

KKCG AG

**REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS**

Year ended 31 December 2017

KKCG AG
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2017

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KKCG AG

BOARD OF DIRECTORS AND PROFESSIONAL ADVISERS

Board of Directors

Karel Komárek

Pavel Šároch

Jiří Radoch

Registered office

Kapellgasse 21
6004 Luzern
Switzerland

Registration number

CHE-326.367.231

Independent Auditors

KPMG AG

KKCG AG

BOARD OF DIRECTORS' REPORT

The Board of Directors of **KKCG AG** ("the Company") presents to the members its annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2017.

INCORPORATION AND PRINCIPAL ACTIVITY

The Company was incorporated under the Laws of the Republic of Cyprus on 10 July 2006 as a private limited liability company. The Company was converted into a Public company on 21 December 2006 and subsequently to a European Company (Societas Europaea) pursuant to EU Council Regulation No. 2157/2001 of 8 October 2001 on the Statute of Company, on 3 May 2007. The Company was converted back to a Public Limited Liability Company („PLC“) pursuant to the Companies Law Cap. 113 on 30 September 2015 in accordance with a plan to redomicile the Company to Switzerland.

On 30 September 2015, the Company changed its name from KKCG SE to KKCG PLC.

During the 1st quarter 2016 the relocation from Cyprus to Switzerland was completed and the Company changed its legal form to AG (Aktiengesellschaft) and its business name to KKCG AG.

As at 31 December 2017, its holding company was KKCG Holding AG registered in Switzerland.

The Company is the owner of a diverse group of companies operating internationally whose principal activities are crude oil and gas, lottery and betting, engineering, finance, tourism and holding of ownership interests. Note 1 of consolidated financial statements describes group developments which occurred during 2017.

FINANCIAL RESULTS

The consolidated results of the Group are set out in the Statement of comprehensive income on pages 6 - 7.

DIVIDENDS PAID

The Company is planning to pay dividends to its shareholders in the amount of TEUR 9 100. In 2017, the Company paid dividends to its shareholders in the amount of TEUR 11 450.

SIGNIFICANT RISKS AND UNCERTAINTIES

The Group is exposed to the significant risks referred to in note 35, pages 76 - 86, of the financial statements.

SHARE CAPITAL

In 2016 the Company finished redomiciliation from Cyprus to Switzerland. As a consequence the Company adjusted the amounts of share capital and share premium according to amounts required by Swiss legislation and declared to Swiss tax authority for confirmation (i.e. share capital TEUR 90 and share premium TEUR 672 402). In 2017, there were no changes in share capital and share premium.

EVENTS AFTER THE REPORTING PERIOD

Any significant events that occurred after the end of the reporting period are described in note 37, pages 86-87, of the consolidated financial statements.

BOARD OF DIRECTORS

30 May 2018



Karel Komárek
Chairman



Jiří Radoch
Member



Pavel Šaroch
Member

KKCG AG**CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2017
PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AS ADOPTED BY THE E.U.
(in thousands of Euro)**

	<u>Note</u>	<u>31.12.2017</u>	<u>31.12.2016</u>
Assets			
Gas pipelines, gas storage tanks and compression stations		120 969	124 290
Land		31 403	29 836
Buildings and structures		152 027	156 103
Machinery and equipment		181 497	140 550
Other tangible fixed assets		103 365	70 423
Investment property		922	940
<i>Property, plant and equipment, investment property</i>	6	<u>590 183</u>	<u>522 142</u>
Goodwill		642 556	591 568
Other intangible assets		2 057 180	2 077 007
<i>Intangible assets</i>	7	<u>2 699 736</u>	<u>2 668 575</u>
Equity-accounted investees	8	533 247	408 515
Other investments	9	15 884	19 216
Trade and other receivables – long-term	12	91 822	93 694
<i>Financial assets</i>		<u>640 953</u>	<u>521 425</u>
Deferred tax assets	19	7 978	17 233
Non-current assets		<u>3 938 850</u>	<u>3 729 375</u>
Short-term financial assets	10	5	24 833
Inventories	11	121 536	87 972
Trade and other receivables – short-term	12	500 332	399 613
Current tax assets		1 886	32 927
Cash and cash equivalents	13	725 316	481 220
Assets held for sale	4	795	47 774
Current assets		<u>1 349 870</u>	<u>1 074 339</u>
Total assets		<u>5 288 720</u>	<u>4 803 714</u>

The notes on pages 12 to 87 form an integral part of the consolidated financial statements.

KKCG AG**CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2017
PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AS ADOPTED BY THE E.U.
(in thousands of Euro)**

	<u>Note</u>	<u>31.12.2017</u>	<u>31.12.2016</u>
Equity			
Share capital	15	90	90
Share premium		672 402	672 402
Reserves		-822 538	-829 150
Retained earnings		<u>984 722</u>	<u>978 197</u>
<i>Equity attributable to owners of the Company</i>		<i>834 676</i>	<i>821 539</i>
<i>Non-controlling interests</i>	16	<i>1 115 159</i>	<i>1 299 319</i>
Total equity		<u>1 949 835</u>	<u>2 120 858</u>
Liabilities			
Loans and borrowings – long-term part	17	1 755 279	1 342 514
Trade and other payables – long-term	20	20 376	14 501
Provisions – long-term	18	96 115	99 196
Employee benefits	22	3 554	1 991
Deferred tax liabilities	19	<u>260 139</u>	<u>247 924</u>
Non-current liabilities		<u>2 135 463</u>	<u>1 706 126</u>
Loans and borrowings – short-term part	17	383 542	341 851
Trade and other payables – short-term	20	804 133	607 405
Current tax liabilities		5 283	7 911
Provisions – short-term	18	10 464	10 380
Liabilities held for sale	4	--	<u>9 183</u>
Current liabilities		<u>1 203 422</u>	<u>976 730</u>
Total liabilities		<u>3 338 885</u>	<u>2 682 856</u>
Total equity and liabilities		<u>5 288 720</u>	<u>4 803 714</u>

The notes on pages 12 to 87 form an integral part of the consolidated financial statements.

The financial statements were authorized for issue by the Board of Directors on 30 May 2018.

