holders of Listed Shares who wish to (i) exercise voting rights in writing, (ii) attend the EGM and exercise voting rights in person, or (iii) authorize another person to attend the EGM and to exercise voting rights on their behalf, are requested to contact the bank or broker through which they hold their Listed Shares. Such bank or broker will provide the beneficial holder of Listed Shares with additional information and the appropriate form(s). Please complete, sign and return the form(s) in accordance with the instructions specified thereon. The recipient institution will arrange that the forms and/or the information included therein, as required, will be received by the Company by no later than 16:00 (CET) on Tuesday 25 July 2017.

### Requirements to vote / Registration Date

The Company has set a registration date for registered shares at 23:59 (CET) on Tuesday 4 July 2017. Shareholders who are registered at the registration date in the Company's shareholder register will be entitled to vote the number of shares held by them at the registration date. The Company does not require the blocking of shares in order to vote at the EGM.

The Company has ascertained that the same date, i.e. 23:59 (CET) on Tuesday 4 July 2017, is also applicable as the notional registration date for beneficial holders of Listed Shares, in accordance with the internal rules, policies and practices of the depositary(s), custodian(s), broker(s), nominee(s) or clearing system(s) through which they hold Listed Shares. Beneficial holders of Listed Shares may have their accounts blocked when they vote, depending on the internal rules, policies and practices of the custodian(s), broker(s), nominee(s) or clearing system(s) through which they hold Listed Shares. Beneficial holders of Listed Shares who acquire their beneficial holdings or holdings after the notional registration date will not be able to exercise voting rights.

### Identification

Persons/entities, entitled to attend the EGM, can be requested to show proof of identity prior to admission to the EGM. We therefore request those persons / entities to bring valid identification.

**Registration of Admittance**

Registration of admittance will take place on Tuesday 1 August 2017 from 10.00 a.m. to 10.55 a.m., before commencement of the EGM. It will not be possible to register after that time.

If you are in any doubt as to what action you should take, you are recommended to seek your own advice from an appropriate authorized independent professional adviser.

If you have sold or transferred all your shares in the Company please pass this document, together with the accompanying documents, as soon as possible to the purchaser or transferee or to the agent through whom the sale or transfer was effected for delivery to the purchaser or transferee.

Amsterdam, 20 June 2017

The Board of Managing Directors  
Fortuna Entertainment Group N.V.

## **FORWARD-LOOKING STATEMENTS**

Certain statements contained in this document are not historical facts but rather statements of future. These forward-looking statements are based on the Company's current plans, expectations and projections about future events. Any forward-looking statements speak only as of the date they are made and are subject to uncertainties, assumptions and risks that may cause the events to differ materially from those anticipated in any forward-looking statement. Such forward-looking statements include, without limitation, improvements in process and operations, new business opportunities, performance against Company's targets, new projects, future markets for the Company's products and other trend projections. For the avoidance of any doubts, this document does not contain any forecast about the Company's and its capital group's financial results.

## EXPLANATORY NOTES TO THE AGENDA

2. *Approval of the acquisition of Bet Active Concept S.R.L., Bet Zone S.R.L., Public Slots S.R.L. and Slot Arena S.R.L. through two SPVs to be incorporated by the Company in Romania within the meaning of article 2:107a Dutch Civil Code (voting item)*

## INTRODUCTION

The Company has entered into a purchase agreement with Fortbet Holdings Limited ("**Fortbet**") to acquire, through two SPVs incorporated in Romania for this purpose Bet Active Concept S.R.L. ("**Bet Active**"), Bet Zone S.R.L. ("**Bet Zone**"), Public Slots S.R.L. ("**Public Slots**") and Slot Arena S.R.L. ("**Slot Arena**"). (collectively: "**Fortbet Romania**" and the proposed acquisition, the "**Transaction**").

The Transaction is subject to shareholder approval. The shareholder vote on the Transaction was originally on the agenda of the extraordinary general meeting of 26 April 2017 (the "**April EGM**"). Reference is made to (x) the notice of the April EGM and (y) the *Additional information in respect of the notice of the extraordinary general meeting of shareholders of Fortuna Entertainment Group N.V.* of 31 March 2017, both of which can be found on the Company's website.<sup>1</sup>

### Decision-making Process

The Management Board has been cognizant of the fact that the Company is entering into a transaction with its majority shareholder. In considering the proposed acquisition, the Management Board has carefully assessed the ramifications of Fortbet's position as both the seller and the Company's majority shareholder and has taken the appropriate measures to address any potential concerns, to address the fact that this Transaction is a related party transaction.

