ANNUALREPORT

2016

mybet SE

GROUP KEY FIGURES (IFRS)

INCOME STATEMENT

EUR '000	2016	2015*	Δ
Group revenue	**45,013**	**53,699**	**-16.2%**
Segment revenue Sports Betting	28,368	31,774	-10.7%
Segment revenue Casino	14,428	19,851	-27.3%
Segment revenue B2B	2,189	2,088	+4.8%
EBITDA	-4,448	-3,123	n/a
EBIT (incl. effect sale pferdewetten.de AG)	1,039	-	n/a
EBIT	-5,782	-10,764	n/a
Net profit/loss for the period	**1,221**	**-8,028**	**n/a**
Earnings per share (basic, EUR)	0.03	-0.36	n/a

*Figures adjusted due to sale of pferdewetten.de AG

BALANCE SHEET

EUR '000	2016	2015	Δ
Balance sheet total	**19,392**	**34,114**	**-43.2%**
Shareholders' equity	7,649	11,668	-34.5%
Equity ratio	39,4%	34,2%	+5.2 pp
Net financial liabilities	1,937	201	>100%
Cash and cash equivalents	528	3,616*	-85.4%

*As of 31 December 2015 group liquidity amounted to EUR 6.8 million. For enhanced comparability, presented here adjusted by EUR 3.2 million liquid funds of pferdewetten.de AG.

CUSTOMERS AND SHOPS

	2016	2015	Δ
Registered customers	1,631,213	1,489,218	141,995
Stationary betting shops (in Germany)	153	155	-2

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FOREWORD

Dear shareholders,

On the whole, the past financial year was a major challenge for the mybet Group. With consolidated revenue of EUR 45.0 million and EBIT including the effect of the sale of pferdewetten.de AG of EUR 1.0 million, we did achieve our most recent forecast for revenue and earnings, but we had originally set ourselves much more ambitious targets for 2016. However, important targets included in the original planning for the year were achieved either very late or not all – partly for reasons of our own making, partly due to external factors. Needless to say, we cannot be satisfied with this result.

A significant factor curbing our performance was the delayed introduction of the new IT platform, which we put into full operation on 21 March 2017 after an extended beta phase. This delay, which we had to impose because of necessary additional development work, had a considerable impact on our operational planning and business results. This was exacerbated by the fact that various authorities severely restricted our financial flexibility in 2016. The Maltese authorities waited for an abnormally long time to approve the sale of the Group company C4U. In Germany, we had to deposit an, in our view, questionable tax claim with the finance authority until the matter was resolved. In Greece, unprecedented formal objections by the supervisory authority resulted in substantial impediments to our business operations. Last but not least, in summer 2016 the German Federal Court of Justice then permitted the appeal of the Westlotto damage suit, dragging the case out further. All of these factors and influences on the financial year are described in this report, so I would like to concentrate on the future here.

The strategic focusing on our core business of sports betting and casino games, flanked by associated B2B business, is complete, and our new, significantly expanded online product range is live. Nevertheless, you can see that we are not forecasting any giant leaps in growth. A revenue forecast of EUR 44.5 to 47 million while the EBIT outlook remains negative seems low at first glance, but being realistic, our primarily objective is to stop the downward trend of 2016 with continuous revenue losses and negative cash flows and to begin a phase of growth. This must be achieved while our financial leeway remains severely limited and with a first quarter in which online business was still primarily conducted on the old platform. In addition, our activities are still being impeded in Greece – especially in the casino segment. Nevertheless, we are looking optimistically to the current financial year 2017, as we are completely convinced that mybet is now in a viable position. Be assured that we will do everything to surprise you positively.

Berlin, 24 April 2017

With kind regards

Markus Peuler

CEO of mybet Holding SE

SUPERVISORY BOARD REPORT

Dear shareholders,

Once again, the past financial year did not meet your and our expectations. The full introduction of our new IT platform had to be postponed once more. Indeed, the platform was not successfully launched until early spring 2017. Accordingly, the cash flows this was expected to generate failed to materialise. Inaction on the part of the authorities also meant that the sale of our Maltese payment service provider was not concluded and executed until autumn 2016.

In order to secure further financing, we therefore sold our shareholding in pferdewetten.de AG as best we could in summer 2016 in a transparent process (and with a substantial premium on its market value at the time). A portion of the proceeds had to be used for the mandatory buyback of our convertible bond.

However, as a company in the gambling industry, mybet has no access to conventional bank financing for securing liquidity in the short or medium term. For this reason, we approved the conclusion of an interim financing agreement for the proceeds that may result from the legal proceedings against Westdeutsche Lotterie GmbH & Co. OHG, which includes a credit facility of EUR 4 million and a variable profit participation in the potential proceeds. The volume of this financing was increased in April 2017 such that a total of EUR 6 million could be accessed if necessary.

The forecast had to be adjusted during 2016 as a consequence of the postponement of the launch of the new platform, the failure of the situation in Greece to normalise, mybet's very limited financial flexibility and the sale of pferdewetten.de AG. With revenue of EUR 45.0 million, the adjusted revenue forecast was achieved. The forecast EBIT (including the effect from the sale of pferdewetten.de AG) was also generated with EUR 1.0 million in 2016. However, the mybet Group's liquidity of EUR 0.5 million at the end of the year was below the expected level. In the Supervisory Board's view, therefore, the business results for 2016 were unsatisfactory and the mybet Group's financial situation remains strained. But the Supervisory Board shares the Management Board's assessment that a viable and growth-oriented general situation can be achieved now that the new IT platform has been implemented and with the plans presented to us for stringent cost control.

PERSONNEL MATTERS MANAGEMENT BOARD

In the run up to last year's General Meeting, we came to an agreement with our Management Board Chairman at the time, Mr Zeno Osskó, regarding the early termination of his Management Board appointment. Mr Osskó worked for the company for over ten years; he played a significant role in the management of the platform change initially as operational manager and then as a Management Board member. The Supervisory Board thanks Mr Osskó for his commitment and his great efforts for mybet.

Since 1 September 2016, our Chief Financial Officer, Mr Markus Peuler, has been the sole Management Board member of our company. In his first few months as sole Management Board member, Mr Peuler has demonstrated that the management duties can currently be performed by a single manager. The Supervisory Board has combined this with a desire to "empower" the second tier of management; in our opinion, this is currently being implemented excellently by involving the levels of management.

TOPICS FOR THE SUPERVISORY BOARD AS A WHOLE

In the reporting year, the Supervisory Board performed the duties incumbent upon it according to the law, articles of association and rules of procedure with great care. We regularly advised the Management Board on the management of the company and monitored its activity. The Supervisory Board was involved in decisions of fundamental importance to the company from an early stage.

The Management Board regularly informed us in detail about corporate planning, the course of business, strategic development and the Group's current situation. As in previous years, the Board set great store by reliable liquidity reporting and transparent cost structures. On the basis of the Management Board's reporting, we discussed business performance and important decisions and events in detail.

SUPERVISORY BOARD MEETINGS AND PRIORITY ISSUES IN 2016

Four regular Supervisory Board meetings took place in the 2016 financial year. In addition, work meetings were held and resolutions passed by way of circulation in writing. The monthly telephone conference on issues of strategic importance proved to be a successful meeting format and will be continued. There were also ad hoc discussions and telephone conferences arranged as required.

Every Supervisory Board meeting in the 2016 financial year was attended by all Supervisory Board members.

Accounts meeting on 22 March 2016

The auditor provided a detailed report on the audit and the material findings regarding the annual financial statements and consolidated financial statements 2015. The auditor's informative note added to the unqualified audit report (audit opinion) was discussed in detail. Other questions from the Board were discussed and answered by the auditor. As part of the subsequent agenda, potential cost savings were discussed in detail. The closure of the Hamburg office was agreed as a target (which was then implemented in summer 2016). Further cost savings were discussed and agreed. Financing issues, the agenda of the upcoming General Meeting and regulation issues were other key points of this meeting.

Meeting on 20 June 2016

After the recently concluded and executed sale of the investment in pferdewetten.de AG, adjusted planning and other financing scenarios were discussed in detail. After the delayed launch of the new IT platform, its status was discussed in detail and transparent monitoring of the process agreed.

Meeting on 26 September 2016

In this meeting, the project for the migration to the new IT platform was discussed in detail. The process so far was analysed and specific implementation steps for improvements discussed. Following this meeting, the Supervisory Board resolved upon an IT audit (described separately below). Another priority was the future organisation of mybet and the management team. After relevant remarks from Markus Peuler on the available options, the Supervisory Board passed a vote of confidence in Mr Peuler as sole Management Board member, combined with the desire to strengthen the second tier of management ("empowerment"). At the intersection of legal and financing issues, opportunities for earlier monetisation of the expected claims from the Westlotto case were discussed.

Meeting on 28 November 2016
The platform changeover was again spoken about in detail. The possible marketing measures for the new financial year were discussed. The efficient use of marketing resources was agreed in light of the limited scope for financing. Possibilities for the consolidation and qualitative and quantitative improvement of the customer base were discussed in detail.

Special issue: IT audit
The migration of our internet offering to a new IT platform, scheduled for the beginning of the financial year, had to be postponed several times during the financial year. Each time, the Supervisory Board took detailed reports about the reasoning and coordinated possible measures for the better control and structuring of the process with the Management Board. After the test migration of customer cohorts in time for the start of the Bundesliga season was not satisfactory, in autumn 2016 the Supervisory Board resolved to carry out an IT audit by bringing in an external expert. The aim was to further control the migration process and platform issues and to obtain an independent second opinion on a suitable date for the full migration. The insights gained were also to be introduced to the relevant functional departments in an advisory capacity.

As part of the IT audit, a debriefing was arranged in a 14-day cycle, which Mr Michael Otto attended for the Supervisory Board. Mr Otto shared what he learned here with the Board. At the beginning of the 2017 financial year, the appointed expert made his concluding report to the Board. The recommendations of this report were followed. The platform was successfully launched on 21 March 2017.

COMMITTEE WORK
The Audit Committee comprises Mr Markus Knoss (Chairman), Mr Patrick Möller and Mr Michael Otto. In the Supervisory Board's view, Mr Knoss qualifies as a financial expert due to his knowledge and experience and meets the legal requirements and the requirements of the German Corporate Governance Code.

In the reporting period, the Audit Committee met at the same time as the meetings of the Board as a whole. The Audit Committee's activities in the past financial year included in particular drawing up a recommendation for the Board regarding a proposal for the appointment of a new auditor. KPMG Wirtschaftsprüfungsgesellschaft, Hamburg, had been auditor of mybet's (consolidated) financial statements since the 2011 financial year. A particular reason for changing auditor was that the relocation of mybet Holding SE's headquarters to Berlin would have resulted in a change in the responsible audit team by way of internal rotation anyway. It was suggested that the break provided by the relocation should be used to bring forward the change in auditor, which was due in the medium term anyway. At a selection meeting, also attended by the Supervisory Board Chairman, candidates were reviewed after an informal tendering process. The Audit Committee's recommendation, which the Board ultimately followed, was to appoint Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Berlin, as auditor of the (consolidated) financial statements and as auditor for any audit review of interim financial reports for the 2016 financial year. The Supervisory Board also followed the recommendation in its proposal to the General Meeting on 28 July 2016.

The Personnel Committee comprises Mr Clemens Jakopitsch (Chairman), Mr Michael Otto and Mr Maurice Reimer.

The Personnel Committee held two meetings in the reporting period, on 22 March 2016 and 27 September 2016. In addition, quarterly telephone conferences were held. Among other things, the Committee compiled the targets for the Management Board's short-term variable remuneration for the 2016 financial year. In addition, the departure of Mr Osskó and the appointment of Mr Peuler as sole member of the Management Board were arranged with input from the Supervisory Board Chairman.

ADOPTION OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements according to HGB, the consolidated financial statements according to IFRS and the combined management report for the 2016 financial year were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft, elected as auditor by the General Meeting, and provided with unqualified audit reports. Ernst & Young Wirtschaftsprüfungsgesellschaft has been the auditor of financial statements for the company and the Group since the 2016 annual financial statements. The auditor responsible for the audit assignment is Mr Carl-Heinz Klimmer.

The financial statements, the combined management report, the auditor's audit reports and the Management Board's proposal on the appropriation of net profit were provided to the members of the Supervisory Board in due time on 22 April 2017. The reports were discussed intensively. The auditor explained the material findings of his audits and answered the Supervisory Board's in-depth questions.

The auditor satisfied himself of the functioning of the risk management system, which according to his audit complies with the requirements set out in Section 91 (2) of the German Stock Corporation Act (AktG). There were no circumstances giving cause for concern about the auditor's impartiality. The auditor provided no consulting services in the reporting period in addition to the audit services.

The audit report raised no objections; an unqualified audit report was issued.

Following its own final review, the Supervisory Board had no objections to the presented annual financial statements, management report, consolidated financial statements or Group management report and approved the auditor's findings on the audit of the annual financial statements, consolidated financial statements, management report and Group management report of mybet Holding SE following its own review with a resolution at its meeting on 24 April 2017. The Supervisory Board approved the annual financial statements prepared by the Management Board and the consolidated financial statements of mybet Holding SE. The annual financial statements of mybet Holding SE were thus adopted.

The Supervisory Board thanks the Management Board and all employees of the mybet Group for their hard work and the constructive cooperation in the past financial year.

Dear shareholders, we are aware that we will have to work hard to earn your trust again in the financial years to come. We will continue to diligently supervise and support the achievement of the corporate goals.

Berlin, 24 April 2017

For the Supervisory Board

Dr Volker Heeg

Chairman

SHARE AND BOND

SHARE
The mybet Holding SE share closed the year 2015 with a closing price (XETRA) of EUR 0.76. Starting from this figure, its price performance was volatile during 2016, with it posting its annual high of EUR 0.94 on 24 March and its annual low of EUR 0.40 on 30 December on the basis of closing prices (XETRA). Accordingly, the mybet Holding SE share closed 30 December 2016 at EUR 0.40 in XETRA trading, equating to annual performance of -47.4 percent.

Share: Performance in 2016

By way of comparison, the index of small caps on the Frankfurt Stock Exchange, the SDAX, increased by 4.6 percent in 2016. The global index for publicly traded companies in the games and gambling industry, the S-Network Global Gaming Index, also improved in 2016 and closed 2016 up 7.4 percent.

The average trading volume (XETRA) for the mybet Holding SE share in the reporting period was 26,459 shares per trading day (previous year: 18,365 shares per trading day).

In the 2016 financial year, analysts’ assessments of the mybet Holding SE share were published regularly by montega AG.

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Securities data

mybet Holding SE share	Data as of 31 December 2016
ISIN / WKN	**DE000A0JRU67 / A0JRU6**
Ticker/Bloomberg	XMY / XMY:GY
Market segment	Frankfurt Stock Exchange, Prime Standard
Number of shares	25,584,924
Initial listing	28 September 1999
Shareholder structure	Free float: 62.5% Scherrer Small Caps Europe: 9.8% N. Faber: 6.1% C. Jakopitsch (proxy as per Section 22 WpHG): 6.1% P. Ackermann: 5.1% Brickell Investments S.L.: 4.3% Arcalis Balear S.L.: 3.2% C. Jakopitsch: 2.9%

CONVERTIBLE BOND 2015/2020

The 2015/2020 convertible bond issued by mybet Holding SE in December 2015 with a nominal volume of EUR 5.0 million and a coupon of 6.25 percent developed relatively stably over the course of 2016. Starting from the 2015 closing price (XETRA) of 103.2 percent, it closed 2016 with a closing price (XETRA) of 100.0 percent. The mandatory buyback programme carried out in June 2016 reduced the outstanding nominal volume of the convertible bond from EUR 5.0 million to around EUR 1.8 million during the year.

Securities data

mybet Holding SE convertible bond	Data as of 31 December 2016
ISIN / WKN	**DE000A1X3GJ8 / A1X3GJ**
Ticker	XMYW
Market segment	Frankfurt Stock Exchange
Volume (nominal)	EUR 1,768,000
Coupon (annual)	6.25%
Coupon payment dates	Semi-annual, on 11 June and 11 December
Term	11 December 2015 to 10 December 2020
Collateral	Outstanding nominal bond volume deposited in cash with trustee

GENERAL MEETING

The General Meeting held by mybet Holding SE on 28 July 2016 took place in Berlin. Around 32 percent of the voting share capital was represented (previous year: 39 percent). Among other things, the General Meeting passed resolutions to relocate the company's head office from Kiel to Berlin and to approve the conduct of the Supervisory Board and Management Board in the 2015 financial year. In contrast, the proposed resolutions to create new Authorised Capital and new Contingent Capital (agenda items 9 and 10) did not obtain the necessary majority. Detailed voting results (in German) are available on the website at www.mybet-se.com under Share prices & dates > Annual General Meeting.

INVESTOR RELATIONS

mybet Holding SE ascribes great importance to dialogue with investors, analysts and journalists and again maintained a continuous exchange of information with its share- and stakeholders in the 2016 financial year. The regular and timely publication of relevant company announcements and financial reports, the holding of telephone conferences for analysts and investors, the participation in capital market conferences and the constant availability of contact partners underscores the aim to provide comprehensive and transparent information about the company's development. At the same time, mybet Holding SE meets the most stringent transparency requirements as a result of its listing in the Prime Standard of the Frankfurt Stock Exchange.

COMBINED MANAGEMENT REPORT

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER

1 PRINCIPLES OF THE GROUP AND OF MYBET HOLDING SE

BUSINESS MODEL AND GROUP STRUCTURE

BUSINESS MODEL
The mybet Group (mybet) – comprising the ultimate parent company mybet Holding SE and the companies in the scope of consolidation – is a provider of sports betting and online casino games that is licensed in several European countries. With over 1.6 million registered customers and a market presence dating back over 15 years, the mybet Group is regarded as an established brand for licensed gambling in its core markets. The headquarters of the mybet Group are in Berlin, other locations can be found in Cologne and in Malta.

Our business model is based on an omnichannel sales structure. We offer sports betting and casino games both on the Internet and through apps for stationary and mobile digital devices. In addition, we operate a franchise system for sports betting shops. To supplement our value chain, we provide technical services to regional betting providers as a B2B service provider. In line with this, mybet primarily generates income from what is known as the hold, i.e. sports betting and casino stakes less the calculated winnings. We additionally generate service proceeds from the B2B business.

After the equity interests in pferdewetten.de AG, Düsseldorf, and C4U-Malta Ltd., Malta, were sold and the poker business was discontinued in the course of the 2016 financial year, the business model no longer includes any activities in the areas of horserace betting, payment services and poker.

We are active internationally in all business segments. Germany, Greece, Belgium and Ghana are currently defined as core markets. However, in order to open up new markets the Group is also promoting its activities outside these core markets, especially in the rest of Europe and in Africa. In terms of the sustainable success of our company, we attach great importance here to a legally regulated market environment in order to obtain the greatest possible legal certainty for our business activities. For that reason, and taking into account the relevant national regulations, games of chance are offered either on the basis of licences and approvals that we hold ourselves, if regulations of this kind exist, or through co-operation partners that hold licences or approvals. Changes to the general legal framework in our sales markets are therefore the most important external factor influencing our business model.

The registered office of the ultimate parent company mybet Holding SE has been located in Berlin since January 2017 (it was previously in Kiel). As the ultimate parent company, mybet Holding SE performs administrative and management tasks for the Group. The shares of mybet Holding SE are listed on the Prime Standard of the Frankfurt Stock Exchange (ISIN DE000A0JRU67).

GROUP STRUCTURE
In connection with the strategic focus on the core activities of sports betting and casino games, the mybet Group ended its activities in the fields of poker, horserace betting and payment services. The equity interests in pferdewetten.de AG and C4U Malta Ltd. relating to these activities were sold and deconsolidated in the reporting period; C4U was already recognised as a non-continuing business operation in the 2015 annual report.

The mybet Group has organised the reporting in this combined management report in line with the structure based on the group segments sports betting, casino games and B2B that was used for the first time in the interim report on the first half of 2016. Previously, the reporting was oriented on the group segments sports betting, casino and poker, and horserace betting. The change in the group segments thus on the one hand maps the sale of the equity interest in pferdewetten.de. AG and the discontinuation of the poker activities, as a result of which the horserace betting segment as a whole and the designation of the casino and poker segment have become obsolete. On the other hand, the newly created B2B group segment reflects the activities of the mybet Group as a service provider for third parties. These activities are distinguished from the business structures in the sports betting and the casino segments both in their organisation, risks and opportunities and in the type of proceeds generated. The current structuring of the business segments has therefore produced a better and more comprehensible reflection of the economic performance.

On the reporting date, the mybet Group operates its business model within a group structure consisting of the ultimate parent company mybet Holding SE and twelve fully consolidated group companies. Of these, three have their registered offices in Germany (mybet Holding SE, ANYBET GmbH and SWS Service GmbH) and ten are headquartered abroad. The exact ownership structure is described in the section Scope of consolidation in the notes to the consolidated financial statements.

mybet Holding SE

Fully consolidated group companies:

ANYBET GmbH	PNO Ventures Ltd.	QED Ventures Ltd.	SWS Service GmbH
	PNO Sportsbetting Ltd.	Personal Exchange Int. Ltd.	
		PNO Casino Ltd.	
		QED Software Systems GmbH	
		Derrypark Ltd.	
		QED Belgium s.p.r.l.	
		QED Network N.V.	
		PCM Services Ltd.	

EMPLOYEES

For reasons of simplification, we use the term employees in reports; it encompasses both male and female employees. A total of 134 employees (previous year: 141), one member of the Management Board (previous year: 2) and three managing directors of group companies (previous year: 3) worked in the mybet Group as of the reporting date of 31 December 2016. To enhance comparability, the current and prior-year figures reflect the status excluding the employees of pferdewetten.de AG and C4U-Malta Ltd., the equity interests in which were sold in 2016.

GOALS AND STRATEGY

REALIGNMENT AND HERA

In 2014, the Management Board decided to set a new direction for the mybet Group. In line with this, the focus of the company was redefined and placed on the sports betting and casino business fields and related B2B services as the overarching strategic goal. The realignment was set to be completed in 2016.

mybet supplemented this strategic plan in 2015 with the HERA strategy programme. HERA supported the new focus of the group by sustainably enhancing the product range, the core processes and the organisational structure. The goal has been to create the conditions for the future competitiveness of the mybet Group. HERA was also set to be completed in 2016 in parallel with the realignment of the Group.

This two-part Group strategy continued to be pursued by the management in the 2016 financial year. The key measures defined to achieve the goals and also the implementation status at the time this report is published are listed below:

REALIGNMENT	
Focusing on sports betting, casino and B2B	COMPLETED
Sale C4U-Malta Ltd.	COMPLETED
Sale pferdewetten.de AG	COMPLETED

HERA	
Introduction new IT platform	COMPLETED
Quadruplication sports betting options	COMPLETED
Doubling number of casino games	COMPLETED
Tripling of sports bets with live betting offer	COMPLETED
Increase quality of equipment and services in franchise shops	COMPLETED
Improve internal processes and organisational structures	COMPLETED

All the specified measures for the realignment of the mybet Group and for the implementation of the supporting strategy programme HERA were completed with the full launch of the new IT platform on 21 March 2017.

GROUP STRATEGY

Based on the new focus of the business model, the group strategy is geared towards generating efficiency-enhancing cross-channel effects in product sales through the existing omnichannel sales structures featuring the channels online, land-based betting shops and B2B services and towards maximising revenue potential. To this end, we want to offer existing and potential product users a smooth, freely selectable access to our product range across all end devices and customer contact points – with just one single customer account and the offer of a customer card that is independent of the sales channel. In the interaction with an attractive product range – in terms of its scope, user-friendly nature and public image – and outstanding customer services, we aim to provide a user experience characterised by the strength to create customer loyalty and the ability to compete. Supplementary B2B partnerships open up our access to additional revenue potential with a reduced legal and economic risk.

We therefore understand the omnichannel offer with the B2B business as a competitive advantage and a cornerstone of the group strategy of the mybet Group. By constantly enhancing the specified influencing factors, we aim to raise the economic performance of the mybet Group and increase the company value.

ATTRACT. ENGAGE. RETAIN.

Based on the overarching group strategy and after HERA was completed, the mybet Group formulated a new strategy programme in the 2016 financial year: Attract. Engage. Retain. This includes measures for the further development of the Group in the 2017 and 2018 financial years.

Attract. Engage. Retain. impacts key drivers of our value added: By enhancing the product offer and the user-friendliness and also increasing marketing investments during the next two years, we set out to convince (Attract) new and existing customers as well as partners, reinforce the use of our products (Engage) and gain the loyalty of the customers that have been attracted (Retain).

The strategic measures planned and the time targeted for the achievement of the objectives are described in the illustration below. The specific forecast for the most important financial performance indicators of the mybet Group for the 2017 financial year can be found in the section Forecast.

ATTRACT. ENGAGE. RETAIN.	
Enter into additional regional markets	2017
Introduce new Apps for sports betting and casino	2017
Expand betting shop network	2017 / 2018
Introduce new features on sports betting and casino platform	2017 / 2018
Raise marketing investments	2018

mybet Holding SE

As the ultimate parent company, mybet Holding SE continues as before to pursue the strategic goal of maintaining its reliability in providing its services to the other group companies.

MANAGEMENT SYSTEM AND PERFORMANCE INDICATORS

The Management Board of mybet Holding SE is responsible for the corporate management and control of the mybet Group. Its work is monitored by the Supervisory Board. In terms of the management of the group, the Management Board solely uses financial performance indicators. As financial performance indicators are defined the group revenue, earnings before interest and tax (EBIT) and liquidity.

To manage the group the Management Board of mybet Holding SE utilizes various systems and procedures. They enable to analyse the most important performance indicator revenue not only for each single platform but also for each company within the group on a daily basis. By this, the Management Board is able to get an overview of the financial performance indicators at any time. Monthly reports, which contain additional information about the earnings, financial and assets positions, as well as supplementary information on customer behaviour, are being analysed intensively by the Management Board on a regular basis.

Group: Financial performance indicators*

EUR '000	2016	2015
Group revenue	**45,013**	**53,699**
EBIT	-5,782	-10,764
Liquidity	528	3,616

* To be able to compare the figures, effects from the reclassification of the Ghana business carried out in 2015 and from the sale of pferdewetten.de AG and C4U-Malta Ltd. concluded in 2016 have been adjusted.

Group revenue

The development of the group revenue is regarded as the key measure for the success of the entrepreneurial activities. The group revenue comprises the hold from sports betting and casino games (stakes less the calculated winnings) as well as, to a much smaller extent, revenue from services. By selling the equity interest in pferdewetten.de AG and C4U-Malta Ltd. revenues from these companies are no longer a part of the consolidated revenue. Revenue from the poker activities have only been generated during the first half-year 2016, as the poker activities have been discontinued in June 2016.

Earnings before interest and tax

The earnings before interest and tax (EBIT) are a measure for the operating profitability of the mybet Group. Corresponding to the change in the composition of the group revenue no earnings from pferdewetten.de AG and C4U-Malta Ltd. are included in the EBIT and earnings from poker activities only until June 2016.

Liquidity

Within the scope of an efficient financial management mybet aims at securing the liquidity (freely available cash and cash equivalents) at any time and limiting the financial risks. The freely available liquid funds are to provide sufficient liquidity to the Group.

The trends in these performance indicators in comparison with the forecast are presented in the section Business development. The financial risks are explained in the section Opportunities and risks report.

RESEARCH AND DEVELOPMENT

The international markets for sports betting and games of chance are subject to continual dynamic change. This involves both the general regulatory framework and technical conditions for the operation of our product range in the individual national markets as well as the usage patterns and the expectations of the customers. Anticipating and responding to these trends and implementing them in line with the market conditions is an essential prerequisite for the competitiveness of the mybet Group. Our research and development work is therefore geared towards continually developing our product range and the related technical infrastructure and adapting it to the market requirements.

Group: Investments in research and development

EUR million	2016	2015
Investments in R & D	**3.0**	**5.0**
thereof for third-party services	0.9	3.0
thereof own work capitalised	2.1	2.0

In the 2016 financial year, the mybet Group invested a total of 6.7 percent of the group revenue in product development (previous year: 7.9 percent). Thus, in comparison with the previous year, the investments decreased by 40.0 percent.

Included in the investments in research and development for 2016 are, on the one hand, expenses for third-party services, especially for the programming of the new, more powerful IT platform in co-operation with our partner Amelco UK Ltd., which was started in 2015. Also posted here, on the other hand, is own work capitalised, which was performed internally both in connection with the redevelopment of the platform and the optimisation of the existing systems. The expenses are calculated on the basis of the hours of development worked recognised at the cost price rate. The value of the own work capitalised increased by 4.7 percent in comparison with the previous year.

The depreciation on internally generated software amounted to EUR 0.5 million in the 2016 financial year (previous year: EUR 5.9 million).

The key results of the ongoing development work in the 2016 financial year were the launch of the new IT platform for our sports betting and casino product offer in August 2016 for the purpose of testing and the final launch of the new platform on www.mybet.com on 21 March 2017. In addition, enhanced system stability of the old platform, now named mybet Classic, of 99.9 percent during the planned operating time was also achieved.

The Management Board plans to invest around EUR 2 million into product development during the financial year 2017.

2 ECONOMIC REPORT

GENERAL ECONOMIC AND REGULATORY CONDITIONS

ECONOMIC CONDITIONS

On the basis of a variety of consistent statements by industry observers, the mybet Group is assuming that the global market for games of chance grew overall in 2016 and will also continue to grow in the years ahead. This is correspondingly true also for the EMEA region (Europe, the Middle East and Africa), in which the core markets of the mybet Group are located, and for Germany, our largest market. Market analyses forecast average annual growth rates of between six and eight per cent overall for the global market for games of chance for the next four to six years from 2016 onwards. Analysts estimate annual growth rates will be over nine per cent for the same period in the global online market for games of chance.

Competition

The mybet Group is in competition with a large number of national and international service providers in the market for both sports betting and for online casino games. Regarded as direct competitors are, on the one hand, service providers with a comparable omnichannel sales structure (online presence, offers for mobile devices and stationary shops). On the other, specialist providers focusing on one channel or on either sports betting or casino games compete directly with us for customers. In line with this, the mybet Group faced intensive competition within a fragmented market environment also in 2016.

REGULATORY CONDITIONS

European law and country-specific regulations governing the provision of sports betting and casino games – both on the Internet and in high-street shops – determine the basic conditions for the scope and the form of the products we offer in the relevant market as well as for the specific taxes and duties charged on them. Changes to the regulatory framework can therefore have what may be a significant impact on the business performance of the mybet Group. Additional information on some of the issues specified below is described in the opportunities and risk report of this management report.

We currently operate our product offer out of Malta, Cyprus, Belgium and Great Britain as well as out of the federal state of Schleswig-Holstein (Germany) on the basis of appropriate licences. Moreover, we have received official toleration in Greece and, for stationary sports betting shops in the federal states of Bavaria, Hesse and Rhineland-Palatinate. In the B2B business, mybet works together with external partners, which, in the case of existing country-specific regulations, have appropriate licences or approvals, for example in Ghana and Belgium. In the regulatory area the following developments that were significant for mybet took place in the 2016 financial year:

Germany

After proceeding for several years, the process for granting sports betting licences was stopped in Germany. mybet is one of the 20 companies that had previously been presented with the prospect of a licence. The Ministers-President of the German federal states, who are responsible for gambling legislation in Germany, advised on 28 October 2016 that the German State Treaty on Gaming should be revised. As a consequence, amendments were drafted that no longer envisage a limit being placed on the number of sports betting licences that can be issued. Instead, in future licences will be issued based on qualitative criteria applied to the service providers. At the same time, 35 provisional licences have been issued to sports betting providers, including mybet. In addition to the new regulation in the field of sports betting, online casino offerings in Germany are also set to be examined. When any changes to the regulatory framework in Germany resulting from that finally come into effect and whether they have any impact on our business activity cannot be foreseen at the moment. However, changes taking effect in the short term in 2017 are not expected.

Specific rules exist for the toleration of bricks-and-mortar betting shops in the various German federal states. Positive notices of toleration do not, however, offer any legal certainty and do not replace either a statutory regulation or a licence. mybet is examining in each federal state whether to take part in the relevant toleration procedures. At the same time, however, we reserve the right to take legal action against this regulatory practice, for it signifies a significant administrative and possibly also financial expenditure on account of the guarantee requirements imposed by the federal states. Should changes to the detriment of the mybet Group result, we will proceed against them using all legal means that are available.

Greece
In Greece, the government presented its ideas on a new sports betting licensing model at the "Regulatory Briefing on Greece" conference on 19 April 2016. However, the plans have not been specified in more detail since then. Moreover, the Greek regulatory authorities took increasingly restrictive action against private providers of games of chance in 2016. For mybet, this led among other things to a new approval process for advertising sports betting and to new formal objections to our casino offerings (see casino segment). The Greek government additionally increased gambling taxes by five percentage points to 35 percent, with retroactive effect from 1 January 2016, during the period under review.

BUSINESS DEVELOPMENT

Change to the reporting structure
After a new structure was used in the interim financial report on the first half of 2016, the mybet Group now reports on three group business segments: sports betting, casino and B2B. This breakdown is thus also applied in this 2016 annual report. Previously, the reporting was oriented on the group segments sports betting, casino and poker, and horserace betting (see Group structure). The comparative figures for 2015 are presented accordingly using the new group segmentation where this makes sense. Furthermore, all comparative figures are adjusted, if necessary, to reflect the deconsolidation of pferdewetten.de AG and C4U-Malta Ltd., the equity interests in which were sold in 2016.

BUSINESS DEVELOPMENT AND COMPARISON WITH THE FORECAST
The plans for the 2016 financial year envisaged five key conditions for the positive economic performance of the mybet Group that we aimed for: our operating business set out to focus on the core activities of sports betting and casino, and the sale of the group company C4U-Malta Ltd. was to be concluded in the spring of 2016. Furthermore, the new IT platform was to go into full operation in the second quarter of 2016, the business volume in the Greek market should normalise and the European Championship in football was supposed to deliver additional growth stimulus.

At the beginning of the 2016 financial year, a tax claim from the Kiel tax office for around EUR 1.7 million, unwarranted in mybet's view, weighed down on the start of the year. The payment thus reduced the mybet Group's already limited financial scope to manoeuvre immediately the year was under way. This restricted financial framework was a factor that placed a significant burden on our activities throughout the course of the financial year.

Refocusing of the business model
In 2016, we concluded the planned refocusing of the mybet Group by selling the equity interests in pferdewetten.de AG and C4U-Malta Ltd. as well as by cancelling the poker products. We are now active exclusively in the fields of sports betting and casino games, which we offer through the online sales channel. Moreover, mybet operates a franchise system with bricks-and-mortar shops and additionally serves as a B2B service provider for regional sports betting providers.