KKCG AG

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017 PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AS ADOPTED BY THE E.U. (in thousands of Euro)

	Note	2017	2016
Revenues	23	3 329 555	1 557 178
Other operating income	24	47 209	17 994
Total income		3 376 764	1 575 172
Materials, consumables and services	25	-2 220 924	-1 095 751
Personnel expenses	26	-152 860	-90 991
Depreciation and amortization	27	-142 956	-90 387
Other operating expenses	28	-639 960	-237 158
Operating profit		220 064	60 885
Finance income		38 085	65 803
Finance costs		-100 719	-65 213
Net finance income/(costs)	29	-62 634	590
Share of profit of equity-accounted investees, net of tax		71 647	11 612
Profit before tax		229 077	73 087
Income tax expense	30	-75 360	-17 042
Profit for the period		153 717	56 045
Other comprehensive income	31		
<i>Items that are or may be reclassified to profit or loss:</i>			
Foreign currency translation differences for foreign operations		-13 400	1 999
Foreign currency translation differences of disposed foreign operations transferred to profit or loss		49	--
Effective portion of changes in fair value of cash flow hedges, net of tax		17 600	-1 280
Net change in fair value of cash flow hedges transferred to profit or loss, net of tax		689	-651
Share of other comprehensive income of equity-accounted investees		-54	-3 176
		<u>4 884</u>	<u>-3 108</u>
<i>Items that will not be reclassified to profit or loss:</i>			
Actuarial gain/(loss), net of tax		181	-179
		<u>181</u>	<u>-179</u>
Other comprehensive income, net of tax		5 065	-3 287
Total comprehensive income for the period		158 782	52 758

The notes on pages 12 to 87 form an integral part of the consolidated financial statements.

KKCG AG**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017
PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AS ADOPTED BY THE E.U.
(in thousands of Euro)**

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Profit attributable to:			
Owners of the Company		35 088	17 663
Non-controlling interests		<u>118 629</u>	<u>38 382</u>
Profit for the period		<u>153 717</u>	<u>56 045</u>
Total comprehensive income attributable to:			
Owners of the Company		42 757	15 317
Non-controlling interests	16	<u>116 025</u>	<u>37 441</u>
Total comprehensive income for the period		<u>158 782</u>	<u>52 758</u>

The notes on pages 12 to 87 form an integral part of the consolidated financial statements.

KKCG AG

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017
PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AS ADOPTED BY THE E.U.
(in thousands of Euro)**

2017	Share capital	Share premium	Treasury shares	Reserve fund	Other funds	Translation reserve	Hedging reserve	Share of funds of equity-accounted investees	Retained earnings	Profit for current period	Equity *	Non-controlling interests	Total equity
Balance at 1 January 2017	90	672 402	-782	-842 552	8 177	10 679	-2 107	-2 565	960 534	17 663	821 539	1 299 319	2 120 858
Profit for the period	--	--	--	--	--	--	--	--	--	35 088	35 088	118 629	153 717
Other comprehensive income**	--	--	--	--	--	-6 620	14 262	5	23	--	7 670	-2 605	5 065
Total comprehensive income for the period	--	--	--	--	--	-6 620	14 262	5	23	35 088	42 758	116 024	158 782
Transactions with owners, recorded directly in equity:													
Effect of new acquisitions	--	--	--	--	--	--	--	--	--	--	--	2 943	2 943
Reallocation of 2016 profit	--	--	--	39	-754	--	--	--	18 378	-17 663	--	--	--
Dividends paid	--	--	--	--	--	--	--	--	-11 450	--	-11 450	-299 265	-310 715
Other movement in equity	--	--	-280	109	-149	--	--	--	1 348	--	1 028	-2 609	-1 581
Other contributions to equity	--	--	--	--	--	--	--	--	--	--	--	15 195	15 195
Effect of disposals of investments	--	--	--	--	--	--	--	--	-66	--	-66	17	-49
Effect of change in share ownership***	--	--	--	--	--	--	--	--	-19 133	--	-19 133	-16 465	-35 598
Total transactions with owners	--	--	-280	148	-903	--	--	--	-10 923	-17 663	-29 621	-300 184	-329 805
Balance at 31 December 2017	90	672 402	-1 062	-842 404	7 274	4 059	12 155	-2 560	949 634	35 088	834 676	1 115 159	1 949 835

* Equity attributable to owners of the company.

** See note 31.

*** The most significant impact on total equity amounting to TEUR 36 154 relates to the acquisition of additional investor shares of EMMA DELTA VARIABLE CAPITAL INVESTMENT COMPANY LTD. This increase only represents an increase in the economic share in the company without change of control. Consequently, this transaction is presented as a non-controlling interest transaction. The remaining changes are immaterial.

The notes on pages 12 to 87 form an integral part of the consolidated financial statements.

KKCG AG

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017
PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AS ADOPTED BY THE E.U.
(in thousands of Euro)**

2016	Share capital	Share premium	Treasury shares	Reserve fund	Other funds	Translation reserve	Hedging reserve	Share of equity-accounted investees	Retained earnings	Profit for current period	Equity *	Non-controlling interests	Total equity
Balance at 1 January 2016	120	681 382	--	-842 540	8 908	-23 991	-50	--	911 161	64 604	799 594	8 774	808 368
Profit for the period	--	--	--	--	--	--	--	--	--	17 663	17 663	38 382	56 045
Other comprehensive income	--	--	--	--	--	2 316	-2 057	-2 565	-40	--	-2 346	-941	-3 287
Total comprehensive income for the period	--	--	--	--	--	2 316	-2 057	-2 565	-40	17 663	15 317	37 441	52 758
Transactions with owners, recorded directly in equity:													
Reduction of share capital	-30	30	--	--	--	--	--	--	--	--	--	--	--
Reallocation of 2015 profit	--	--	--	-12	-733	--	--	--	65 349	-64 604	--	--	--
Dividends paid	--	--	--	--	--	--	--	--	--	--	--	-25 599	-25 599
Other movement in equity **	--	-9 010	-782	--	32 344	--	--	--	-23 122	--	-570	-4 004	-4 574
Effect of new acquisitions	--	--	--	--	--	--	--	--	--	--	--	1 132 872	1 132 872
Effect of change in ownership interests ***	--	--	--	--	2	10	--	--	7 186	--	7 198	149 835	157 033
Total transactions with owners	-30	-8 980	-782	-12	-731	32 354	--	--	49 413	-64 604	6 628	1 253 104	1 259 732
Balance at 31 December 2016	90	672 402	-782	-842 552	8 177	10 679	-2 107	-2 565	960 534	17 663	821 539	1 299 319	2 120 858

* Equity attributable to owners of the company.

** The reclassification between Equity items was due to a transfer of functional currency of the parent company from CZK to EUR as at 1 January 2016.

*** See note 5.

The notes on pages 12 to 87 form an integral part of the consolidated financial statements.