The Company and Fortbet engaged separate counsel in connection with the Transaction.

The Transaction has been approved by the Management Board and the Supervisory Board. The Transaction further requires the approval of the Company's general meeting of shareholders, which approval will be requested at the EGM.

The Management Board has the authority to negotiate and enter into the acquisition. In doing so, the Management Board has paid particular attention to the following aspects:

- An assessment of whether any of its members has a conflict of interest with the Company in respect of the Transaction, in particular in the context of section 18.7 of the Company's articles of association (the "**Articles**"). The Management Board concluded that this was not the case.

<sup>1</sup> [http://www.fortunagroup.eu/en/about\\_fortuna\\_group/corporate\\_governance/shareholder\\_meetings/index.html](http://www.fortunagroup.eu/en/about_fortuna_group/corporate_governance/shareholder_meetings/index.html)

- An assessment of whether any of the members of the Company's supervisory board (the "**Supervisory Board**") has a conflict of interest with the Company in respect of the Transaction, in particular in the context of sections 20.4 and 27.3 of the Articles and principle 2.7 of the Dutch corporate governance code (the "**Code**"). The Management Board considered the following:
  - Supervisory Board members Mr Šmrha and Mr Child are affiliated with Penta Investment Limited ("**Penta**"), the sole shareholder of Fortbet. At the outset of the transaction process, Mr. Smrha and Mr. Child reported such affiliation as a potential conflict of interest relating to the Transaction to the independent member of the Supervisory Board, Mr. Rønde. Mr Rønde, in consultation with the Management Board, decided that the Company should adhere to the relevant rules in respect of conflicts of interest, as if such conflict did exist, if only to avoid the appearance of any potential conflict.
  - Consequently, section 20.4 of the Articles as well as provision 2.7.5 of the Code applied and Supervisory Board approval was required in respect of the Transaction. Mr Šmrha and Mr Child, in accordance with section 27.3 of the Articles, did not take part in any discussions or decision-making in respect of the Transaction.
  - Mr Rønde, acting as the sole member of the Supervisory Board without a (potential) conflict of interest, after careful deliberation, decided, on behalf of the Supervisory Board, to approve the Transaction.

### **Enterprise Chamber Proceedings**

Three of the Company's shareholders, who collectively hold approx. 10.6% of the Company's shares, Franklin Templeton Investment Funds - Templeton Eastern Europe Fund, Franklin Templeton Investment Funds - Templeton Emerging Markets Small Cap Fund, and Templeton Emerging Markets Small Cap Fund (together "**Templeton**"), on 13 April 2017 commenced legal proceedings before the Enterprise Division of the Amsterdam Court of Appeals (the "**Enterprise Chamber**") seeking among others, immediate injunctive relief with the effect of among others i) prohibiting the voting on the proposed approval within the meaning of 2:107a Dutch Civil Code for the Transaction at the April EGM and ii) to suspend any actions or resolutions to keep aforementioned transaction from completion.<sup>2</sup>

The Enterprise Chamber on 24 April 2017 decided that (i) no vote could take place at the April EGM on the approval of the Transaction and (ii) that an independent supervisory director (the "**Supervisory Director**") would be appointed with the exclusive authority to decide on the nature, size, content and timing of the information that the Company should provide to its shareholders in relation to the Transaction.<sup>3</sup>

<sup>2</sup> See: [http://www.fortunagroup.eu/public/d4/72/79/757688\\_1300235\\_\\_2017\\_04\\_13\\_templeton\\_proceedings\\_final.pdf](http://www.fortunagroup.eu/public/d4/72/79/757688_1300235__2017_04_13_templeton_proceedings_final.pdf)

<sup>3</sup> See: [http://www.fortunagroup.eu/public/f/ed/4/758362\\_1305166\\_\\_2017\\_04\\_25\\_court\\_decision\\_eng.pdf](http://www.fortunagroup.eu/public/f/ed/4/758362_1305166__2017_04_25_court_decision_eng.pdf)

The Company subsequently decided not to discuss the Transaction at the April EGM and the relevant item was withdrawn from the agenda.<sup>4</sup>

### **The Supervisory Director**

On April 25, 2017, the Enterprise Court announced that it had appointed Mr A.A. Olijslager as additional Supervisory Director. Mr Olijslager is not a member of the regular Company's supervisory board, but has been appointed by the Enterprise Chamber with the sole power and authority to decide on the nature, size, content and timing of the information that the Company must provide to its shareholders in relation to the Transaction.