Sale of equity interests
It proved possible to conclude the sale of C4U-Malta Ltd., already initiated in October 2015 and an important element of the financial planning for 2016, only in November 2016. It was not until then that the official approvals required for the sale were issued. The gross sale price generated for C4U was EUR 3.6 million. Because of the already limited financial resources, the delay led to a considerable additional impediment to the planning of operating expenses and investments in the 2016 financial year. Although these restrictions on the financial planning have since been mitigated by the proceeds from the sale of the equity interest in pferdewetten.de AG in June 2016, it was not possible to compensate for them in full. This was because a large part of the proceeds from the sale of pferdewetten.de transaction of EUR 9.9 million gross had to be spent on a mandatory buyback of the 2015/2020 convertible bond, the collateralisation of the bond volume remaining after the buyback and the repayment of an internal group loan (see Liquidity).

New IT platform
Contrary to the original plan, we were not able to launch the introductory phase of the new IT platform until August 2016. This involved the test operation of a large number of new hardware and software components. As the services both of individual internal controls systems and of the platform visible to customers still did not function to our complete satisfaction, we implemented a wide variety of revision measures. These revisions also continued after the end of the 2016 period under review. We were thus unable to generate the significant positive stimulus for the business performance aimed for in 2016 on the basis of the new platform. The launch phase for the new platform was concluded on 21 March 2017.

Greece
The revenue volume in Greece, formerly the second largest market by far for the online sales channel of the mybet Group, did not return to normal in 2016. The first sharp decline in revenue was triggered originally by the introduction of capital controls in 2015, which prevented our customers from using our range of products in the way they were accustomed to. Although it proved possible to overcome some of these technical obstacles for customers in the first quarter of 2016, new official regulations once again entailed heavy restrictions on our business activity. Our casino offering was affected in particular and therefore had to be shut down in the second half of the year until further notice. Moreover, the Greek government decided to

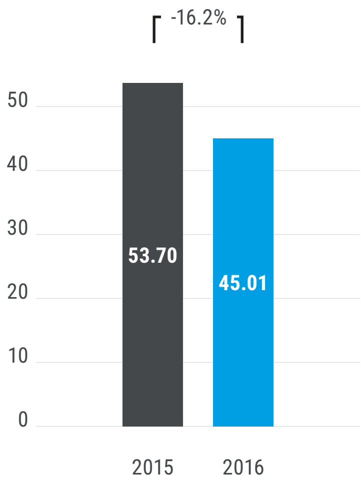
increase taxes with retroactive effect from 1 January 2016 and announced a new licensing system in April 2016, without, however, then providing further details of this. Overall, these developments placed a permanent strain on our revenue volumes in Greece, and the legal uncertainty has forced us to refrain from making investments necessary to revive this market for the time being.

European Football Championship
The UEFA EURO 2016 tournament held in the summer of 2016 played an important role in the plans as a stimulus for acquiring customers after our new IT platform was supposed to be introduced. The forced delay in the launch of platform meant that we had to accompany the tournament with our existing product range. As we consider the products offered on the existing platform no longer to be competitive and additional marketing investments for this platform that would later be replaced would not have been productive, the Euros did not bring us the sustained positive stimulus for the business performance in 2016 that we desired.

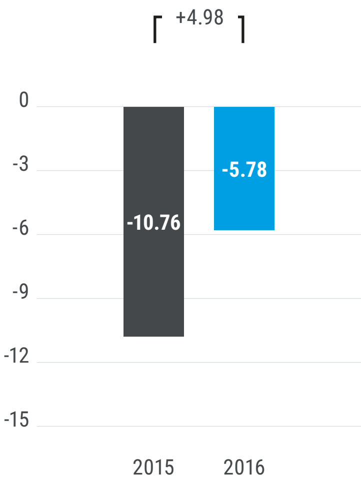
Revenue and earnings performance
The refocusing of the business model and the conclusion of the launch phase of the new platform in March 2017 implemented the measures of the strategy programme summarised under the name HERA (see Strategy). The preconditions mentioned above for the planned business performance of the mybet Group, on the other hand, did not occur in the 2016 financial year just ended or arose only after a long delay. This was ultimately reflected in a 16.2 percent decline in the group revenue compared with 2015.

It was exclusively the online sales channel, in both the sports betting and the casino segments, that were affected by the loss of revenue here. In contrast, we were able to increase the revenue volume in the stationary betting shops and keep the results in the B2B segment stable (see Sports betting segment, Casino segment and B2B segment).

Group: Revenue development
EUR million



Group: EBIT development
EUR million



Both the decline in revenue-dependent expenses, but also targeted cost-cutting and optimisation measures produced noticeable reductions in many cost items, while our marketing and sales expenses fell only slightly, which was however, deliberate. Nevertheless, our EBITDA was EUR 1.3 million less than the previous year's value, for the negative business performance in conjunction with the costs for the development of the new IT platform above all placed a heavy burden on us (see Material expenses, Other operating expenses, and Earnings before interest, taxes, depreciation and amortisation).

At EUR -5.8 million, our EBIT improved by EUR 5.0 million over the previous year's figure. However, the comparison figure for the previous year included extraordinary one-off write-downs, which no longer arose in 2016. The improvement is thus based on the previous year's low figure (see Earnings before interest and taxes).

The number of customers registered with mybet rose in 2016 by 9.5 percent from 1,489,218 to 1,631,213

Comparison with the forecast
As a direct consequence of the restrictions, delays and burdens in the 2016 financial year that are described above, the mybet Group did not achieve the targets for 2016 that were described in the 2015 annual report. This original forecast had envisaged for 2016 growth in group revenue of eight to twelve percent, earnings before interest and tax in the lower seven-digit range and liquidity at the same level as the previous year. These targets, however, were set on the basis of the horseracing segment remaining in the group of companies; it contributed around EUR 9.3 million to group revenue in 2015. After the group company pferdewetten.de AG was sold, the revenue target was accordingly set at EUR 59 to 62 million.

The forecast for 2016 was lowered in October on account of the generally negative business performance over the course of the year. With group revenue of EUR 45.0 million, we were able to achieve this adjusted forecast of EUR 43-46 million in the 2016 financial year. At EUR 1.0 million, the target of a low seven-digit amount was similarly achieved in the earnings before interest and tax, which was forecast including the non-recurring effect from the sale of pferdewetten.de AG. At EUR 0.5 million at the end of 2016, group liquidity was lower than the previous year's level aimed at in the forecast.

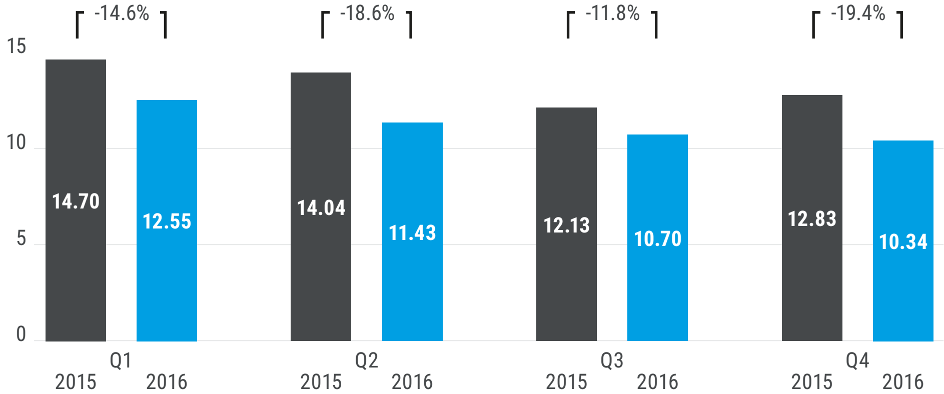
The parent company of the mybet Group, mybet Holding SE, recorded an operating result of EUR 0.0 million in the 2016 financial year and thus outperformed the forecast of EUR -0.2 to -0.5 million.

EARNINGS POSITION

REVENUE
In 2016 financial year, the mybet Group generated group revenue of EUR 45.0 million. This equates to a decline in revenue of 16.2 percent compared to the comparable figure of the previous year (previous year: EUR 53.7 million). The key factors influencing the revenue performance are described in the Business development section.

Group: Revenue by quarter

EUR million



OWN WORK CAPITALISED

Own work capitalised in the 2016 financial year totalled EUR 2.1 million and thus increased slightly over 2015 by 4.7 percent (previous year: EUR 2.0 million). The work relates exclusively to internally generated software and thus primarily to development services in connection with the new IT platform. Although the volume of the own work that was performed was significantly reduced as a result of the outsourcing to the partner Amelco, the cost rate for valuing these services was redefined, which corresponded roughly to a doubling of the cost rate. The value of the own work capitalised hardly changed when set against the previous year on account of this effect on the calculation, although the volume fell.

OTHER OPERATING INCOME

Other operating income rose in the period under review by 84.7 percent to EUR 1.8 million (previous year: EUR 1.0 million). One of the key drivers of this increase over the previous year was the sale of shares in pferdewetten.de AG in the summer of 2016.

Group: Key expenses

EUR '000	2016	2015	Δ	Q4 2016	Q4 2015	Δ
Cost of materials	**34,333**	**39,965**	**-14.1%**	**9,135**	**10,092**	**-9.5%**
thereof commission charges	24,912	29,118	-14.4%	6,105	7,363	-17.1%
thereof licence fees	2,212	2,997	-26.2%	551	726	-24.1%
thereof gambling taxes	911	681	+33.8%	192	214	-10.3%
thereof bonus costs	2,842	3,468	-18.0%	684	960	-28.8%
thereof payment transaction costs	1,461	2,382	-38.7%	303	386	-21.5%
thereof other	1,995	1,319	+51.3%	1,301	443	+193.7%
Personnel expenses	**8,675**	**8,598**	**+0.9%**	**1,912**	**2,103**	**-9.1%**
Other opeating expenses	**10,315**	**11,220**	**-8.1%**	**3,332**	**3,190**	**+4.4%**
thereof marketing/sales	3,024	3,153	-4.1%	681	617	+10.4%

COST OF MATERIALS

As a result of the decline in revenue volume, the revenue-dependent expenses of the mybet Group were also significantly reduced in 2016. Moreover, cost-cutting and optimisation measures produced positive effects, with the result that we were able to reduce the cost of materials by a total of 14.1 percent from the previous year. In particular, the commission charges, licence fees and payment transaction costs, which are essentially dependent on the revenue, contributed a significant part of the decline in the cost of materials. Moreover, we granted betting bonuses in 2016 that were 18.0 percent lower than in the previous year, as fewer customers called up or earned bonuses. The gambling taxes paid by mybet, on the other hand, rose significantly by 33.8 percent, among other things as a result of the tax increase in Greece (see Regulatory conditions). In addition, the costs of the platform development with the partner Amelco increased the other cost of materials by 51.3 per cent.

PERSONNEL EXPENSES

The personnel expenses in the 2016 financial year remained virtually stable when compared with 2015. Although the headcount fell in a year-on-year comparison by seven employees to 134 and as an annual average by one to 138 (see Employees and also Notes to the consolidated financial statements), we have strengthened specific areas by selectively acquiring qualified employees as part of the optimisation measures in the company. The significantly lower revenue level accordingly led in purely mathematical terms to an increase in the personnel expenses ratio to 19.3 percent (previous year: 16.0 percent).

OTHER OPERATING EXPENSES

With a year-on-year decline of 8.1 percent, the trend in other operating expenses showed among other things the effects of the internal cost-cutting and optimisation measures we have implemented. While the strained financing situation and the long launch phase of the new IT platform did not allow for any increase in the expenses for marketing and sales – the level therefore turned out slightly lower – we reduced appreciably expenses for technology, other consultancy services and rent for example. It was only the costs for auditing the 2015 annual financial statements and also for legal advice that had to be increased to a notable extent, the latter among other things on account of the ongoing court proceedings against Westdeutsche Lotterie GmbH & Co. OHG (see Opportunities and risk report as well as Notes to the consolidates financial statements).

Group: Earnings figures

EUR '000	2016	2015	Δ	Q4 2016	Q4 2015	Δ
EBITDA	-4,448	-3,123	n/a	-2,902	-1,620	n/a
EBIT (incl. one-off effect)*	1,039	-	n/a	-	-	n/a
EBIT	-5,782	-10,764	n/a	-3,375	-4,483	n/a
Net profit/loss for the period	**1.221**	**-8.028**	**n/a**	**-2.157**	**-3.610**	**n/a**
Earnings per share (basic, EUR)	0.03	-0.36	n/a	-	-	n/a
Earnings per share (diluted, EUR)	0.03	-0.37	n/a	-	-	n/a

* One-off effect from sale of pferdewetten.de AG

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION

In the 2016 financial year, our earnings before interest, taxes, depreciation and amortisation (EBITDA), which stood at EUR -4.4 million, once more declined from the previous year (previous year: EUR -3.1 million). Although the optimisation, efficiency-enhancing and cost-cutting measures that we implemented in the Group led to a reduction in various expenses not dependent on revenue, while at the same time the revenue-dependent cost items also declined with the revenue, the general business performance, the costs for developing the platform and also the necessary increase in the costs for legal advice resulting from the ongoing action for damages put a heavy strain on the EBITDA in comparison with the previous year (see Key expenses). Moreover, the impact of the change in the breakdown of revenue between the online and retail sales channels with the sports betting segment acted to increase costs for us (see Sports betting segment).

DEPRECIATION AND AMORTISATION

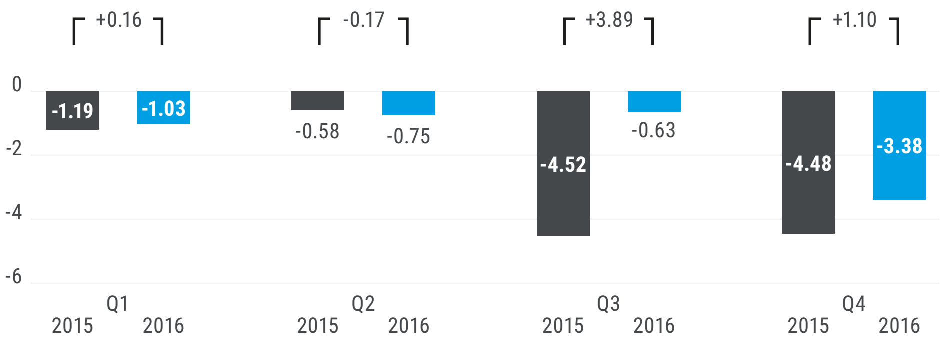
At EUR 1.3 million, depreciation and amortisation in the 2016 financial year were 82.9 percent lower than in the previous year (previous year: EUR 7.6 million). The main reason for this sharp year-on-year decline was the exceptionally high comparative figure from the previous year, as in 2015 we charged one-off non-scheduled write-downs totalling EUR 5.9 million on the old IT platform and on the goodwill of the group subsidiary ANYBET GmbH. This depreciation and amortisation booked in 2016 essentially reflect the scheduled write-downs on software and shop equipment in particular.

EARNINGS BEFORE INTEREST AND TAXES

Earnings before interest and taxes for 2016 stood at EUR -5.8 million. They were accordingly very significantly higher than the figure from the previous year, 2015, when earnings before interest and taxes amounted to EUR -10.8 million, primarily due to non-scheduled write-downs (see Depreciation and amortisation).

The EBIT including one-off effects from the sale of pferdewetten.de AG, serving in the course of 2016 as the basis for the forecast, amounted to 1.0 million.

Group: EBIT development by quarter
EUR million



FINANCIAL RESULT
The financial result of the mybet Group was determined in the 2016 financial year primarily by the interest expense for the 2015/2020 convertible bond, which was placed in December 2015 at an annual interest rate of 6.25 percent. The outstanding volume of the convertible bond was reduced in the summer of 2016 from its original EUR 5.0 million to around EUR 1.8 million as a result of a mandatory buyback offer that was conducted. The interest payments in 2016 led to a financial result of EUR -0.4 million (previous year: EUR 0.0 million).

NET PROFIT/LOSS FOR THE PERIOD
With a net profit for the period of EUR 1.2 million, we achieved in 2016 a very strong improvement over the previous year's figure of EUR -8.0 million. The main reasons for this sharp rise were on the one hand the sale of the equity interest in pferdewetten.de AG and of the subsidiary C4U-Malta Ltd., which had previously been recognised as a business operation to be discontinued. On the other, the net loss for the period in the previous year was significantly weighed down by one-off non-scheduled write-downs (see Depreciation and amortisation). The key drivers for the net profit/loss for the period in the two years were thus one-off effects.

SPORTS BETTING SEGMENT

In the Group's sports betting segment, the mybet Group reports the development of the business offering sports bets on the online platform (online sales channel) and at the stationary franchise betting shops (retail sales channel).

BETTING STAKES
In the 2016 financial year, the mybet Group recorded betting stakes of EUR 154.2 million, which represented a decline of 7.6 percent set against the comparable figure from the previous year.

At EUR 68.6 million in 2016, online betting stakes were 20.7 percent lower than the previous year's figure and were thus the reason for the decline in the total betting stakes. The key factors influencing this trend are described in the section Business development.

Fortunately, we were able to record growth in the retail sales channel with betting stakes of EUR 85.6 million, which were thus 6.6 percent higher than the previous year. We attribute this primarily to the measures to enhance the quality in our franchise betting shops that were carried out in 2015 and 2016. The measures mainly involved modernising the fittings in a large number of shops, both creatively with the new mybet corporate design and in terms of the equipment with improvements to the software and hardware.

Sports betting: Key figures

EUR '000	2016	2015	Δ	Q4 2016	Q4 2015	Δ
Betting stakes	**154,173**	**166,757**	**-7.6%**	**39,831**	**43,119**	**-7.6%**
Online	68,545	86,462	-20.7%	15,789	20,267	-22.1%
Retail	85,628	80,295	+6.6%	24,042	22,852	+5.2%
Hold	**27,626**	**30,677**	**-10.0%**	**6,982**	**7,552**	**-7.6%**
Online	8,383	12,300	-31.9%	1,870	2,662	-29.8%
Retail	19,243	18,377	+4.7%	5,112	4,890	+4.6%
Hold Margin	**17.9%**	**18.4%**	**-0.5 pp**	**17.5%**	**17.5%**	**-0.0 pp**
Online	12.2%	14.2%	-2.0 pp	11.8%	13.1%	-1.3 pp
Retail	22.5%	22.9%	-0.4 pp	21.3%	21.4%	-0.1 pp

HOLD AND HOLD MARGIN

The hold, i.e. the stakes less the calculated winnings, declined in 2016 by 10.0 percent from the previous year to EUR 27.6 million. This was essentially a consequence of the lower volume of betting stakes. The hold margin deteriorated slightly by a further 0.5 percentage points to 17.9 percent and accordingly led to a decline in the hold that was disproportionate to the actual development in stakes.

The performance of the hold in the online sales channel declined sharply with a year-on-year drop of 31.9 percent. The online hold even experienced a significant and disproportionate fall in comparison with the online betting stake as a consequence of the 2.0 percentage point fall in the hold margin to 12.2 percent. This was the result of successful betting behaviour on the part of the customers, which was nevertheless within the normal statistical range of fluctuation.

With a gain of 4.7 percent, the hold in the retail sales channel performed positively in comparison with 2015 on account of the increase in the volume of retail betting stakes. Here, too, however, as in the online segment, the outcome of the bets, which is based on chance, had a slightly negative impact on our hold margin, which, at 22.5 percent, was 0.4 percentage points lower than the previous year’s figure. For that reason, the hold growth was disproportionately low in comparison with the growth in stakes in the retail sector. However, this effect was also within the normal empirical values.

Experience shows that the hold margin as a mathematical ratio of stake to hold is generally significantly higher in the retail business than in the online business on account of different betting patterns on the part of the customer groups.

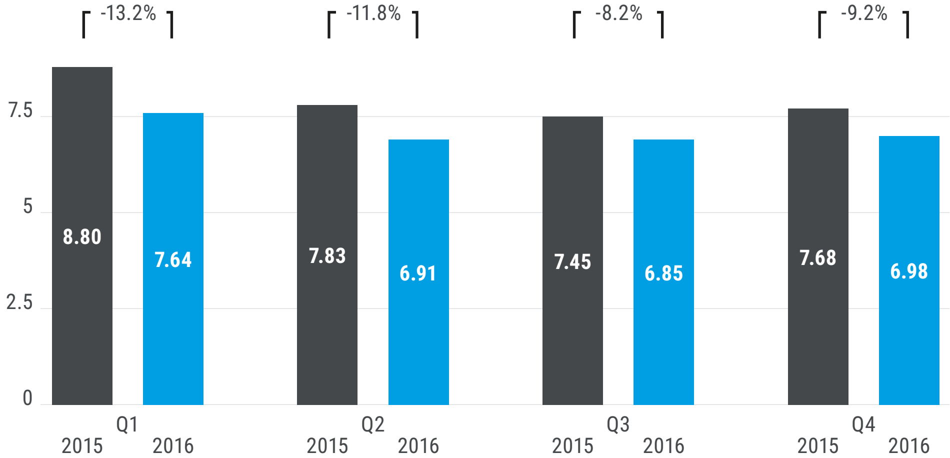
REVENUE

The revenue in the sports betting segment of the mybet Group primarily involves the hold from the sports bets placed by our customers. Added to that is a much smaller volume of income-dependent lump sums paid by the franchise partners for general services and payment transactions as well as proceeds from the sale of betting shop hardware.

The revenue of the mybet Group from the sports betting segment amounted in the financial year just ended to EUR 28.4 million and thus declined 10.7 percent from the previous year’s figure (previous year: EUR 31.8 million). The development primarily reflects the decline in the hold described above. The figure for 2015 was adjusted on account of the creation of the new B2B group segment in 2016, as some revenue previously booked in the sports betting segment is now reported in the new B2B segment.

The share of the sports betting segment in the total revenue of the mybet Group amounted to 63.0 percent (previous year: 59.2 percent).

Sports betting: Revenue by quarter*
EUR million



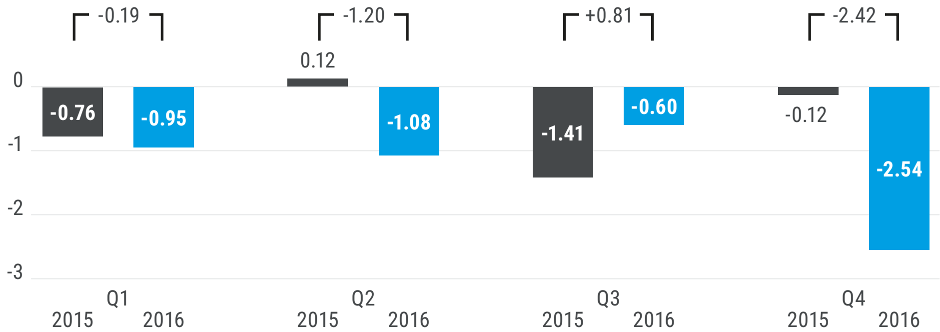
*Comparison figures for 2015 adjusted on account of the creation of the new B2B segment.

EARNINGS BEFORE INTEREST AND TAXES

Expenses in the Group's sports betting segment totalled EUR 34.1 million in the period under review. Despite the decline in revenue, they thus remained stable set against 2015 (previous year: EUR 34.3 million). The main reason for this development is the online sales channel. It caused the decline in revenue, but it includes only the smaller part of the revenue-dependent costs in the entire sports betting segment. Thus, the revenue-dependent costs also declined in the online sales channel in parallel with the revenue. But as we achieved revenue growth in the retail sales channel, which is larger in terms of both revenue and costs, and the revenue-dependent costs thus also increased, the costs in the sports betting segment in total stayed at the same level as the previous year – despite lower revenue.

Accordingly, our earnings before interest and taxes (EBIT) in the sports betting segment amounted to EUR -5.2 million in the period under review and were thus significantly lower than the EBIT of 2015 (previous year: EUR -2.0 million).

Sports betting: EBIT by quarter*
EUR million



*Comparison figures for 2015 adjusted on account of the creation of the new B2B segment.

The number of mybet betting shops in Germany totalled 153 at the end of the period under review and thus remained relatively stable in a year-on-year comparison (previous year: 155).

Sports betting: Betting shops

Germany	31.12.2016	30.9.2016	30.6.2016	31.3.2016	31.12.2015
Number of betting shops	153	156	153	153	155

CASINO SEGMENT

In the Group's casino segment (formerly casino and poker), the mybet Group reports the performance of the business offering casino games on its online platform (online sales channel).

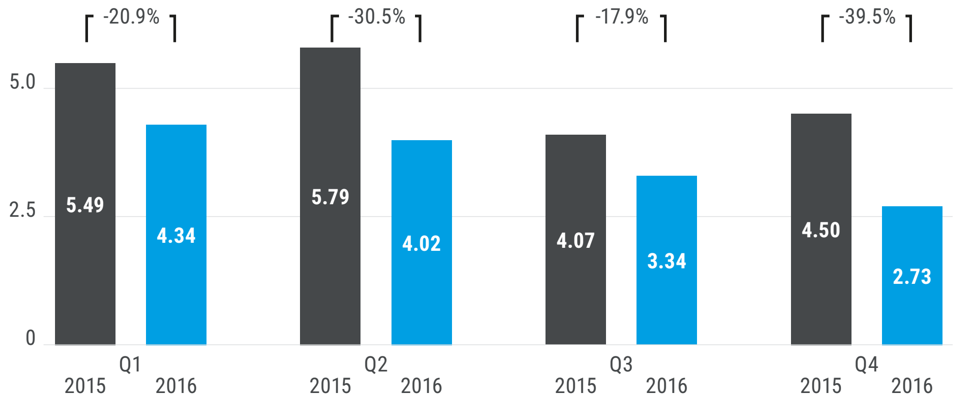
REVENUE

Revenue in the casino segment of the mybet Group comprises the betting stakes less calculated winnings. The activities in the poker field were stopped in June 2016 and the segment was renamed accordingly.

In the 2016 financial year, we posted revenue of EUR 14.4 million in the group casino segment, which was thus 27.3 percent less than in the previous year (previous year: EUR 19.9 million). The material influencing factors are described in the section Business development. In addition to the factors mentioned there, the revenue performance in the casino segment was weighed down especially by the disruption of our offerings in Greece during the second half of the year. This is based on the formal objections announced for the first time by the regulatory authorities there. mybet is involved in a constant dialogue with the competent authorities in an effort to eliminate these adverse impacts. The discontinuation of the poker products, in contrast, had no notable influence on the results in the casino segment in 2016, as the extent of their share in the revenue and also in the result was only negligibly small.

The share of the casino segment in the total revenue of the mybet Group amounted to 32.0 percent (previous year: 37.0 percent).

Casino: Revenue by quarter
EUR million

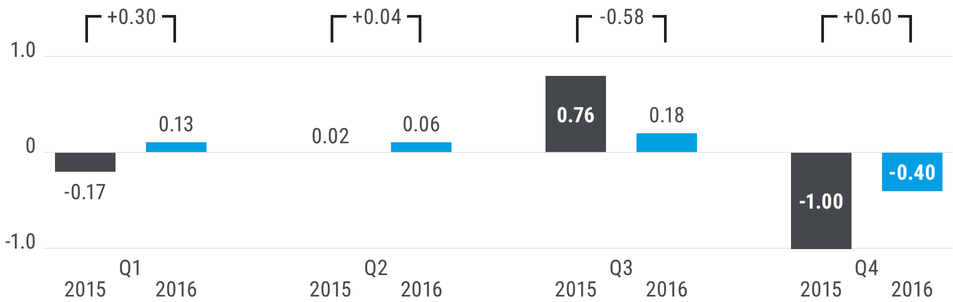


EARNINGS BEFORE INTEREST AND TAXES

The expenses in the Group's casino segment totalled EUR 14.4 million in 2016 (previous year: EUR 20.4 million). As they largely consist of revenue-dependent commission for co-operation partners and licence fees, they declined in comparison with the previous year in proportion to the revenue performance.

Our earnings before interest and taxes (EBIT) in the casino segment amounted to EUR 0.0 million in the period under review and thus recorded a slight improvement over the previous year (previous year: EUR 0.4 million).

Casino: EBIT by quarter
EUR million



B2B SEGMENT

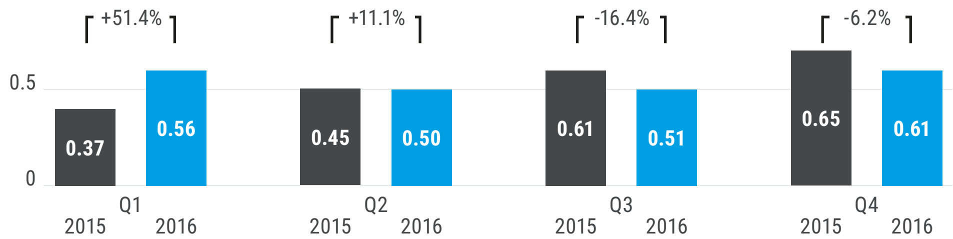
In its B2B segment, the mybet Group reports the performance of the business in services for regional sports betting providers, currently for providers in Ghana and Belgium.

REVENUE

Revenue in the B2B group segment, which was created in 2016, came to EUR 2.2 million in the 2016 financial year. Compared with 2015, our B2B revenue thus remained fairly stable (previous year: EUR 2.1 million).

The share of the B2B segment in the total revenue of the mybet Group amounted to 4.9 percent (previous year: 3.9 percent).

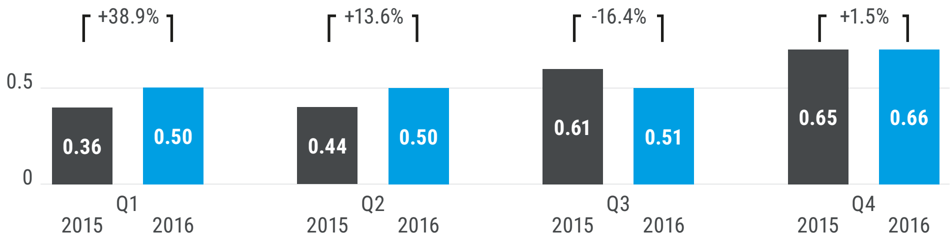
B2B: Revenue by quarter
EUR million



EARNINGS BEFORE INTEREST AND TAXES

Only negligible expenses are allocated to the Group's B2B segment, which was newly created in 2016, as it involves the additional marketing of services that are already components of the operations in the other segments and performed independently of the B2B segment. At EUR 2.2 million, earnings before interest and taxes (EBIT) approximately matching the amount of revenue are therefore recorded in the B2B segment for the 2016 financial year (previous year: EUR 2.1 million).

B2B: EBIT by quarter
EUR million



FINANCIAL AND ASSETS POSITION

FINANCING STRUCTURE

As at 31 December 2016, the financing structure of the mybet Group consisted of the following key elements:

Convertible bond 2015/2020

The collateralised convertible bond issued by mybet Holding SE, the parent company of the mybet Group, was placed in December 2015 with a volume of EUR 5.0 million. The annual interest rate is 6.25 percent and the term runs to December 2020. After the sale of the shares in pferdewetten.de AG, a mandatory buyback programme was implemented at a price of 105 percent of the nominal value in accordance with the conditions of the bond. In the course of collateral swap, the shares in pferdewetten.de AG that are now no longer available to secure the remaining volume of the bond were replaced by a cash deposit made at the trustee of the convertible bond. Following the completion of the buyback process and also at 31 December 2016, the remaining outstanding nominal volume of the convertible bond is approximately EUR 1.8 million.

Westlotto interim financing

On 21 October 2016, SWS Service GmbH, a group company of the mybet Group, concluded an interim financing agreement for the cash inflows that may result from the legal proceedings against Westdeutsche Lotterie GmbH & Co. OHG (Westlotto interim financing). The transaction is structured in the form of a line of credit of EUR 4.0 million and a variable profit participation in the proceeds from the case that may exceed the loan amount. The agreement also includes an option for SWS to increase the credit facility by a further EUR 1.0 million with effect from 1 January 2018.

The loan resulting from the use of the line of credit is risk-free for SWS, as all payment obligations incurred will be settled exclusively from any proceeds from the Westlotto case. These are accordingly pledged to the financing institution until all terms and conditions of the agreement are fulfilled. If SWS does not generate any proceeds from the case, no repayment will be due.
If SWS receives proceeds from the action, and the funds are sufficient, then the lender will receive a repayment that increases depending on the duration of the proceedings of between 150 percent and a maximum of 200 percent of the loan amount. In addition, SWS will pay the lender 15 percent of any amount that may remain after this repayment. Any remaining residual amount would remain with SWS (see also Opportunities and Risks Report).
As at 31 December 2016, the mybet Group has drawn down around EUR 1.0 million from the line of credit. In a new agreement, the volume of the financing that is immediately available was increased to EUR 6.0 million after the period under review ended (see Notes to the consolidated financial statements, Supplementary report).

CASH FLOW

In addition to the proceeds from operating activities, the financing of the ongoing operations of the mybet Group was provided in the 2016 financial year by the cash and cash equivalents (see Liquidity).

Group: Cash flow

EUR '000	2016	2015
Cash flow before changes to working capital	-3,859	-1,238
Cash flow from operating activities	-10,162	-60
Cash flow from investing activities	7,139	-4,567
Cash flow from financing activities	-2,402	4,894
Free cash flow	-3,023	-4,627

As in the previous year, cash flow before the change to the working capital also remained negative in the 2016 financial year at EUR -3.9 million.

Cash flow from operating activities, which at EUR -10.2 million experienced a sharply negative development set against the previous year's figure, was determined primarily by three factors: firstly, our continued negative operating result before interest, taxes, depreciation and amortisation (EBITDA) led to ongoing cash outflows. Secondly, in the course of 2016 we reduced the portfolio of payables, some of which had already accumulated in the previous year and which also included the payment of the tax claim of the Kiel tax office. Thirdly, a previous intercompany loan was paid back in the course of the deconsolidation of pferdewetten.de AG.

Cash flow from investing activities in 2016 amounted to EUR 7.1 million and was characterised by the investments in the ongoing product development, especially in connection with our new IT platform for our expanded product range. This was accompanied by the significant inflow of funds from the sale of the equity interests in pferdewetten.de AG and C4U-Malta Ltd., which had a very positive influence on the cash flow position. All these extraordinary effects produced a sharp change from 2015.

At EUR -2.4 million, cash flow from financing activities was determined mainly by payments for the mandatory buyback of our 2015/2020 convertible loan, which reduced the outstanding nominal bond volume from EUR 5.0 million to EUR 1.8 million. The drawdown of EUR 1.0 million from the Westlotto interim financing credit facility had a positive effect.

Free cash flow in the 2016 financial year, defined as the sum of cash flows from operating and investment activities, totalled EUR -3.0 million and accordingly remained negative. However, despite the significantly lower cash flow from operating activities, it recorded a year-on-year improvement (previous year: EUR -4.6 million) on account of the very positive cash flow from investment activities.