KKCG AG**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017
PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AS ADOPTED BY THE E.U.
(in thousands of Euro)****Consolidated statement of cash flows**

	Note	2017	2016
Cash flows from operating activities			
Profit for the period		153 717	56 045
<i>Adjustments for:</i>			
Share of (profit) of equity-accounted investees		-71 647	-11 612
Net interest expense	29	72 402	46 459
Income tax expense	30	75 360	17 042
Foreign exchange gains	29	-11 748	-7 148
Depreciation	27	56 796	50 402
Amortization	27	86 160	39 985
Revaluation of financial investments	29	7 728	-22 959
Negative goodwill on acquisition	24	-77	--
Dividend income	29	-34	-280
Gain on sale of property, plant and equipment	24	-1 842	-762
(Gain)/loss on sale of other investments	29	-843	18
Other non-monetary transactions		-8 869	-24 351
		<u>357 103</u>	<u>142 839</u>
Cash flow from operating activities before changes in working capital and provisions			
Increase/(decrease) in provisions and employee benefits		-2 578	18 009
(Increase)/decrease in inventories		-26 953	37 933
Increase in receivables		-36 188	-73 408
Increase in liabilities		192 319	59 981
		<u>483 704</u>	<u>185 354</u>
Cash generated from operations			
Interest paid		-58 902	-50 408
Income tax paid		-38 550	-63 173
		<u>386 252</u>	<u>71 773</u>
Net cash from operating activities carried forward			

The notes on pages 12 to 87 form an integral part of the consolidated financial statements.

KKCG AG**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017
PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AS ADOPTED BY THE E.U.
(in thousands of Euro)**

	Note	<u>2017</u>	<u>2016</u>
Net cash from operating activities brought forward		386 252	71 773
Cash flows from investing activities			
Proceeds from sale of plant and equipment		8 661	8 176
Proceeds from sale of investments, net of cash disposed		621	143 368
Dividends received		23 492	280
Interest received		9 113	8 891
Acquisition of subsidiaries, net of cash acquired	14	-80 384	43 222
Acquisition of property, plant and equipment and intangible assets		-146 159	-72 998
Acquisition of other financial investments and equity-accounted investees		-85 112	-236 832
(Increase)/decrease in short-term and long-term financial assets		24 556	-4 651
Net cash used in investing activities		-245 212	-110 544
Cash flows from financing activities			
Loans and borrowings received		1 404 369	1 337 201
Repayment of loans and borrowings		-944 475	-1 042 296
Dividends paid to owners of the company		-11 450	--
Dividends paid to non-controlling interest		-299 265	-25 599
Acquisition of non-controlling interest		-36 152	--
Acquisition of treasury shares		-1 585	--
Net cash from financing activities		111 441	269 306
Net increase in cash and cash equivalents		252 482	230 535
Effect of currency translation of cash and cash equivalents		-8 386	490
Cash and cash equivalents at beginning of the year	13	481 220	250 195
Cash and cash equivalents at end of the year	13	725 316	481 220

The notes on pages 12 to 87 form an integral part of the consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AS ADOPTED BY THE E.U.
(in thousands of Euro)

1. PRINCIPAL ACTIVITIES AND GROUP STRUCTURE

The Company was incorporated under the Laws of the Republic of Cyprus on 10 July 2006 as a private limited liability company. The Company was converted into a Public company on 21 December 2006 and subsequently to a European Company (Societas Europaea) pursuant to EU Council Regulation No. 2157/2001 of 8 October 2001 on the Statute of Company, on 3 May 2007. On 30 September the Company was converted back to a Public Limited Liability Company („PLC“, named KKCG PLC) pursuant to the Companies Law Cap. 113 on 30 September 2015 in accordance with a plan to redomicile the Company to Switzerland. During the 1st quarter 2016 the relocation from Cyprus to Switzerland was completed and the Company changed its legal form to AG (Aktiengesellschaft) and its business name to KKCG AG. Registered office of KKCG AG is Kapellgasse 21, 6004 Luzern, Switzerland.

As at 31 December 2017, its holding company was KKCG Holding AG registered in Switzerland.

The principal activities of the Group are crude oil and gas, lottery and betting, engineering, finance, tourism and holding of ownership interests.

The consolidated financial statements for the year ended 31 December 2017 comprise the financial statements of the parent company, its subsidiaries, associates and joint ventures (the Group).

The term “the Group” is further used to describe this consolidation group.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017 PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AS ADOPTED BY THE E.U. (in thousands of Euro)

Consolidation group

Companies included in the consolidation group in 2017 and 2016 are as follows:

Relationship and consolidation method	Company name	Registered office	Interest in share capital	
			31/12/2017	31/12/2016
Parent company	KKCG AG	Kapellgasse 21, 6004 Luzern, Switzerland		
Subsidiary Full consolidation	KKCG Industry B.V. sub-group	Herikerbergweg 292, 1101CT Amsterdam, Netherlands	100.00%	100.00%
Subsidiary Full consolidation	KKCG Oil & Gas B.V. (i)	Herikerbergweg 292, 1101CT Amsterdam, Netherlands	100.00%	100.00%
Subsidiary Full consolidation	KKCG Investments B.V. (ii)	Herikerbergweg 292, 1101CT Amsterdam, Netherlands	100.00%	100.00%
Subsidiary Full consolidation	MND Group B.V. sub-group (iii)	Herikerbergweg 292, 1101CT Amsterdam, Netherlands	100.00%	100.00%
Subsidiary Full consolidation	MND Samara Holding B.V. sub-group (iv)	Herikerbergweg 292, 1101CT Amsterdam, Netherlands	100.00%	100.00%
Subsidiary Full consolidation	KKCG Structured Finance AG	Kapellgasse 21, 6004 Luzern, Switzerland	100.00%	100.00%
Subsidiary Full consolidation	KKCG a.s.	Vinohradská 1511/230, Praha 10, Czech Republic	100.00%	100.00%
Subsidiary Full consolidation	PERULA a.s. (v)	Vinohradská 1511/230, Praha 10, Czech Republic	--	100.00%
Subsidiary Full consolidation	Collington II Limited	Custom House Plaza Block 6, International Financial Services Centre, Dublin, Ireland	100.00%	100.00%
Subsidiary Full consolidation	KKCG Real Estate a.s. sub-group	Vinohradská 1511/230, Praha 10, Czech Republic	100.00%	100.00%
Subsidiary Full consolidation	Kynero Consulting a.s.	Vinohradská 1511/230, Praha 10, Czech Republic	100.00%	100.00%
Subsidiary Full consolidation	SAZKA Group a.s. sub-group	Vinohradská 1511/230, Praha 10, Czech Republic	75.00%	75.00%
Subsidiary Full consolidation	KKCG Director 1 B.V.	Herikerbergweg 292, 1101CT Amsterdam, Netherlands	100.00%	100.00%
Subsidiary Full consolidation	KKCG Entertainment & Technology B.V. sub-group (vi)	Herikerbergweg 292, 1101CT Amsterdam, Netherlands	100.00%	100.00%
Subsidiary Full consolidation	KKCG Investments AG sub-group (vii)	Kapellgasse 21, 6004 Luzern, Switzerland	100.00%	100.00%
Subsidiary Full consolidation	G-JET s.r.o.	Vinohradská 1511/230, Praha 10, Czech Republic	100.00%	100.00%
Subsidiary Full consolidation	KKCG UK Limited	One Connaught Place 1, London, United Kingdom	100.00%	100.00%
Subsidiary Full consolidation	BXY Czech, a.s.	Vinohradská 1511/230, Praha 10, Czech Republic	100.00%	100.00%
Subsidiary Full consolidation	KKCG US LLC sub-group	400 Capitol street, Suite 200, Charleston WV, USA	100.00%	100.00%
Subsidiary Full consolidation	DataSpring s.r.o.	K Žižkovu 851/4, Praha 9, Czech Republic	100.00%	100.00%
Joint venture Equity method	SafeDX s.r.o.	K Žižkovu 851/4, Praha 9, Czech Republic	50.00%	50.00%