Mr Olijslager's powers are limited to this information provision mandate only. Members of the Management Board of the Company met with Mr Olijslager several times in the period May/June 2017. A copy of Mr Olijslager's letter is attached as Annex 1.

### **Public Offer**

On 31 March 2017, Fortbet announced a tender offer for all shares in the Company not held by Fortbet. The Company has published a position statement on 2 June 2017, which can be found at [http://www.fortunagroup.eu/public/1f/45/5f/761479\\_1321040\\_EUI\\_1201468011\\_1\\_FEG\\_Position\\_Statement\\_2.\\_6.\\_2017.PDF](http://www.fortunagroup.eu/public/1f/45/5f/761479_1321040_EUI_1201468011_1_FEG_Position_Statement_2._6._2017.PDF). The public offer was also discussed at the annual general meeting of shareholders on 12 June 2017.

Although as at the date of this Notice it is uncertain if the tender offer will successfully complete, the Management Board believes that the Transaction will be in the interest of the Fortuna group and its stakeholders. The Management Board has therefore resolved not to postpone submitting the Transaction to the Company's shareholders for approval. Notwithstanding the foregoing, if the tender offer results in a material change in the Company's position prior to the EGM, the Company will inform the shareholders and may, at its discretion, decide to cancel the EGM.

## **THE TRANSACTION**

### **Background to the Transaction**

The Company believes that the Romanian market for gambling and betting has significant potential due to recent changes in gambling legislation and tax law. For example, online gambling and betting has only been allowed (subject to a license) since mid-2015. Similarly, changes in tax legislation where also recently made regarding the provision of gambling and betting services, have created in the view of the Company an attractive market, with strong potential for growth.

In addition, these legislative amendments resulted in existing operators in the Romanian market that operated via off shore companies no longer being allowed to offer online gambling and betting services without a

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<sup>4</sup> Reference is made to the additional information on the April EGM which can be found at: [http://www.fortunagroup.eu/public/bd/ae/d4/758457\\_1305763\\_\\_2017\\_04\\_25\\_EGM\\_voting\\_change\\_final.pdf](http://www.fortunagroup.eu/public/bd/ae/d4/758457_1305763__2017_04_25_EGM_voting_change_final.pdf)

license. This resulted in the websites of a number of existing operators offering online gambling and betting without having the required licenses to be blocked.

When the Company first considered entering the Romanian market, uncertainty surrounding legislative developments caused the Company to decide to limit its risk exposure by entering into a brand licensing agreement with a local operator. That local operator could offer its products on the Romanian market under the "Fortuna" brand name, which is recognized and trusted by consumers, in exchange for a license fee, or royalty. The Company subsequently started reviewing the market in search of a local operator that would fit the Company's strategy.

Fortbet was already active on the Romanian market at the time, amongst other things through Bet Active. Bet Active was a new company that had acquired the retail operations and activities of another operator in Romania. Furthermore, Fortbet, through a new start-up Bet Zone, was to acquire market share, in the new and fast growing market for online sports betting and gaming in Romania.

After reviewing the market, the Company concluded that entering into a brand license agreement with Bet Active and Bet Zone, two of the Fortbet Romanian entities, was a logical first step in entering the Romanian market. The Company amongst other things considered the following:

- Bet Active and Bet Zone had together already succeeded in acquiring a position on the Romanian retail market within a limited time, supported by the existing retail network of Bet Active, and were looking to expand into the online market. The retail network would allow Bet Active and Bet Zone to roll out a multi-channel approach to the market – a combination of retail and online sports betting and gaming. The Company was already successfully implementing the multichannel and multiproduct strategy in its own home-markets in the Czech Republic, Slovakia and Poland.
- Bet Active and Bet Zone had acquired the required licenses under the new legislative regime, contrary to many of their competitors.
- With the Romanian licenses of Bet Active and Bet Zone, sports betting and gaming could be offered within the CEE market at a 16% tax rate. This was considerably more favorable than the 20% tax (which was raised to 23% this year) which applies to the Company in the Czech Republic. Slovakia and Poland also have a substantially higher gambling tax for sports betting than Romania or the Czech Republic.

Two brand license agreements were concluded with Bet Active and Bet Zone on 15 September 2015. Royalties paid under this license agreement amounted to EUR 0.8 million for 2016. Under the "Fortuna" brand name, Bet Zone launched its entrance into the new and fast growing market for online sports betting and gaming in Romania.