LIQUIDITY

As at the balance sheet date of 31 December 2016, the mybet Group posted cash and cash equivalents of EUR 0.5 million (previous year: EUR 3.6 million). The key factors influencing the freely available liquid funds in the course of the 2016 financial year were on the one hand inflows from the sale of the equity interests in pferdewetten.de AG (EUR 9.9 million) and C4U-Malta Ltd. (EUR 3.6 million). In addition, the mybet Group received liquid funds at the end of the period under review as a result of the drawdown of EUR 1.0 million from the Westlotto interim financing credit facility. On the other hand, these inflows were accompanied by extensive outflows of liquid funds. The mandatory buyback of the convertible bond (EUR 3.4 million), the collateralisation of the remaining bond volume in cash (EUR 1.8 million), the repayment of a loan to pferdewetten.de AG (EUR 1.3 million), the payment of the bond interest (EUR 0.3 million) and the tax payment, unwarranted in the opinion of mybet, to the Kiel tax office (EUR 1.7 million) reduced liquid funds. Moreover, liquid funds constantly flowed out in the course of the year as a result of the negative business performance overall, the necessary investments in the development of the new IT platform and the reduction of liabilities (see Cash flow). The solvency of the Group was guaranteed at all times in 2016.

Group: Liquidity by quarter

EUR '000	31.12.2016	30.9.2016	30.6.2016	31.3.2016	31.12.2015
Liquidity	528	509	2,741	1,089	3,616*

*To be able to provide a better comparison, the value reported on 31 December 2015 was adjusted by the share of pferdewetten.de AG in the Group liquidity (EUR 3.2 million).

As of 31 March 2017, liquid funds of EUR 1.0 million that have not yet been drawn down from the Westlotto interim financing were available for further financing the business operations of the mybet Group. As a result of the new agreement with the lender that was announced on 18 April 2017, mybet will have access to a further EUR 2.0 million. (see Notes to the consolidated financial statements, Supplementary report). Despite the negative monthly cash flow from operating activities that is likely to persist until the end of 2017, the financing framework that can be called on if necessary will ensure sufficient liquidity into 2018 – if the economic targets for 2017 are achieved (see Forecast report, financial opportunities and risks). The Management Board expects the mybet Group to generate positive operating cash flows in the first half of 2018 as a result of the strategic realignment and the launch of the new IT platform if the financial performance develops as planned.

BALANCE SHEET TOTAL

The balance sheet total of the mybet Group decreased in the period under review by EUR 14.7 million to EUR 19.4 million (previous year: EUR 34.1 million). The key factors influencing the development are described in the following sections.

ASSETS

While the non-current assets of the mybet Group on the 2016 balance sheet date declined by EUR 3.5 million from the previous year to EUR 11.5 million, current assets declined in a year-on-year comparison by EUR 11.2 million to EUR 7.9 million.

Group: Assets by quarter

EUR '000	31.12.2016	30.9.2016	30.6.2016	31.3.2016	31.12.2015
Non-current assets	11,464	12,021	11,209	15,602	14,995
Current assets	7,928	11,692	18,165	16,559	19,119

Non-current assets comprise intangible assets totalling EUR 9.7 million, property, plant and equipment with a volume of EUR 0.5 million and deferred tax assets of EUR 1.3 million. The decline in non-current assets resulted predominantly from the deconsolidation of pferdewetten.de AG and C4U-Malta Ltd. This alone reduced the intangible assets by EUR 1.4 million.

Current assets consist of inventories valued at EUR 0.2 million, receivables and other assets of EUR 7.2 million and cash and cash equivalents of EUR 0.5 million. The main factors for the decline in current assets in the period under review were on the one hand the level of cash and cash equivalents, which was significantly lower in comparison with the 2015 balance sheet date (see Liquidity), while, on the other, the sale of the equity interests in pferdewetten.de AG and C4U-Malta Ltd. also had an impact on current assets.

SHAREHOLDERS' EQUITY AND LIABILITIES

The key factors influencing the development of the shareholders' equity of the mybet Group were the positive net profit for the period and the deconsolidation of pferdewetten.de AG and C4U-Malta Ltd. The shareholders' equity of the mybet Group as of the balance sheet date of 31 December 2016 declined by EUR 4.0 million to EUR 7.7 million in comparison with the previous year's reporting date. The takeover of the minority shares in the subsidiary QED Ventures has a slightly positive effect. There are now no longer any non-controlling interests in the mybet Group.

The equity ratio of the mybet Group increased by 5.2 percentage points to 39.4 percent.

Group: Equity and equity ratio by quarter

EUR '000	31.12.2016	30.9.2016	30.6.2016	31.3.2016	31.12.2015
Shareholders' equity	7,649	9,695	11,306	10,877	11,668
Equity ratio	39.4%	40.9%	38.5%	33.8%	34.2%

The non-current liabilities of the mybet Group totalled EUR 3.4 million as of the reporting date of 31 December 2016 and were thus 1.5 million lower than the comparative figure for the previous year. They comprised the recognised value of EUR 1.4 million of the convertible bond 2015/2020, reduced as a result of the mandatory buyback, and deferred tax liabilities of EUR 1.0 million. The volume previously drawn down from the Westlotto interim financing of EUR 1.0 million that is booked as a liability can be added to that.

Current liabilities on our balance sheet amounted to EUR 8.3 million on the 2016 balance sheet date, which represents a decline of EUR 9.3 million from the previous year. They include trade payables of EUR 3.7 million, other liabilities of EUR 0.4 million, tax liabilities of EUR 1.1 million, other financial liabilities of EUR 2.6 million and other accrued expenses of EUR 0.3 million. The key reasons for the decrease in current liabilities set against the status at the end of 2015 were the deconsolidation of pferdewetten.de AG on the one hand. On top of that, the gambling tax paid to the Kiel tax office in the amount of EUR 1.7 million sharply reduced the tax liabilities. Moreover, the item still recognised in 2015 as liabilities in direct connection with assets held for sale totalling EUR 2.5 million ceased to apply as a result of the final sale of C4U-Malta Ltd.

At the end of the period under review net financial liabilities of the mybet Group amounted to EUR 1.9 million, following on from EUR 0.2 million in the previous year. The figure includes the sum of financial liabilities to banks and lenders and liabilities from bonds, less the available liquid funds. The significant rise in net financial debt is a purely mathematical effect from the lower liquidity holdings, for the absolute level of financial debt was lower on the balance sheet date than in the previous year as a result of the convertible loan buyback.

On account of the developments described, the debt ratio of the mybet Group at the end of the period under review amounted to 60.6 percent, corresponding to a decline from the previous year of 5.2 percentage point.

Group: Liabilities and debt ratio by quarter

EUR '000	31.12.2016	30.9.2016	30.6.2016	31.3.2016	31.12.2015
Non-current liabilities	3,445	2,361	4,672	4,953	4,882
Current liabilities	8,298	11,657	13,395	16,330	17,564
Debt ratio	60.6%	59.1%	61.5%	66.2%	65.8%

MYBET HOLDING SE

The annual financial statements of mybet Holding SE have been drawn up in accordance with the requirements of the German Commercial Code (HGB).

EARNINGS POSITION OF MYBET HOLDING SE

The parent company of the mybet Group, mybet Holding SE, generates its revenue primarily from the calculation of commercial, administrative and legal consultancy services for affiliated companies. The revenue of mybet Holding SE totalled EUR 1.9 million in the period under review. Revenue thus almost quadrupled in comparison with the previous year (previous year: EUR 0.5 million). The main reason for this development was the extension of the internal group cost allocation for services of the holding company to group companies that had not previously been included in it.

In addition, other operating income of EUR 4.3 million accrued at mybet Holding SE in 2016, which was thus lower than the previous year's figure (previous year: EUR 4.9 million). This income was generated primarily from the sales of the equity interest in pferdewetten.de AG. In the previous year, the accrued income from write-ups in equity interests in affiliated companies totalling EUR 4.4 million had primarily determined the other operating income.

These proceeds were accompanied in particular by personnel expenses of EUR 1.8 million (previous year: EUR 1.8 million) for an annual average of 17 employees (previous year: 15 employees) of mybet Holding SE. Other operating expenses of EUR 4.4 million were additionally incurred (previous year: EUR 11.1 million). These expenses were significantly lower than those of the previous year in particular because extraordinary effects for write-downs on receivables from affiliated companies totalling EUR 8.5 million alone were booked here in 2015.

The regular depreciation on intangible assets and property, plant and equipment amounted to around EUR 55,700 in the 2016 financial year at mybet Holding SE (previous year: EUR 44,900).

At EUR -0.1 million, the financial result of mybet Holding SE improved significantly over the previous year (previous year: EUR -3.1 million). The key factors for the approximately balanced financial result in 2016 were the interest income from loans to subsidiaries (EUR 1.2 million) that was accompanied at roughly the same level by financial expenses and interest expenses, including an amount of around EUR 0.9 million as expenditure for the repayment of disagios in the course of the mandatory buyback offer for the convertible bond.

In sum, the net loss for the period of mybet Holding SE in the 2016 financial year amounted to EUR -156,000, whereas in 2015 a figure of EUR -10.7 million was recognised at this point primarily on account of write-downs on intercompany receivables.

FINANCIAL AND ASSETS POSITION OF MYBET HOLDING SE

As of the balance sheet date of 31 December 2016, the balance sheet total of mybet Holding SE, the parent company of the mybet Group amounted to EUR 27.2 million (previous year: EUR 31.4 million). The reduction in the balance sheet total was the result of the following development:

At the balance sheet date, the assets consisted of fixed assets valued at EUR 15.5 million (previous year: EUR 23.2 million) and current assets worth EUR 11.3 million (previous year: EUR 7.0 million).

The fall in fixed assets, by far the majority of which comprise financial assets (especially shares in affiliated companies), resulted primarily from the sale of the equity interests in pferdewetten.de AG and C4U-Malta Ltd. The increase in current assets, which consist mainly of receivables and other assets (in particular receivables from affiliated companies), was produced primarily as a result of the significant rise in receivables from affiliated companies as well as an increase in other assets.

At the end of 2016, the liabilities included the unchanged subscribed capital of mybet Holding SE of EUR 25.6 million and a similarly unchanged capital reserve of EUR 20.0 million. The net loss of EUR 156,000 for the 2016 financial year is carried forward to new account in the next financial year. At 31 December 2016, the loss carryforward thus amounted to EUR -22,2 million (previous year: EUR -11,5 million). The equity capital of mybet Holding SE was EUR 23.2 million on the same date and fell slightly set against 2015 on account of the net loss for the year (previous year: EUR 23.4 million).

As at the balance sheet date for 2016, the liabilities stood at EUR 3.6 million and accordingly showed a significant year-on-year reduction (previous year: EUR 7.2 million). The main reason for this development was the convertible bond 2015/2020 placed in December 2015 with a volume of EUR 5.0 million, the outstanding volume of which was reduced in the summer of 2016 to EUR 1.8 million as a result of a mandatory buyback offer. Moreover, a loan totalling EUR 1.3 million from the company pferdewetten.de AG, which was still affiliated at that time, was paid back in the period under review on account of the sale of this equity interest.

The company was able to meet its financial obligations at all times in the past year.

GENERAL STATEMENT ON THE ECONOMIC SITUATION

Looking at the business strategy, we were able to conclude our HERA strategy programme that we started in 2015 and focus the company on the core segments of sports betting and casino games. The full commissioning of the newly developed product platform that took place in March 2017 represented the last step in this process. The internal optimisation and cost-cutting measures that were carried out reduced a variety of non-revenue-dependent expenses. They compensated for the impact on the result from the 16.2 percent drop in group revenue set against 2015 and from the costs for developing the new IT platform in part, but far from completely. With group revenue of EUR 45.0 million and an EBIT of EUR -5.8 million, the results of the operating activities, even with the knowledge of the particular influencing factors, are thus not satisfactory in the view of the Management Board – even if the forecasts for revenue and results that were adjusted in the course of the year were achieved. This development furthermore made it necessary to safeguard the corporate financing for 2017, in a form that can be called on when required, through the additional financing agreement, which was done in April 2017.

In the light of the full commissioning of the new platform, the financing that has been secured as far as 2018 – if the 2017 financial targets are met – and the satisfactory performance in the retail and services business, the Management Board judges the economic situation of the mybet Group to be viable, despite the very negative course of the 2016 financial year. With stricter cost controls and more efficient use of the still severely limited financial resources, the enhanced product range, together with the already successful retail and services business, opens the realistic opportunity of stopping the downwards economic trend in 2017, stabilising the revenue and significantly improving the EBIT. Should this be achieved, the Management Board plans to generate self-supporting corporate financing from 2018 onwards. Nevertheless, the Management Board will continue to examine all options, without prejudging the outcome and when the opportunity arises, to improve the financial resources of the mybet Group.

SUPPLEMENTARY REPORT

Information on key events that have taken place since the reporting date is presented in the Notes to the consolidated financial statements in the section Supplementary report.

3 FORECAST

GENERAL ECONOMIC AND REGULATORY CONDITIONS

On the basis of essentially consistent statements by industry analysts, the mybet Group is assuming that the global market for games of chance will continue to grow (see Economic conditions). The Management Board therefore judges the general economic conditions for the business activity of the mybet Group in 2017 to be positive in principle.

Looking at the regulatory environment, the business development of the mybet Group is directly influenced by official decisions and legislative procedures, especially in the core markets that have been defined as Germany, Greece, Belgium and Ghana. Primarily on account of the legislative developments and official decisions made in 2016 in Germany and Greece, the Management Board sees a factor of significant uncertainty affecting the forecast for the 2017 financial year in changes to the regulatory conditions occurring in the short term (see Legal and regulatory opportunities and risks).

A precondition for achieving the economic targets described in the following is that the risks specified in the Opportunities and Risks Report do not materialise.

DEVELOPMENT OF THE SEGMENTS

No major sporting event will take place in the 2017 financial year that could deliver a relevant external growth stimulus for our sports betting group segment. Moreover, the segment revenue fell significantly last year, and the new IT platform came into full operation only on 21 March 2017. On account of the product range that has now been enhanced by the new IT platform and that is intended to impart a positive stimulus in particular to the online sales channel, the Management Board expects a slightly positive performance in the sports betting segment in 2017.

The casino group segment also registered a significant decline in revenue in 2016 especially as a result of the changed regulatory conditions in Greece. Moreover, the currently most important consequence of the change to the official decision-making practice, the blocking of our casino products in Greece, had not yet been rectified by the end of March 2017. The casino segment will experience a significantly retrograde business development in the current financial year. This target will be heavily influenced in particular by the time at which the operation of our casino offerings in Greece can be resumed. We currently assume that this will happen within the first half of 2017.

For the new B2B group segment that was created in 2016, we are aiming for a slightly positive business performance in the 2017 financial year, triggered by gaining new co-operation partners in new regional markets.

DEVELOPMENT OF THE FINANCIAL POSITION

As a result of the negative operating performance while investments were being made in the new IT platform at the same time, the mybet Group was already acting in 2016 within a very restricted financial framework. Measures to secure the corporate financing were therefore already successfully implemented in 2015 and 2016, for example the issue of the convertible bond, the Westlotto interim financing and the extension, agreed in April 2017, of the existing credit facility from the Westlotto financing, which is available when necessary.

With a view to 2017, the launch of the new IT platform will have a significantly positive impact on the financing strength of the mybet Group at the earliest at the end of the year. It will therefore also be possible to stop the monthly outflow of liquid funds through the operating activities, which has persisted for a long time, only at the end of 2017. Overall, the Management Board therefore does not assume that the financial position will improve materially purely on the basis of the operating business, even if the economic targets are achieved in 2017. This concerns in particular the group liquidity at the end of the 2017 financial year. The Management Board will accordingly continue to examine all options without prejudging the outcome and implement them if appropriate when the opportunity arises that enable an inflow of additional liquid funds in order to enlarge the financial leeway for manoeuvre of the mybet Group. These options include in particular taking up equity or debt.

FORECAST FOR 2017

Assuming that the segments and the financial position develops as described – but also taking into consideration the factors, especially regulatory factors, that are creating uncertainty – the Management Board issues the following forecast for the development of the financial performance indicators of the mybet Group in 2017.

Forecast financial performance indicators

EUR million	2016	Forecast 2017
Revenue	**45.0**	**44.5 to 47**
EBIT	-5.8	-3.2 to -2.7
Liquidity	0.5	0.3 to 1.0

mybet Holding SE

For mybet Holding SE, the parent company of the mybet Group, the Management Board is planning for an operating result (EBIT) of between EUR -1.0 and -0.7 million in the 2017 financial year.

4 OPPORTUNITIES AND RISKS REPORT

RISK MANAGEMENT

RISK MANAGEMENT SYSTEM

In accordance with the requirements of company law, the risk management system of mybet Holding SE is geared towards enabling the Management Board to identify at an early stage potential risks endanLow the continued existence of the company and to initiate countermeasures in good time. The operational responsibility for the risk management is anchored within the business units. The risk manager reports on the group-wide risks to the Management Board. In addition to the risk profile of the group and of the ultimate parent company, the Management Board of mybet Holding SE also assesses the risk profile of the subsidiaries. Risk reports form the basis for the assessment of the risk profile of the mybet Group, and these are drawn up in the course of the regular mandatory reporting. The risk reports contain predefined risk categories. The reporting business units are requested to report risks identified outside of the predefined risk categories in order to map a risk spectrum that is as broad as possible, and they are thus assigned an important individual responsibility. The risk reports are supplemented by special notifications on the occurrence of or change in special risks, which are made as necessary. In addition, the audit reports of the relevant auditor of the financial statements of the group companies are consulted if an audit obligation arises or a voluntary audit is performed.

The risk management as a whole and also the implementation of the early risk warning essentially share a uniform structure in the individual segments, where the scope of the business activity and the size of the segments are taken into account. Where necessary, an adjustment is made to current developments. The scope of consolidation for risks is the same as the scope of consolidation at the group level.

In summary, the risk/opportunity profile of the mybet Group is characterised sharply by the regulatory environment for games of chance. In addition to financial risks, legal and regulatory risks can by nature have an adverse impact on the group's performance. On the one hand, markets that are opening up offer mybet great opportunities to tap additional revenue potential. On the other, risks arise from the different interpretation of individual regulations; these cannot be immediately recognised on account of the very heterogeneous European legislation, but can entail significant deviations from the planning. Should one or more these risks occur, the business operations of the mybet Group could suffer an adverse impact. Significant effects on the earnings, financial and assets position of the group could result.

The Management Board of mybet Holding SE takes the identified risks very seriously and takes them into account when making both operational and strategic decisions. The development of relevant risks is continually monitored. In this process, future potential dangers are taken into consideration in addition to the risks that have currently been identified. When identifying, assessing, preventing and controlling risks at an early stage, the focus is placed on risks that could have an adverse impact on performance and on especially material risks.

On the basis of the systems that have been set up, the mybet Group is able to identify and asses the relevant risks both in the individual segments and as a whole and to initiate measures in good time to limit or minimise the effects of these risks. No risks are actively excluded in principle in this process.

The assessment of the material opportunities and risks of the mybet Group relates to the balance sheet date and concerns a period of no less than one year.

The risk management of the mybet Group is structured as follows:

OPERATIONAL RISKS

Operational risks are monitored by regularly checking relevant financial and other key figures. The monitoring is carried out using various systems and financial procedures on the basis of a scorecard. In this process, the monitoring frequency, the responsibilities for their review and rules of conduct when defined deviations from target values occur are defined for each key figure. Revenue, EBIT and liquidity represent key indicators here. Using special tools, evaluations of the most important key figures of the individual platforms and companies of the group can be carried out on a daily basis, with the result that the Management Board can form a picture of the financial performance indicators both regularly and through spot checks. The key figures of the individual units are summarised in weekly reports. The monthly reports of the group companies, which contain information on the earnings, financial and assets position in addition to the performance indicators, are regularly subjected to an intensive analysis by the Management Board. The risks are assessed both in terms of their probability of occurrence and of a possible inherent loss if they occur.

TECHNICAL RISKS

Where technical risks are concerned, defined contingency measures are initiated when the defined deviations from the target values are reached. In addition, trends in security standards are continually monitored in this area and appropriate adjustments are continually made to the security systems.

LEGAL RISKS

Legislative changes in the relevant markets in which the mybet Group is active are regularly assessed. The management makes use here both of internal and external experts, with the result that unusual occurrences can be identified at an early stage and adequate responses instituted when necessary.

General risks and risks that do not have any direct or indirect influence on the business fields of the mybet Group are not recorded.

The risk management system is continually monitored and updated. The Management Board of the mybet Group is regularly informed of the results of the risk assessments.

The possibility exists that unidentified and unreported risks will arise that could also exert negative influences on the business operation. Additional, mutually reinforcing threats for the company can develop from the concentration of risks that are essentially independent of each other. For that reason, mybet continues to monitor its environment on an ongoing basis and to review the effectiveness of the measures decided on as well as of the overall risk management system. Despite the risk management system, however, the risks described cannot be quantified in terms of their probability of occurrence and the amount of their effects as long as the individual circumstances are not specified in terms of the possible financial, legal and regulatory impacts.

We are convinced that the early risk warning and risk management system that has been implemented is suitable overall for identifying the threats resulting for the mybet Group from possible risks and for responding to these risks if necessary or appropriate.

PRESENTATION OF THE OPPORTUNITIES AND RISKS

CATEGORISATION

The categorisation of the key risks of the mybet Group corresponds to the structure defined internally for risk management purposes and follows the gross presentation. The individual risks can be analysed and classified in terms of the probability of occurrence and their impacts in order to draw conclusions concerning the potential threat to mybet.

Probability of occurrence

The probability that a risk will occur is divided into classes. The classes represent here the probability defined as a percentage with which a damaging incident can be expected in a period of twelve months. We use the classes “very unlikely” (0–25 percent), “unlikely” (26–50 percent), “likely” (51–75 percent) and “very likely” (76–100 percent).

Impact

The possible impact indicates the extent of the damage that can be expected if a risk occurs. A distinction is drawn in the extent of the damage between the classes “low” (up to EUR 0.5 million), “moderate” (EUR 0.6 to 2.0 million), “significant” (EUR 2.1 to 3.5 million) and “critical” (over EUR 3.5 million).

Category

The potential threat of the relevant risk is produced by calculating the probability of occurrence and the possible impact. The potential threat of a risk is classified into three categories: “low”, “moderate” and “high”. The defined ranges are set by the risk manager in consultation with the relevant business units. Risks characterised by a high potential threat can have an impact endanLow the company as a going concern. In addition, it cannot be ruled out that the accumulation or addition of moderate and low risks will also develop a character that poses a risk to the continued existence of the company.

The opportunities specified below are also categorised based on their probability of occurrence, impact and overall potential In line with this procedure.

RISKS AT A GLANCE

The risks we have identified are listed and ordered according to their potential threat, started with the greatest risks, in the table below.

Risks at a glance

No.	Name of risk	Probability of occurrence	Impact	Potential threat
R1	VAT Casino	Unlikely	Critical	HIGH
R2	Loss of casino business in Germany	Unlikely / Likely	Critical	HIGH
R3	Liquiditiy risk	Very Unlikely	Critical	MODERATE
R4	Customer acceptance of new product range	Unlikely	Critical	MODERATE
R5	Loss of licence	Very Unlikely	Critical	MODERATE
R6	Default payment system provider	Very Unlikely	Critical	MODERATE
R7	Toleration procedure federal states	Very Unlikely	Critical	MODERATE
R8	Sales structur shops / dependence on sales representatives	Unlikely	Significant	MODERATE
R9	Monopolisation Greece	Unlikely	Significant	MODERATE
R10	Subordinations of priority and letters of comfort	Unlikely	Significant	MODERATE
R11	Gambling tax Germany*	Unlikely	Critical	MODERATE
R12	Casino offer in Greece	Unlikely	Moderat	MODERATE
R13	State Treaty on Gambling	Unlikely	Moderat	MODERATE
R14	Market price changes	Very Unlikely	Significant	LOW / MODERATE
R15	B2B contracts	Unlikely	Moderate	LOW
R16	Default risk Amelco	Unlikely	Moderate	LOW
R17	Personnel risks	Unlikely	Moderate	LOW
R18	Default payment service provider	Very Unlikely	Moderate	LOW
R19	Foreign currencies risk	Unlikely	Moderate	LOW
R20	Bookmakers risk	Unlikely	Moderate	LOW
R21	Default risk from cyber attack	Unlikely	Moderate	LOW
R22	Default risk NYX	Unlikely	Moderate	LOW
R23	Expansion to liberalised markets	Very Unlikely	Low	LOW

* The occurrence of this risk is directly connected with the occurrence of an opportunity that balances out the risk and leads to the categorisation “moderate”. Further information on this is provided in the risk presentation.

Should individual or all of the opportunities and risks listed arise, then this would have an impact on the performance of the company and accordingly also on the achievement of the forecast or of the targeted goals. The achievement of the current forecast and of the goals is based on the assumption that none of the specific risks listed occur.

CHANGE FROM THE PREVIOUS YEAR

Of the opportunities and risks presented in the tabular overview above and in the section below, the following opportunities and risks that were still included in the annual report for the previous year have ceased to apply on account of events in the 2016 financial year just ended: Sale of C4U, sports betting monopolisation in Germany, false start for new platform.

The following opportunities and risks have been added as new in this annual report:

Toleration procedures of the German federal states, casino products in Greece, German State Treaty on Gaming, payment of damages in the Westlotto case.

We have identified the following material opportunities and specific risks for the business of the mybet Group:

MARKET / COMPETITION OPPORTUNITIES AND RISKS

The material opportunities and risks related to the market and competition environment include effects arising from expansion and the existing sales and co-operation structure.

Expansion in liberalised markets (R23)

The B2B business model in Ghana with a licensed co-operation partner with local knowledge has grown to make a relevant contribution to earnings within a short period of time. Our B2B business in Belgium is also experiencing a stable development. We want to use this experience to further expand the B2B business in the short term with bricks-and-mortar shops especially on the African continent – but also when the opportunity arises in other regions. By selecting stable markets and working together with co-operation partners on site, mybet incurs only limited expenditure for start-up financing. In addition to the already established B2B business model with bricks-and-mortar shops, the option of online offerings is additionally being examined. The expansion of activities to include online offerings entails a slightly higher risk, in particular because of the regulatory and technical requirements and customer habits specific to the region.
Overall, however, the probability that a risk will arise for mybet from the expansion in additional markets by means of a co-operation partner is very unlikely from the perspective of the Management Board and the impacts would be low. In sum, therefore, the Management Board classes the risk from the expansion in liberalised markets as low. If a risk occurred, it would essentially be the B2B segment that would be impacted and possibly also the sports betting segment.

The extension of existing partnerships or the establishment of new ones in order to expand in liberalised markets is associated with the opportunity of opening up additional markets in the short term or developing an existing market presence and thus of exerting a positive influence on the financial performance of mybet. The Management Board estimates the occurrence of this opportunity as very likely and its impact as low to moderate. The overall assessment of the opportunity is accordingly rated as moderate.

Sales structure in shops / dependence on sales representatives (R8)

A risk exists in the sales structure in the betting shop area, as this is dependent on a few sales partners. The withdrawal of one or more partners would mean that a large number of the affiliated shops and the revenue generated through them would be lost. The occurrence of the risk has to be rated as unlikely, the possible impacts as significant. The Management Board therefore estimates the risk from the sales structure in the shop area to be moderate. If the risk occurred, it would essentially be the sports betting segment that would be impacted.

On the other hand, the sales concept offers the opportunity to gain a high number of shops through the obligation placed on new sales partners or even to open up new markets swiftly. The sales structure is accordingly associated with good opportunities for the financial performance of mybet. If the opportunity occurred, it would primarily be the sports betting segment that would benefit.

B2B contracts (R15)
The B2B business currently consists primarily of the co-operation with partners in Ghana and Belgium based on contracts. Overall, the partners operate a large number of betting shops and betting outlets. The notice periods are a minimum of six months. The probability of the termination of the partnerships can currently be assessed as unlikely and the impact as moderate. The Management Board currently therefore classes the risk of the loss of existing B2B contracts as low. If the risk occurred, it would essentially be the sports betting segment that would be impacted.

In contrast, the existing B2B contracts create the opportunity to expand the business activity of the partners or to attract new partners and thus to generate additional revenue for mybet. The probability of occurrence of this opportunity is rated as likely and the impact as low. The potential opportunity thus has to be regarded as moderate.

mybet Holding SE
The specified opportunities and risks arising from the market and the competition also have an impact on mybet Holding SE as a result of the valuation of the equity interest.

FINANCIAL OPPORTUNITIES AND RISKS
The financial risks essentially comprise for mybet tax risks and liquidity risks.

VAT Casino (R1)
With the implementation of the EU Value Added Tax Directive 2008/8 on 1 January 2015, the place where the recipient of the service is established is regarded as the place of supply of electronically supplied services. Sales in the casino segment (previously casino and poker) are thus subject to value added tax especially in the case of German customers in the absence of a tax exemption and thus in the absence of the implementation of Article 135(1) (i) of the Value Added Tax Directive. The Group subsidiary PNO Casino Ltd., Malta, is a provider of casino games (previously also poker) and has submitted preliminary value added tax returns that assume the hold from the games arranged is consideration within the meaning of value added tax law. It cannot be ruled out that the tax authorities of individual European countries will, in contrast, define the sum of all betting wagers as the basis for assessment. The probability of occurrence has to be rated as unlikely, the impact as critical. In the final analysis, the Management Board currently rates this risk as high. If the risk occurred, it would essentially be the casino segment that would be impacted.
This risk is not offset by any opportunities.

Convertible bond
In December 2015, mybet Holding SE fully placed a collateralised convertible bond with an annual interest rate of 6.25 percent and a nominal volume of EUR 5.0 million. In contrast to the situation described in the 2015 annual report, the put option included in the terms and conditions of the bond no longer represent a risk, as this fell due and was serviced in June 2016. In addition, the considerable reduction in the outstanding volume of the convertible bond that arose from the mandatory buyback offer that resulted from the terms and conditions of the bond and that was carried out in July 2016 has minimised the risks from the convertible bond for mybet. Only the risk of securing interest payments until the expiry of the bond in 2020 still existed as of the reporting date, as the repayment is covered by the cash collateral. However, the interest obligations have declined significantly, because the outstanding nominal bond volume has been reduced from EUR 5.0 million to around EUR 1.8 million. This risk is therefore no longer assessed individually, but forms part of the general financing risk of the group.

Gambling taxes in Germany (R11)
Since 1 July 2012, tax in the amount of five percent has had to be paid on the amounts spent by the customer to place a sports bet. The mybet Group declares the tax each month and pays the amounts to the nationally competent tax office. At the same time, however, mybet files an appeal against the tax return. The mybet Group has reached an agreement with the competent tax office in Frankfurt/Main III to suspend the appeal proceedings instituted concerning the tax returns already submitted and to be submitted in future until a decision is reached in a pending test case before the fiscal court. Should the gambling tax turn out to be unlawful in the test case at the final appeal stage, the necessary exemption is lacking, however, and the sports bet could then in principle be subject to German value added tax with effect from 1 January 2015. Which basis would then be used for the value added tax cannot currently be foreseen.

In the event that the gambling tax is unlawful, the mybet Group would have a claim against the Frankfurt/Main III tax office for compensation in the amount of EUR 22.1 million as of 31 December 2016 (EUR 16.8 million as of 31 December 2015). The Management Board estimates the probability of reimbursement of the gambling taxes paid as unlikely, while the impact would be critical in the sense of a positive effect of more than EUR 3.5 million. This results in a moderate assessment of the opportunity.

In the event that the gambling tax is unlawful, a value added tax obligation with effect from 1 January 2015 would arise at the same time. This would amount to around EUR 8.1 million as of 31 December 2016 (EUR 4.5 million as of 31 December 2015) if the hold was assumed to form the basis for the value added tax. Similar to the assessment of the opportunity, the Management Board estimates the risk that this payment obligation will arise as unlikely and the impact as critical. The potential threat is nevertheless rated as moderate on account of the opportunity described that is associated with it. If both the opportunity and the risk occurred, it would essentially be the sports betting segment that would be impacted.

Liquidity risk (R3)
According to the current status of mybet Group, the operating cash flow of the company will not be sufficient to deliver the necessary funds to support the planned level of operational

activity in the year 2017 — even if the business goals described in the forecast are fully achieved. From a realistic point of view, this lack in funds cannot be prevented by cost-cutting or other reasonable operational measures that exceed the already planned measures in 2017. To ensure the financing of the planned operational activity in the year 2017, the Management Board has entered into an agreement, which expands the existing so called Westlotto interim financing. By this, the company has access to additional liquid funds in the extent necessary to support the operational activity and so, if the operational goals are achieved, the financing of the company is secured until the year 2018. It is planned, that in 2018 the financing capacity of mybet Group has been strengthened to the point of being able to self-support its operational activity.

Nevertheless, the financial resources of mybet Group are not sufficient to deal with extraordinary financial stress during 2017. If additional financial burdens should occur in a significant amount and the Management Board should not be able to offset these by acquiring additional funds, these burdens represent a critical risk for the mybet Group. The Management Board regards the probability for the realisation of this liquidity risk as very unlikely based on the financial resources available and the occurrence of the opportunity “Damage payment Westlotto case”. The consequences would be critical. Thus the total rating of the liquidity risk is moderate.

Thus, the Management Board will accordingly examine all options without prejudging the outcome that enable an inflow of additional liquid funds, limit the liquidity risk and in parallel support the economic capacity of the mybet Group, when the opportunity arises. These options include in particular taking up equity or debt.

This risk is supplemented by the opportunity, that a potential inflow of additional liquid funds in connection with a successful business development in 2017 might lead to an outperformance of the economic goals and the mybet Group might be transferred into a financially more stable position. The Management Board rates this opportunity, parallel to the opportunity “damage payment Westlotto case”, as likely.

OPERATIONAL OPPORTUNITIES AND RISKS

Bookmaking risk and opportunity (R20)
Bookmakers have to offer odds that are in line with the market conditions and attractive to the customer for a large number of sporting events. The group companies employs several licensed, well-trained bookmakers and are connected to early warning systems such as Sportradar and the FIFA system. The odds given by mybet are competitive, and they are adjusted depending on the betting behaviour of the customer population. Nevertheless, it cannot be ruled out that the payouts significantly exceed the proceeds from wagers if a high number of correct predictions are made. In particular at the end of the European football season, experience shows that the number of victories by favourites increases, as does the related risk of increased payouts of winnings.

The Management Board estimates the probability of occurrence of the bookmaker risk as unlikely and the impact as moderate. The risk thus has to be regarded as low.
On the other hand, the ratio of betting receipts to winnings can work to the benefit of mybet

to a considerable extent on account of the betting results that are based on chance. The Management Board considers the probability of occurrence of this opportunity as unlikely and the impact as moderate. The assessment of the opportunity is therefore rated as low.