KKCG AG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017 PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AS ADOPTED BY THE E.U. (in thousands of Euro)

- (i) *In 2017, KKCG Oil & Gas B.V. entered into a process of the liquidation. Since the Group has still power over the liquidated company, the company is considered a part of consolidation group as at 31 December 2017.*
- (ii) *In 2017, KKCG Investments B.V. entered into a process of the liquidation. Since the Group has still power over the liquidated company, the company is considered a part of consolidation group as at 31 December 2017.*
- (iii) *On 4 August 2017, MND Group N.V. changed its legal form and business name to MND Group B.V. In 2017, 100% share in the company was transferred from KKCG Oil & Gas B.V. to KKCG AG.*
- (iv) *In 2017, 99.9% share in the company was transferred from KKCG Oil & Gas B.V. to KKCG AG. The remaining business share of 0.1% is held by KKCG Industry B.V., 100% subsidiary of KKCG AG.*
- (v) *On 30 December 2017, the company PERULA a.s. was dissolved.*
- (vi) *In 2017, KKCG Entertainment & Technology B.V. entered into a process of the liquidation. Since the Group has still power over the liquidated company, the company is considered a part of consolidation group as at 31 December 2017.*
- (vii) *In 2017, 100% share in the company was transferred from KKCG Investments B.V. to KKCG AG.*

a) The KKCG Industry B.V. sub-group includes the following companies:

		31/12/2017	31/12/2016
a) Parent company	KKCG Industry B.V., Amsterdam, Netherlands		
b) INTERMOS Praha s.r.o. sub-group		50.39%	50.39%
Parent company	INTERMOS Praha s.r.o., Praha, Czech Republic		
Subsidiary	Moravia Systems a.s., Praha, Czech Republic	67.39%	67.39%
Subsidiary	INTERMOS Bratislava s.r.o., Bratislava, Slovak Republic	67.00%	67.00%

KKCG AG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017 PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AS ADOPTED BY THE E.U. (in thousands of Euro)

b) The MND Group B.V. sub-group includes the following companies:

		31/12/2017	31/12/2016
a) Parent company	MND Group B.V., Amsterdam, Netherlands		
b) MND Group AG sub-group		100.00%	100.00%
Parent company	MND Group AG, Luzern, Switzerland		
MND a.s. sub-group		100.00%	100.00%
Parent company	MND a.s., Hodonín, Czech Republic		
Subsidiary	MND Drilling & Services a.s., Lužice, Czech Republic	100.00%	100.00%
Subsidiary	MND Gas Storage a.s., Hodonín, Czech Republic	100.00%	100.00%
Joint venture	Moravia Gas Storage a.s., Hodonín, Czech Republic	50.00%	50.00%
Subsidiary	MND Energy Trading a.s., Praha, Czech Republic	100.00%	100.00%
Belisar B.V. sub-group (i)		99.00%	99.00%
Parent company	Belisar B.V., Amsterdam, Netherlands		
Subsidiary	OOO Belisar, Samara, Russia	100.00%	100.00%
Subsidiary	OOO Saratovneftedobycha, Saratov, Russia (ii)	--	100.00%
MND Ukraine B.V. sub-group		80.00%	80.00%
Parent company	MND Ukraine B.V., Amsterdam, Netherlands		
Subsidiary	Geologichne bureau "Lviv" LLC, Lviv, Ukraine (iii)	99.99%	99.99%
Subsidiary	"HORYZONTY" LLC, Lviv, Ukraine	100.00%	100.00%
Subsidiary	Precarpathian energy company LLC, Ivano-Frankivsk, Ukraine (iv)	99.99%	99.99%
Subsidiary	MND E&P Germany GmbH, Hamburg, Germany	100.00%	100.00%
Subsidiary	LP Drilling S.r.l., Cortemaggiore, Italy	70.00%	70.00%
Subsidiary	MND Gas Storage Germany GmbH, Essen, Germany	100.00%	100.00%
Subsidiary	MND Drilling Germany GmbH, Grünwald, Germany	100.00%	100.00%
c) MND Georgia B.V. sub-group (v)		100.00%	100.00%
Parent company	MND Georgia B.V., Amsterdam, Netherlands		
Joint venture	Ninotsminda Oil Company Limited, Nicosia, Cyprus	50.00%	50.00%
Joint venture	Nazvrevi Oil Company Limited, St. Peter Port, Guernsey, British Isles	50.00%	50.00%
Joint venture	MARTKOPI OIL COMPANY LIMITED, Nicosia, Cyprus	50.00%	50.00%
Subsidiary	Kura Basin Operating Company LLC, Tbilisi, Georgia	100.00%	100.00%

(i) On 23 March 2017, MND Russia B.V. changed its business name to Belisar B.V. The remaining business share of 1% is held by KKCG Industry B.V.

(ii) On 11 October 2017, the company OOO Saratovneftedobycha was dissolved.

(iii) The remaining business share of 0.01% is held by "HORYZONTY" LLC.

(iv) The remaining business share of 0.01% is held by "HORYZONTY" LLC.

(v) As at 31 December 2016, MND Georgia B.V. sub-group was reported as held for sale (see note 4).

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c) The KKCG Investments AG sub-group includes the following companies:

		31/12/2017	31/12/2016
a) Parent company	KKCG Investments AG, Luzern, Switzerland		
b) Subsidiary	BOŘISLAVKA OFFICE & SHOPPING CENTRE s.r.o., Praha, Czech Republic (i)	100.00%	100.00%
c) Subsidiary	Vinohradská 230 a.s., Praha, Czech Republic	100.00%	100.00%
d) Cestovní kancelář FISCHER, a.s. sub-group		100.00%	100.00%
Parent company	Cestovní kancelář FISCHER, a.s., Praha, Czech Republic		
Subsidiary	CKF facility s.r.o., Praha, Czech Republic	100.00%	100.00%
e) Subsidiary	TrustYard, s.r.o., Praha, Czech Republic	64.17%	64.17%
f) Theta Real s.r.o. sub-group		100.00%	100.00%
Parent company	Theta Real s.r.o., Praha, Czech Republic		
Subsidiary	PXY Czech, a.s., Praha, Czech Republic	100.00%	100.00%
g) Springtide Ventures s.r.o. sub-group		100.00%	100.00%
Parent company	Springtide Ventures s.r.o., Praha, Czech Republic		
Associated company	ThreatMark, s.r.o. (ii)	25.76%	--
Associated company	Cloud4com, a.s., Praha, Czech Republic	22.00%	22.00%
Associated company	BIO NEXUS Ltd., Israel (iii)	39.51%	20.00%
h) Subsidiary	JTU Czech, s.r.o., Praha, Czech Republic	100.00%	100.00%
i) Associated company	Geewa a.s, Praha, Czech Republic (iv)	40.20%	30.82%
j) Medicem Group B.V. sub-group		85.50%	90.00%
Parent company	Medicem Group B.V., Amsterdam, Netherlands (v)		
Subsidiary	MEDICEM Technology s.r.o., Kamenné Žehrovice, Czech Republic	100.00%	100.00%
Subsidiary	MEDICEM Institute s.r.o., Kamenné Žehrovice, Czech Republic	100.00%	100.00%
Subsidiary	Medicem Ophthalmic (CY) Limited, Limassol, Cyprus	100.00%	100.00%
Subsidiary	Medicem Tissue (CY) Limited, Limassol, Cyprus	100.00%	100.00%
Subsidiary	Medicem Gyneco (CY) Limited, Limassol, Cyprus	100.00%	100.00%
Subsidiary	MEDICEM International GmbH, Zug, Switzerland (vi)	--	100.00%
Subsidiary	MEDICEM International CR s.r.o., Praha, Czech Republic (vii)	--	100.00%
k) Conectart s.r.o. sub-group		95.00%	95.00%
Parent company	Conectart s.r.o., Praha, Czech Republic		
Subsidiary	Quality Brands, s.r.o., Brno, Czech Republic (viii)	100.00%	--
Subsidiary	SnackCall s.r.o., Praha, Czech Republic (ix)	100.00%	--
Subsidiary	Direct Communication, s.r.o., Praha, Czech Republic	100.00%	100.00%
l) BYW Czech a.s. sub-group		70.00%	--
Parent company	BYW Czech a.s., Praha, Czech Republic (x)		
AutoCont Holding a.s. sub-group (xi)		100.00%	--
Parent company	AutoCont Holding a.s., Ostrava, Czech Republic		
Subsidiary	AutoCont SK a.s., Bratislava, Slovak Republic	92.00%	--
Subsidiary	SIL Servis Partner a.s., Ostrava, Czech Republic	100.00%	--
Subsidiary	CAD Studio a.s., Ostrava, Czech Republic	100.00%	--

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		31/12/2017	31/12/2016
Subsidiary	MIUS a.s., Teplice, Czech Republic	100.00%	--
Subsidiary	ANTAIOS s.r.o., Ostrava, Czech Republic	100.00%	--
Subsidiary	AutoCont CZ a.s., Ostrava, Czech republic	100.00%	--
Subsidiary	WOODSLOCK a.s., Praha, Czech Republic	100.00%	--
m) Joint venture	VESTINLOG s.r.o., Praha, Czech republic (xii)	50.00%	--

- (i) In 2017, 100% share in the company was transferred from KKCG Investments B.V. to KKCG Investments AG.
- (ii) On 30 June 2017, 25.76% share in the company ThreatMark, s.r.o. was acquired.
- (iii) In 2017, share in the company was increased up to 39.51%.
- (iv) On 2 February 2017, share in the company was increased to 40.20%.
- (v) On 8 June 2017, 4.5% share in Medicem Group B.V. was sold out of the Group.
- (vi) On 31 May 2017, MEDICEM International GmbH entered into a process of the liquidation and was disposed of the Group.
- (vii) Effective from 1 January 2017, MEDICEM International CR s.r.o. was demerged into two parts and then one part was merged into the company MEDICEM Technology s.r.o. and second part into the company MEDICEM Institute s.r.o.
- (viii) On 30 June 2017, 100% share in the company Quality Brands, s.r.o. was acquired.
- (ix) On 13 November 2017, 100% share in the company SnackCall s.r.o. was acquired.
- (x) On 26 September 2017, 70% share in the company BYW Czech, a.s. was acquired.
- (xi) On 28 November 2017, 100% share in AutoCont Holding a.s. sub-group was acquired.
- (xii) On 15 June 2017, 50% share in the company VESTINLOG, s.r.o. was acquired.

d) The MND Samara Holding B.V. sub-group includes the following companies:

		31/12/2017	31/12/2016
a) Parent company	MND Samara Holding B.V., Amsterdam, Netherlands		
b) Subsidiary	OOO MND Samara, Samara, Russia	100.00%	100.00%

e) The KKCG Real Estate a.s. sub-group includes the following companies:

		31/12/2017	31/12/2016
a) Parent company	KKCG Real Estate a.s., Praha, Czech Republic		
b) Subsidiary	FM&S Czech a.s., Praha, Czech Republic	100.00%	100.00%
c) Subsidiary	IPM – Industrial Portfolio Management a.s. Praha, Czech Republic (i)	51.00%	51.00%

- (i) On 20 January 2017, the company changed its business name from BWV Czech, a.s. to IPM – Industrial Portfolio Management a.s.

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 f) The SAZKA Group a.s. sub-group includes the following companies:

		31/12/2017	31/12/2016
a)	Parent company	SAZKA Group a.s., Praha, Czech Republic	
b)	SAZKA Czech a.s. sub-group	100.00%	100.00%
	Parent company	SAZKA Czech a.s., Praha, Czech Republic	
	Subsidiary	SAZKA FTS a.s., Praha, Czech Republic	100.00%
	Subsidiary	SAZKA a.s., Praha, Czech Republic (i)	100.00%
	Subsidiary	SPORTLEASE a.s., Praha, Czech Republic	100.00%
	Subsidiary	Kavárna štěstí s.r.o., Praha, Czech Republic	100.00%
c)	Austrian Gaming Holding a.s. sub-group	100.00%	100.00%
	Parent company	Austrian Gaming Holding a.s., Praha, Czech Republic	
	CAME Holding GmbH sub-group	100.00%	100.00%
	Parent company	CAME Holding GmbH, Vienna, Austria	
	Associated company	Medial Beteiligungs-GmbH, Vienna, Austria	29.63%
	BAIH Beteiligungsverwaltungs GmbH sub-group	100.00%	100.00%
	Parent company	BAIH Beteiligungsverwaltungs GmbH, Vienna, Austria (ii)	
	Associated company	CLS Beteiligungs GmbH	66.67%
	Associated company	LTB Beteiligungs GmbH	24.90%
	Associated company	LTB Beteiligungs GmbH (iii)	41.766%
d)	Subsidiary	Vitalpeak Limited, Limassol, Cyprus	100.00%
e)	Subsidiary	Rubidium Holdings Limited, Limassol, Cyprus	100.00%
f)	EMMA DELTA MANAGEMENT LTD sub-group (iv)	66.70%	66.70%
	Parent company	EMMA DELTA MANAGEMENT LTD, Cyprus	
	EMMA DELTA VARIABLE CAPITAL INVESTMENT COMPANY LTD sub-group (v)	100.00%	100.00%
	Parent company	EMMA DELTA VARIABLE CAPITAL INVESTMENT COMPANY LTD, Cyprus	
	Subsidiary	Emma Delta Finance Plc, Cyprus	100.00%
	Emma Delta Hellenic Holdings Limited sub-group	100.00%	100.00%
	Parent company	Emma Delta Hellenic Holdings Limited, Cyprus	
	OPAP S.A. sub-group	33.00%	33.00%
	Parent company	OPAP S.A., Athens, Greece (vi)	
	Subsidiary	OPAP CYPRUS LTD, Cyprus	100.00%
	Subsidiary	OPAP INTERNATIONAL LTD, Cyprus	100.00%
	Subsidiary	OPAP SERVICES S.A., Greece	100.00%
	Subsidiary	OPAP SPORTS LTD, Cyprus	100.00%
	Subsidiary	OPAP INVESTMENT LTD, Cyprus	100.00%
	Subsidiary	HELLENIC LOTTERIES S.A., Greece	67.00%
	Subsidiary	TORA DIRECT S.A., Greece	100.00%
	Subsidiary	HORSE RACES S.A., Greece	100.00%
	Subsidiary	TORA WALLET S.A., Greece	100.00%
	Associated company	GLORY TECHNOLOGY LTD, Cyprus (vii)	--
	Subsidiary	NEUROSOFT S.A., Greece (viii)	67.72%