Since the initial brand license agreements with Bet Active and Bet Sports, the Romanian market has further developed and become more stable and mature. As the Company was considering expanding in Romania and Croatia through the acquisition of the Hattrick Sports Group, the Management Board came to the conclusion that it made strategic sense to acquire the Fortbet Romanian entities as well, and to integrate the Fortbet Romanian entities with the Romanian business of the Hattrick Sports Group. The Company therefore contacted Penta in November 2016 to explore the possibility of acquiring the Fortbet Romanian entities. Following exploratory discussions, negotiations started in January 2017. The Company, assisted by its legal advisers, Tuca Zbârcea & Asociații, conducted a legal and financial due diligence into the Fortbet Romanian entities. At the same time, a sale and purchase agreement was negotiated with assistance of the Company's legal advisers. The Transaction was announced by the Company on 15 March 2017.

In light of the Enterprise Chamber proceedings and urged by the risk of not being able to timely capitalize on value creation for the Company, from expected business synergies, the Company, in the interest of its stakeholders, by the end of May 2017, entered into discussions with Fortbet with a view to enter into an amended share purchase agreement, that replaces the unconditional deferred payment of EUR 15 million with a conditional earn-out provision of maximum EUR 15 million. Please see below under *Description of the Transaction – Consideration* for further details.

### **Rationale for the Transaction – Strategic Fit**

In the opinion of the Management Board, the Transaction together with the acquisition of Hattrick Sports Group (which was approved in the April EGM) fits the strategy that the Management Board has set out and which was communicated to the Company's shareholders at previous general meetings and analysts calls.

This strategy entails that by the end of 2019, the Company will:

- be the #1 licensed betting and gaming operator in Central and Eastern Europe ("CEE"), active in 5 markets;
- have the most trusted and exciting betting and gaming brands;
- have entered into at least one additional CEE market;
- be a regional leader on both Gross Winnings and EBITDA basis.

The consolidation of activities performed by the Fortbet Romanian entities together with the Romanian Hattrick Sports Group business will ensure market leadership by Fortuna in Romania and bring significant synergies. In addition, the acquisition of the Hattrick Sports Group will further strengthen FEG's overall position in Central and Eastern Europe.

### **Details of Fortbet Romania**

#### *Introduction*

As mentioned above, Fortbet Romania consists of the following entities: Bet Active, Bet Zone, Public Slots and Slot Arena. The Fortbet Romanian entities offer sports betting (both retail and online), online gaming, slots and fixed odds virtual games.

The retail business of Fortbet Romania commenced in September 2015, and the online business followed in November 2015. The business experienced rapid growth becoming one of the top 3 leading multichannel operators in Romania. Bet Active has approx. 750 betting shops. Together with "Casa", the brand owned by the Hattrick Sports Group (which was acquired by the Company on 23 May 2017), Bet Active shares the number 2 position in the Romanian retail market, slightly behind Total Bet. Bet Zone's online market share is estimated at ca 5% (virtually the same market share as Casa). In total, Fortbet Romania employs approximately 1,200 employees.

### *Key Financial Information*

Amounts staked (including commissions), revenue, and EBITDA of the Fortbet Romanian entities (on a pro forma consolidated basis) are as follows:

	2015 Actuals <sup>(1)</sup>	2016 Actuals <sup>(2)</sup>	2017 Guidance <sup>(3)</sup>
Amounts Staked	43	224	535
Revenue	8	32	49
EBITDA	-1.1	-1.1 <sup>(4,5)</sup>	6.4

*All amounts in mEUR*

<sup>(1)</sup> 2015 Actuals are only for the part of the year as Bet Active commenced operations in September 2015 and Bet Zone in November 2015.

<sup>(2)</sup> 2016 Actuals are preliminary, non-audited.

<sup>(3)</sup> 2017 Guidance (Public Slots fully consolidated).

<sup>(4)</sup> 2016 Actuals EBITDA incl. pro-forma consolidation of normalized EBITDA Public Slots is EUR 2.5m.

<sup>(5)</sup> Reflects brand license fee paid to FEG of EUR 0.8m in 2016 Actuals.

### **Description of the Transaction**

#### *Structure of the Transaction*

Through two special purpose vehicles, or SPVs, the Company will purchase the shares in the entities that comprise the Fortbet Romania entities.

#### *Consideration*

The consideration to be paid for the acquisition will be EUR 47 million of which maximum EUR 15 million will be paid subject to a conditional earn-out mechanism as referred to below. In addition, the Company shall refinance approximately EUR 3 million of loans granted by Fortbet to Fortbet Romania and will replace these loans with a new facility. The consideration will be funded via the Company's cash and bank loans.