The sale of the equity interest in pferdewetten.de AG and the associated discontinuation of the activities in the horserace betting market segment means that the bookmaking risk and the offsetting opportunity are limited upon their occurrence only to the sports betting segment. Although there is in principle a risk of higher winnings being paid out also in the casino segment, the limit on betting stakes and the monitoring of gaming behaviour can sharply limit this risk.

Personnel (R17)
mybet selects new employees very carefully and operates responsible personnel management. It cannot be ruled out, however, that a relevant number of employees leave the mybet Group within a short period of time. The recruitment process that then becomes necessary can be time-consuming and cost-intensive. It cannot be ruled out that the operating business, especially in the IT unit, will be adversely impacted by events of this kind. A feedback process was developed in the mybet Group in the reporting group, which takes place regularly between employees and management and which has the aim of ascertaining the satisfaction of the employees and their goals.

Overall, the Management Board estimates the probability of the personnel risk occurring as unlikely and the impact as moderate. In line with that, this risk is low.
This risk is not offset by any opportunities.

mybet Holding SE
The stated operational opportunities and risks also have an impact through the valuation of the equity interest on the earnings, financial and assets position of mybet Holding SE.

OPPORTUNITIES AND RISK FROM PRICE CHANGES, DEFAULT AND CASH FLOW FLUCTUATIONS
In terms of its assets, liabilities and planned transactions, the mybet Group is exposed to a variety of risks that result from changes in stock exchange prices or market prices and currency risks. It is the goal of the financial risk management to limit these market risks through the ongoing operating and finance-based activities. Certain transactions require the prior approval of the Management Board or of the Supervisory Board. Liquidity, price and interest rate risks are additionally the subject of the risk management system.

Foreign currencies (R19)
The foreign currency risks of the mybet Group result from the international nature of the operations. The strong expansion of the business in Africa can basically be mentioned here. The accounts receivable resulting from the operating business are monitored in particular, so that they are settled within the due dates and the risk can thus be limited in time to the period allowed for payment. The Management Board currently assesses the probability of a drastic change occurring in the exchange rate within the due date as unlikely and the impact as moderate. The Management Board therefore rates this risk as low. The opportunity of positive effects from changes in exchange rates is similarly assessed as unlikely and the impact rated

as moderate. The opportunity is therefore low. Based on the offer consisting predominantly of sports bets at the moment, the effects of changes in exchange rates would have to be assigned to this segment.

Market price changes (R14)
Market price changes are possible in the field of marketing in particular in the event that gambling is liberalised. It cannot be ruled in the event of a price increase that the new customer figures targeted with the existing budget cannot be achieved, which could in turn lead to lower receipts. The probability of occurrence has to be rated as very unlikely, the impact as significant under the given circumstances. The Management Board therefore rates this risk as low to moderate. Similarly, the Management Board sees the occurrence of positive effects from reduced prices as very unlikely, the impacts as significant and the opportunity therefore as low to moderate. The occurrence of this risk or of this opportunity would have an impact on all segments.

Default of payment service providers (R18)
The mybet Group works together with established partners in the financial services area. The cash flows will initially continue to be processed through C4U-Malta Ltd. even after the sale of this company. The technical default or the delayed inflow of customer payments caused by that could have a heavy impact on the free liquidity of the mybet Group. Historically, there has been no default of inflows, and generally the customer payments are received within the due dates. The probability of occurrence therefore has to be assumed as very unlikely and the impact as moderate. The Management Board therefore rates the risk as low. The occurrence of this risk would have an impact on all segments. This risk is not offset by any opportunities.

Default of payment system providers (R6)
mybet offers its customers a selection of various payment system providers. It cannot be ruled out that individual payment system providers will have to end their business relationships with providers of games of chance – thus including mybet – in Germany on account of government pressure and will additionally be required to prevent cash flows between German customers and these service providers (payment blocking). The enforceability of payment blocking has been frequently discussed in the past. From a legal perspective, there are major concerns about the enforceability of this measure both administratively and in terms of data protection legislation. Furthermore, experience from other European countries has shown that there are major problems in the actual practical implementation of the measures required for this.
The probability of occurrence of this risk is therefore rated as very unlikely, and the impact as critical. The Management Board consequently rates the risk as moderate. If the risk occurred, all segments would be impacted. This risk is not offset by any opportunities.

mybet Holding SE
The stated opportunities and risks arising from price changes, default and cash flow fluctuations also have an impact through the valuation of the equity interest on the earnings, financial and assets position of mybet Holding SE.

RISKS AND OPPORTUNITIES FOR THE FUTURE PERFORMANCE

The expected future performance is described in the forecast. The trends in earnings, which we assess as positive, is based on planning assumptions that include certain expectations of the future performance that we consider to be plausible.

Subordinations of priority and letters of comfort (R10)

It is possible that planning assumptions are not fulfilled and consequently the investment book values in the single-entity financial statements of mybet Holding SE will have to be corrected. At the same time, the subordinations of priority and letters of comfort in respect of subsidiaries would have to be increased in this event. As of 31 December 2016, mybet Holding SE covers the losses accrued in the subsidiaries in the amount of EUR 120,000 through letters of comfort (previous year: EUR 120,000) and in the amount of EUR 24,900 through subordinations of priority (previous year: EUR 24,900). Furthermore, mybet Holding SE has undertaken to Personal Exchange International Ltd. in the course of the licensing procedure in Germany to cover the initial capital in the event of a lack of liquidity in the company in the amount of up to EUR 5.0 million. The failure to meet the planning assumptions or other material losses of the subsidiaries may produce a sharply adverse impact on the performance of mybet Holding SE and additionally lead to it not receiving the expected cash flows in full or in part, with bottlenecks arising as result.

The Management Board currently estimates the probability of these risks occurring as unlikely and the possible impacts as significant. These risks are therefore rated as moderate risks. This risk is not offset by any opportunities.

Customer acceptance of the new product range (R4)

It cannot be totally ruled out that a number of customers will not accept the new online presence and the expanded product range of mybet and will switch to other service providers. The Management Board assesses the probability of occurrence of this risk as unlikely and the impact as critical. It is thus a moderate risk. This risk is offset by the opportunity that the newly presented and expanded product range will be exceptionally well received by existing customers and also a high number of new customers. Growth that is greater than forecast could thus be achieved. As the Management Board is already assuming growth of a certain range in the forecast, the probability of occurrence of this opportunity for growth that is greater than planned is rated as unlikely and the impact as moderate. The assessment of the opportunity is therefore rated as moderate. If it occurred, all segments would be impacted.

mybet Holding SE

The stated opportunities and risks of the future performance also have an impact through the valuation of the equity interest on the earnings, financial and assets position of mybet Holding SE.

LEGAL AND REGULATORY RISKS

It is possible that new legal provisions will be interpreted differently by different parties, with the result that courts of various instances will again have to take the trouble to decide on the correct interpretation in protracted and costly proceedings.

Loss of the casino business in Germany (R2)
The loss of online casino products of the Amended German State Treaty on Gaming could as before – if, contrary to expectations, it holds up against the requirements of European law – lead to the loss of the earnings from the core market of Germany in the group's casino segment. The proceedings instituted by a competitor before the German Federal Court of Justice that were explained in opportunities and risk report for the 2015 annual report were not decided, as the competitor withdrew its application on appeal. In line with that, there has been no change arising from this action to the assessment of the risk of the loss of our casino business in Germany. However, a new evaluation mandate was issued by the Ministers-President of the German federal states on 28 October 2016 during the drafting of an amendment to the State Treaty on Gaming, which is intended to investigate how to deal with online casino offerings. What a future statutory regulation for online casinos will look like can currently be assessed, as no results of this evaluation mandate are available. The Management Board therefore continues to assess the risk of a loss of the casino business on the basis of the known regulations.
The occurrence of this risk has to be rated as unlikely to likely and the possible impacts as critical. The Management Board therefore currently rates this risk as high.

The development of the general regulatory conditions in the European gambling environment shows a liberal tendency overall. This produces a great many opportunities, as strong growth signals generally emerge from market liberalisation. Nevertheless, mybet is exposed in principle to the risk that planned sales or earnings are not generated, or are only generated in part, as a result of legislative changes in individual European countries. mybet counters these circumstances by operating primarily in markets in which the liberalisation process has been launched or already completed and is accompanied as a result by significant opportunities for growth. The awarding of a licence for sports betting in the core market of Germany would imply the prohibition of casino games.

German State Treaty on Gambling (R13)
The Ministers-President of the German federal states drafted an amendment to the German State Treaty on Gaming on 28 October 2016. This amendment envisages a licensing system for sports betting providers that does not stipulate any limit on the number of licences to be issued. Instead, the aim is for licences to be issued based on qualitative criteria. At the same time, 35 provisional licences have been issued to sports betting providers, including mybet. In addition to the new regulation in the field of sports betting, online casino offerings in Germany are also set to be examined (see Loss of casino business (R2). Whether any changes to the regulatory framework in Germany resulting from that finally come into effect in 2018 as planned by the Conference of Ministers-President, and in form of the current draft of the legislation, and whether they have any impact on our business activity, cannot be forecast at the moment. Changes taking effect in the short term in 2017 are not expected, however.

In the draft submitted, the amended State Treaty on Gaming contains a ceiling of EUR 1,000 per month on the betting stake for players, which is to be newly introduced. At the same time, however, changing this into a monthly loss ceiling or deleting it altogether is under discussion. As a worst-case scenario, the Management Board assesses the probability of the upper limit on stakes being introduced as unlikely and the impact as moderate. The risk would thus be rated as moderate. If the risk occurred, it would be the sports betting segment that would be impacted.

Toleration procedures of the federal states (R7)
Some federal states in Germany have started to introduce a number of toleration procedures for sports betting providers and particularly for the operation of bricks-and-mortar betting shops (see also Regulatory Conditions, p. 11). Each individual toleration procedure poses a risk to the business operations of mybet betting shops in the respective federal state in the event of a negative ruling. The Management Board categorises the risk of a negative impact on business operations due to the individual toleration procedures as low in each case and also categorises the impact as low. The risk of toleration being denied in all federal states in which mybet may apply for toleration in the future or the loss of all existing toleration is classified as very unlikely and the impacts as critical. The overall risk assessment is therefore moderate. If competitors are denied toleration, the procedures could give rise to opportunities for mybet to improve its competitive situation in the respective federal state.

Loss of licence (R5)
The platforms of the mybet Group must bear up against high regulatory requirements. The internal processes and the platform of the mybet Group fulfil the necessary standards above all in terms of the protection of minors, the prevention of addiction, data security and anti-money laundering directives. The new IT platform also meets these high standards. The contractual regulations with the software platform provider Amelco ensure that all statutory and regulatory requirements can immediately be integrated in the software at mybet's own discretion. Nevertheless, the risk exists that licensing conditions are not fulfilled in full or in part or are regarded as not fulfilled and that this could be assessed as a breach of the licensing conditions. This could result in the withdrawal of a licence. If another licence valid throughout Europe drawn from the portfolio of the mybet Group could not be used as a substitute, the company would have to endeavour to acquire an adequate licence. The occurrence of this risk has to be rated as very unlikely and the possible impact as critical. The Management Board therefore currently rates this risk as moderate. Depending on the type of the licence in question, the risk could relate to all segments or to the sports betting or casino segment.

This risk is not offset by any opportunities.

Monopolisation in Greece (R9)
In the Greek market, mybet operates with the toleration of the Greek government. Emma Delta Ltd. holds the state monopoly for sports betting in Greece until 2020. This company operates as a betting service provider under the Greek name OPAP. In December 2015, OPAP approached the Greek government in a letter with the request to review whether the 24 service providers that are furnished with a temporary licence satisfy the legal requirements. Reference is made here in particular to the necessity to have a permanent establishment and to hold another licence that is valid in Europe. The group subsidiary Personal Exchange International Ltd. (PEI) has had a permanent establishment registered in Greece since 2011 and holds several licences that are valid in Europe. Nevertheless, it cannot be ruled out that OPAP will succeed with its demand and will be able to enforce its claim to a monopoly.

The probability of occurrence of this rated as unlikely, the impacts as moderate. The Management Board currently rates the risk as moderate.

This risk is not offset by any opportunities. If the risk occurred, it would be the sports betting segment that would be impacted.

Casino offer in Greece (R12)
On account of an increase, previously non-existent in this form, of official formal objections to our casino offerings in Greece, mybet had to provisionally suspend its offer in the second half of 2016. Intensive exchanges have since taken place with the Greek authorities in order to resolve the objections and to reactivate the casino offering. The risk exists, however, that this will not prove successful within the 2017 financial year. The Management Board estimates the probability of occurrence of this risk as unlikely and the impact as moderate. The risk thus has to be rated as moderate.
This is offset by the opportunity to increase the earnings in the casino segment above the planning forecasts in comparison with 2016 as a result of swift reactivation of the offer. This is rated as unlikely, the impact is rated as moderate. The assessment of the opportunity is thus rated as moderate. If the risk occurred, it would be the casino segment that would be impacted.

Payment of damages in the Westlotto case
Based on the decision of the Cartel Panel of the Federal Supreme Court in 2016 in what is known as the Westlotto case, the Management Board sees good opportunities for achieving a positive outcome for mybet in the renewed hearing at the Higher Regional Court Düsseldorf that will now follow. An estimate of the amount of the compensation that could be granted by the Higher Regional Court is not currently possible, however, as the Federal Supreme Court has just referred this amount back to the Higher Regional Court for review. The Management Board continues to examine all possibilities for concluding the proceedings as swiftly as possible and continues to expect that a significant amount will be paid in damages. The Management Board therefore regards the case as an opportunity to improve the financial situation of the group, even if the volume and the timing of a possible cash inflow cannot reliably be calculated at present. The next hearing in the proceedings before the Düsseldorf Higher Regional Court is set for 12 July 2017.

On the basis of the current proceedings, SWS Service GmbH, a subsidiary of mybet Holding SE, concluded on 21 October 2016 an interim financing agreement for parts of the proceeds that may result from the legal proceedings against Westdeutsche Lotterie GmbH & Co. OHG. The opportunity described to improve the financing situation of the group has already be realised in part. The Management Board assesses the probability of a significant compensation payment as very likely and the impact as critical in terms of a positive effect. The overall opportunity thus has to be rated as high.

mybet Holding SE
The regulatory opportunities and risks that have an impact on the equity interests of mybet Holding SE also have an impact on mybet Holding SE.

TECHNICAL OPPORTUNITIES AND RISKS

In the technical area, the mybet Group is exposed to a number of risks, the possible impacts of which have to be rated as critical. It cannot be ruled out that malfunctions in software and hardware or in the performance of services will lead to claims of recourse. Specifically, these risks are:

Default risk Amelco (R16)

There is a general risk in relation to the use of the Internet as a sales channel. Despite ever improving data communication solutions, bottlenecks caused by technical constraints as a result of high growth in the number of users and temporary limitations resulting from attacks, viruses or attempted break-ins can have a significant adverse impact. The operation of the software was outsourced as result of the switch to the technology partner Amelco in the course of the 2016 financial year. Detailed service level agreements that prioritise the rectification of possible malfunctions based on quality have been agreed in the contracts with Amelco. Reimbursements in the amount of five percent of the licensing fees are agreed in the event that availability per day and per month falls below 99.5 per cent.

The Management Board estimates the probability of occurrence of this risk from the default of the software operated by Amelco as unlikely and the impacts as moderate. The overall assessment of the risk is thus low.

This risk is not offset by any opportunities. If the risk were to occur, all segments would be affected.

Default risk involving NYX (R22)

The casino offer of our co-operation partner NYX is connected to the new IT platform by an interface. Here, too, the service level agreements have been agreed in detail in the contracts.

The Management Board estimates the probability of occurrence of this risk from the default of NYX as unlikely and the impacts as moderate. The overall assessment of the risk is thus low.

This risk is not offset by any opportunities. The casino segment would be impacted by the risk of the default of NYX.

Default risk from cyber attack (R21)

In addition, mybet has limited the impacts of technical malfunctions by taking out appropriate insurance policies against operating failure and cyber risks for example. Default resulting from a cuber attack can have an impact on all segments.

The Management Board currently estimates the probability of occurrence of this risk as unlikely and the possible impacts as moderate. The risk is therefore rated as low. This risk is not offset by any opportunities. If the risk were to occur, all segments would be affected.

INTERNAL CONTROL SYSTEM (ICS) AND RISK MANAGEMENT SYSTEM IN RESPECT OF THE GROUP ACCOUNTING PROCESS

At the mybet group we take the internal control and risk management system to mean all established principles, procedures and measures that have the goal of assuring the certainty and efficiency of business processes, the reliability of financial reporting, and compliance with laws and directives. In this, we echo the definition of the internal control system for accounting and of the risk management system by the Institute of Public Auditors in Germany.

INTERNAL CONTROL SYSTEM IN RESPECT OF THE GROUP ACCOUNTING PROCESS

A variety of monitoring measures in the group accounting process helps to ensure that the controls implemented enable Consolidated Financial Statements that comply with the regulations, despite possible risks:

The Management Board of the group bears overall responsibility for the internal control and risk management system in respect of the accounting processes of the consolidated companies, as well as the group accounting process. Fundamentally all companies included in the Consolidated Financial Statements are incorporated by way of defined management and reporting organisations. Material risks are to be reported without delay to the Management Board of the group when they arise.

Uniform accounting is assured by the use of a group-wide software system with a uniform chart of accounts that is used to monitor all accounting processes centrally and provides evaluations and analyses that meet the IFRS. pferdewetten.de AG constitutes an exception, because as a separate stock corporation it operates its own software system. Closely defined access rules for IT guarantee safe operation and exclude unauthorised access to the accounting systems.

Accounting in compliance with standards is assured through group-wide specifications on the financial reporting process as well as through ongoing checks that these standards are being met by Controlling and Accounts. We thus maintain a uniform procedure and minimise potential risks from false declarations in the group accounting process and in external reporting.

To comply with the relevant requirements, specific employee training and continuing education measures are employed on an ongoing basis in the Finance, Bookkeeping and Controlling areas.

Within the internal control system, there is a clear division of tasks in respect of consolidation, in particular in the areas of reconciling intragroup balances, carrying out consolidation measures and monitoring the reporting deadlines and reporting quality with regard to the data of the consolidated companies. If necessary, expert opinions are sought as part of the process of preparing the Consolidated Financial Statements and are reflected in the group accounting procedures.

The control process for accounting and group accounting is based on the dual-control principle.

Key processes in respect of (group) accounting are subject to regular checks. The Supervisory Board regularly considers key aspects of (group) accounting, risk management, the audit assignment for the consolidated and annual financial statements, and its focus.

The mybet Group outsources certain accounting processes in Germany and internationally. These include in particular payroll accounting.

With regard to the accounting processes of the consolidated companies and the group accounting process, we have identified as important those components of the internal control and risk management system that can significantly influence corporate accounting and the overall statement of the earnings, financial and assets position in the Consolidated Financial Statements, including the Management Report. These include the following areas in particular:

- Identification of significant risk and control areas that are relevant for the group-wide accounting process;
- Controls to monitor the group accounting process and its results at Management Board level as well as at the level of the companies included in consolidation;
- Preventive control measures in finance and accounting and in the companies included in the Consolidated Financial Statements;
- Preventive control measures in performance-related business processes that generate key information for the preparation of the Consolidated Financial Statements and Group Management Report;
- Measures to assure the proper IT-based processing of group accounting matters and data;
- Reporting information from international group companies that enables mybet Holding SE to prepare Consolidated Financial Statements including a Group Management Report.

RISK MANAGEMENT SYSTEM IN RESPECT OF THE GROUP ACCOUNTING PROCESS

Over and above the internal control system, the mybet group has implemented a risk management system for the group accounting process that contains measures to identify and evaluate risks that could run counter to the objective of preparing Consolidated Financial Statements and a Group Management Report in compliance with the relevant rules. These measures include, for example, systematic and manual reconciliation processes carried out both at the subsidiaries and in the group's holding company to identify risks with regard to the group accounting process. Responsibility for setting up and maintaining appropriate and effective risk management rests with the Management Board. The management hierarchy constitutes the basis for the roles in the internal control and risk management system.

The tasks of the internal auditing system to monitor the internal control and risk management system in respect of group accounting are performed by the Controlling and Accounts department. Those tasks include e.g. conducting regular checks on compliance with guidelines and the functioning of the control systems that have been introduced to limit identified risks. The effect is to ensure that identified risks are limited. In addition, Controlling and Accounts examines identified risks in terms of their influence on the Consolidated Financial Statements and on the way those risks are reflected.

The Management Board and Supervisory Board also continually examine the scope for refining the risk management system procedures in respect of the group accounting process.
The auditors have assured themselves of the functioning of the risk early warning system. It satisfies the requirements of Section 91 (2) of the German Stock Corporation Act.

RISK REPORTING ON THE USE OF FINANCIAL INSTRUMENTS

Responsibility for financial management within the group rests with mybet Holding SE, as the group parent. The Risk Management department of mybet Holding SE identifies and evaluates the risks arising from the use of financial instruments in close collaboration with the group's operational departments. The goal of risk management overall is to eliminate, or at least limit, potentially negative effects through operating and financial activities. The mybet group is exposed to mainly liquidity and exchange rate risks in connection with the use of non-derivative and derivative financial instruments.

Non-derivative financial instruments

The liquidity risk for the mybet group from non-derivative financial instruments is that it might not have adequate financial resources to meet fixed payment obligations, or is unable to raise the required liquidity on the expected terms. Financial management maintains the liquidity of the mybet group at all times. It thus ensures that sufficient liquid funds are available for business operations and capital investments. Fundamentally all money and capital market products, but also leasing and factoring, are considered as refinancing instruments. The liquidity requirements of the mybet group are monitored by means of rolling financial and liquidity planning and are subjected to regular deviation analyses.

Derivative financial instruments

The liquidity risks from non-derivative financial instruments can result in liquidity and exchange rate risks from the casino and betting stakes, as well as from betting winnings from bets outstanding that constitute financial liabilities with the character of derivative financial instruments. An accumulation of wins by favourites poses the risk of mybet having to pay out high amounts in winnings, leading to a high outflow of liquidity and a reduction in the bookmaker's margin and hold.

The risk management goal in connection with the liquidity risk from betting operations is to avoid the risk of high losses. In order to achieve that goal, the mybet group employs bookmakers and risk managers who continually monitor betting odds and respond to changing risks by adjusting odds as necessary.

In the mybet group, exchange rate risks from bets placed in foreign currency are not hedged. As one of its financial management activities, the mybet group regularly examines the bets placed in foreign currency and analyses the advantages and disadvantages of derivative financial instruments to hedge the exchange rate risks that exist with the goal of avoiding high exchange rate losses. Because the liquidity and exchange rate risks from the casino and betting stakes or betting winnings from bets outstanding are inherent to the fundamental business activity of the mybet group, the group is obliged to take these risks. The only area in which a risk is passed on to third parties is jackpot winnings in the casino area.

Other derivative financial instruments are used exclusively for hedging purposes, in other words only in connection with underlying transactions from the original entrepreneurial activity or from financial transactions that exhibit a risk profile opposite to that of the hedge. The nature and scope of derivative financial instruments must be approved by the Supervisory Board. No other derivative financial instruments were used in the 2015 financial year. Accordingly, no economic hedging relationships are shown in the Consolidated Financial Statements as hedging relationships recognised in the accounts.

With regard to the use and handling of other financial instruments, there are rules in place designed in particular to ensure that no material financial transactions take place without coordination with the Management Board of mybet Holding SE.

GENERAL STATEMENT ON OPPORTUNITIES AND RISKS

With regard to ensuring the continuation of the company as a going concern and reaching the economic goals in the light of the opportunities and risks the Management Board considers the mybet Group as being in a stable position. This assessment is based on the one hand on the improved product offering, the nevertheless conservative plans for the revenue development in 2017 and the secured financing if these plans would be achieved. On the other hand the opportunities of a better than expected client reaction to the new product platform and a positive ending of the Westlotto legal proceedings on damage claims do exist.

Despite these plans and opportunities the Management Board point out, that if described or unknown risks would occur causing additional unplanned significant financial burdens, additional financing measures could become necessary. Accordingly the Management Board continuously examines all economically viable options to improve the company’s financial situation. However, regulatory risks are a significant factor of uncertainty for mybet, especially those regarding the currently non-foreseeable decisions on the regulation and taxation of gambling in Germany and on our casino offering in Greece. Thus mybet tries to counteract these risks by lobbying in Germany and direct contact to authorities in Greece.

5 CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT

The corporate governance statement in accordance with Section 289a of the German Commercial Code (HGB) has been published in the corporate governance report on the website of mybet Holding SE at www.mybet-se.com on the page Company > Corporate Governance. In accordance with Section 317(2) Sentence 3 HGB, the disclosures pursuant to Section 289a HGB are not included in the audit conducted by the auditor of the annual financial statements.

DISCLOSURES UNDER TAKEOVER LAW AND EXPLANATORY REPORT

The following disclosures represent the information required in accordance with Sections 289(3) and 315(4) HGB and additionally serve as an explanatory report in accordance with Section 176(1) Sentence 1 of the German Stock Corporation Act (AktG).

Share capital
The subscribed capital of mybet Holding SE amounts on the balance sheet date to EUR 25,584,924.00 and is divided into 25,584,924 no-par value registered ordinary shares (no par bearer shares). Each share entitles the holder to one vote. The shares each grant the same rights. There are no special restrictions that affect the voting rights or the transfer of shares and also no shares with special rights that confer powers of control. Furthermore, no specific stipulations regarding the control of voting rights have been agreed if employees hold a share of the capital and do not exercise their rights of control directly.

Equity investments of more than 10 percent
As of the reporting date of 31 December 2016 and on the basis of previous notices pursuant to Sections 21 ff. of the German Securities Trading Act (WpHG), the company is aware that the following natural and legal persons control a share of the voting rights in mybet Holding SE amounting to 20.62 percent in relation to the number of voting rights totalling 24,217,183 existing at the time the notices were issued:
Mr Clemens Jakopitsch, Austria; Brickell Investments S.L., Madrid, Spain; Mr Sascha Badelt, Spain; Mr Jose Mieres, Spain; Arcalis Balear S.L., Palma de Mallorca, Spain; Marxant Balear S.L., Palma de Mallorca, Spain; Mr Jaquinto Farrus Sarrado, Spain; Mr Rodrigue Schäfer, Germany.

The company had not received any notices pursuant to Sections 21 ff. WpHG on other equity interests of more than 10 percent by the reporting date.

On the basis of a notice pursuant to Sections 21 ff. WpHG made after the end of the period under review, the company was made aware that the following natural person controls a share of the voting rights in mybet Holding SE amounting to 10.16 percent in relation to the number of voting rights totalling 25,584,924 existing at the time the notice was made: Mr Peter Rolf Ackermann, Germany.

Composition of the Management Board
In accordance with the Articles of Association, the Management Board of mybet Holding SE consists of one or more people. The Supervisory Board can appoint a chair of the Management Board as well as a deputy chair of the Management Board.

Amendments to the Articles of Association
Amendments to the Articles of Association follow the regulations of Section 133 and Sections 179 ff. of the German Stock Corporation Act (AktG). Amendments to the Articles of Association require the approval of a two thirds majority of the Annual General Meeting. The Supervisory Board is authorised to make amendments to the Articles of Association that concern only the wording of the articles.

Authorisation of the Management Board
The powers of the Management Board of the company to issue or to buy back shares are all based on appropriate authorising resolutions adopted by the Annual General Meeting. Information on the contingent and authorised capital of the company is disclosed in the Notes to the consolidated financial statements under Authorised capital.

The Annual General Meeting of 18 July 2013 authorised the Management Board to acquire treasury shares subject to the following conditions:

a) The Management Board is authorised, subject to the consent of the Supervisory Board, to acquire treasury shares representing up to 10 percent of the share capital existing at the time of the resolution up to 17 July 2018. At no time may the acquired shares together with other treasury shares held by the company or attributable to it in accordance with Sections 71a ff. AktG represent more than 10 percent of the share capital. The authorisation may not be used for the purpose of trading in treasury shares.

b) These shares shall be acquired at the discretion of the Management Board, subject to the consent of the Supervisory Board, on the stock market or by way of a public offer to buy or by way of a public call to submit an offer to sell. A combination of the above forms of acquisition is possible.

   aa) If the shares are acquired on the stock market, the equivalent value per share paid by the company (excluding incidental acquisition costs) may not be more than 10 percent higher or lower than the price of shares in company in the XETRA trading system (or a comparable successor system) ascertained in the opening auction on the trading date.

   bb) If the shares are acquired by way of a public offer to buy or by way of a public call to submit an offer to sell, the purchase or sales price offered or the upper and lower limits of the purchase or sales price range per share (excluding incidental acquisition costs) may not be more than 10 percent higher or lower than the average closing prices of the shares of the company in the XETRA trading system (or a comparable successor system) on the three trading days prior to the date of publication of the offer to buy or the public call to submit an offer to sell. If there are considerable deviations in the relevant price after the offer to buy or the public call to submit an offer to sell has been published, the offer or the call to submit an offer to sell can be adjusted in such a way that the corresponding average closing price on the three trading days before any adjustment is published is taken as the basis. The offer to buy or the call to submit an offer to sell can stipulate further conditions. In the event that the offer to buy is oversubscribed or if several offers of equal value are received in response to a call to submit an offer to sell and not all can be accepted, acceptance shall be conducted on a pro rata basis. A privileged acceptance of small numbers of up to 500 shares per shareholder offered for acquisition can be stipulated with partial exclusion of any potential right of the shareholders to tender their shares.

c) The Management Board is authorised, subject to the consent of the Supervisory Board, to use shares of the company acquired on the basis of this authorisation for any purpose permitted by law and in particular for the purposes set out below.

aa) The Management Board is authorised, subject to the consent of the Supervisory Board, to retire the shares without the retirement or its implementation requiring a further resolution of the General Meeting. They may also be retired by means of the simplified procedure without a capital reduction by adjusting the proportion of the company's share capital represented by each of the remaining no par value shares. If retirement is carried out using the simplified procedure, the Management Board is authorised to adjust the number of no par value shares in the Articles of Association.

bb) The Management Board is authorised, subject to the consent of the Supervisory Board, to dispose of treasury shares by other means than on the stock market or by way of an offer to all shareholders, provided the disposal is in exchange for a cash contribution and at a price that is not significantly lower than the market price of the company's shares with the same rights at the time of disposal. In this case, the number of shares to be disposed of may not exceed overall the limit of 10 percent of the share capital at the time the resolution of this Annual General Meeting on this authorisation is adopted or – if the value is lower – at the time the authorisation is exercised. The above authorisation volume of 10 percent of the share capital is reduced by the proportion of the share capital that is attributed to shares or which is related to option and/or conversion rights or obligations from bonds that have been issued or sold after the start of 18 July 2013 in direct appropriate or mutatis mutandis application of Section 186(3) Sentence 4 AktG while subscription rights have been excluded.

cc) The Management Board is furthermore authorised, subject to the consent of the Supervisory Board, to dispose of treasury shares to third parties in exchange for contributions in kind, particularly in connection with the acquisition of companies, parts of companies or interests in companies as well as with mergers of companies and the acquisition of other assets (including receivables).

dd) The Management Board is furthermore authorised to issue the treasury shares to employees of the company and of affiliated companies, including the management of affiliated companies instead of using contingent capital of the company, and to use these to service rights and/or obligations to acquire shares of the company that have been or will be granted to the above¬mentioned groups of people as part of the 2005, 2006 and 2010 stock option or employee participation programmes.

ee) The Management Board is furthermore authorised to use treasury shares, subject to the consent of the Supervisory Board, to service bonds issued by the company featuring option or conversion rights or a conversion obligation if the bonds were or will be issued in corresponding application of Section 186(3) Sentence 4 AktG while the subscription right of shareholders has been excluded.

d) The Supervisory Board is authorised to use treasury shares acquired on the basis of this authorisation, instead of using contingent capital of the company, to service rights and/or obligations to acquire shares of the company that have been or will be granted to members of the company's Management Board as variable remuneration components, in particular as part of the stock option plans described in c) dd).

e) Each of the authorisations pursuant to c) and d) can be utilised on one or more occasions, in full or in part, singly or in combination. The authorisation can be exercised directly by the company or by third parties engaged by the company.

f) The right of the shareholders to subscribe for these treasury shares is excluded only to the extent that these shares are used in accordance with the authorisations under c) bb) to ee) and d). In addition, the Management Board can, subject to the consent of the Supervisory Board, exclude the subscription right in the course of a disposal of shares through an offer to sell to the shareholders in order to exclude fractional amounts.

The Management Board has not made use of the authorisation to date.

The Annual General Meeting of 5 June 2014 authorised the Management Board to issue convertible bonds.

1) The Management Board is authorised to issue convertible bonds with or without a maturity date with a total nominal value of up to EUR 20,000,000.00 up until 4 June 2017 on one occasion or in several instalments and to furnish the convertible bonds with conversion rights that entitle the acquirer to purchase shares in the company based on the more detailed conditions specified in the resolution and on the terms of the bond. The conversion rights may refer to up to 5,000,000 registered no par value shares in the company with an arithmetical total nominal value of up to EUR 5,000,000.00. The terms of the bond can stipulate that, in the event of conversion, the countervalue will be paid in money instead of shares in the company. Based on the more detailed terms of the bond the countervalue shall correspond here to the arithmetical average of the closing prices of the company's shares in XETRA trading (or a comparable successor system) during the last 10 trading days before the conversion was declared. The terms of the bond can furthermore stipulate that the convertible bonds can be converted into pre-existing shares in the company instead of into new shares from contingent capital. The authorisation is subject to the reservation that the contingent capital increase required to service the

conversion rights is entered in the commercial register of the company in accordance with the resolution on item 7 b) (5) of the agenda.

2) The convertible bonds are to be offered to the shareholders of the company for subscription within the framework of their subscription right. Convertible bonds that are not acquired by shareholders with a subscription right may be offered by the Management Board to investors for subscription. The convertible bonds can be taken over by a financial institution or a consortium of banks with the obligation to offer these to the shareholders for subscription. The Management Board is, however, authorised, subject to the consent of the Supervisory Board, to exclude from the shareholders' subscription right fractional amounts arising from the subscription ratio.

3) The convertible bonds can be issued with or without a maturity date and be furnished with a fixed or a variable interest rate. The conversion ratio of convertible bonds into no par value registered shares in the company shall be established by dividing the nominal amount of a partial bond by the conversion price determined for one no par value registered share in the company. The conversion ratio can also be established by dividing the issue amount that is below the nominal amount of a partial bond by the conversion price determined for one new no par value registered share in the company. The conversion price and conversion ratio can also be defined variably over the term in the terms of the convertible bond, in particular depending on the price performance of the share. The conversion ratio can be rounded up or down to a whole number. Any fractional amounts are settled in cash.
The conversion price to be determined for a convertible bond must – also in the case of a variable conversion ratio or conversion price – amount to at least 80 percent of the average market price of the closing share price in the XETRA electronic stock market trading system or a comparable successor system on the 10 trading days before the day on which the resolution on the issue of the convertible bonds is adopted by the Management Board, but not less than EUR 1.00.
The terms of the convertible bonds can also stipulate an option or conversion obligation upon maturity or the right of the company to grant the bearers at the end of the term shares in the company in lieu of part or all the payment of the cash amount due.
The Management Board is authorised, subject to the consent of the Supervisory Board and taking into consideration the principles laid down in the authorisation, to define the further terms and conditions of the bond as well as the further details of the issue and rights of the convertible bonds, in particular the interest rate, issue price, term and denomination, conversion price and conversion period.