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		31/12/2017	31/12/2016
g)	SAZKA Asia a.s. sub-group	100.00%	100.00%
	Parent company	SAZKA Asia a.s., Praha, Czech Republic	
	Subsidiary	Sazka Asia Vietnam Company Limited, Vietnam	100.00%
	Subsidiary	Sazka Distribution Vietnam Joint Stock Company, Vietnam (ix)	90.00%
			--
h)	IGH Financing a.s. sub-group	100.00%	100.00%
	Parent company	IGH Financing a.s., Praha, Czech Republic	
	Italian Gaming Holding a.s. sub-group	100.00%	100.00%
	Parent company	Italian Gaming Holding a.s., Praha, Czech Republic	
	Associated company	LOTTOITALIA S.r.l., Rome, Italy	32.50%
			32.50%
i)	Subsidiary	SAZKA Group Financing a.s., Slovak Republic (x)	100.00%
			--
j)	Subsidiary	SAZKA Group Russia LLC, Russia (xi)	100.00%
			--

(i) On 23 May 2017, the company *Fsázky a.s.* became part of the consolidated sub-group *SAZKA a.s.* Effective from 1 December 2017, *Fsázky a.s.* merged into *SAZKA a.s.*

(ii) On 11 December 2017, the share of 100% owned by *Austrian Gaming Holding* was sold to subsidiary *CAME Holding GmbH*.

(iii) The share of 24.9% was owned by *BAIH Beteiligungsverwaltungs GmbH* and 41.76% was owned by *Austrian Gaming Holding a.s.* in 2016. On 11 December 2017, the share of 41.76% owned by *Austrian Gaming Holding a.s.* was sold to subsidiary *CAME Holding GmbH*.

(iv) 66.7 % represents voting shares, total economic share in *EMMA DELTA VARIABLE CAPITAL INVESTMENT COMPANY LTD* is 71.86%.

(v) During the reported period the Group increased investor shares of *EMMA DELTA VARIABLE CAPITAL INVESTMENT COMPANY LTD* to 71.86%. This increase only represents an increase in the economic share in the company without change of control.

(vi) According to *IFRS 10*, the Group has control over the *OPAP* sub-group through the combination of holding the largest individual stake of shares (with remaining free float being widely held by minority shareholders) and majority in the Board (including the roles of CEO and Executive Chairman). All significant judgements were done in 2016, when the control was obtained.

(vii) On 14 December 2017, the share in *GLORY TECHNOLOGY LTD* was sold.

(viii) On 2 August 2017, the Group acquired 38.19% share in *NEUROSOFT S.A.* and from this date the subsidiary is fully consolidated.

(ix) On 28 June 2017, *Sazka Distribution Vietnam Joint Stock Company* became part of the consolidation Group.

(x) On 18 October 2017, *SAZKA Group Financing a.s.* entered the consolidation Group.

(xi) On 29 August 2017, the company was established.

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g) The KKCG Entertainment & Technology B.V. sub-group includes the following companies:

		31/12/2017	31/12/2016
a) Parent company	KKCG Entertainment & Technology B.V., Amsterdam, Netherlands		
b) Subsidiary	Apus Holding N.V., Amsterdam, Netherlands (i)	100.00%	100.00%
c) KKCG Turkey B.V. sub-group (ii)		100.00%	100.00%
Parent company	KKCG Turkey B.V., Amsterdam, Netherlands		
Subsidiary	Turkish Lottery Holding B.V., Amsterdam, Netherlands	100.00%	100.00%

(i) Apus Holding N.V. entered into a process of the liquidation on 5 May 2017. Since the Group has still power over the liquidated company, the company is considered a part of consolidation group as at 31 December 2017.

(ii) Companies KKCG Turkey B.V. and Turkish Lottery Holding B.V. entered into a process of the liquidation on 5 May 2017. Since the Group has still power over the liquidated companies, the companies are considered a part of consolidation group as at 31 December 2017.

h) The KKCG US LLC sub-group includes the following companies:

		31/12/2017	31/12/2016
a) Parent company	KKCG US LLC, Charleston, USA		
b) US Methanol LLC group		100.00%	100.00%
Parent company	US Methanol LLC, Charleston, USA		
Subsidiary	Liberty One Methanol LLC, Charleston, USA (i)	100.00%	--
Subsidiary	Liberty One O&M LLC, Charleston, USA (ii)	100.00%	--
Liberty Two Methanol LLC sub-group		100.00%	--
Parent company	Liberty Two Methanol LLC, Charleston, USA (iii)		
Subsidiary	Metanol d.o.o., Lendava, Slovenia (iv)	100.00%	--
Subsidiary	Rezervoarji d.o.o., Lendava, Slovenia (iv)	100.00%	--
Associated company	Industrijske storitve d.o.o., Lendava, Slovenia (iv)	49.00%	--

(i) On 10 January 2017, the company was established.

(ii) On 17 January 2017, the company was established.

(iii) On 6 April 2017, the company was established.

(iv) On 25 September 2017, shares in Slovenian companies were acquired.