The deferred portion of the consideration will bear an interest at a rate of 4% per annum. If the subordination commitments undertaken under the financing agreements of the Fortuna group does not permit the payment

of interest or of the deferred consideration, the due date for payment will be further extended until the that the relevant conditions in the financing agreement are met.

Following negotiations started at the end of May 2017 and completed beginning of June 2017, the Company and Fortbet agreed that instead of payment of a portion of the consideration as a deferred portion of the purchase price, payment of a similar portion of the consideration (EUR 15 million) will only be due if certain performance targets are met (the "**Earn-out**"). The provisions of the Earn-out, except for interest, are in line with the terms of the earn-out in the Hattrick Sport Group transaction, and can be summarized as follows:

- If the Proforma Consolidated EBITDA for 2020 exceeds EUR 3,500,000 the amount of the Earn-out shall be equal to

$$(\text{Proforma Consolidated EBITDA} - \text{EUR } 3,500,000) \times 35\% \times 7$$

with a maximum of EUR 15,000,000.

- The Earn-Out shall carry interest of 4% per annum for the period between the date on which the shares in Fortuna Romania are transferred and the date of actual payment of the Earn-Out.
- If the subordination commitments undertaken under the financing agreements of the Fortuna group do not permit either (1) any payment of interest or (2) payment of any (portions of) the Earn-out, the payment will be extended until such date as these payments are permitted under the financing agreement.

The consideration (on the basis that the maximum amount under the Earn-out will be due) implies the following transaction multiples:

	<b>2016 Actuals</b>	<b>2017 Guidance</b>
Revenue incl. slots*	1.3x	1.0x
Revenue excl. slots	1.6x	-
EBITDA*	20.3x	7.9x

\* 2016a - pro-forma consolidation w/slots (normalized)

For comparison, the implied transaction multiples for the acquisition of Hattrick Sports Group are as follows:

	<b>2016 Actuals</b>	<b>2017 Guidance</b>
Revenue incl. Spain	2.1x	1.8x
EBITDA incl. Spain	9.7x	6.2x

*Deloitte Report*

Given that the Company is acquiring Fortbet Romania from a related party, the Management Board has taken certain measure to ensure that the price paid for Fortbet Romania reflects an at arm's length value. The Management Board therefore instructed Deloitte to prepare a valuation of the Fortbet Romanian entities. A summary of Deloitte's findings was published by the Company in the *Additional information in respect of the notice of the extraordinary general meeting of shareholders of Fortuna Entertainment Group N.V.* of 26 April 2017.

In its report of 10 March 2017, Deloitte concluded on the basis of a Discounted Cash Flow valuation and validated by the Market Approach based on the Guidelines Listed Companies that the value of the Fortbet Romanian entities was between RON 225 million and RON 258 million, i.e. converted on the basis of the exchange rate on 31 December 2016 between EUR 49.57 million and EUR 56.84 million.

#### *Due Diligence*

Tuca Zbârcea & Asociații assisted the Company in conducting the legal due diligence into the Fortbet Romania entities. The financial due diligence was conducted by the Company.

#### *Fairness Opinion*

The Company further instructed KPMG on 18 May 2017 to provide a fairness opinion to confirm that the price to be paid for the Fortbet Romania is fair from a financial point of view and considered at arms' length. According to KPMG, the aggregate maximum consideration to be paid by the Company for Fortbet Romania is fair from a financial point of view. The fairness opinion is attached as Annex 2.

#### *Conditions Precedent*

The Transaction is still subject to a number of closing conditions, including the approval of the general meeting of shareholders of FEG. If the conditions are not fulfilled ultimately by 13 October 2017, each of Fortbet and the Company may decide to terminate the Transaction.

#### *Representations and Warranties*

Fortbet has provided the Company with customary representations and warranties with respect to, amongst other things, capacity and authority of the seller, the target companies' capitalization, existence, and lack of insolvency, accounts and other financial matters, commercial aspects (including assets, contracts, regulatory permits, IP, IT, and data protection), employees and pensions, tax, and litigation. Claims are subject to customary limitations in time and amount.

#### **Further Information on the Transaction**

At the EGM, the Management Board will provide further information on the Transaction on the basis of a presentation, attached as Annex 3. Shareholders will be given the opportunity to raise any questions that they may have in connection with the Transaction at the EGM.

**Annex 1**

**Letter Mr Olijslager**

**Annex 2**

**KPMG Fairness Opinion**

**Annex 3**  
**Presentation**