4) The share capital of the company is contingently increased by EUR 5,000,000.00 through the issue of up to 5,000,000 new registered no par value shares to service subscription rights arising from conversion rights that have been exercised to the beneficiaries of the convertible bonds to be issued pursuant to the resolution under item 7 b) (1) of the agenda. The contingent capital increase has to be carried out only to the extent that the bearers of convertible bonds make use of their rights to convert them into shares. The new shares are entitled to a share of the profits from the start of the financial year in which they are created by the exercising of conversion rights. The Management Board is authorised, subject to the consent of the Supervisory Board, to stipulate the further details of the contingent capital increase and its implementation.

The Management Board made use of the authorisation in 2015. In December 2015, the company successfully placed a collateralised convertible bond with an interest rate of 6.25 percent and a volume of EUR 5 million on the capital market. A total of 50,000 bonds were issued at a price of EUR 100.00 each by way of a rights offering followed by a private placement. The bonds of the 2015/2020 convertible bond (ISIN DE000A1X3GJ8) were included in over-the-counter trading at the Frankfurt Stock Exchange on 11 December 2015. These bonds can be converted within specific conversion periods into arithmetically an initial 89.6619 registered ordinary shares of mybet Holding SE at an initial conversion price of EUR 1.1153 with a notional share of the share capital of EUR 1.00 each.

In 2016, a sales option (put option) resulting from the bond terms and conditions came into effect for the bond creditors at a price of 101 percent. At roughly the same time, a mandatory buyback offer of the company was additionally triggered in parallel on account of the terms and conditions of the bond, and this was conducted not at the offer price of 101 percent stipulated in the terms and conditions, but at the offer price of 105 percent, which had been voluntarily increased by the company. As a result of the conclusion of the company's bond buybacks triggered in connection with both the put option and the mandatory buyback offer, the outstanding volume of the 2015/2020 convertible bond (ISIN DE000A1X3GJ8) was reduced with effect from 16 September 2016 to EUR 1.768 million.

The Annual General Meeting of 5 June 2015 authorised the Management Board to issue employee options.

a) The Management Board and – if members of the Management Board (also in their capacity as members of the management of affiliated companies) are affected – the Supervisory Board are authorised up until 4 June 2020 to issue on one or more occasions subscription rights to employees of the company, members of the Management Board as well as to the management and employees of entities affiliated with the company within the meaning of Sections 15 ff. AktG which entitle them to subscribe for up to 1,000,000 no par value shares of an arithmetical nominal value of up to EUR 1,000,000.00 in total.

   aa) Beneficiaries
   Subscription rights can be granted only to employees of the company, members of the Management Board and of the senior management as well as employees of entities affiliated with the company within the meaning of Sections 15 ff. AktG who are in a continuing employment relationship with the company or with an affiliated company. The persons in questions do not have to have commenced their work for the company or the affiliated company yet.

   bb) Allocation
   Of the above-mentioned maximum number of subscription rights to be issued, up to 60 percent can be granted to the members of the company's Management Board, up to 60 percent to the managing directors of subsidiaries and up to 80 percent to employees of the company and its subsidiaries.

   cc) Issue periods and acquisition periods
   Subscription rights may be issued continuously during the term of the authorisation.

If the change in the contingent capital pursuant to f) below has not yet been entered in the commercial register at the time of issue, the contract of issue has to be made subject to the condition precedent that the registration is carried out. Employees can acquire the subscription rights during the period of the authorisation in response to a corresponding offer within the deadline stated in the offer. Acquisitions are excluded, however, during the periods of two weeks before interim reports, semi-annual and annual financial reports are published or, where applicable, before (provisional) business results are published in advance of these reports.

dd) Holding period
The subscription rights may be exercised only after a holding period of four years from the relevant date of issue has expired (vesting period).

ee) Exercise periods, lapse of the subscription rights
The subscription rights can be exercised in the two years following the expiry of the vesting period. Subscription rights that have not been effectively exercised lapse after the expiry of six years from the time that they were issued. The subscription rights can be exercised in each case within a period of three weeks after the quarterly reports for the second and third quarters have been published or after the Annual General Meeting has been held (exercise periods). The Management Board and – if the members of the Management Board are involved – the Supervisory Board can extend or shorten the stated exercise periods to a reasonable extent if necessary. The beneficiaries must furthermore observe the restrictions that proceed from general statutory regulations, such as the Wertpapierhandelsgesetz (German Securities Trading Act) (insider legislation).

ff) Exercise price
Each subscription right gives the right when exercised to acquire one share in the company at the exercise price. The exercise price is the price of the share at the time it is issued. For this purpose, the price of the share is the weighted average price over the three months preceding the issue.

gg) Performance target
The options can be exercised only if the price of the share when the subscription right is exercised reaches no less than 115 percent of the price of the share at the time it was issued. The weighted average price over the preceding three months also applies here.

b) The Management Board and the Supervisory Board are authorised to stipulate the further details of the granting and exercise of subscription rights. The further details include in particular whether and, if applicable, in what manner the subscription right shall continue upon termination of the employment relationship and whether and, if applicable, in what manner the number of shares that can be subscribed to per subscription right and the exercise price have to be adjusted in the event of reclassification of the share capital, capital measures and distributions of profit.

c) The share capital of the company is contingently increased by EUR 1,000,000.00 in order to service subscription rights by issuing up to 1,000,000 no par value registered ordinary shares (no par value shares) that have been granted and exercised pursuant to a) of this resolution. The issue is carried out at the exercise price defined pursuant to a) ff). The contingent capital increase can be implemented only to the extent that the holders of subscription rights make use of their rights to subscribe for shares. The new shares are entitled to a share in the profits from the start of the financial year in which they are created. b) The Management Board and the Supervisory Board are authorised to stipulate the further details of the contingent capital increase and its implementation.

The Supervisory Board has made partial use of the authorisation. Options were issued to the members of the Management Board in 2015 and 2016.

The Annual General Meeting of 5 June 2015 authorised the Management Board to increase the share capital in exchange for contributions in cash.

a) The Management Board is authorised, with the consent of the Supervisory Board, to increase the share capital in the period up until 4 June 2020 in a single transaction or in several instalments by up to EUR 2,119,963.00 by issuing up to 2,119,963 new no par value registered shares carrying an entitlement to profits from the start of the financial year in which they are issued in return for contributions in cash (Authorised Capital 2015/I).

b) The shareholders shall be entitled in principle to a right to subscribe. The shares can also be taken over by a bank or a consortium of banks with the obligation to offer these to the shareholders for subscription. The Management Board is authorised, however, subject to the consent of the Supervisory Board, to exclude the subscription right of the shareholders for fractional amounts. The Management Board is furthermore authorised, subject to the consent of the Supervisory Board, to exclude the subscription right of the shareholders for an amount of up to 10 percent of the share capital existing at the time the new shares are issued if the issuing amount of the new shares is not significantly lower, within the meaning of Sections 203(1) and (2) and 186(3) Sentence 4 AktG, than the stock market price of the shares already listed of the same class and with the same rights at the time the issuing amount is definitively determined by the Management Board.

c) The Management Board is authorised to define the further terms and conditions of the share issue, subject to the consent of the Supervisory Board.

The Management Board has not made use of the authorisation to date.

The Annual General Meeting of 28 July 2016 authorised the Management Board to increase the share capital in exchange for contributions in cash.

a) The Management Board is authorised, with the consent of the Supervisory Board, to increase the share capital of the company in the period up until 27 July 2021 in a single transaction or in several instalments by up to EUR 400,000.00 by issuing up to 400,000 new no par value registered shares carrying an entitlement to profits from the start of the financial year in which they are issued in return for contributions in cash and/or in kind (Authorised Capital 2016/I).

b) The shareholders shall be entitled in principle to a right to subscribe. The shares can also be taken over by a financial institution or a consortium of banks with the obligation to offer these to the shareholders for subscription. The Management Board will be authorised, however, subject to the consent of the Supervisory Board, to exclude the subscription right of the shareholders in full or in part. The exclusion of the subscription right is permitted, however, only in the following cases:

- for fractional amounts;
- in the case of capital increases in exchange for contributions in cash if the capital increase is not greater than 10 percent of the share capital either at the time this authorisation comes into effect or at the time it is exercised, and if the issue amount of the new shares is not significantly lower, within the meaning of Sections 203(1) and (2) and 186(3) Sentence 4 AktG, than the stock market price of the shares already listed of the same class and with the same rights at the time the issue amount is definitively determined by the Management Board;
- in the case of capital increases in exchange for contributions in kind especially to acquire companies, parts of companies and equity interests in companies, intellectual property rights, such as patents, trademarks or licences based on these, or other product rights or other contributions in kind;
- if the exclusion of the subscription right is necessary in order to grant the holders or creditors of bonds issued by the company or its group companies that are furnished with option or conversion rights or obligations a right to subscribe for new shares to the extent to which they would have been entitled after exercising their option or conversion rights or fulfilling an option or conversion obligation.

c) The Management Board is authorised to define the further terms and conditions of the share issue, subject to the consent of the Supervisory Board.

The Management Board has not made use of the authorisation to date.

The Annual General Meeting of 28 July 2016 authorised the Management Board to issue employee options.

a) The Management Board and – if members of the Management Board (also in their capacity as members of the management of affiliated companies) are affected – the Supervisory Board are authorised up until 27 July 2021 to issue on one or more occasions subscription rights to members of the Management Board and employees of the company as well as to members of the management bodies and employees of entities in Germany and abroad that are affiliated with the company within the meaning of Sections 15 ff. AktG, which entitle them to subscribe for a total of up to 1,500,000 no par value shares of an arithmetical nominal value of a total of up to EUR 1,500,000.00.

    aa) Beneficiaries
    Subscription rights can be granted only to members of the Management Board and

employees of the company as well as members of the management bodies and employees of entities in Germany and abroad that are affiliated with the company within the meaning of Sections 15 ff. AktG who are in a continuing employment relationship with the company or with an affiliated company. The persons in questions do not have to have commenced their work for the company or the affiliated company yet.

bb) Allocation
Of the above-mentioned maximum number of subscription rights to be issued, 60 percent can be granted to the members of the company's Management Board, 20 percent to the members of the management bodies of entities in Germany and abroad affiliated with the company within the meaning of Sections 15 ff. AktG and 20 percent to employees of the company and of the entities in Germany and abroad affiliated with the company within the meaning of Sections 15 ff. AktG.

cc) Issue periods and acquisition periods
Subscription rights may be issued continuously during the term of the authorisation. If the change in the contingent capital pursuant to c) below has not yet been entered in the commercial register at the time of issue, the contract of issue has to be made subject to the condition precedent that the registration is carried out. Employees can acquire the subscription rights during the period of the authorisation in response to a corresponding offer within the deadline stated in the offer. Acquisitions are excluded, however, during the periods of 30 calendar days before quarterly reports, semi-annual and annual financial reports are published.

dd) Holding period
The subscription rights may be exercised only after a holding period of four years from the relevant date of issue has expired (vesting period).

ee) Exercise periods, lapse of the subscription rights
The subscription rights can be exercised in the two years following the expiry of the vesting period. Subscription rights that have not been effectively exercised lapse after the expiry of six years from the time that they were issued. The subscription rights can be exercised in each case only within a period of three weeks after the annual report, semi-annual financial statements, the quarterly reports for the first and third quarters have been published or after the Ordinary General Meeting has been held (exercise periods). The Management Board and – if the members of the Management Board are involved – the Supervisory Board can extend or shorten the stated exercise periods to a reasonable extent if necessary. The beneficiaries must furthermore observe the restrictions that proceed from general statutory regulations, such as the Wertpapierhandelsgesetz (German Securities Trading Act) (insider legislation).

ff) Exercise price
Each subscription right gives the right when exercised to acquire one share in the company at the exercise price. The exercise price is the price of the share at the time the relevant subscription right is issued. The "price of the share" here is

the arithmetic average of the closing prices in XETRA trading or in a comparable successor system on the Frankfurt Stock Exchange in the three months preceding the issue of the subscription right, however no less than EUR 1.00.

gg) Performance target
Subscription rights can be exercised from the options only if the weighted average closing price of the company's share in XETRA trading or in a comparable successor system on the Frankfurt Stock Exchange in the three months preceding the exercise of the subscription right is no less than 125 percent of the price of the shares at the time the options are issued when the subscription rights are exercised.

b) The Management Board and the Supervisory Board are authorised to stipulate the further details of the granting and exercise of subscription rights. The further details include in particular whether and, if applicable, in what manner the subscription right shall continue upon termination of the employment relationship and whether and, if applicable, in what manner the number of shares that can be subscribed to per subscription right and the exercise price have to be adjusted in the event of reclassification of the share capital, capital measures and distributions of profit.

c) The share capital of the company is conditionally increased by EUR 1,500,000.00 in order to service subscription rights by issuing up to 1,500,000 no par value registered ordinary shares (no par value shares) that have been granted and exercised pursuant to a) of this resolution. The issue is carried out at the exercise price defined pursuant to a) ff). The contingent capital increase can be implemented only to the extent that the holders of subscription rights make use of their rights to subscribe for shares. The new shares are entitled to a share in the profits from the start of the financial year in which they are created. b) The Management Board and the Supervisory Board are authorised to stipulate the further details of the contingent capital increase and its implementation.

The Supervisory Board has made partial use of the authorisation. Options were issued to the members of the Management Board in 2015 and 2016.

Proportion of women at management level of mybet Holding SE according to Section 76(4) AktG

At the time of the Management Board resolution on the proportion of women at management level, mybet Holding SE had 14 employees and only one management level below the Management Board, with a proportion of women of 25 percent at the time the target was defined. Taking into account the small number of employees and the relatively low proportion of women in the gaming and IT sector, the Management Board resolved on 24 September 2015 to set a target of 25 percent for the proportion of women at the management level below the Management Board. This target is to be retained until 30 June 2017.
As of 31 December 2016, the proportion of women in the management level of mybet Holding SE below the Management Board was 25 percent.

Commitments to the Management Board in the event of termination of employment as a Management Board member

For information on agreements in the event of a change of control, please see the remarks in the remuneration report. No other compensation agreements with the members of the Management Board or employees have been made in the event of a takeover bid. The appointment and dismissal of members of the Management Board takes place in accordance with Sections 84 and 85 AktG as well as Article 6 of the Articles of Association, according to which the Supervisory Board can determine the number, scope of duties and term of office of the members of the Management Board in divergence from statutory provisions.

REMUNERATION REPORT

REMUNERATION OF THE MANAGEMENT BOARD
Members of the Management Board :
Markus Peuler (CFO), graduate in business administration (since 15 November 2014, sole member of the management board since 1 September 2016)

Resigned in 2016:
Zeno Osskó (CEO), graduate in business economics (from 1 August 2015 to 31 August)

From 6/7 January 2016 to 11 August 2016, Mr Peuler performed controlling activities as a member of the Supervisory Board of pferdewetten.de AG, Düsseldorf, in addition to his work on the Management Board of mybet Holding SE.

In addition to a fixed basic salary, the remuneration system for the Management Board in principle provides for performance-related components in the form of short-term and long-term variable remuneration that takes into account the respective areas of activity and responsibility of each Management Board member.Both personal performance and factors relating to the company's success and the performance of the share price are thus taken into appropriate consideration in the remuneration. The remuneration of the Management Board is discussed and determined by the full Supervisory Board, and its appropriateness is regularly reviewed once a year.

REMUNERATION STRUCTURE
All of the following information relates to the remuneration system that formed the basis for determining the emoluments of the Management Board members active in the 2016 financial year.

The following criteria apply for the individual components of the Management Board's remuneration:

- The non-performance-related fixed remuneration is paid monthly in the form of a salary.

- The short-term variable incentive (STI) is due one month after approval of the consolidated financial statements.The target is the long-term increase in the enterprise value. The targets for the variable remuneration are renegotiated annually.The STI generally amounts to EUR 80,000 per annum. If the defined targets are exceeded, a cap on the STI of EUR 120,000 is stipulated.The pro rata variable remuneration for the 2016 financial year (STI 2016) is calculated using the qualitative and quantitative targets based on EBIT.

The EBIT according to the audited 2015 IFRS consolidated financial statements of mybet Holding SE adjusted by...

a) the expenditure from any special write-downs still to be reflected as a consequence of the changeover of the platform and the planned shutdown of the old platform;

b) the expenses that are directly connected in context with a potential due diligence of the company and that are represented within the 2016 financial year;

c) effects from all potential asset sales by the company;

d) 50 percent of the expenditure from performance-related payments to agents from the capital and financing measures;

e) all effects arising from the expected conclusion of the sales transaction involving C4U-Malta Ltd. as well as the negative effects that result from the delay of the conclusion of this transaction;

f) effects that are produced as a result of possible capital contributions or other forms of investment by potential strategic partners in mybet Holding SE, if these become effective in the 2016 financial year,

...is the key factor in calculating the benchmark "EBIT" pursuant to this agreement on STI 2016.

On account of the increase in the management duties associated with the position of sole member of the Management Board as well as the expanded field of responsibility, Mr Peuler has received temporary additional remuneration since the departure of Mr Osskó. The temporary additional remuneration amounts to EUR 10,000 gross per month and is granted to the Management Board member for the time in which he exercises the office of sole member of the Management Board, however as a maximum up to the end of the contract of service as a member of the Management Board on 31 December 2017.

Long-term variable incentive (LTI)
In 2014, the Management Board members were allocated tranches of phantom stocks based on a rolling system, which they were able to redeem in defined periods.

An option plan was approved by the Annual General Meeting in the 2015 financial year. The option plan has retroactively replaced part of the existing virtual scheme based on phantom stocks. Under this scheme, the Management Board members are allocated tranches of share options based on a rolling system, which they can exercise in defined periods after a waiting period of four years has expired and the previously defined performance targets have been achieved. Tranches 2 and 3 of the phantom stocks that have been allocated are allotted entirely to Mr Peuler, and the 100,000 phantom stocks confirmed with tranche 1 were reduced to 50,000. Mr Peuler receives 200,000 subscription rights in return, comprising 50,000 subscription rights with retroactive effect from the date of issue of 15 November 2014 (tranche 1), 75,000 subscription rights on the date of issue of 15 November 2014 (tranche 2) and 75,000 subscription rights on the date of issue of 15 November 2016 (tranche 3)..

The subscription rights already allocated to Mr Osskó lapse without compensation according to the termination agreement, no further subscription rights are allocated.

Mr Peuler and Mr Osskó receive a contribution of EUR 8,400 gross per annum towards a pension scheme, Mr Osskó a contribution of EUR 5,600 – pro rata – for 2016. The company furthermore contributes 50 percent of the costs of private health and nursing care insurance, but no more than the cost of statutory insurance cover – the contribution for Mr Osskó was paid until 31 August 2016.

Other benefits
In addition to the fixed and variable pay, Mr Peuler and Mr Osskó receive a monthly car allowance of EUR 1,200 gross; this was paid to Mr Osskó until 31 August 2016.

The company has furthermore taken out group accident insurance cover as well as D&O and criminal defence insurance to the benefit of the members of the Management Board. With regard to the D&O insurance, an excess of 10 percent of the loss up to an amount one and a half times the fixed annual remuneration is agreed pursuant to Section 93(2) Sentence 3 AktG. The company is aware that the Management Board members have for their part taken out insurance to cover the excess.

For the 2016 financial year, the following remuneration for the members of the Management Board was reported (previous year's figures in brackets): Individualised details of the overall remuneration for the Management Board members in office in the 2016 financial year pursuant to Section 315a(1) HGB.

Remuneration of the Management Board

EUR '000	Fixed pay	Performance-related pay / Bonus (STI)	Components with long-term incentivising effect (LTI)		Fringe benefits	Total
			Stock options (units)	Fair value at issue		
Markus Peuler	216.0[1] (PY: 176.0)	0 (PY: 90.0)	0 (PY: 200,000)	0 (PY: 50.1)	26.7 (PY: 29.2)	242.7 (PY: 345.3)
Zeno Osskó (until 31.8.2016)	116.8 (PY: 80.5)	0 (PY: 0)	0 (PY: 400,000)	0 (PY: 103.3)	15.2 (PY: 0)	132.0 (PY: 192.1)
Total remuneration	**332.8 (PY: 256.5)**	**0 (PY: 90.0)**	**0 (PY: 600,000)**	**0 (PY: 153.4)**	**41.9 (PY: 29.2)**	**374.7 (PY: 537.4)**

1 Includes the non-performance-related fixed pay for 2016 amounting to EUR 176,000 and the temporary additional remuneration from 1 September 2016 to 31 December 2016 of EUR 40,000.

Individual remuneration in compliance with the recommendation of Article 4.2.5(3) of the German Corporate Governance Code for the members of the Management Board in office in the 2016 financial year.

Benefits granted

EUR '000	Markus Peuler (CFO)				Zeno Osskó (CEO)			
	2016	Min.	Max.	2015	2016	Min.	Max.	2015
Fixed pay	216.0[1]	216.0	216.0	176.0	116.8	116.8	116.8	80.5
Fringe benefits	26.7	26.7	26.7	29.2	15.2	15.2	15.2	0
Total	242.7	242.7	242.7	205.2	132.0	132.0	132.0	80.5
Short-term variable incentive (STI)	0	0	120.0	90.0	0	0	0	0
Long-term variable incentive (LTI)								
Phantom Stock Bonus[2] (Tranche 1)	0	-	-	49.6	-	-	-	-
Stock options (Tranche 1)	-	-	-	5.8[4]	-	0	0	37.8
Stock options[3] (Tranche 2)	-	-	-	21.2[4]	-	-	-	-
Stock options (Tranche 3)	23.1	0	562.5	-	-	-	-	-
Total	265.8	242.7	925.2	371.8	132.0	132.0	132.0	118.3
Benefit expenses	-	-	-	-	-	-	-	-
Total benefits	**265.8**	**242.7**	**925.2**	**371.8**	**132.0**	**132.0**	**132.0**	**118.0**

1 Includes the non-performance-related fixed pay for 2016 amounting to EUR 176,000 and the temporary additional remuneration from 1 September 2016 to 31 December 2016 of EUR 40,000.
2 See table "Management Board phantom stocks" for further details.
3 See table "Management Board stock options" for further details.
4 Due to agreement from 21 December 2015 Mr Peuler received Tranche 1 consisting of 50,000 subscription rights as well as Tranche 2 with 75,000 subscription rights with retroactive effect.

Remuneration received

EUR '000	Markus Peuler (CFO)		Zeno Osskó (CEO)	
	2016	2015	2016	2015
Remuneration received	216.0[1]	176.0	116.8	80.5
Fringe benefits	26.7	29.2	15.2	0
Total	242.7	205.2	132.0	80.5
Short-term variable incentive (STI)	0	90.0	0	0
Long-term variable incentive (LTI)				
Phantom Stock Bonus[2] (Tranche 1)	-	-	-	-
Stock options[3] (Tranche 1)	-	-	-	-
Stock options[3] (Tranche 2)	-	-	-	-
Stock options (Tranche 3)	-	-	-	-
Total	242.7	295.2	132.0	80.5
Benefit expenses	-	-	-	-
Total remuneration received	**242.7**	**295.2**	**132.0**	**80.5**

1 Includes the non-performance-related fixed pay for 2016 amounting to EUR 176,000 and the temporary additional remuneration from 1 September 2016 to 31 December 2016 of EUR 40,000.
2 See table "Management Board phantom stocks" for further details.
3 See table "Management Board stock options" for further details.

Management Board phantom stocks

		Grant Date	Fair Value at Grant Date (EUR)	Vesting Date	Vesting Period (in months)	Specified Service Period (in months)	Fair Value Specified Service Period (EUR)	Fair Value at 31.12.2016
Markus Peuler	1. Tranche (50,000 units)	21.12.2015	24,818.96	15.11.2018	35	12	506.88	1,428.97

Management Board stock options

		Grant Date	Fair Value at Grant Date (EUR)	Vesting Date	Vesting Period (in months)	Specified Service Period (in months)	Fair Value Specified Service Period (EUR) [1]
Markus Peuler	1. Tranche (50,000 units)	21.12.2015	5,812.92	15.11.2018	35	12	2,061.94
	2. Tranche (75,000 units)	21.12.2015	21,198.13	15.11.2019	47	12	5,593.33
	3. Tranche (75,000 units)	21.12.2015	23,066.43	15.11.2020	59	12	4,842.53

1 The valuation was made based on the legal opinion at the time the 2015 annual financial statements were drawn up. On account of the prices quoted at less than EUR 1.00 at the time the second and third tranches were issued, an amendment agreement clarifying the Management Board contract of service was entered into in April 2017, according to which the exercise price shall correspond to no less than the pro rata amount of the share capital per share, currently EUR 1.00. In accordance with IFRS 2 B44(a), the original accounting treatment (valuation in relation to the grant date of 21 December 2015) continues to apply.

The options awarded to the former Management Board member Zeno Osskó lapsed without compensation in August 2016 at the end of his employment on the Management Board as a result of the termination agreement. Further information on the long-term remuneration is presented in the Notes to the consolidated financial statements.

COMMITMENTS TO THE MANAGEMENT BOARD IN THE EVENT OF TERMINATION OF EMPLOYMENT AS A MANAGEMENT BOARD MEMBER

If the appointment is revoked and termination is issued by the company without good cause within the meaning of Section 626 of the German Civil Code (BGB) being present, the company has to pay Mr Peuler a severance payment amounting to 75 percent of the outstanding fixed remuneration for 12 months, limited as a maximum to the original term of the appointment. Furthermore, the short-term variable remuneration (STI) for the financial year in progress has to be paid pro rata temporis up until the date of termination in this case. The STI achieved in the previous year serves as the calculation basis here.

In the event of the early termination of Management Board service without good cause, the payments to the Management Board member that may be agreed, including fringe benefits, shall not exceed the value of two years' remuneration (severance cap). Moreover, the payments may not exceed the remuneration for the remaining term of the contract of service. If the employment contract is terminated for good cause for which the Management Board member is responsible, no severance payments are made.

In accordance with the termination agreement with Mr Osskó, the parties agreed that no short-term variable remuneration (STI) is owed pro rata for 2016. The subscription rights (LTI) already issued to Mr Osskó lapse without compensation; no further subscription rights will be allocated.

CHANGE OF CONTROL

In the event of a change of control, Mr Peuler shall have a special right to terminate his contract by giving three months' notice to the end of the month. The special right of termination is effective only within six months of Mr Peuler becoming aware of the change of control.

A change of control exists if a third party, possibly also including the allocation of the shares or voting rights of other third parties on the basis of the WpHG or the German Securities Acquisition and Takeover Act (WpÜG), or several third parties acting together indirectly or directly acquires or acquire 50 percent or more of the shares or voting rights in the company. The change of control shall be deemed to have taken place upon the act of transfer in rem becoming effective or upon the above allocation pursuant to the statutory provisions. The conclusion of a control agreement with another company shall also be deemed a change of control.

REMUNERATION OF THE SUPERVISORY BOARD

Members of the Supervisory Board:

Dr Volker Heeg (Chairman), Hamburg, lawyer and tax consultant (since 11 November 2010, Chairman since 1 October 2013)

Clemens Jakopitsch (Deputy Chairman), Ludmannsdorf (Austria), management consultant (since 5 June 2014, Deputy Chairman since 5 June 2015)

Markus A. Knoss, Ludwigsburg, business development manager (since 5 June 2014)

Patrick Möller, Fockbek, director Investor Relations (since 5 June 2014)

Michael Otto, Hamburg, founder and Managing Director (since 5 June 2015)

Maurice Reimer, Berlin, founder and Managing Director (since 5 June 2015)

In addition to his activities as a Supervisory Board member of mybet Holding SE, Dr Heeg performed control activities as a Supervisory Board member of MÄRCHENWELTEN HOLDING AG, Hamburg, while Mr Knoss held office as Chairman of the Supervisory Board of pferdewetten.de AG, Düsseldorf.

The remuneration of the Supervisory Board comprises a fixed and a variable element. The variable element consists in turn of a short-term and a long-term performance-based remuneration element. The new remuneration for the Supervisory Board was approved at the 2014 Annual General Meeting.

For its work, the Supervisory Board receives:

a) fixed remuneration of EUR 15,000 per member annually plus documented expenses. For his work, the Chairman of the Supervisory Board receives remuneration of EUR 30,000 for his work, the Deputy Chairman of the Supervisory Board receives remuneration of EUR 22,500 for his work;

b) annual remuneration per Supervisory Board member based on the short-term performance of the company and amounting to 0.3 percent of the relevant EBIT of the company for the year on the basis of the IFRS consolidated financial statements, however up to a maximum of EUR 15,000 for Supervisory Board members, EUR 30,000 for the Chairman of the Supervisory Board and EUR 22,500 for the Deputy Chairman of the Supervisory Board;

c) performance-related, long-term remuneration of EUR 15,000 for Supervisory Board members, EUR 30,000 for the Chairman of the Supervisory Board and EUR 22,500 for the Deputy Chairman of the Supervisory Board payable after the end of the respective term of office of the Supervisory Board. The long-term payment is paid out if the earnings of the company (EBIT) have risen by an average of 30 percent per year during the term of office of the Supervisory Board member in question.

If the remuneration is subject to value added tax, the company is required to reimburse it. Supervisory Board members who have belonged to the Supervisory Board for only part of a financial year or leave the Supervisory Board before the end of their term of office shall receive a pro rata payment. The remuneration pursuant to a) is payable at the end of the financial year in question. The remuneration pursuant to b) is payable at the end of the Annual General Meeting that decides on granting formal approval of the actions of the Supervisory Board in the financial year just closed. The remuneration pursuant to b) is payable at the end of the Annual General Meeting that decides on granting formal approval of the actions of the Supervisory Board for the last financial year of the regular term of office of the Supervisory Board.

OTHER BENEFITS

The company reimbursed the members of the Supervisory Board their documented expenses and travel costs.

The following remuneration was recognised as an expense for the 2016 financial year for the members of the Supervisory Board:

Supervisory Board remuneration 2016

EUR '000	Fixed pay*	Short-term variable pay*	Short-term variable pay*	Total*
Dr. Volker Heeg Chairman	30.0 (PY: 30.0)	0 (PY: 0)	- (PY: -)	30.0 (PY: 30.0)
Clemens Jakopitsch Deputy chairman	22.5 (PY: 19.3)	0 (PY: 0)	- (PY: -)	22.5 (PY: 19.3)
Markus Knoss	15.0 (PY: 15.0)	0 (PY: 0)	- (PY: -)	15.0 (PY: 15.0)
Patrick Möller	15.0 (PY: 15.0)	0 (PY: 0)	- (PY: -)	15.0 (PY: 15.0)
Michael Otto	15.0 (PY: 8.6)	0 (PY: 0)	- (PY: -)	15.0 (PY: 8.6)
Maurice Reimer	15.0 (PY: 8.6)	0 (PY: 0)	- (PY: -)	15.0 (PY: 8.6)
Total	**112.5 (PY: 96.5)**	**0 (PY: 0)**	**- (PY: -)**	**112.5 (PY: 96.5)**

*Plus value added tax if appropriate

Berlin, 24 April 2017

Markus Peuler

CEO of mybet Holding SE

CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET

Assets

EUR '000	Note	2016	2015
Non-current assets		**11,464**	**14,995**
I. Intangible assets	**6.1.1**	**9,713**	**11,062**
1. Goodwill		5,581	5,581
2. Other intangible assets		3,940	3,983
3. Advance payments on intangible assets		192	1,498
II. Property, plant and equipment	**6.1.2**	**500**	**851**
1. Leasehold improvements		15	37
2. Other plant and equipment		460	814
3. Properties under construction		25	0
III. Financial assets	**6.1.3**	**0**	**489**
1. Other receivables		0	489
IV. Deferred taxes	**6.1.4**	**1,251**	**2,593**
Current assets		**7,928**	**19,119**
I. Inventories	**6.2.1**	**202**	**165**
II. Receivables and other assets	**6.2.2**	**7,198**	**7,945**
1. Trade accounts receivables, other receivables		1,294	3,536
2. Other financial assets		5,904	4,410
III. Cash and cash equivalents	**6.2.3**	**528**	**6,834**
IV. Assets held for sale	**2.3**	**0**	**4,175**
Total assets		**19,392**	**34,114**

BALANCE SHEET

Shareholders' equity and liabilities

EUR '000		Note	2016	2015
Shareholders' equity			**7,649**	**11,668**
I.	**Share capital**	**6.3.1**	**25,585**	**25,585**
II.	**Capital reserve**	**6.3.2**	**12,353**	**12,938**
III.	**Retained earnings**		**-30,289**	**-30,798**
	Shareholders' equity attributable to shareholders of mybet Holding SE		7,649	7,725
IV.	**Non-controlling interests**	**6.3.3**	**0**	**3,943**
Non-current liabilities			**3,445**	**4,882**
	1. Bonds	6.4	1,424	3,817
	2. Loan liabilities	6.4	1,041	0
	3. Deferred tax liabilities	6.4	980	1,065
Current liabilities			**8,298**	**17,564**
	1. Trade accounts payable, other liabilities	6.5	4,109	8,383
	2. Tax liabilities	6.5	1,064	2,276
	3. Other financial liabilities	6.5	2,545	3,747
	4. Other accrued expenses	6.5	329	555
	5. Income tax liabilities	6.5	251	81
	6. Liabilities directly in connection with assets held for sale	2.3	0	2,523
Total shareholders' equity and liabilities			**19,392**	**34,114**

INCOME STATEMENT

for the period from 1 January to 31 December 2016

EUR '000	Note	2016	2015 adjusted*	2015
Revenue	**5.1**	**45,013**	**53,699**	**62,972**
Own work capitalised	**5.2**	**2,106**	**2,011**	**2,011**
Other operating income	**5.3**	**1,756**	**950**	**1,214**
Cost of materials	**5.4**	**34,333**	**39,965**	**43,343**
a) Commission charges		24,912	29,118	29,361
b) Licence fees		2,212	2,997	2,997
c) Gambling taxes		911	681	1,036
d) Bonus costs		2,842	3,468	5,665
e) Payment transaction expenses		1,461	2,382	2,382
f) Other cost of materials		1,995	1,319	1,903
Personnel expenses	**5.5**	**8,675**	**8,598**	**10,121**
a) Wages and salaries		7,542	7,510	8,868
b) Social security contributions		1,133	1,088	1,253
Depreciation and amortisation	**5.6**	**1,334**	**7,641**	**8,069**
Other operating expenses	**5.7**	**10,315**	**11,220**	**13,482**
Operating income		**-5,782**	**-10,764**	**-8,818**
Other interest and similar income	**5.8**	**3**	**2**	**4**
Depreciation and amortisation of financial assets	**5.8**	**0**	**0**	**7**
Interest and similar expenses	**5.8**	**444**	**21**	**21**
Financial income		**-441**	**-19**	**-24**
Income before taxes		**-6,223**	**-10,783**	**-8,842**
Taxes on income and profit	**5.9**	**-920**	**987**	**1,230**
Net profit/loss for the period from continuing operations		**-7,143**	**-9,796**	**-7,612**
Net profit/loss for the period from discontinued operations	**2.3**	**8,364**	**1,768**	**-416**
Net profit/loss for the period		**1,221**	**-8,028**	**-8,028**
Profit/loss attributable to non-controlling interests		555		1,220
Profit/loss attributable to shareholders of mybet Holding SE		666		-9,248
Earnings per share (basic, EUR)		**0.03**		**-0.36**
Earnings per share (diluted, EUR)		**0.03**		**-0.37**

*In all tables, the column 2015 adjusted includes the consolidated figures adjusted by the operative figures of the pferdewetten.de AG, deconsolidated in 2016.