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In 2017 and 2016 the Group acquired interest in, or incorporated, the following companies and groups of companies (the percentage stated below represents the interest acquired in the period):

Company / group of companies	2017	2016
Liberty One Methanol LLC	100.00%	--
Liberty One O&M LLC	100.00%	--
Liberty Two Methanol LLC	100.00%	--
Metanol d.o.o.	100.00%	--
Rezervoarji d.o.o.	100.00%	--
Industrijske storitve d.o.o.	49.00%	--
NEUROSOFT S.A.	38.19%	--
Sazka Distribution Vietnam Joint Stock Company	90.00%	--
SAZKA Group Russia LLC	100.00%	--
SAZKA Group Financing a.s.	100.00%	--
Geewa a.s.	9.38%	--
VESTINLOG, s.r.o.	50.00%	--
BYW Czech, a.s.	70.00%	--
AutoCont Holding a.s. sub-group	100.00%	--
Quality Brands, s.r.o.	100.00%	--
SnackCall s.r.o.	100.00%	--
ThreatMark s.r.o.	25.76%	--
Fsázky a.s.	100.00%	--
BIO NEXUS Ltd.	19.51%	20.00%
APUS Holding N.V.	--	5.00%
Austrian Gaming Holding a.s.	--	25.00%
BAIH Beteiligungsverwaltungs GmbH	--	100.00%
BXY Czech, a.s.	--	100.00%
CLS Beteiligungs GmbH	--	66.67%
Direct Communication, s.r.o.	--	100.00%
IGH Financing a.s.	--	100.00%
BWV Czech, a.s.	--	51.00%
Italian Gaming Holding a.s.	--	100.00%
Kavárna štěstí s.r.o.	--	100.00%
KKCG Turkey B.V.	--	50.00%
KKCG US LLC	--	100.00%
US Methanol LLC	--	100.00%
LOTTOITALIA S.r.l.	--	32.50%
LTB Beteiligungs GmbH	--	66.67%
Emma Delta Management Ltd sub-group	--	66.70%
SafeDX s.r.o.	--	50.00%
SAZKA Asia a.s.	--	100.00%
Sazka Asia Vietnam Company Limited	--	100.00%
Turkish Lottery Holding B.V.	--	40.00%

The above stated percentages in companies reflect direct share acquired by its parent company.

i) Companies not included in the consolidation group:

The consolidation group does not include those subsidiaries in which the Group lost control due to bankruptcy proceedings or liquidation at the reporting date.

2. BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the Swiss Code of Obligations.

Standards recently issued

The preparation of these consolidated financial statements involved the use of the following new or amended standards and interpretations, whose initial application is required for annual periods beginning on 1 January 2017 (the following list includes only new or amended standards and interpretations relevant for the Group).

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

Effective for annual periods beginning on or after 1 January 2017. Not yet endorsed for use in the EU.

Amends IAS 12 Income Taxes to clarify the following aspects:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The Group's accounting policy is consistent with this amendment, there are no changes to this accounting policy.

Amendments to IAS 7: Disclosure Initiative

Effective for annual periods beginning on or after 1 January 2017. Not yet endorsed for use in the EU.

Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Annual improvements 2014-2016 cycle: Amendments to IFRS 12

The amendments clarify that the disclosure requirements of IFRS 12 apply to interests in entities that are classified as held for sale, except for the summarised financial information.

Standards, interpretations and amendments to standards adopted before 31 December 2017 but not yet effective

The following new standards and amendments to standards were not yet effective for the year ended 31 December 2017 and were not applied in preparing these consolidated financial statements:

• **IFRS 9 Financial Instruments**

Effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively with some exemptions. The restatement of prior periods is not required, and is permitted only if information is available without the use of hindsight.

This Standard replaces IAS 39, Financial Instruments: Recognition and Measurement, except that the IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting.

The Group does not expect IFRS 9 to have material impact on the consolidated financial statements. The classification and measurement of the Group's financial instruments are not expected to change under IFRS 9 because of the nature of the Group's operations and the types of financial instruments that it holds.

• **IFRS 15 Revenue from Contracts with Customers**

Effective for annual periods beginning on or after 1 January 2018.

The new Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The Group performed a preliminary analysis of expected impact of the new Standard and does not expect significant impacts of application IFRS 15 on the Group's financial statements.

• **IFRS 16 Leases**

Endorsed by EU on 31 October 2017 effective for annual period beginning on 1 January 2019. Earlier application is permitted, but the Group will not adopt this standard earlier.

IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new Standard introduces a number of limited scope exceptions for lessees which include:

- leases with a lease term of 12 months or less and containing no purchase options, and
- leases where the underlying asset has a low value ('small-ticket' leases).

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Lessor accounting, however, shall remain largely unchanged and the distinction between operating and finance leases will be retained.

The Group will aim for modified retrospective transition option applying the practical expedient of application of a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Group provided a preliminary analysis of expected impact IFRS 16 on the Group's financial statements with following result:

Finance lease

The Group has following amounts presented as finance leases as at 31 December 2017:

Statement of financial position:	TEUR
Underground gas storage -leased	1 833
Buildings and structures - leased	215
Tools, machinery and equipment - leased	9 028
Liabilities arising from finance leases - long-term	-905
Liabilities arising from finance leases - short-term	-1 146

Under a modified retrospective approach, for leases that were previously classified as finance leases, the Group recognises a right-of-use asset measured initially at the previous carrying amount of the finance lease asset under IAS 17 and a lease liability measured at the previous carrying amount of the lease liability under IAS 17. Subsequently, the company accounts for the right-of-use asset and lease liability in accordance with the general requirements of IFRS 16.

Operating lease

The Group leases the following types of underlying assets resulting from contractual arrangements that would be in the scope of the new standard (treated as operating lease) as at 31 December 2017:

- Land
- Tools, machinery and equipment
- Premises
- IT equipment

In 2017, the Group performed a detailed analysis of operating leases. In the case of operating leases of land and machinery and equipment, the exception for short-term leases (the remaining lease term of less than 12 months) and the exception for a low-value underlying asset (especially for leases of land) can be applied in most cases. The Group will continue to report payments from these contracts as expense in profit or loss.

In relation to IT equipment, The Group does not expect that the new Standard, when initially applied, will have material impact on the financial statements because the Group is party to a contractual arrangement that results in variable lease payments, which are excluded from the measurement of lease assets and lease liabilities. Instead, these costs are recognised as expenses in the period in which they are incurred. As the Group has only lease contracts with variable lease payments, those are linked to future sales from the leased item, there is no change in accounting treatment under adoption of IFRS 16.

For contracts with indefinite lease term (mainly leases of non-residential premises), a detailed analysis according to individual contracts is required and will be undertaken as of the date of adoption of the standard.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

Annual Improvements 2014-2016 Cycle

In December 2016, IASB published a set of three amendments for 2014–2016 (IFRS 12, IFRS 1 and IAS 28). Amendments to IFRS 12 are effective from 1 January 2017; the other two amendments from 1 January 2018. These amendments were endorsed for the application within the EU on 7 February 2018.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

Effective for annual periods beginning on or after 1 January 2018. Not yet endorsed for use in the EU.

Amends IFRS 2 Share-based Payment to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Effective date deferred indefinitely. EU endorsement currently halted.