COMPREHENSIVE INCOME STATEMENT

for the period from 1 January to 31 December 2016

EUR '000	2016	2015 adjusted*	2015
Net profit/loss for the period	**1,221**	**-8,028**	**-8,028**
income and expenses recognized in other results	0	0	0
Total comprehensive income	**1,221**	**-8,028**	**-8,028**
thereof non-controlling interests	555	1,220	1,220
thereof shareholders of mybet Holding SE	666	-9,248	-9,248

*In all tables, the column 2015 adjusted includes the consolidated figures adjusted by the operative figures of the pferdewetten.de AG, deconsolidated in 2016.

CASH FLOW STATEMENT

for the period from 1 January to 31 December 2016

EUR '000	Note	2016	2015
Net profit/loss for the period from continuing operations		**-7,143**	**-7,612**
Net profit/loss for the period from discontinued operations		**8,364**	**-416**
Net profit/loss for the period after taxes		**1,221**	**-8,028**
Depreciation and amortisation of intangible assets and property, plant and equipment	5.6	1,334	8,210
Depreciation and amortisation of financial assets		0	7
Loss from disposal of non-current assets		108	0
Taxes on income and profit	5.9	920	-1,230
Other interest and similar income		-3	-4
Interest and similar expenses		403	21
Profit from the disposal of shares		-79	0
Profit from the disposal of discontinued operations	2.2.1	-7,747	0
Other non-cash expenses and income		-16	-213
Cash flow before changes to working capital and paid income taxes		**-3,859**	**-1,238**
Changes in inventories, receivables and other assets that are not investing or financing activities		-1,749	2,044
Changes in liabilities and other liabilities that are not investing or financing activities		-3,840	-122
Change in short-term accruals	6.5	-221	-459
Interest paid		-274	0
Income taxes paid		-218	-285
Cash flow from operating activities		**-10,162**	**-60**
Cash payments for investments in intangible assets and property, plant and equipment		-3,060	-4,073
Cash receipts from disposals of financial assets		337	248
Cash payments for investments in financial assets		0	-746
Cash receipts from disposal of discontinued operations	2.2.1	9,970	0
Cash payments for the acquisition of non-controlling interests		-112	0
Interest received		3	4
Cash flow from investing activities		**7,139**	**-4,567**
Cash payments for the redemption of bonds and loans		-3,402	0
Cash receipts from issuing bonds and taking out loans		1,000	4,894
Cash flow from financing activities		**-2,402**	**4,894**
Cash effective changes in cash and cash equivalents		-5,426	267
Changes in cash and cash equivalents from exchange rate fluctuations and from discontinued operations		-880	-1,536
Cash and cash equivalents at the start of the period	**6.2.3**	**6,834**	**8,101**
Cash and cash equivalents at the end of the period	**6.2.3**	**528**	**6,834**

STATEMENT OF CHANGES IN EQUITY

for the period from 1 January 2015 to 31 December 2016 (Note 6.3)

EUR '000	Share capital	Capital reserve	Retained earnings	Shareholders of parent company	Non-controlling interests	Total
Position as of 1.1.2015	**25,585**	**12,175**	**-21,550**	**16,210**	**2,723**	**18,933**
pferdewetten.de AG: Recognition of share-based payments		45		45		45
mybet Holding SE: Recognition of share-based payments		11		11		11
mybet Holding SE: Equity capital component in convertible bond		707		707		707
Net profit/loss for the period			-9,248	-9,248	1,220	-8,028
Total comprehensive income			-9,248	-9,248	1,220	-8,028
Position as of 31.12.2015	**25,585**	**12,938**	**-30,798**	**7,725**	**3,943**	**11,668**
mybet Holding SE: Recognition of share-based payments		1		1		1
mybet Holding SE: Equity capital component in convertible bond		-586		-586		-586
pferdewetten.de AG: Deconsolidation					-4,543	-4,543
Acquisition non-controlling interest in QED Ventures			-157	-157	45	-112
Net profit/loss for the period			666	666	555	1,221
Total comprehensive income			666	666	555	1,221
Position as of 31.12.2016	**25,585**	**12,353**	**-30,289**	**7,649**	**0**	**7,649**

Notes to the consolidated financial statements as of 31 December 2016 according to IFRS

1 General disclosures

mybet Holding SE, based in Germany, Karl-Liebknecht-Strasse 32, 10178 Berlin, is entered in the Berlin commercial register at Charlottenburg Local Court (HRB 182840) and has prepared the consolidated financial statements according to International Financial Reporting Standards as of 31 December 2016.

The consolidated financial statements of mybet Holding SE comprise the company and its subsidiaries (referred to together as “the Group” or “the mybet Group” and individually as “Group companies”).

The Group offers games of chance on the basis of its own licences and authorisations depending on the respective national regulations on the European market. In Greece, the offering is tolerated until licences are awarded. The Group’s business focuses on the segments of Sports Betting and Casino. The Poker segment was discontinued in the course of the 2016 financial year.

mybet Holding SE has made its declarations regarding the German Corporate Governance Code required by Section 161 of the German Stock Corporation Act (AktG) available to shareholders. These declarations of compliance can also be viewed on mybet Holding SE’s website (www.mybet-se.com).

The shares of mybet Holding SE are traded on the Frankfurt Stock Exchange under ISIN DE000A0JRU67.

The annual financial statements and the consolidated financial statements of mybet Holding SE as of 31 December 2015, both issued with an unqualified audit report by KPMG AG Wirtschaftsprüfungsgesellschaft, Hamburg, were published in the electronic version of the Federal Gazette.

The consolidated financial statements of mybet Holding SE comply with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as applicable in the EU and supplementary provisions of commercial law applicable according to Section 315a (1) of the German Commercial Code (HGB).

The requirements of IFRS were met in full and ensure that a true and fair view is given of the net assets, financial position and results of operations of the mybet Group.

The consolidated financial statements are generally prepared on the basis of assets and liabilities recognised at amortised cost, with the exception of non-derivative, available-for-sale financial instruments and derivative financial instruments, which are both recognised at fair value as of the end of the reporting period.

On the basis of the option provided by IAS 1, income and expenses recognised in profit or loss are presented in the income statement, while the reconciliation of net profit or loss for the period with comprehensive income is shown by the income and expenses recognised outside of profit or loss in a separate statement of comprehensive income.

These consolidated financial statements were prepared in euros, the functional currency of the company. Unless stated otherwise, all financial information presented in euros has been rounded to the nearest thousand. Rounding differences may therefore occur.

The income statement is structured according to the nature of expense method.

The Management Board approved the consolidated financial statements for publication on 24 April 2017.

2 Consolidation

2.1 Principles of consolidation

The consolidated financial statements of mybet Holding SE include all material German and foreign subsidiaries whose financial and operating policies mybet Holding SE directly or indirectly has the power to control.

2.1.1 Business combinations

Business combinations are accounted for according to the acquisition method if the Group has obtained control (see note 2.1. (ii)). The consideration transferred at acquisition and the acquired identifiable net assets are generally measured at fair value.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred – plus
- the recognised amount of any non-controlling interest in the acquiree – plus
- in a business combination achieved in stages, the fair value of the pre-existing equity interest in the acquiree – less
- the net amount (generally the fair value) of identifiable assets acquired and liabilities assumed.

All resulting goodwill is tested for impairment annually (see note 3.8).

Any gain from an acquisition at a price less than the net assets at fair value is recognised directly in profit or loss after the underlying carrying amounts are reviewed again.

Transaction costs incurred by the Group in connection with a business combination, except those associated with the issue of bonds or equity securities, are recognised immediately as an expense.

The consideration transferred contains no amounts associated with the fulfilment of pre-existing relationships. Such amounts must be recognised in profit or loss.

2.1.2 Subsidiaries

Subsidiaries are entities controlled by the parent company. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements or subsidiaries are included in the consolidated financial statements from the date control begins until the date control ends.

2.1.3 Non-controlling interests

On every business combination, the Group chooses to measure any non-controlling interests in the acquiree either

- at fair value or
- at their proportionate share of the acquiree's identifiable net assets at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners and recognised in equity.

2.1.4 Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, non-controlling interests and other components of the subsidiary's equity. The result is recognised in profit or loss. Any retained share in the former subsidiary is measured at fair value on the date when control was lost. Depending on the amount of influence, this retained share is subsequently recognised as an investment accounted for using the equity method or as an available-for-sale financial asset.

2.1.5 Transactions eliminated on consolidation

Intragroup balances and transactions and all unrealised income and expenses from intragroup transactions are eliminated in the preparation of consolidated financial statements. Unrealised gains from transactions with entities accounted for using the equity method are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only if there is no indication of impairment.

2.2 Scope of consolidation

The consolidated financial statements include three domestic companies (PY: 6) and 10 foreign companies (PY: 15) in which mybet Holding SE directly or indirectly holds the majority of voting rights.

The significant investments according to Section 313 (2) HGB are as follows.

List of investments	Domicile	Nominal capital EUR '000	Ownership interest %
Parent company			
mybet Holding SE	Berlin	25,585	-
Direct investments			
ANYBET GmbH	Hamburg	110	100.0
SWS Service GmbH	Berlin	110	100.0
PNO Ventures Ltd.	Malta	500	100.0
QED Ventures Ltd.	Malta	5	100.0
Indirect investments			
PNO Casino Ltd.	Malta	240	100.0
PNO Sportsbetting Ltd.	Malta	20	100.0
PEI Ltd.	Malta	500	100.0
QED Software Systems GmbH	Vienna	18	100.0
Derrypark Ltd.	Gibraltar	2	100.0
QED Belgium s.p.r.l	Brussels	19	100.0
QED Network N.V.	Curacao	0	100.0
PCM Services Ltd.	Malta	5	100.0

2.2.1 Changes in the scope of consolidation

Acquisitions

There were no acquisitions in the 2015 or 2016 financial years.

Deconsolidations

pferdewetten.de AG

All shares in pferdewetten.de AG were sold in this financial year. The company was deconsolidated on 10 June 2016. Besides pferdewetten.de AG, mybet Holding SE's indirect investments in the following entities were disposed of as of this date: pferdewetten-service.de GmbH (Düsseldorf), NetX International Ltd. (Malta), NetX Betting Ltd. (Malta), NetX Services Ltd. (Malta), NetX Casino Ltd. i.L. (Malta), Accendere GmbH (Mülheim a. d. Ruhr).

The sale price was EUR 9,867 thousand. After deducting the disposed-of liquid funds of pferdewetten.de AG of EUR 3,030 thousand and ancillary selling costs of EUR 250 thousand, the company received net liquid funds of EUR 6,587 thousand from the sale. The deconsolidation of the company resulted in profit of EUR 5,741 thousand in the 2016 financial year, which is reported in the result from discontinued operations.

C4U-Malta Ltd.

All shares in C4U-Malta Ltd. were sold in this financial year. The company was deconsolidated on 2 November 2016.

The sale price was EUR 3,580 thousand. After deducting ancillary selling costs of EUR 196 thousand, the company received net liquid funds of EUR 3,384 thousand from the sale.

The deconsolidation of the company resulted in profit of EUR 2,006 thousand in the 2016 financial year, which is reported in the result from discontinued operations.

The assets and liabilities removed from the consolidated statement of financial position as a result of the deconsolidation of the two investments were as follows:

EUR '000	C4U	pferdewetten.de AG	Total
Assets			
Non-current assets	1,129	5,277	**6,406**
Current assets	1,120	7,688	**8,808**
- of which liquid funds	660	3,030	**3,690**
Liabilities			
Non-current liabilities	0	422	**422**
Current liabilities	1,209	3,906	**5,115**

2.3 Non-current assets classified as held for sale and discontinued operations

pferdewetten.de AG

pferdewetten.de AG was deconsolidated on 10 June 2016.

The Horse Betting segment was not classified as a discontinued operation in the previous year, as the decision to sell it was not made until during the reporting year. The previous year's figures in the consolidated statement of comprehensive income were adjusted accordingly in order to present the discontinued operation separately from continuing operations.

The result from the discontinued operation pferdewetten.de AG amounts to EUR 6,821 thousand:

EUR '000	2016	2015
Revenue	4,381	9,273
Expenses	-3,153	-7,331
Earnings from operating activities	**1,228**	**1,943**
Income taxes	-148	242
Earnings from operating activities after taxes	**1,080**	**2,185**
Profit from the sale of discontinued operations	5,741	0
Profit from discontinued operations after taxes	**6,821**	**2,185**
Basic earnings per share (EUR)	0.27	0.09
Diluted earnings per share (EUR)	0.27	0.09

Cash flow from the discontinued operation pferdewetten.de AG is as follows:

EUR '000	2016	2015
Net cash flow from operating activities	546	2,916
Net cash flow from investing activities	-734	-2,364
Net cash flow from financing activities	0	0
Net cash flow	-188	552

C4U-Malta Ltd.

C4U-Malta Ltd. was reported as a discontinued operation in the previous year and deconsolidated as of 2 November 2016.

The result from the discontinued operation C4U-Malta Ltd. amounts to EUR 1,542 thousand.

EUR ’000	2016	2015
Revenue	338	747
Expenses	-802	-1,163
Earnings from operating activities	**-464**	**-416**
Income taxes	0	0
Earnings from operating activities after taxes	**-464**	**-416**
Profit from the sale of discontinued operations	2,006	0
Profit from discontinued operations after taxes	**1,542**	**-416**
Basic earnings per share (EUR)	-0.02	-0.02
Diluted earnings per share (EUR)	-0.02	-0.02

Cash flow from the discontinued operation breaks down as follows:

EUR ’000	2016	2015
Net cash flow from operating activities	-1,135	-177
Net cash flow from investing activities	0	-174
Net cash flow from financing activities	255	400
Net cash flow for the year	**-880**	**49**

3 Material accounting policies

The financial statements of the subsidiaries included in the consolidated financial statements, which were prepared as of the same reporting date, are based on uniform accounting policies.

The Group consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

The consolidated financial statements were prepared on the basis of historical cost except for the following items, which are measured on an alternative basis on each reporting date.

Item	Measurement
Derivative financial instruments measured at fair value through profit or loss	Fair value (profit or loss)
Available-for-sale financial assets	Fair value (other comprehensive income)

3.1 Intangible assets

Purchased intangible assets are recognised at cost.

In accordance with IAS 38, internally generated intangible assets arising from the development phase are recognised at cost if they can be measured reliably, the product or procedure is technically and commercially feasible, a future economic benefit is likely and the Group both intends and has sufficient resources to complete the development and use or sell the asset. If the requirements for recognition as an asset are not met, the expenses are recognised through profit or loss in the year in which they are incurred.

Capitalised development costs include all the direct costs and overheads directly attributable to the development process. Overheads are calculated by multiplying the number of hours allocated to the project by the employee's labour costs per hour.

Intangible assets with indefinite useful lives exist in the mybet Group primarily in the form of derivative goodwill, the trademark rights and domains from the acquisition of pferdewetten.de AG and gambling and other licences. The useful lives of licences, trademark rights and domains are indefinite because it cannot currently be determined how often the licences will be renewed or for how long the trademark rights and domains can ultimately be used.

The internally generated and acquired intangible assets with finite useful lives are, from the date they are used, amortised on a straight-line basis over their estimated economic lives as follows:

	Useful life
Acquired customer base of pferdewetten.de AG	10 years
Internally developed software	4 years
Other	3 – 4 years

Intangible assets with indefinite useful lives are not amortised.

Impairment of intangible assets with finite and indefinite useful lives is recognised if applicable.

The write-downs are recognised in profit or loss.

Gains or losses on the disposal of intangible assets are reported in other operating income or expenses.

The useful lives and amortisation methods are reviewed at the reporting dates. If expectations deviate from previous estimates, the resulting changes are recognised according to IAS 8.

3.2 Property, plant and equipment

Property, plant and equipment are capitalised at cost and depreciated on a straight-line basis according to their expected economic life. External capital costs may not be capitalised.

The depreciation is recognised in the same way throughout the Group over the following useful lives:

	Useful life in years
Leasehold improvements	Lease term
Other plant and equipment	3-10

The useful lives and depreciation methods are reviewed at the reporting dates. If expectations deviate from previous estimates, the resulting changes are recognised according to IAS 8. Changes in residual values or useful lives that occur while the asset is in use are included in the measurement of depreciation amounts.

Impairment is recognised if applicable.

Gains or losses on the disposal of property, plant and equipment are reported in other operating income or expenses.

3.3 Inventories

Inventories are measured at the lower of cost and net realisable value.

3.4 Financial assets and financial liabilities (financial instruments)

The Group classifies non-derivative financial assets into the following categories:

- Loans and receivables
- Available-for-sale financial assets

The Group classifies non-derivative financial liabilities as other financial liabilities.

3.4.1 Non-derivative financial assets and liabilities – recognition and derecognition

The Group recognises loans and receivables, bonds issued, trade payables and other liabilities from the data they arise.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the cash flows in a transaction that also transfers substantially all the risks and rewards of ownership of the financial asset and the control of the asset. Any interest in such transferred financial assets that arise or remain in the Group is recognised as a separate asset or separate liability.

Financial liabilities are derecognised when the contractual obligations are discharged, are cancelled, or expire.

Financial assets and liabilities are set off and recognised in the statement of financial position as a net amount if the Group has a legally enforceable right to set off the recognised amounts and it is intended either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.4.2 Non-derivative financial assets – measurement

Loans and receivables

Loans and receivables are measured on initial recognition at fair value plus directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Available-for-sale financial assets

Available-for-sale financial assets are initially measured at fair value plus directly attributable transaction costs. Available-for-sale financial assets are subsequently measured at fair value, and any changes in value, except impairment, are shown in other comprehensive income and recognised in equity. If an asset is derecognised, the cumulative other comprehensive income is reclassified to profit or loss.

Investments in equity instruments for which no active market is available and whose fair value cannot be reliably determined are measured at cost and categorised as available for sale.

3.4.3 Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are measured on initial recognition at fair value, which usually equals the transaction price, less directly attributable transaction costs. These financial liabilities are subsequently measured at amortised cost using the effective interest method.

3.5 Cash and cash equivalents

Within the consolidated statement of cash flows, cash and cash equivalents include cash in hand and current bank balances, which are subject to only insignificant changes in value.

3.6 Subscribed capital

The costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity (net of tax, if applicable).

3.7 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds denominated in euros that the bearer may choose to convert into equity interests, if the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of the compound financial instrument is initially recognised at the fair value of a similar liability with no option for conversion into equity. The equity component is initially recognised as the difference between the fair value of the compound financial instrument and the fair value of the liability component. Directly attributable transaction costs are allocated to the liability and equity components of the financial instrument in proportion to their carrying amounts at the date of initial recognition.

The liability component of the compound financial instrument is subsequently measured at amortised cost using the effective interest method. The equity component of the compound financial instrument is carried forward at the value initially recognised.

Interest related to the financial liability is recognised in profit or loss. On conversion into equity, the financial liability is reclassified to equity outside of profit or loss.

3.8 Derivative financial instruments

In accordance with IAS 39, casino bets, betting stakes and winnings on arranged sport and horse bets constitute financial liabilities with the character of derivative financial instruments.

According to IAS 39, agreements that give rise to a financial asset of one contractual party and a financial liability of the other party constitute financial instruments. The placement of the bet creates a corresponding contract between the gambler and the bookmaker (mybet Group). The liability resulting for the mybet Group (winnings to be paid out on completed bets or repayment obligation/payout risk for pending bets) is measured at fair value. The fair value is classified on the basis of derivable market prices (betting odds – as in the previous year – Level 2 of the fair value hierarchy as per IFRS 13.81). The fair value of the payout risk on betting events that have not yet occurred (pending bets) is determined by the odds offered by the bookmaker and the underlying probabilities of occurrence of the future events that have been bet on.

3.9 Impairment

Financial and non-financial assets are tested for impairment on the basis of assumptions about the future that were made according to assessments of the situation at the end of the reporting period and judged to be realistic.

3.9.1 Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, including equity interests, are reviewed at each reporting date to determine whether there is any objective evidence of impairment.

Financial assets measured at amortised cost

The Group considers evidence of impairment for these financial assets at both the level of the individual asset and at a collective level. All individually significant assets are individually tested for impairment. Those found not to be specifically impaired are then collectively tested for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively tested for impairment by grouping together assets with similar risk characteristics.

When assessing collective impairment, the Group uses historical information about the timing of incoming payments and the amount of loss incurred. In addition, the Management Board considers whether the current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset’s original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account.

If the Group has no realistic prospects of recovering the asset, the amounts are written off. If an event occurring after the impairment was recognised decreases the amount of the impairment, the decrease in impairment is recognised through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses from equity to profit or loss. The amount of the cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in profit or loss. If, in a subsequent period, the fair value of an impaired, available-for-sale debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. In other cases, an impairment reversal is recognised in other comprehensive income.

3.9.2 Non-financial assets

The carrying amounts of the Group's non-financial assets – except inventories – are reviewed at each reporting date to determine whether there is any indication of impairment. If this is the case, then the asset's recoverable amount is estimated. The goodwill and intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication of impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or cash-generating units (CGUs). Goodwill acquired in a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. The allocation is made on the basis of internal reporting.

The recoverable amount of an asset or a CGU is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss and stated under depreciation, amortisation and write-downs. Impairment losses recognised on CGUs are first allocated to any goodwill and then the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Intangible assets with indefinite useful lives

To test goodwill for impairment, intangible assets with indefinite useful lives are allocated to CGUs. The allocation is made on the basis of internal reporting. The CGUs usually comprise subsidiaries.

The goodwill and other intangible assets with indefinite useful lives are as follows:

		Carrying amount in EUR ’000	
	Allocation to CGU	31.12.2016	31.12.2015
Goodwill of the QED Group	QED	5,581	5,581
Domain sportwetten.de	QED	0	302
Domain sportwetten.com	QED	0	302
pferdewetten brand	pferdewetten.de AG	0	1,138

<u>QED</u>

The QED Group operates the Sports Betting, Casino and Poker product ranges.

The recoverable amount of this CGU is based on its value in use, which was determined by discounting the future cash flows expected from the continued use of the CGU.

The following key assumptions were made when estimating the value in use:

	2016	2015
Capitalisation rate before taxes (in &)	12.36	13.46
Growth rate (in %)	1.00	0.00

The capitalisation rates are determined on the basis of the discounted cash flow (DCF) method with a risk-free interest rate of 1.00 percent (previous year: 1.50 percent), a borrowing rate after taxes of 3.88 percent (previous year: 2.73 percent), a levered beta of 0.81 (previous year: 0.92) and a market risk premium of 7.00 percent (previous year: 6.75 percent). A peer group of similar, publicly traded companies was used for the comparative data.

Five years of cash flows were included in the discounted cash flow model. The above key assumptions are extrapolated on the basis of historical data for the first planning year on a monthly basis. The remaining four planning years are determined by the management using estimates of future growth. The overall expectation for the growth of the gambling market in Germany on the basis of external information is also applied. A growth rate of 1.00 percent is assumed (previous year: 0.00 percent). Considering the development of regulatory conditions, the pending liberalisation of the gambling market in Germany and good market forecasts for the German gambling market, sustained growth is absolutely to be expected even beyond the planning horizon looked at.

On the basis of customers’ activity rates in 2016 and taking into account customer acquisition costs correlating with these rates, continuously increasing EBIT and resulting free cash flows are expected in the 2017-2021 planning years.

Changes in the key assumptions underlying the estimate of value in use could result in a write-down of carrying amounts. The recoverable amount attributable to the QED subgroup, which is based on the applied interest rates, is significantly higher than the carrying amounts. With regard to goodwill attributable to the QED subgroup, there is a risk that the planning assumptions regarding customer growth and activity rates will not be met or that the customer acquisition costs will increase significantly. As things stand, there are no discernible developments that could lead to such a drastic correction of planning assumptions and necessitate a write-down of goodwill.

3.10 Other provisions

Other provisions include all the mybet Group's legal and constructive obligations as of the reporting date that relate to past events, the settlement of which is probable and the amount of which can be reliably determined. Provisions are measured at the expected settlement amount, taking into account all discernible risks. The settlement amount is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Long-term provisions are recognised on the basis of corresponding risk-free market interest rates at their settlement amount discounted to the end of the reporting period.

3.11 Share-based payment

Equity-settled share-based payments to employees (employee stock options) are measured at the fair value of the equity instrument on the grant date. Details on the determination of the fair value can be found in note 7.8.

The fair value determined on the grant date is expensed on a straight-line basis over the vesting period and is based on mybet Holding SE's expectations regarding stock options that are expected to become vested. The estimates of the number of stock options that will become vested must be reviewed at the end of each reporting period. Changes must be recognised in profit or loss over the remaining period until vesting. This does not apply if equity instruments cannot be exercised due to the non-attainment of price targets.

Cash-settled share-based payments to employees (phantom stocks) are remeasured at fair value at each reporting date until the liability is settled. The fair value determined is expensed pro rata until the phantom stocks become vested. Details can be found in note 7.8.

3.12 Currency translation

Business transactions in a foreign currency are translated into the functional currency of the Group company at the spot rate on the date of the transaction.

Monetary assets and liabilities denominated in a foreign currency at the end of the reporting period are translated into the functional currency at the closing rate. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated at the rate that existed when the fair value was determined. Currency translation differences are generally recognised in profit or loss for the period. Non-monetary items that are measured at historical cost in a foreign currency are not translated.

3.13 Revenue recognition

The mybet Group generates revenue in the following areas:

Revenue	Description
Hold	Net gambling income (balance of betting stakes and winnings) on arranged sport and horse bets and payments from poker networks (rake)
Gambling fees	Net gambling income (balance of betting stakes and winnings) on casino games
Service proceeds	Payment transaction services to third-party customers and provision of technical infrastructure to other sports betting providers
Handling fees	Fees collected from customers for facilitating lottery and horse bets
Commission	Racetrack and lottery companies' commissions for the placement of bets and lottery tickets
Other	Service and licence revenue

Revenue – except revenue from the hold and gambling fees – is recognised according to IAS 18. Revenue is generally recognised on the date the service is performed, provided the amount of the income can be reliably determined and the economic benefit is likely to flow to the Group.

Revenue from the hold and gambling fees:

In accordance with IAS 39, casino bets, betting stakes and winnings on arranged sport and horse bets constitute financial liabilities with the character of derivative financial instruments (see note 3.7).

Gains and losses from these derivatives are netted and allocated to revenue as net gambling income if the betting event has occurred as of the end of the reporting period and the bets are thus completed.

If the betting event has not yet occurred and there are thus pending bets at the end of the reporting period, the betting stakes are carried as a financial liability and measured at fair value when first recognised and thereafter. If the customer wins his or her bet, the derivative financial instrument is settled in cash and derecognised once the bet transaction is completed on the payment of the winnings. Differences between the carrying amount (stake) and cash settlement of the winnings are recognised in revenue through profit or loss as gain or loss on remeasurement of derivatives. If the customer loses his or her bet, there is no payout and the full amount of the stake is recognised as revenue. The difference between the stake and the winnings equates to the hold and gambling fees, which are netted and recognised as revenue in the income statement.

Revenue from services:

Service revenue is recognised as soon as the service owed is performed.

Revenue from commissions and handling fees:

Revenue from commissions and handling fees is recognised when the underlying agency transaction is performed and the claim is thus realised.

3.14 Income taxes

Income tax expense is the sum of current tax expense and deferred taxes.

Current and deferred taxes are recognised in profit or loss, except to the extent that they relate to a business combination or items recognised directly in equity or other comprehensive income.

3.14.1 Current taxes

Current taxes are the expected tax liability or tax receivable on the income taxable for the financial year or the tax loss, on the basis of tax rates that apply at the end of the reporting period or in the near future, and all adjustments of the tax liability with respect to previous years.

3.14.2 Deferred taxes

Deferred taxes are recognised with respect to temporary differences between the carrying amounts of assets and liabilities for Group accounting purposes and the amounts used for tax purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be used.

Deferred tax liabilities are recognised for taxable temporary differences that arise from shares in subsidiaries or associates and shares in joint ventures, unless the Group can control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets that arise from temporary differences relating to shares in subsidiaries or associates and shares in joint ventures are only recognised to the extent that it is probable that sufficient taxable income will be available against which the assets from the temporary differences can be used. In addition, it must be assumed that these temporary differences will reverse in the foreseeable future.

Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the associated tax advantage will be realised.

Deferred taxes are measured using the tax rates that are expected to apply to temporary differences as soon as they reverse and that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred taxes reflects the tax consequences resulting from the manner in which the Group expects to recover the carrying amounts of its assets or settle its liabilities at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are set off when certain conditions are met.

As in the previous year, the calculation of tax assets and tax liabilities was based on an income tax rate of 25 percent in Austria and 35 percent in Malta. For Germany, the rate of corporation and trade tax is 31 percent (previous year: 31 percent).

3.15 Use of estimates and judgements

The preparation of the IFRS consolidated financial statements in compliance with IFRS as applicable in the European Union requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and reported in all affected future periods.

3.15.1 Critical judgements

Information about significant judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 2.1 – Consolidation: determining whether control exists
- Note 3.1– Estimate of whether intangible assets have indefinite useful lives
- Note 3.12 – Revenue: recognition and reporting of revenue from the hold and gambling fees

3.15.2 Material assumptions and estimation uncertainties

Assumptions and estimation uncertainties that can give rise to a significant risk that a material adjustment will be required in the financial year ending 31 December 2016 exist in the following areas:

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values for financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. The measurement is the responsibility of the controlling team, which has general responsibility for overseeing all material fair value measurements, including Level 3 fair values, and reports directly to the Management Board.

The measurement team regularly reviews significant unobservable inputs and measurement adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, the measurement team assesses the evidence obtained from the third parties to support the conclusion that such measurements meet the requirements of IFRS, as applicable in the European Union, including the level in the fair value hierarchy in which these measurements are to be classified.

Significant measurement issues are reported to the Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels of the fair value hierarchy based on the inputs used in the measurement techniques:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for assets or liabilities that are not based on observable market data.

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is allocated in its entirety to the same level of the fair value hierarchy as the lowest-level input that is significant to the entire measurement.

Further information about the assumptions made in measuring fair values is included in the following notes

- Notes 3.4 and 7.2 – Financial instruments
- Note 7.8 – Stock option plans[1]

and the passages below.

Impairment test

The impairment test for goodwill and other intangible assets with indefinite useful lives is based on assumptions about the future. The key assumptions underlying the determination of the recoverable amounts of cash-generating units to which the goodwill and other intangible assets with indefinite useful lives were allocated are listed in note 3.8 – Impairment. These assumptions were made according to assessments of the situation at the end of the reporting period. With regard to expected future business performance, the future development of the economic environment deemed to be realistic at this point was also incorporated. Actual amounts may differ from the estimates if the environment develops contrary to assumptions. In such cases, the assumptions and, if necessary, the carrying amounts of the affected assets and liabilities are adjusted. The carrying amounts reported under this item amounted to EUR 5,581 thousand as of 31 December 2016 (PY: EUR 7,323 thousand).

Recognition of deferred tax assets

The impairment test of deferred taxes on the basis of the company's tax planning was based on the mybet Group's annual planning, taking the situation on the reporting date into account. This included the future development of the market environment deemed to be realistic. This planning is based on the same estimates and assumptions as the impairment test for goodwill and, in the previous year, for other intangible assets with indefinite useful lives. In this respect, these estimates and assumptions can also differ from actual developments. Further information can be found in not 5.9 – Income taxes.

The recognition of deferred tax also requires full acceptance of the tax loss carryforwards on the part of the tax office. The tax audit is complete up to and including 2012. Deferred tax assets are only recognised if they are based on tax income that is required for the use of deferred tax liabilities. As of 31 December 2016, EUR 1,373 thousand (PY: EUR 1,584 thousand) was capitalised in this context.

Convertible bond

The initial recognition of the convertible bond as a liability is subject to key assumptions and estimation uncertainties, especially regarding the determination of the equity component. The conversion option is classified as equity as per IAS 32. It is measured at fair value on the date it is issued. It is reported in capital reserves.

For reasons of simplicity, the value of the conversion option is determined inversely as the difference between issue proceeds and the present value of the liability component (bond) (residual value method). The present value is determined by discounting the contractual future payments at the market rate for a similar bond without a conversion option. The inverse calculation of the value of the conversion option is subject in particular to the adequacy of the assumptions regarding the discount factor and the actual receipt of contractual future payments.

Other provisions

[1] The measurement and disclosure requirements of IFRS 13 *Fair Value Measurement* do not apply to share-based payment arrangements.

The recognition and measurement of other provisions requires estimates based on the information available as of the date the consolidated financial statements were prepared. This applies in particular to provisions for litigation. The probable results are assessed after consultation with the lawyers working for the mybet Group. Nonetheless, the outcomes of pending or future legal proceedings are often unpredictable, so they may result in costs in excess of the provisions recognised for them. Information on other provisions is included in note 6.5 – Current liabilities.

Stock option programmes and phantom stocks programme

The recognition and measurement of stock options and phantom stocks are likewise based on assumptions about the future, which are incorporated into the option pricing models. In the future, actual developments may deviate significantly from these estimates, whereby, depending on the circumstance, personnel expenses may be adjusted as a result of phantom stocks. Information on stock option programmes is included in note 7.8 – Stock option plans.

Other areas

When preparing the consolidated financial statements, other assumptions and estimates relating to the carrying amounts of the recognised assets and liabilities and income and expenses are also required to a certain extent.

3.16 Changes in accounting policies

3.16.1 Changes in accounting policies due to a new standard or interpretation

According to IAS 8.28, the notes to the consolidated financial statements must include disclosures when the initial application of a standard affects the reporting period or an earlier period. This also applies if such effects are merely possible. The scope of IAS 8.28 covers all changes in accounting policies.

The International Accounting Standards Board (IASB) has adopted amendments to the following International Financial Reporting Standards (IFRS) and Interpretations (IFRIC) and some new IFRS, application of which has been mandatory since 1 January 2016:

Standard/interpretation	Title of the standard/interpretation or amendment	Expected effects
Annual Improvements to IFRSs, 2012-2014 cycle	Amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34	None, as clarifications to IFRS 5 and IFRS 7 result in no changes in the mybet Group; IAS 19 and IAS 34 are not applicable.
IAS 1	Amendments to IAS 1 "Presentation of Financial Statements" under the Disclosure Initiative	No material effects.
IFRS 10 and IAS 28	Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"	None, as there are no associates or joint ventures in the mybet Group.
IFRS 11	Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations	The amendments could have a material impact on the consolidated financial statements if corresponding transactions occur in the future.
IAS 16 and IAS 38	Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" – Clarification of Acceptable Methods of Depreciation and Amortisation	None, as there is no revenue-based depreciation or amortisation in the mybet Group.
IAS 27	Amendments to IAS 27 "Separate Financial Statements" – Equity Method in Separate Financial Statements	None, as mybet does not prepare separate financial statements according to IFRS.

3.16.2 Standards, interpretations and amendments that have been issued but not yet applied

According to IAS 8.30, an entity must report on new standards of interpretations from the IASB if application of these standards and/or interpretations is not yet mandatory in the reporting period and the entity cannot apply them early.

Standard/interpretation	Title of the standard/interpretation or amendment *Initial application*	Initial application
IAS 7	Amendments to IAS 7 "Statement of Cash Flows" – Disclosure Initiative *1.1.2017*	Due to the immateriality of the affected assets and liabilities, the mybet Group does not anticipate additional disclosures in the notes.
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses *1.1.2017*	No material application cases are currently discernible.
Annual Improvements to IFRSs, 2014-2016 cycle	Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception *1.1.2018*	None, as neither mybet Holding SE nor its subsidiaries are investment entities.
IFRS 2	Amendments to IFRS 2 "Share-based Payment" *1.1.2018*	None, as the clarifications will lead to no changes in the mybet Group.
IFRS 4	Amendments to IFRS 4 "Insurance Contracts" *1.1.2018*	None, as the mybet Group holds no insurance contracts.
IFRS 9	Financial Instruments *1.1.2018*	No material effects – especially with regard to the measurement of financial liabilities and the disclosures in the notes.
IFRS 15	Revenue from Contracts with Customers *1.1.2018*	Currently undergoing analysis. In accordance with the very first provisional findings, we currently assume there will be no material effects, as the companies of the mybet Group largely generate revenue from bets and online casino games, which is recognised when the betting event occurs or the game ends.
IFRIC 22	Foreign Currency Transactions and Advance Consideration *1.1.2018*	No material effects due to the purely clarifying character of the interpretation.
IFRS 16	Leases *1.1.2019*	No material effects due to insignificant leases.

4 Segment reporting

The Group is – in line with its organisation – divided into legal entities, which are the basis for the preparation of financial statements and formal external reporting, and into product areas. These product areas are the cost objects and thus the segments and form the basis for the management's controlling. The management's decisions are primarily guided by the revenue performance of these product areas and the directly related costs.

The segments comprise the three product areas Sports Betting, Casino (formerly Casino & Poker) and B2B. The Casino & Poker segment was renamed due to the discontinuation of the poker offering in June 2016. The Horse Betting segment was terminated in June 2016 due to the sale and deconsolidation of the associated Group company pferdewetten.de AG, and the discontinued segment was replaced by the newly created B2B segment. External reporting was adjusted accordingly. The Other Operating segment comprised the activities of the subsidiary C4U-Malta Ltd., which as an independent financial institution can offer its payment transaction services to other companies. Due to the sale and deconsolidation of C4U-Malta Ltd., the Other Operating segment is no longer reported, unlike in the financial reporting of the previous year. The Miscellaneous column primarily includes the holding company activities that were not allocated to individual operating segments. As well as the holding company's own costs, this also includes key operating areas (Accounting, Controlling, Legal, HR) that are based in the holding company for organisation reasons. In addition, total tax expenses and income are reported here for want of consideration at segment level.

2016 EUR '000	Sports Betting	Casino*	B2B	Total operating segments	Misc.	Total segments	Group reclassifications	Total
Revenue	28,368	14,428	2,189	44,985	28	45,013	0	45,013
Own work capitalised/other operating income	988	15	8	1,011	-542	468	3,394	3,862
EBITDA expenses	-34,072	-14,354	-23	-48,448	-6,380	-54,828	1,505	-53,323
EBITDA	-4,716	89	2,174	-2,452	-6,894	-9,347	4,899	-4,448
Depreciation and amortisation	-453	-126	0	-579	-280	-859	-476	-1,335
EBIT	-5,169	-37	2,174	-3,032	-7,174	-10,206	4,423	-5,782
Financial result					-441	-441		-441
EBT								-6,223
Taxes					-607	-607		-920
Income from discontinued business units							8,364	8,364
Profit/loss for the period (IFRS)								1,221

*Formerly the Casino & Poker segment, renamed due to the discontinuation of the poker offering in June 2016

2015* EUR '000	Sports Betting	Casino **	B2B	Total operating segments	Misc.	Total segments	Group reclassifications	Total
Revenue	31,774	19,851	2,088	53,713	14	53,699	0	53,699
Own work capitalised/other operating income	805	147	4	956	-5	951	2,011	2,961
EBITDA expenses	-34,303	-20,352	-38	-54,693	-3,220	-57,913	-1,869	-59,783
EBITDA	-1,723	-354	2,053	-24	-3,240	-3,264	142	-3,123
Depreciation and amortisation	-284	-49	0	-333	-382	-715	-6,927	-7,642
EBIT	-2,007	-403	2,053	-357	-3,622	-3,979	-6,785	-10,764
Financial result					-19	-19		-19
EBT								-10,784
Taxes					987	987		987
Income from discontinued business units							1,768	1,768
Profit/loss for the period (IFRS)								-8,028

*Adjusted due to creation of new Group segment B2B at the end of the first half of 2016 and sale of pferdewetten.de AG (Horse Betting segment) in June 2016

**Formerly Casino & Poker segment

This presentation is crucial for the management's decision-making and therefore forms the basis for segment reporting in accordance with IFRS 8. EBIT and EBITDA are reported as segment results in internal reporting.

The basis for internal transfer pricing has been further revised to enable differentiated contribution margin accounting. Costs are differentiated into direct and indirect costs (direct costs) and overheads allocated in an apportionment procedure. Overheads include costs that can be allocated neither directly nor indirectly and are allocated to the segment by way of allocation formulae. In its segment-related decisions, the management considers neither interest income and expenses nor assets and liabilities per segment, as these items are not relevant to controlling.

Taxes are also not involved in decision-making at segment level. Controlling is not based on regional revenue performance, as the platform offerings are international (.com) and not structured by country or region, and they are operated centrally by a national company that usually does not correspond to the customers' country of residence. Accordingly, there is no geographical segmentation by country or region. In terms of revenue, the significant individual geographical markets include Germany (55.7 percent), Belgium (6.6 percent) and Ghana (3.2 percent).

Because of the chosen structure, there is no inter-segment revenue as the cost objects and cost centres are combined into segments throughout the company.

Sports Betting: The Group's sports betting activities are bundled in this segment. As a licensed bookmaker, PEI Ltd. accepts bets primarily on sporting events and offers payout odds for these. The relevant revenue from the mybet.com and mybet.de platforms in online sales and the revenue with brick-and-mortar betting shops also belong here. The segment was hit by a sharp revenue decline (-11 percent) in the 2016 financial year, but remains the focus of customer acquisition activities. Therefore, most of the marketing expenses are incurred here. The revenue potential is increased by the joint marketing to customers of the Casino segment. Material revenue losses were caused primarily by the delay in introducing the new IT platform, the restricted financial freedom due to the delay in the sale of C4U-Malta Ltd. and the failure of revenue to normalise in Greece, which used to be the second-largest market. The earnings of the segment are also very clearly below the previous year's figure.

Casino: The segment comprises the online offerings for casino games (also poker until June 2016) on the various platforms. It makes a material contribution to the Group's revenue alongside the Sports Betting segment. However, the customers are mainly acquired via the activities of the Sports Betting segment. Due to the delay in introducing the new IT platform, the restricted financial freedom due to the delay in the sale of C4U-Malta Ltd. and the failure of revenue to normalise in Greece, which used to be the second-largest market, this segment also fell short of the previous year's revenue (-28 percent). Earnings, on the other hand, increased slightly, but only at a low level.

Horse Betting: The Horse Betting segment was discontinued due to the sale and deconsolidation of pferdewetten.de AG.

B2B: The B2B segment comprises the mybet Group's services for cooperation partners. It was created in the 2016 financial year to increase transparency. Business volume in the B2B segment has developed stably, although its revenue contribution to the Group as a whole is still relatively small. Due to the nature of the revenue, only negligible costs are incurred in this segment, so EBIT was roughly on a par with revenue.

Other Operating: The Other Operating segment was discontinued due to the sale and deconsolidation of C4U-Malta Ltd.

Miscellaneous: Miscellaneous primarily includes the holding company activities that were not allocated to individual operating segments.

The Group reclassifications comprise the consolidation postings that cannot be individually allocated to the segments. This mainly relates to the elimination of intragroup profit and consolidation postings regarding receivables and liabilities of affiliated companies.

5 Disclosures on the Group's income statement

5.1 Revenue

Revenue includes the hold from arranged sports and horse bets, gambling fees from casino games, service proceeds, especially from the B2B business, and other revenue. In the previous year, commission income was also generated from facilitating horse bets.

Revenue	2016 EUR '000	2015 adjusted[2] EUR '000	2015 EUR '000	Change in %
Hold	27,626	30,677	37,990	-27.2%
Gambling fees	14,389	19,714	19,714	-27.0%
Service proceeds	2,217	2,289	2,289	-3.1%
Other	781	1,019	1,043	-25.1%
Commission	0	0	1,936	-100.0%
Total	**45,013**	**53,699**	**62,972**	**-28.5%**

5.2 Production of own assets capitalised

Own work capitalised relates exclusively to internally generated software of EUR 2,106 thousand (PY: EUR 2,011 thousand). At EUR 1,894 thousand, it relates primarily to development services in connection with the new platform.

5.3 Other operating income

Other operating income relates to:

Other operating income	2016 EUR '000	2015 adjusted EUR '000	2015 EUR '000	Change in %
Income from amounts charged to betting shop operators	732	753	753	-2.8%
Income from the disposal of assets	388	0	0	100.0%
Prior-period income	126	22	22	472.7%
Income from currency translation	28	4	5	460.0%
Other income	482	172	434	11.1%
Total	**1,756**	**951**	**1,214**	**44.6%**

5.4 Cost of materials

The cost of materials consists of the following:

Cost of materials	2016 EUR '000	2015 adjusted EUR '000	2015 EUR '000	Change in %
Commission charges	24,912	29,118	29,362	-15.2%
Licence fees, gambling taxes	3,123	3,678	4,032	-22.5%
Bonus expenses	2,842	3,468	5,665	-49.8%
Payment transaction expenses	1,461	2,382	2,382	-38.7%
Other costs of materials	1,995	1,319	1,903	4.8%
Total	**34,333**	**39,965**	**43,344**	**-20.8%**

[2] In all tables, the 2015 adjusted column contains the 2015 Group figures adjusted for the operating figures of pferdewetten.de AG, which was deconsolidated in 2016.

5.5 Personnel expenses

Personnel expenses and the staff count developed as follows:

Personnel expenses	2016 EUR '000	2015 adjusted EUR '000	2015 EUR '000	Change in %
Wages and salaries	7,487	7,423	8,781	-14.7%
Share-based payment	-15	56	56	-126.8%
Social insurance	1,133	1,088	1,253	-9.6%
Severance	70	31	31	125.8%
Total	**8,675**	**8,598**	**10,121**	**-14.3%**

Number of employees*	Reporting date		Average	
	31.12.2016	31.12.2015	2016	2015
Salaried employees	134	141	138	139
Management Board of the parent	1	2	2	2
Total	**135**	**143**	**140**	**141**

*The figures for 2015 were adjusted for the sale and deconsolidation of pferdewetten.de AG and C4U-Malta Ltd. in 2016. The same applies to the 2016 average.

5.6 Depreciation and amortisation

This item includes current depreciation and amortisation of intangible assets, property, plant and equipment and intangible assets, which are shown separately in the statement of changes in assets.

5.7 Other operating expenses

Other operating expenses	2016 EUR '000	2015 adjusted EUR '000	2015 EUR '000	Change in %
Marketing, sales, IR	3,252	3,530	4,233	-23.2%
Service and maintenance, hosting, technical services	1,773	2,226	2,430	-27.0%
Other consulting costs	747	1,293	1,411	-47.1%
Legal consulting costs	735	372	325	126.2%
Costs of premises	618	697	862	-28.3%
Non-deductible input tax	464	332	347	33.7%
Other staff costs	388	353	356	9.0%
Accounting and auditing costs	365	268	404	-9.7%
Contributions, fees, insurance	319	481	546	-41.6%
Travel and hospitality costs	314	344	550	-42.9%
Default costs	310	33	129	140.3%
Telephone	206	227	257	-19.8%
Supervisory Board compensation	113	113	132	-14.4%
Vehicle costs	110	135	200	-45.0%
Payment transaction costs	77	84	82	-6.1%
Differences due to currency conversion	35	69	79	-55.7%
Other operating expenses	489	663	1,140	-57.1%
Total	**10,315**	**11,220**	**13,483**	**-23.5%**

5.8 Financial result

The other interest and similar income results from bank balances; the interest expense relates to liabilities to banks. The write-downs on financial assets include impairment of cash and cash equivalents.

5.9 Income tax

Income tax includes business taxes such as corporation and trade tax or similar taxes for domestic and foreign companies.

Reconciliation of expected tax expense/income with reported tax expense/income	2016 EUR '000	2015 EUR '000
Net profit/loss for the year before taxes from continuing operations	-6,223	-8,842
Expected income tax expense/income (31%/PY: 31%)	*-1,929*	*-2,741*
Non-deductible expenses	67	326
Realisation of previously unrecognised tax losses	-632	-180
Non-recognition of deferred tax assets	3,470	3,114
Tax-exempt income	-971	-1,299
Expenses from different local tax rates	-248	165
Prior-period tax income/expenses	-9	-572
Result of deconsolidation	1,134	0
Change in Group tax rate	0	-9
Other	38	-35
Tax expense/income	920	-1,230

Breakdown of income tax expense/income	2016 EUR '000	2015 EUR '000
Current tax expense	371	301
of which from previous year	-9	12
Deferred tax expense (+)/income (-)		
- from temporary differences	338	-732
- from use of loss carryforwards	0	421
- from previous year adjustment	0	-584
- from capitalisation of loss carryforwards	0	-1,222
- from correcting recognition of deferred tax assets	211	595
- change in tax rate	0	-9
Total deferred tax expense/income	549	-1,531
Tax expense/income	920	-1,230

Deferred taxes EUR '000	2016 Assets	 Liabilities	2015 Assets	 Liabilities
Intangible assets	849	0	1,452	447
Provisions	9	28	3	30
Liabilities	0	1,932	0	2,256
Loss carryforwards	1,373	0	2,806	0
Gross amount	2,231	1,960	4,261	2,733
Offsetting	-980	-980	-1,668	-1,668
Net amount	1,251	980	2,593	1,065

EUR '000	Opening balance		Through profit or loss in the income statement		Deconsolidation		Outside profit or loss		Closing balance	
2015	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Intangible assets	754	516	698	-69	-	-	-	-	1,452	447
Provisions	-	-	3	30	-	-	-	-	3	30
Liabilities	-	2,553	-	-664	-	-	-	367	-	2,256
Loss carryforwards	2,682	-	127	-	-	-	-3	-	2,806	-
Total	3,436	3,069	828	-703	-	-	-3	367	4,261	2,733
2016										
Intangible assets	1,452	447	-420	-18	-183	-429	-	-	849	0
Provisions	3	30	6	4	-	-6	-	-	9	28
Liabilities	-	2,256	-	-62	-	-	-	-262*	-	1,932
Loss carryforwards	2,806	-	-211	-	-1,222	-	-	-	1,373	-
Total	4,261	2,733	-625	-76	-1,405	-435	-	-262	2,231	1,960

* The change is the result of the buyback of the convertible bond.

The recoverability of deferred tax assets on loss carryforwards is based on company planning in conjunction with the past development of individual Group companies.

Deferred tax assets of EUR 1,373 thousand (PY: EUR 2,806 thousand) are recognised for unused loss carryforwards of the mybet Group totalling EUR 4,164 thousand (PY: EUR 9,052 thousand). As of the end of the reporting period, loss carryforwards for which no deferred taxes were recognised amounted to EUR 80,428 thousand (PY: EUR 82,947 thousand) for corporation taxes and similar income taxes and EUR 48,705 thousand (PY: EUR 59,980 thousand) for trade taxes. The loss carryforwards may be carried forward indefinitely.

No deferred tax assets were recognised for temporary differences of EUR 2,759 thousand associated with investments in subsidiaries.

6 Disclosures on the consolidated statement of financial position

6.1 Non-current assets

The breakdown of fixed assets and their development during the financial year are shown in the consolidated statement of changes in assets.

6.1.1 Intangible assets

The intangible assets reported in the reporting year primarily comprise the goodwill of the QED Group (EUR 5,581 thousand) and the internet platform (EUR 3,685 thousand).

In the previous year, additional intangible assets were recognised in connection with pferdewetten.de, which has since been sold.

6.1.2 Property, plant and equipment

The composition of property, plant and equipment and their development during the financial year are shown in the statement of changes in assets.

6.1.3 Financial assets

In the previous year, pferdewetten.de AG's investments in cash and cash equivalents were recognised under financial assets.

6.1.4 Deferred taxes

Please refer to Note 5.9 for disclosures on deferred taxes.

Changes in the Group's fixed assets as of 31 December 2016:

	Anschaffungs-und Herstellungskosten						Abschreibungen						Buchwert	
TEuro	01.01.2016	Zugänge	Abgänge	Umbuchungen	Veränderungen Konsolidierungs-kreis	31.12.2016	01.01.2016	Zugänge	Abgänge	Umbuchungen	Veränderungen Konsolidierungs-kreis	31.12.2016	31.12.2016	31.12.2015
Immaterielle Vermögenswerte	**38.407**	**3.107**	**-289**	**-47**	**-4.313**	**36.864**	**27.346**	**898**	**-86**	**-7**	**-1.216**	**27.151**	**9.713**	**11.061**
Lizenzen, Software, Nutzungsrechte und Kundenstamm	8.516	639	-10	754	-4.313	5.585	4.962	422	-86	209	-1.216	4.292	1.294	3.554
Geschäfts- oder Firmenwert	11.867	-	-	-	-	11.867	6.286	-	-	-	-	6.286	5.581	5.581
Selbsterstellte Software	16.090	877	-	1.817	-	18.784	15.661	476	-	-	-	16.137	2.647	429
Geleistete Anzahlungen auf selbsterstellte Software	1.215	1.229	-	-1.817	-	628	436	-	-	-	-	436	192	780
Geleistete Anzahlungen auf immaterielle Vermögenswerte	718	362	-279	-801	-	-	-	-	-	-	-	-	-	718
Sachanlagen	**6.636**	**321**	**-1.744**	**48**	**-498**	**4.764**	**5.785**	**437**	**-1.620**	**7**	**-344**	**4.264**	**500**	**851**
Mietereinbauten	286	0	-24	0	0	262	249	16	-18	0	0	246	16	37
Andere Anlagen, Betriebs- und Geschäftsausstattung	6.350	297	-1.720	48	-498	4.477	5.536	421	-1.602	7	-344	4.018	459	814
Anlagen im Bau	-	25	-	-	-	25	-	-	-	-	-	-		-
Finanzanlagen	**496**	-	-	-	**-489**	**7**	**7**	-	-	-	-	**7**	-	**489**
Wertpapiere des Anlagevermögens	496	-	-	-	-489	7	7	-	-	-	-	7	-	489
Anlagevermögen gesamt	45.539	3.428	-2.033	0	-5.300	41.634	33.130	1.335	-1.706	0	-1.559	31.415	10.213	11.912

Changes in the Group's fixed assets as of 31 December 2015:

	Anschaffungs-und Herstellungskosten						Abschreibungen						Buchwert	
TEuro	01.01.2015	Zugänge	Abgänge	Umbuchungen	Veränderungen Konsolidierungs-kreis	31.12.2015	01.01.2015	Zugänge	Abgänge	Umbuchungen	Veränderungen Konsolidierungs-kreis	31.12.2015	31.12.2015	31.12.2014
Immaterielle Vermögenswerte	**36.958**	**3.698**	**704**	**-1**	**-1.544**	**38.407**	**20.633**	**7.628**	**694**	-	**-221**	**27.346**	**11.061**	**16.325**
Lizenzen, Software, Nutzungsrechte und Kundenstamm	9.000	800	704	965	-1.544	8.516	5.163	714	694	-	-221	4.962	3.554	3.837
Geschäfts- oder Firmenwert	11.867	-	-	-	-	11.867	5.681	605	0	-	-	6.286	5.581	6.186
Anzahlungen	796	170	-	-966	-	0	0		0	-	-		0	796
Selbsterstellte Software	13.897	1.231	-	962	-	16.090	9.771	5.890	0	-	-	15.661	429	4.126
Geleistete Anzahlungen auf selbsterstellte Software	1.398	780	-	-962	-	1.215	18	418	0	-	-	436	780	1.380
Geleistete Anzahlungen auf immaterielle Vermögenswerte Amelco	-	718	-	-	-	718	-	-	-	-	-	-	718	-
Sachanlagen	**6.489**	**375**	**128**	**1**	**-101**	**6.636**	**5.500**	**435**	**131**	-	**-19**	**5.785**	**851**	**989**
Mietereinbauten	286					286	232	17	-	-	-	249	37	54
Andere Anlagen, Betriebs- und Geschäftsausstattung	6.203	375	128	1	-101	6.350	5.268	418	131	-	-19	5.536	814	935
Anlagen im Bau	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finanzanlagen	**0**	**746**	**250**	-	-	**496**	**0**	**7**	-	-	**0**	**7**	**489**	**0**
Wertpapiere des Anlagevermögens	-	746	250	-	0	496	0	7	-	-	-	7	489	0
Anlagevermögen gesamt	43.447	4.819	1.082	-	-1.645	45.539	26.133	8.069	825	-	-240	33.137	12.401	17.314

The changes in the scope of consolidation in the 2015 financial year also include changes in connection with IFRS 5 reclassifications.

6.2 Current assets

6.2.1 Inventories

Inventories include inventories of infrastructure components for betting shops (betting terminals, scanners, printers), which are sold to the shops' franchisees. As of the reporting date, there were inventories of EUR 202 thousand (PY: EUR 165 thousand).

6.2.2 Receivables and other assets

All receivables and assets have a remaining term of less than one year and are comprised as follows:

Receivables and other financial assets	2016 EUR '000	2015 EUR '000
Trade receivables	1,294	3,536
Other financial assets	5,904	4,410
Total	7,198	7,946

The trade receivables chiefly comprise receivables from the operating, brick-and-mortar betting business.

The other financial assets include:

Other financial assets	2016 EUR '000	2015 EUR '000
Restricted cash	1,928	2,097
Convertible bond collateral	1,768	0
Receivables from payment service providers	997	995
Prepaid expenses/advance payments	473	448
Creditors with debit balances	211	238
Miscellaneous other financial assets	527	632
Total	5,904	4,410

The trade receivables and other receivables as of 31 December 2016 were not past due. On the basis of past payment behaviour and extensive analyses of the default risk of the customers, the Management Board assumes that all receivables are collectible. Please see 6.4 for further information.

6.2.3 Cash and cash equivalents

As of 31 December 2016, cash and cash equivalents amounted to EUR 528 thousand (PY: EUR 6,834 thousand, of which EUR 3,218 thousand from pferdewetten.de AG).

6.3 Equity

6.3.1 Subscribed capital

The subscribed capital of mybet Holding SE is unchanged and amounts to EUR 25,585 thousand and is divided into the same number of no-par value bearer shares.

Authorised capital

The company has several authorised capitals totalling up to EUR 2,519,963.00.

The Authorised Capitals 2010/I and 2010/II of EUR 5,672,499.00 (of which utilised: EUR 1,327,551.00) and EUR 5,000,000.00 respectively were available until 17 May 2016 and were cancelled by the 2016 General Meeting.

With regard to Authorised Capital 2015/I, the Management Board is authorised, with the consent of the Supervisory Board, to increase the share capital in the period up until 4 June 2020 on one or several occasions by up to EUR 2,119,963.00 by issuing new no par value registered shares carrying an entitlement to profits from the start of the financial year in which they are issued in return for contributions in cash (Authorised Capital 2015/I). The shareholders shall be entitled in principle to a right to subscribe.

With regard to Authorised Capital 2016/I, the Management Board is authorised, with the consent of the Supervisory Board, to increase the share capital of the company in the period up until 27 July 2021 in a single transaction or in several instalments by up to EUR 400,000.00 by issuing up to 400,000 new no par value registered shares carrying an entitlement to profits from the start of the financial year in which they are issued in return for contributions in cash and/or in kind (Authorised Capital 2016/I). The shareholders shall be entitled in principle to a right to subscribe. The shares can also be taken over by a financial institution or a consortium of banks with the obligation to offer these to the shareholders for subscription. The Management Board is authorised, however, subject to the consent of the Supervisory Board, to exclude the subscription right of the shareholders in full or in part. The exclusion of the subscription right is permitted, however, only in the following cases:

- for fractional amounts;
- in the case of capital increases in exchange for contributions in cash if the capital increase is not greater than 10 percent of the share capital either at the time this authorisation comes into effect or at the time it is exercised, and if the issue amount of the new shares is not significantly lower, within the meaning of Sections 203 (1) and (2) and 186 (3) Sentence 4 AktG, than the stock market price of the shares already listed of the same class and with the same rights at the time the issue amount is definitively determined by the Management Board;
- in the case of capital increases in exchange for contributions in kind especially to acquire companies, parts of companies and equity interests in companies, intellectual property rights, such as patents, trademarks or licences based on these, or other product rights or other contributions in kind;
- if the exclusion of the subscription right is necessary in order to grant the holders or creditors of bonds issued by the company or its group companies that are furnished with option or conversion rights or obligations a right to subscribe for new shares to the extent to which they would have been entitled after exercising their option or conversion rights or fulfilling an option or conversion obligation.

The Management Board is authorised to define the further terms and conditions of the share issue, subject to the consent of the Supervisory Board.

Contingent capital

a) Convertible bonds

The General Meeting of 5 June 2014 passed a resolution approving the contingent increase of the share capital by EUR 5,000,000.00 by issuing up to 5,000,000 no par value registered ordinary shares (no par value shares). The Management Board was authorised to issue convertible bonds with a total nominal value of up to EUR 20,000,000.00 up until 4 June 2019 on one or several occasions and to furnish the convertible bonds with conversion rights that entitle the acquirer to purchase shares in the company based on the more detailed conditions specified in the resolution and on the terms of the bond (Contingent Capital 2014/I). The authorisation was utilised in 2015, and a collateralised convertible bond with a volume of EUR 5,000,000.00 was placed on the capital market. Convertible bonds amounting to EUR 1,768,000 are still outstanding after the mandatory buyback of convertible bonds in summer 2016, so contingent capital (2014/I) of EUR 3,232,000.00 was available again as of the end of the reporting period.

The Contingent Capital 2012/I of EUR 4,000,000.00 was available until 23 May 2016, was not used and was cancelled by the 2016 General Meeting.

b) Employee options

There are several Contingent Capitals for issuing subscription rights to the management and employees of the company and affiliated companies.

The Contingent Capital 2015/I of EUR 1,000,000.00, was approved by the 2015 General Meeting. As of 31 December 2016, 200,000 subscription rights had been issued to the Management Board. The stock options from Contingent Capital 2015/I amounting to 800,000 are available until 4 June 2020.

The share capital of the company was contingently increased by EUR 1,500,000.00 by issuing up to 1,500,000 no par value registered ordinary shares (no par value shares) (Contingent Capital 2016/I). The contingent capital increase is implemented only to the extent that the holders of subscription rights, which the company issued on the basis of the authorisation resolved under agenda item 7 of the General Meeting of 28 July 2016, make use of their rights to subscribe to new shares. The new shares are entitled to a share of the profits from the start of the financial year in which they are created by the exercising of subscription rights. The Management Board or the Supervisory Board is authorised to stipulate the further details of the contingent capital increase and its implementation. The stock options from Contingent Capital 2016/I are available in full until 27 July 2021.

c) Acquisition of treasury shares

The General Meeting of 18 July 2013 authorised the Management Board, subject to the consent of the Supervisory Board, to acquire treasury shares representing up to 10 percent of the share capital existing at the time of the resolution up to 17 July 2018. At no time may the acquired shares together with other treasury shares held by the company or attributable to it in accordance with Sections 71a ff. AktG represent more than 10 percent of the share capital. The authorisation may not be used for the purpose of trading in treasury shares. The authorisation has not yet been exercised.

6.3.2 Capital reserves

The company has capital reserves of EUR 12,353 thousand (PY: EUR 12,938 thousand), which primarily include contributions from capital increases and the equity component of the issued convertible bonds. The change is the result of changes in the value of stock options (+ EUR 1 thousand), the equity component attributable to the mandatory buyback of convertible bonds (- EUR 853 thousand) and the reversal of deferred tax liabilities outside profit or loss in connection with the mandatory buyback of convertible bonds (+ EUR 267 thousand).

6.3.3 Non-controlling interests

The non-controlling interests in share capital and capital reserves were reported here. Shares in the net profit/loss for the period related to the co-partners of QED Ventures Ltd., Malta, and of pferdewetten.de AG. Due to the buyback of minority interests in QED Ventures Ltd. in September 2016 and the deconsolidation of pferdewetten.de AG in June 2016, no non-controlling interests were to be reported as of 31 December 2016 (PY: EUR 3,943 thousand).

Minority interests	2016 EUR '000	2015 EUR '000
pferdewetten.de AG	0	3,984
QED Ventures Ltd.	0	-41
As of 31.12.	0	3,943

6.4 Non-current liabilities

Non-current liabilities are broken down by maturity as follows:

Non-current liabilities	2016 Between 1 and 5 years EUR '000	2016 >5 years EUR '000	2015 Between 1 and 5 years EUR '000	2015 >5 years EUR '000
Convertible bond	1,424	0	3,817	0
Loans liabilities	1,041	0	0	0
Provision for deferred tax liabilities	980	0	1,065	0
Total	3,445	0	4,882	0

The discounted residual liability from the convertible bond issued on 11 December 2015 is reported under bonds as of the reporting date. The convertible bond was originally divided into 50,000 partial debentures in bearer form of EUR 100.00 each (convertible bond 2015/2020). The issue amount was EUR 100.00 per partial debenture. The gross issue proceeds thus amounted to EUR 5,000,000.00. The convertible bond has an annual coupon of 6.25 percent. The bond matures on 11 December 2020.

The bond conditions include a put option whereby, if PNO Ventures Ltd. does not receive proceeds of EUR 3.0 million from the sale of C4U before 30 June 2016, every bondholder has the right to demand that the issuer buy back their bonds at the nominal amount within 30 calendar days of 30 June 2016. As the payment from the sale of C4U was delayed until November 2016, the bondholders obtained the right to exercise the put option. The terms and conditions of the bond stipulated a minimum purchase price for this mandatory offer of 101 percent of the nominal value plus outstanding interest. On 5 July 2016, the Management Board of mybet Holding SE decided to increase the repurchase price to 105 percent of the nominal value. The mandatory purchase offer ended on 8 August 2016. Following this offer, the company was offered debentures with a nominal value totalling EUR 3,232 thousand. The remaining residual liability of EUR 1,768 thousand is collateralised by cash deposited in a trust account.

Loan liability

On 21 October 2016, SWS Service GmbH, a group company of the mybet Group, concluded a bridge financing agreement for the cash inflows that may result from the legal proceedings against Westdeutsche Lotterie GmbH & Co. OHG (Westdeutsche bridge financing). The transaction is structured in the form of a line of credit of EUR 4.0 million and a variable profit participation in the proceeds from the case that may exceed the loan amount. The agreement also includes an option for SWS to increase the credit facility by a further EUR 1.0 million with effect from 1 January 2018.

The loan resulting from the use of the line of credit is risk-free for SWS, as all payment obligations incurred will be settled exclusively from any proceeds from the Westlotto action. These are accordingly pledged to the financing institution until all terms and conditions of the agreement are fulfilled. If SWS does not generate any proceeds from the case, no repayment will be due.

If SWS receives proceeds from the action, and the funds are sufficient, then the lender will receive a repayment that increases depending on the duration of the proceedings of between 150 percent and a maximum of 200 percent of the loan amount. In addition, SWS will pay the lender 15 percent of any amount that may remain after this repayment. Any remaining residual amount would remain with SWS (see also Opportunities and Risks Report).

As at 31 December 2016, the mybet Group has drawn down around EUR 1.0 million from the line of credit. In a new agreement, the volume of the financing that is immediately available was increased to EUR 6.0 million after the reporting period ended. See note 5.9 for disclosures relating to deferred taxes.

The conditionally repayable loan gives rise to a financial liability. On initial measurement, it is recognised at fair value. It is subsequently measured at amortised cost using the effective interest method. The measurement is influenced by the expected returns from the Westlotto case.

6.5 Current liabilities

Current liabilities consist of the following:

Current liabilities	2016 EUR '000	2015 EUR '000
Trade payables	4,109	8,383
Other financial liabilities	2,545	3,747
Tax liabilities	1,064	2,276
Other provisions	330	555
Income tax provisions	251	81
Liabilities directly in connection with assets held for sale	0	2,523
Total	**8,298**	**17,565**

Liabilities and other liabilities

The trade payables are secured in the usual manner by retention of title.

The other financial liabilities item includes:

Other financial liabilities	2016 EUR '000	2015 EUR '000
Player liabilities	1,320	1,840
Debtors with credit balances	160	0
Derivative liabilities from open bets	141	172
Other liabilities	924	1,735
Total	**2,545**	**3,747**

Other provisions and tax provisions

Overall, provisions developed as follows:

EUR '000	1.1.2016	Utilisation	Reversal	Additions	Changes in scope of consolidation	31.12.2016
Staff costs	466	-379	-82	274	0	278
Litigation costs	23	0	-23	0	0	0
Other taxes	66	-14	-28	10	0	34
Provisions for onerous contracts	0	0	0	18	0	18
Total	555	-394	-133	302	0	330

The provisions for staff costs mainly include holiday provisions and provisions for variable remuneration.

7 Other disclosures

7.1 Earnings per share

Earnings per share	2016		2015	
	Total	Continuing operations	Total	Continuing operations
Net profit/loss for the period of the shareholders of mybet Holding SE (EUR thousand)	666	-7,143	-9,248	-9,796
Weighted average of the number of ordinary shares outstanding during the reporting period (number)	25,584,924	25,584,924	25,584,924	25,584,924
Basic earnings per share (EUR)	0.03	-0.28	-0.36	-0.38
Dilutive shares from options and bonds (number)	0	0	0	0
Dilution of the result from pferdewetten.de AG (EUR thousand)	0	0	-100	0
Interest payment saved (EUR thousand)	0	0	0	0
Consolidated earnings (EUR thousand) + contrary dilutive effect (EUR thousand)	666	-7,143	-9,348	-9,796
Number of dilutive shares (number)	25,584,924	25,584,924	25,584,924	25,584,924
Diluted earnings per share (EUR)	0.03	-0.28	-0.37	-0.38

The net profit/loss for the period of discontinued operations attributable to shareholders of mybet Holding SE amounted to EUR 7,805 thousand in the past financial year; the basic and diluted earnings per share of discontinued operations were therefore EUR 0.31.

As of the reporting date, however, the earnings per share were influenced neither by potential dilutive effects from the convertible bond issued in December 2015 nor by possible dilutive effects from the recognition of employee options.

The weighted average of the number of shares outstanding during the reporting period was as follows:

SHARE CAPITAL	31.12.2016	31.12.2015	31.12.2014
Share capital on 1.1.	25,584,924	25,584,924	24,257,373
Weighted number of new shares			
- from bonds	-	-	-
- from capital increase	-	-	1,327,551
Number of shares outstanding during the reporting period	25,584,924	25,584,924	24,463,881

7.2 Financial instruments

Classification and fair values

The table below shoes the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It contains no information on the fair value of financial assets and financial liabilities not measured at fair value when the carrying amount is a reasonable approximation of fair value.

31. Dezember 2016

		Buchwert								Beizulegender Zeitwert			
in TEuro	Anhangangabe	Zu Handelszwecken gehalten	Zum beizulegenden Zeitwert bestimmt	Beizulegender Zeitwert – Sicherungsinstrumente	Bis zur Endfälligkeit gehalten	Kredite und Forderungen	Zur Veräußerung verfügbar	Sonstige finanzielle Schulden	Gesamt	Stufe 1	Stufe 2	Stufe 3	Gesamt
Zum beizulegenden Zeitwert bewertete finanzielle Vermögenswerte													
Zu Veräußerungszwecken gehaltene Vermögenswerte	2.3	-	-	-	-	-	-	-	-	-	-	-	-
Nicht zum beizulegenden Zeitwert bewertete finanzielle Vermögenswerte													
Forderungen aus Lieferungen und Leistungen sowie sonstige Forderungen	6.2	-	-	-	-	1.294	-	-	1.294	-	-	-	-
Sonstige finanzielle Vermögenswerte	6.2	-	-	-	-	5.904	-	-	5.904	-	-	-	-
Zahlungsmittel und Zahlungsmitteläquivalente	6.3	-	-	-	-	528	-	-	528	-	-	-	-
		-	-	-	-	7.726	-	-	7.726	-	-	-	-

		Buchwert								Beizulegender Zeitwert			
in TEuro	Anhangangabe	Zu Handelszwecken gehalten	Zum beizulegenden Zeitwert bestimmt	Beizulegender Zeitwert – Sicherungsinstrumente	Bis zur Endfälligkeit gehalten	Kredite und Forderungen	Zur Veräußerung verfügbar	Sonstige finanzielle Schulden	Gesamt	Stufe 1	Stufe 2	Stufe 3	Gesamt
Zum beizulegenden Zeitwert bewertete finanzielle Schulden													
Schulden in direktem Zusammenhang mit zur Veräußerung gehaltenen Vermögenswerten	2.3	-	-	-	-	-	-	-	-	-	-	-	-
Sonstige finanzielle Verbindlichkeiten	6.5	-	-	-	-	-	-	142	142	-	142	-	142
		-	-	-	-	-	-	142	142	-	142	-	142
Nicht zum beizulegenden Zeitwert bewertete finanzielle Schulden													
Wandelanleihen – Fremdkapitalkomponente	6.4	-	-	-	-	-	-	1.424	1.424	-	-	-	-
Darlehensverbindlichkeit	6.4	-	-	-	-	1.041	-	-	1.041	-	-	-	-
Verbindlichkeiten aus Lieferungen und Leistungen / sonstige Verbindlichkeiten	6.5	-	-	-	-	4.109	-	-	4.109	-	-	-	-
Steuerverbindlichkeiten	6.5	-	-	-	-	-	-	1.064	1.064	-	-	-	-
Sonstige finanzielle Verbindlichkeiten	6.5	-	-	-	-	-	-	2.545	2.545	-	-	-	-
		-	-	-	-	5.150	-	5.033	10.183	-	-	-	-

31. Dezember 2015

in TEuro	Anhangangabe	Buchwert: Zu Handelszwecken gehalten	Buchwert: Zum beizulegenden Zeitwert bestimmt	Buchwert: Beizulegender Zeitwert – Sicherungsinstrumente	Buchwert: Bis zur Endfälligkeit gehalten	Buchwert: Kredite und Forderungen	Buchwert: Zur Veräußerung verfügbar	Buchwert: Sonstige finanzielle Schulden	Buchwert: Gesamt	Beizulegender Zeitwert: Stufe 1	Beizulegender Zeitwert: Stufe 2	Beizulegender Zeitwert: Stufe 3	Beizulegender Zeitwert: Gesamt
Zum beizulegenden Zeitwert bewertete finanzielle Vermögenswerte													
Zu Veräußerungszwecken gehaltene Vermögenswerte	2.3	-	-	-	-	-	4.175	-	4.175	-	-	-	-
Nicht zum beizulegenden Zeitwert bewertete finanzielle Vermögenswerte													
Forderungen aus Lieferungen und Leistungen sowie sonstige Forderungen	6.2	-	-	-	-	3.536	-	-	3.536	-	-	-	-
Sonstige finanzielle Vermögenswerte	6.2	-	-	-	-	4.410	-	-	4.410	-	-	-	-
Zahlungsmittel und Zahlungsmitteläquivalente	6.3	-	-	-	-	6.834	-	-	6.834	-	-	-	-
		-	-	-	-	14.779	-	-	14.779	-	-	-	-

in TEuro	Anhangangabe	Buchwert: Zu Handelszwecken gehalten	Buchwert: Zum beizulegenden Zeitwert bestimmt	Buchwert: Beizulegender Zeitwert – Sicherungsinstrumente	Buchwert: Bis zur Endfälligkeit gehalten	Buchwert: Kredite und Forderungen	Buchwert: Zur Veräußerung verfügbar	Buchwert: Sonstige finanzielle Schulden	Buchwert: Gesamt	Beizulegender Zeitwert: Stufe 1	Beizulegender Zeitwert: Stufe 2	Beizulegender Zeitwert: Stufe 3	Beizulegender Zeitwert: Gesamt
Zum beizulegenden Zeitwert bewertete finanzielle Schulden													
Schulden in direktem Zusammenhang mit zur Veräußerung gehaltenen Vermögenswerten	2.3	-	-	-	-	-	2.523	-	2.523	-	-	-	-
Sonstige finanzielle Verbindlichkeiten	6.5	-	-	-	-	-	-	172	172	-	172	-	172
		-	-	-	-	-	-	172	2.695	-	172	-	172
Nicht zum beizulegenden Zeitwert bewertete finanzielle Schulden													
Wandelanleihen – Fremdkapitalkomponente	6.4	-	-	-	-	-	-	3.817	3.817	-	-	-	-
Verbindlichkeiten aus Lieferungen und Leistungen / sonstige Verbindlichkeiten	6.5	-	-	-	-	8.383	-	-	8.383	-	-	-	-
Steuerverbindlichkeiten	6.5	-	-	-	-	-	-	2.276	2.276	-	-	-	-
Sonstige finanzielle Verbindlichkeiten	6.5	-	-	-	-	-	-	3.575	3.575	-	-	-	-
		-	-	-	-	8.383	-	9.668	18.051	-	-	-	-

Other financial liabilities include derivative liabilities that are measured at fair value and mature in less than one year. These relate to pending bets as of the reporting date. As there was no difference between the fair value and the carrying amounts of the financial assets and liabilities as of the reporting date, no effects in profit or loss were recognised in the consolidated income statement.

7.3 Other financial obligations

In the future, the company must spend EUR 3,110 thousand (PY: EUR 3,472 thousand) for rents, leases, service agreements and similar obligations.

7.4 Contingent liabilities

In December 2015, the company successfully placed a convertible bond with an interest rate of 6.25 percent and a volume of EUR 5 million on the capital market. To collateralise all bondholders' claims to capital and interest payments, no-par-value shares in pferdewetten.de AG were pledged as collateral. In the wake of the company's sale of all shares in pferdewetten.de AG in June 2016, this collateral was swapped for cash deposited in a trust account. The collateralised outstanding liability amounts to EUR 1,768 thousand.

7.5 Contingent liabilities and contingent assets

Companies of the mybet Group are involved in various proceedings relating to the German State Treaty on Gaming, the outcomes of which are uncertain. On the basis of the legal opinion of the company's legal advisors and verdicts already issued, the company considers it unlikely that it will be made liable. There are no unrecognised risks from pending proceedings.

On 3 March 2015, the Cartel Panel of the Federal Court of Justice admitted the appeal against the verdict of the First Cartel Panel of the Higher Regional Court of Düsseldorf after a renewed application for leave to appeal from Westdeutsche Lotterie GmbH & Co. OHG, Münster. In 2008, SWS Service GmbH (formerly FLUXX GmbH), a subsidiary of mybet Holding SE, had sued for damages due to the illegal, anticompetitive boycotting of its business by the German Association of State Lottery Companies (Deutscher Lotto- und Totoblock). In April 2014, the Higher Regional Court of Düsseldorf then ordered Westdeutsche Lotterie GmbH & Co. OHG to pay damages of EUR 11.5 million plus interest. The Higher Regional Court did not admit the appeal. The application for leave to appeal then filed by Westdeutsche Lotterie GmbH & Co. OHG has now been sustained by the Federal Court of Justice. A potential payment of damages plus interest to SWS Service GmbH is therefore subject to a renewed judgement.

Please also refer to the information on estimation uncertainties in note 3.15.

7.6 Leases

The leases concluded by the company are operating leases.

Operating leases finance vehicles, office equipment and telecommunications systems. The concluded leases have remaining terms of between one and five years. The expenses from these operating leases and rental agreements for furniture and fixtures in this financial year amounted to EUR 100 thousand (PY: EUR 151 thousand), the expenses from rental agreements EUR 456 thousand (PY: EUR 539 thousand). The expenses are recognised in other operating expenses under vehicle costs, rent for equipment and costs of premises.

The table below shows the minimum future expenses that will be incurred from leases and rental agreements on the basis of the terms and notice periods of these agreements. These are part of the other financial obligations (see also note 7.3).

Rental agreements and leases	2016 EUR ’000	2015 EUR ’000
Rental agreements		
Term of less than 1 year	348	573
Term of 1 to 5 years	360	927
Leases		
Term of less than 1 year	49	114
Term of 1 to 5 years	23	107

7.7 Related party disclosures

The table below shows the amounts paid to related parties that lowered earnings for the reporting period. These relate to consulting services.

Related party disclosures	2016 EUR ’000	2015 EUR ’000
Franz Frhr. von Brackel, lawyer (managing director of SWS Service GmbH, Berlin, until 31 May 2014)	14	118
BankM, indirect shareholder Markus Knoss (member of the Supervisory Board)	22	3
Volker Rohde (CEO of C4U Malta, Ltd.)	119	113
Total	155	234

The prices are set in line with the market. The consulting services are either charged according to hours worked on the basis of standard market hourly rates or the fee schedules underlying these services or recognised on the basis of a carefully examined offer. No outstanding liabilities resulting from the consulting services as of the reporting date.

7.8 Stock option plans

SUBSCRIPTION RIGHTS

Subscription rights from the stock options plan can only be issued to people who are in a continuing employment relationship with the company or an affiliated company. Subscription rights may be issued continuously.

Each subscription right gives the right when exercised to acquire one share in the company at the exercise price. The exercise price is the price of the share at the time it is issued. For this purpose, the “price of the share” is the weighted average price over the three months preceding the issue.

The options can be exercised only if the price of the share on exercise reaches no less than 115 percent of the price of the share at the time it was issued. The weighted average price over the preceding three months also applies here.

Employees can acquire the subscription rights during the period of the authorisation in response to a corresponding offer within the deadline stated in the offer, but acquisitions are excluded during the two weeks before interim reports, semi-annual and annual financial reports are published or, where applicable, before (provisional) business results are published in advance of these reports. The subscription rights may be exercised only after a holding period of four years from the relevant date of issue has expired (vesting period). The subscription rights can be exercised in the two years following the expiry of the vesting period. Subscription rights that have not been effectively exercised lapse after the expiry of six years from the time that they were issued.

After the vesting period, the subscription rights can be exercised in each case within a period of three weeks

– after the quarterly reports for the second and third quarters have been published or

— after the General Meeting has been held (exercise periods).

The Management Board and – if the members of the Management Board are involved – the Supervisory Board can extend or shorten the stated exercise periods to a reasonable extent if necessary. The beneficiaries must furthermore observe the restrictions that proceed from general statutory regulations, such as the Wertpapierhandelsgesetz (German Securities Trading Act) (insider legislation). Unexercised options usually lapse when an employee leaves the company.

The stock options granted in respect of Contingent Capital 2010/I were still available in full until 9 June 2015. No issue was made.

Of the maximum of 1,000,000 subscription rights to be issued in the 2015 programme, up to 60 percent can be granted to the members of the company's Management Board, up to 60 percent to the managing directors of subsidiaries and up to 80 percent to employees of the company and its subsidiaries.

Each subscription right gives the right when exercised to acquire one share in the company at the exercise price. The exercise price is the price of the share at the time it is issued. For this purpose, the "price of the share" is the weighted average price over the three months preceding the issue.

The subscription rights may be exercised only after a holding period of four years from the relevant date of issue has expired (vesting period). The subscription rights can be exercised in the two years following the expiry of the vesting period. Subscription rights that have not been effectively exercised lapse after the expiry of six years from the time that they were issued. After the vesting period, the subscription rights can be exercised in each case within a period of three weeks after the quarterly reports for the second and third quarters have been published or after the General Meeting has been held.

The Management Board and – if the members of the Management Board are involved – the Supervisory Board can extend or shorten the stated exercise periods to a reasonable extent if necessary. The beneficiaries must furthermore observe the restrictions that proceed from general statutory regulations, such as the Wertpapierhandelsgesetz (German Securities Trading Act) (insider legislation).

According to IFRS 2, all options must be valued and treated as salary expenses. It is assumed that the value of the options, if granted free of charge, constitutes remuneration for the period from the granting of the option until the end of the vesting period. Accordingly, the value of the options must be determined and spread over the vesting period. As the options can be exchanged for shares in the company (equity-settled) and are not settled in cash, the posting of the salary expenses increases the capital reserves. At the same time, the expense posting reduces profit in the period the expense is recognised, so the equity effect is corrected.

In the current financial year, options from the 2015 stock option program have been issued exclusively to the Management Board.

The fair value of the options was determined using a Monte Carlo simulation. This allows the inclusion of the price on exercise as the average share price and the inclusion of the relative performance target compared to the SDAX. In addition, the payout caps and the absolute performance target for the mybet share (115 percent) can easily be included as conditions in the simulated scenarios. The table below shows the underlying parameters.

Measurement parameters stock options Markus Peuler

Measurement date	21.12.2015
Price of mybet share on measurement date	EUR 0.84
Price of SDAX on measurement date	EUR 8,892.52
Time until the end of the waiting period on the measurement date	Tranche 1: 2.91 years (15.11.2018) Tranche 2: 3.91 years (15.11.2019) Tranche 3: 4.91 years (15.11.2020)
Remaining term of the tranches on the measurement date	Tranche 1: 4.91 years (maturing on 15.11.2020) Tranche 2: 5.91 years (maturing on 15.11.2021) Tranche 3: 6.91 years (maturing on 15.11.2022)
Exercise price (three months before issue dates)	Tranche 1: EUR 1.39 (issued 15.11.2014) Tranche 2: EUR 0.93 (issued 15.11.2015) Tranche 3: simulation (issued 15.11.2016)
SDAX starting value (three months before issue dates)	Tranche 1: 6,780.23 (issued 15.11.2014) Tranche 2: 8,587.39 (issued 15.11.2015) Tranche 3: simulation* (issued 15.11.2016)
Expected volatility of mybet share	Tranche 1: 48% Tranche 2: 50% Tranche 3: 53%
Expected volatility of SDAX	Tranche 1: 16% Tranche 2: 16% Tranche 3: 16%
Expected correlation of mybet share and SDAX	Tranche 1: 18% Tranche 2: 18% Tranche 3: 17%
Expected dividend rate of mybet share	0%
Risk-free interest rate	Tranche 1: 0.0% Tranche 2: 0.2% Tranche 3: 0.3%
Payout cap per stock option	EUR 7.50

*(Risk-neutral) expectation of share price on issue date, calculated on measurement date

No options or instruments with the character of options to the mybet share were traded as of the measurement dates. For the measurement, the historic volatility was therefore calculated over a period equating to the remaining term of the relevant option. The volatility for the SDAX, the correlation of the SDAX with the mybet share and the risk-free interest rate were also estimated equivalent to the remaining term.

The development of the options to be recognised according to IFRS 2 is shown below.

	2016		2015	
	NUMBER	AVERAGE EXERCISE PRICE	NUMBER	AVERAGE EXERCISE PRICE
Outstanding stock options 1.1.	600,000	EUR 0.92	0	EUR 0.00
Granted in the period (Management Board member Zeno Osskó)	0	EUR 0.00	400,000	EUR 0.88
Granted in the period (Management Board member Markus Peuler)	0	EUR 0.00	200,000	EUR 1.01
Lapsed in the period (employees)	0	EUR 0.00	0	EUR 0.00
Lapsed in the period (Management Board)	400,000	EUR 0.88	0	EUR 0.00
Exercised in the period	0	EUR 0.00	0	EUR 0.00
Outstanding stock options 31.12.	200,000	EUR 1.10	600,000	EUR 0.92
Exercisable stock options 31.12.	0	EUR 0.00	0	EUR 0.00

For the equity-settled stock options, the fair value on the grant date is spread over the vesting period in accordance with IFRS 2.10-13. A loss of entitlement during this period results in a reversal of the corresponding expense. The total salary expense resulting from the allocation of the options was included in staff costs at EUR 1 thousand (PY: EUR 11 thousand).

PHANTOM STOCKS

In the previous year, the Management Board members were allocated tranches of phantom stocks based on a rolling system, which they are able to redeem in defined periods. For the Management Board member Markus Peuler, the maximum allocation was 200,000. Subject to agreed waiting periods, redemption periods and performance targets, the redemption of phantom stocks entitles Management Board members to the payment of variable remuneration from the company (phantom stock bonus). The size of the phantom stock bonus is the positive difference between the corresponding share price and the exercise price and is limited to a maximum of EUR 2 million gross for each Management Board member. In the previous financial year, the phantom stock programme was partially substituted by the above stock option programme. The Management Board member Sven Ivo Brinck resigned from the Management Board as of 31 July 2015. Tranche 1 (250,000 phantom stocks), allocated to Mr Brinck on 1 January 2014, does not lapse, is heritable, and Mr Brinck can redeem it after the waiting period if the other conditions for redemption are met.

As in the previous year, the allocation dates of the remaining phantom stocks are as follows:

SVEN IVO BRINCK		MARKUS PEULER	
250,000	1.1.2014	50,000	15.11.2014

Once the conditions are met, the phantom stocks can be redeemed within the following period, as in the previous year:

SVEN IVO BRINCK		MARKUS PEULER	
250,000	1.1.2017 to 31.12.2017	50,000	15.11.2018 to 14.11.2019

The phantom stocks cannot be exercised within closed periods. Closed periods are the six weeks before the regular quarterly reports are published and the day before their publication. In addition, the prohibitions on insider trading under securities trading law apply accordingly.

According to IFRS 2, the phantom stocks must be measured as of 31 December 2016 and treated as salary expenses. It is assumed that the value of the phantom stocks, if granted free of charge, constitutes remuneration for the period from the granting of the phantom stocks until the end of the vesting period. Accordingly, the value of the options must be determined at each reporting date and spread over the vesting period.

The phantom stocks were measured at the stock market price using the numerical method of the Monte Carlo simulation. The following parameters are included in the calculation according to the current model:

PARAMETER	SVEN IVO BRINCK	MARKUS PEULER
Share price on reporting date	EUR 0.40 (PY: EUR 0.76)	EUR 0.40 (PY: EUR 0.76)
Average exercise price	EUR 1.07 (PY: EUR 1.07)	EUR 1.36 (PY: EUR 1.36)
Volatility	77% (PY: 49%)	60% (PY: 47%)
Vesting period	1 (PY: 2)	2 (PY: 3)
Risk-free interest rate	-0.3% (PY: -0.3%)	-0.3% (PY: -0.1%)

The expected volatility was calculated on the basis of historic prices over a period equating to the remaining term of the relevant option.

The development of the phantom stocks to be recognised according to IFRS 2 is shown below.

	2016		2015	
	NUMBER	AVERAGE EXERCISE PRICE	NUMBER	AVERAGE EXERCISE PRICE
Outstanding phantom stocks 1.1.	300,000	EUR 1.07/ EUR 1.36	350,000	EUR 1.10
Granted in the period	0	EUR 0.00	0	EUR 0.00
Lapsed/forfeited in the period	0	EUR 0.00	50,000	EUR 1.36
Exercised in the period	0	EUR 0.00	0	EUR 0.00
Expired in the period	0	EUR 0.00	0	EUR 0.00
Outstanding phantom stocks 31.12. (Sven Ivo Brinck)	250,000	EUR 1.07	250,000	EUR 1.07
Outstanding phantom stocks 31.12. (Markus Peuler)	50,000	EUR 1.36	50,000	EUR 1.36
Exercisable phantom stocks 31.12.	0	EUR 0.00	0	EUR 0.00

For the cash-settled phantom stocks, the fair value on the reporting date is spread over the vesting period in accordance with IFRS 2.30-33. As of the reporting date, provisions of EUR 5 thousand (PY: EUR 20 thousand) were recognised for this. EUR 3 thousand thereof is attributable to Sven Ivo Brinck and EUR 2 thousand to Markus Peuler.

8 Management of financial risks and disclosures on capital management

Financial risks

In terms of its business activity and planned transactions, the mybet Group is exposed to a variety of risks, especially from changes in exchange rates, stock exchange prices and market prices. It is the goal of the financial risk management to limit these market risks through the ongoing operating and finance-based activities. Certain transactions require prior approval by the Management Board of the Supervisory Board. In addition, liquidity, price and interest rate risks are part of the risk management system and are reported on and assessed on a monthly basis by way of a scorecard, whereby the risks are evaluated in terms of their probability of occurrence and an inherent monetary loss of they occur. As a result, the risks are classified into different risk classes.

Credit risks arise in the online segment from days sales outstanding and return debits from business transactions with customers, among other things. These risks are countered by implementing corresponding scoring procedures to ensure, for example, that stolen credit cards, incorrect bank details or addresses or the customer being underage are flagged up during registration and a purchase is prevented. This also partly transfers the risk to the providers of means of payment such as credit cards, which are responsible for the cancellation of a credit card payment (chargeback). In business transactions with betting shop operators, for example, the risk is mitigated by ‘prepaid’ procedures and, in the event of default, by reducing limits. However, default risk tends to be higher here than online. Generally, the risk of bad debts as well as high payouts is mitigated by higher limits on stakes, which especially in the case of new customers ensure that no large outstanding claims or payouts can arise.

Generally, default risks in operating business relating to financial instruments are monitored continuously. They are accounted for with specific valuation allowances and global valuation allowances. Default risk is deemed to be low in the online and offline segments, especially on the basis of experience of customers’ payment behaviour (online) and invoicing arrangements with shops (online). Default risks may be concentrated for receivables from cooperation partners and payment service providers. The maximum default risk is reflected in the carrying amounts of the financial assets recognised in the statement of financial position (see also the remarks in notes 3 and 6.2.2).

Liquidity risks are monitored operationally with liquidity statistics and trend analysis on a weekly basis. In addition, the status is updated on the basis of the planning prepared for the current financial year by way of a monthly cash flow statement. Liquidity risks related to potential difficulties in meeting payment obligations on time or in general in full or in part. The weekly and monthly liquidity and cash flow reports and the continuous monitoring of revenue and cash flows in comparison with the monthly planning are intended to ensure solvency at all times. As a mid-size group, the mybet Group does not have a line of credit from one or more banks, so appropriate importance is ascribed to the Group’s cash management. In addition to cash and cash equivalents, current receivables are also included, especially from payment service providers, as a liability is recognised on the statement of financial position as soon as a customer makes a payment via a payment service (e.g. credit card), but the cash inflow does not occur until the payment service provider is invoiced. As all trade and other receivables are always current, and there were no material past due receivables as of the reporting date, the Management Board does not expect liquidity risks from the settlement of these receivables in the next two months. The positive payment experience with customers and cooperation partners and the regular invoicing of the latter also mean that no related liquidity risks were discernible as of the end of the reporting period. There is only a concentration of the Group’s liquidity risks if victories by favourites result in the accumulation of a high payout. No other risk concentrations are discernible. Maturities are disclosed under notes 6.4 and 6.5.

The liability from the convertible bond issued on 11 December 2015 is reported under bonds as of the reporting date. The term of the convertible bond ends on 11 December 2020. The interest is payable semi-annually, retrospectively on 11 June and 11 December of each year. The first interest payment is due on 11 June 2016. The bonds cease to bear interest at the end of the day directly preceding the day when the bonds become due for repayment. The bonds will be repaid on the maturity date at their nominal amount plus the interest accrued on the nominal amount, unless they were previously repaid or bought back or the bondholders have exercised their conversion option.

The bond conditions include a put option whereby, if PNO Ventures Ltd. does not receive proceeds of EUR 3.0 million from the sale of C4U before 30 June 2016, every bondholder has the right to demand that the issuer buy back their bonds at the nominal amount within 30 calendar days of 30 June 2016. This came to pass and the bonds therefore offered were bought back by the company. Accordingly, the put option is no longer a risk to the company as a going concern as described here in the 2015 annual report. In addition, a mandatory buyback offer for the convertible bond at 105 percent of the nominal price was made in July 2016 on account of the terms and conditions of the bond. This buyback reduced the nominal volume of the outstanding bonds from EUR 5.0 million to around EUR 1.8 million. Future interest expenses will decrease accordingly. Please see 6.4 for further information.

On 2 October 2015, mybet Holding SE and its subsidiaries came to an agreement with a group of companies primarily active in the financial services sector regarding the sale of the mybet Group company C4U. C4U-Malta Ltd. was sold in November 2016 once approval was received from the authorities. Therefore, the risk to the company as a going concern from the C4U sale process described here in the 2015 annual report no longer exists.

In the event that the funds from the sale of C4U had unexpectedly not been received, the Management Board had planned alternative scenarios to avert the potential threat to the company's continued existence. These included the sale of assets not essential for operations, such as the equity interest in pferdewetten.de AG, and additional financing measures on the capital market. As the sale of C4U was delayed until November 2016, the equity interest in pferdewetten.de AG was sold in full in June 2016. Therefore, the risk to the company as a going concern from the failure of the planned alternative scenarios reported here in the 2015 annual report no longer exists.

Investment risks

The Group invested nearly EUR 3.4 million (PY: EUR 4.8 million) in fixed assets in 2016. This primarily constituted investments in intangible assets.

Market risks

At mybet, exchange rate risks result from investments, financing measures and operating activities. Currency translation can have a substantial influence on earnings. The individual Group companies largely conduct their operating activities in their own currency (usually the euro). Therefore, mybet considers the exchange rate risk from operating activities to be low. If the exchange rate changes by up to +/-10 percent within a month, this would result in exchange rate gains/losses of up to EUR 12 thousand, primarily from the Ghana business.

Interest rate risks are not evident and therefore given in detail, as all loans granted, receivables and liabilities assumed entail either no interest rate agreements or fixed interest rate agreements. Changes in the market interest rates of non-derivative fixed-rate financial instruments only affect earnings if these are measured at fair value. Accordingly, all fixed-rate financial instruments measured at amortised cost are not exposed to interest rate risks according to IFRS 7.

No other price risks are discernible.

Capital management

The primary goal of mybet's capital management is to secure financing and generate positive cash flow. The equity of the mybet Group amounted to EUR 8,074 thousand as of 31 December 2016 (PY: EUR 11,668 thousand). The equity ratio is currently 41.6 percent (previous year: 34.2 percent). In 2016, the return on equity was 19.0 percent (PY: -68.8 percent) due to revenue from sales of equity interests. In the medium term, the management is targeting a return on equity of around 20 percent. Currently and in the medium term, the Group's ability to repay liabilities and its financial substance are of particular importance, with due consideration for ensuring its continued existence in a legally challenging environment while also securing and exploiting alternative markets and investment options. The aim is to find a balance between the use of existing revenue potential, tough cost-cutting measures and disinvestments and the cultivation of new products and markets in an increasingly stable legal environment.

9 The company's governing bodies

9.1 Members of the Management Board

Markus Peuler, graduate in business administration, Berlin

From 6/7 January 2016 to 11 August 2016, Mr Peuler performed controlling activities as a member of the Supervisory Board of pferdewetten.de AG, Düsseldorf, in addition to his role as Management Board member at mybet Holding SE.

Zeno Osskó, graduate in business economics (from 1 August 2015 to 31 August 2016)

9.2 Members of the Supervisory Board

Dr Volker Heeg (Chairman), Hamburg, lawyer and tax consultant (since 11 November 2010, Chairman since 1 October 2013)

Clemens Jakopitsch, Ludmannsdorf (Austria), management consultant (since 5 June 2014, Deputy Chairman since 5 June 2015)

Markus A. Knoss, Ludwigsburg, Manager of Business Development (since 5 June 2014)

Patrick Möller, Fockbek, Director of Investor Relations (since 5 June 2014)

Michael Otto, Hamburg, founder and Managing Director (since 5 June 2015)

Maurice Reimer, Berlin, founder and Managing Director (since 5 June 2015)

10 Total remuneration of the Management and Supervisory Boards

The table below shows the remuneration of key management personnel (as per IAS 24.17) and of the Supervisory Board:

Remuneration of key management personnel (as per IAS 24.17) and of the Supervisory Board	Management Board		Supervisory Board	
	2016	2015	2016	2015
Short-term benefits	361	524	113	113
Pension instruments	14	15	0	0
Termination benefits	0	0	0	0
Other long-term benefits	0	0	0	0
Post-employment benefits	0	0	0	0
Share-based payment (stock options/phantom stocks)	1	11	0	0
Total	**376**	**550**	**113**	**113**

The supplementary disclosures according to Section 314 (1) No. 6 HGB are shown in the following table:

Total remuneration of active board members	**2016**	**2015**
EUR '000		
Management Board	243	538
Supervisory Board	113	113
Total	**356**	**651**
Total remuneration of former board members and their surviving dependants		
Management Board	132	157

In the previous year, the members of the Management Board were granted stock options for 600,000 shares of mybet Holding SE with a fair value of EUR 153 thousand on the grant date. With Mr Osskó's departure as a member of the Management Board in 2016, stock options for 400,000 shares were withdrawn again.

The individualised remuneration for Management Board and Supervisory Board members and the main features of the remuneration system are presented in the combined management report.

11 Auditor's fee

The following fees were recognised as expenses for the services provided by the auditor of the consolidated financial statements, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hamburg (previous year: KPMG AG Wirtschaftsprüfungsgesellschaft, Hamburg):

Auditor's fee	2016 EUR '000	2015 EUR '000
Audit services	220	173
Additional audit services in the previous period	121	87
Other services	9*	5
Total	**350**	**265**

*Relates to the previous year's auditor

The auditor responsible for the audit by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, is Mr Carl-Heinz Klimmer.

12 Events after the end of the reporting period

The Higher Regional Court of Düsseldorf has postponed the next hearing in the action for damages by SWS Service GmbH against Westdeutsche Lotterie GmbH & Co. OHG ("Westlotto"). The oral hearing was originally scheduled on 8 March 2017. The Higher Regional Court has now set 12 July 2017 as the new hearing date. The date was pushed back at the request of the defendant's representative.

The mybet Group put the new IT platform for its expanded product range into full operation on 21 March 2017.

SWS Service GmbH, a Group company of the mybet Group, concluded a new agreement with the financing institution of the Westlotto bridge financing in April 2017. The Westlotto bridge financing comprises a freely available line of credit for the mybet Group of EUR 4 million plus an option, if necessary, to increase the credit facility to EUR 5 million from 2018. The new agreement stipulates that this option is brought forward and the relevant funds can be drawn when required after the new agreement is signed. In addition, the new agreement increases the credit facility by EUR 1 million. The total volume of the line of credit from the Westlotto bridge financing is therefore EUR 6 million.

Berlin, 24 April 2017

Markus Peuler
CEO mybet Holding SE

Audit Certificate

We have issued the consolidated financial statements and the Group management report, which was combined with the mybet management report, with the following audit report:

"We have audited the consolidated financial statements prepared by mybet Holding SE, Berlin (formerly Kiel) – comprising the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the notes to the consolidated financial statements – and the combined management report for the financial year from 1 January to 31 December 2016. The preparation of the consolidated financial statements and the combined management report according to IFRS as applicable in the EU and the supplementary provisions of commercial law applicable according to Section 315a (1) of the German Commercial Code (HGB) is the responsibility of the company's legal representatives. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW – Institute of Public Auditors in Germany). 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 consolidated financial statements in accordance with German principles of proper accounting and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group 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 consolidated 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 annual financial statements of the entities included in the consolidated financial statements, the definition of the scope of consolidation, the accounting and consolidation principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and 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 consolidated financial statements comply with the IFRS as applicable in the EU and the supplementary provisions of commercial law applicable according to Section 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with German principles of proper accounting. The combined management report is consistent with the consolidated financial statements, complies with statutory regulations, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Hamburg, 24 April 2017

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Grummer (Independent Auditor)   Klimmer (Independent Auditor)

Responsibility statement

The Management Board gives assurance to the best of its knowledge that, in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the Group's earnings, financial and assets position and the Group management report presents the business performance, including the business results and the situation of the Group, in such a way as to provide a true and fair view and describes the principal opportunities and risks of the Group's expected development.

Berlin, 27 April 2017

Markus Peuler
CEO mybet Holding SE