Amends IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations),
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in an subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

Amendments to IAS 40: Transfers of Investment Property

The amendments reinforce the principle for transfers into, or out of, investment property in IAS 40 Investment Property to specify that such a transfer should only be made when there has been a change in use of the property. Based on the amendments a transfer is made when and only when there is an actual change in use – i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer. The amendments also provide that property under construction may also be transferred to investment property when there is evidence of the change in use.

The Group does not expect that the amendment will have an impact on the Group's financial statements. This interpretation has not yet been approved for application within the EU.

IFRIC 22: Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018)

The interpretation clarifies how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. In such circumstances, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The Group does not expect that the amendment will have an impact on the Group's financial statements. This interpretation has not yet been approved for application within the EU.

IFRIC 23 Uncertainty over Income Tax Treatments (issued by IASB on 7 June 2017)

The interpretation clarifies how to report and value deferred tax and current income tax receivable/payable where uncertainty over income tax treatments during the preparation of an income tax return exists. IFRIC 23 shall be applied when determining taxable income (tax losses), taxable bases, unutilised tax losses, unutilised tax offsets and tax rates where uncertainty over the accounting for income tax exists.

This interpretation has not yet been approved for application within the EU.

IFRS 17 Insurance contracts

Effective for annual periods beginning on or after 1 January 2021. Not yet endorsed for use in the EU.

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

This standard will have no impact on the Group's financial statements.

Annual improvements to IFRS standards 2015-2017 Cycle

Effective for annual periods beginning on or after 1 January 2019. Not yet endorsed for use in the EU.

Basis of measurement

The consolidated financial statements have been prepared on a going concern basis, using the historical cost method unless otherwise stated in the accounting policies.

Presentation and functional currency

The functional currency of the parent Company is Euro in 2017 and 2016.

These consolidated financial statements are presented in Euro for Group reporting purposes. The amounts included in the financial statements have been rounded in thousands of Euro (TEUR). Any differences between the amounts included in the financial statements and the respective amounts included in the notes are attributed to roundings.

Use of estimates and judgements

When preparing the financial statements, the Company's management makes estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. These estimates and assumptions are based on past experience and other various factors deemed appropriate as at the date of preparation of financial statements and are used where the carrying amounts of assets and liabilities are not readily available from other sources or where uncertainty exists in applying the individual accounting policies.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future period if the revision affects both current and future periods.

The use of estimates and judgements affects mainly the following areas:

- Valuation of tangible and intangible assets – notes 6 and 7; accounting policy 3c) and 3d),
- Derivative financial instruments – note 21; accounting policy 3e),
- Inventories – note 11; accounting policy 3g),
- Impairments – notes 6 and 7; accounting policy 3f),
- Provisions – note 18; accounting policy 3m),
- Calculation of taxes – note 30; accounting policy 3q),
- Definition of contingencies – note 34,
- Control over an investee – note 1,
- Acquisition of subsidiary – notes 1 and 14.

Measurement of fair values

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

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

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets and 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 the asset or liability that are not based on observable market data (unobservable inputs).

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the accounting periods presented in these financial statements, unless otherwise indicated.

The accounting policies have been applied consistently by Group entities.

a) Basis of consolidation

i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control (see ii) below) is transferred to the Group. Critical assumptions and judgements with respect to new acquisitions are described in note 14.

Goodwill represents amounts arising on the acquisition of subsidiaries and is measured as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Goodwill is stated at acquisition cost less impairment loss (see accounting policy 3f) and note 7).

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities (see accounting policy 3e).

Any contingent consideration is measured at fair value at the date of acquisition and it is remeasured at fair value at each reporting date. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

ii) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has ability to affect those returns through its power over the entity. In assessing control, only substantive rights and rights that are not protective are taken into account. The financial information of subsidiaries is included in the consolidated financial statements from the date that control commences until the date that control ceases.

iii) Non-controlling interests (note 16)

According to IFRS 3 the Group evaluates NCI transaction by transaction at the acquisition date. For the acquisitions occurred during the current financial year the Group measures non-controlling interests at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

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

iv) Loss of control

When the Group loses control over the subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

v) Other long-term investments (note 9)

Other long-term investments are not consolidated and are measured at cost less any impairment loss because quoted market prices do not exist and fair value cannot be reliably measured.

vi) Acquisitions from entities under common control

Acquisitions from entities under common control are business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group. The assets and liabilities acquired are recognised at the carrying amounts (book values) recognised previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity. Any gain or loss arising from this transaction is recorded directly in equity and therefore no goodwill is recognised.

vii) Associates and joint ventures (equity-accounted investees) (note 8)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Joint ventures are those entities over whose activities the Group has joint control. Associates and joint ventures are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition less impairment losses. The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. Distributions received from an investee reduce the carrying amount of the investment. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

iv) Transactions eliminated on consolidation

Intra-group balances and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees 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 to the extent that there is no evidence of impairment.

b) Foreign currencies*i) Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value at the date of acquisition are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in profit or loss, except for differences arising on the translation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash-flow hedges, which are recognised in other comprehensive income.

ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the presentation currency of the Group, the Euro, at exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to Euro at average exchange rates for the period which are reasonable approximation of the exchange rate at transaction date. Foreign currency differences are recognised in other comprehensive income and equity as a separate component.

iii) Hedge of net investment in foreign operation

Foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in foreign operation are recognised through other comprehensive income in equity in the translation reserve, to the extent that the hedge is effective and are presented within equity in the translation reserve. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged net investment is disposed of, the cumulative amount in equity is transferred to profit or loss as an adjustment to the profit or loss on disposal.

c) Property, plant and equipment and investment property*Assets owned by the Group (note 6)*

Property, plant and equipment consist of buildings, halls and structures, land, oil and gas wells, oil and gas property, equipment, production machinery, drilling rigs, computing technology, motor vehicles, aircrafts, fixtures and fittings and other tangible fixed assets. They are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy 3f).

The cost of self-manufactured tangible fixed assets (including oil and gas wells) includes the cost of materials, wages and a proportion of overheads directly connected with construction. Acquisition cost also includes the estimated cost of dismantling and removing tangible assets as well as the cost of land restoration.

Borrowing costs directly attributable to the acquisition of assets are capitalized until completion of the acquisition.

Acquisition cost does not include administrative or other general overheads, or initial operating losses.

Capitalisation of exploration expenditures

The costs incurred in the search and exploration for new oil and/or gas deposits including costs of wells are expensed when incurred except of costs associated with successful exploratory wells (successful effort method). Costs associated with successful exploratory wells are capitalised as tangible fixed assets if they are expected to provide future economic benefit and in the case of unfinished and not evaluated wells, at least at the end of each reporting period provided that we do not have the information that the well is unsuccessful. These capitalised costs are subject of impairment testing at each reporting date (see accounting policy 3f) ii). When all technical, technological and legislative conditions for commercial use of the well are met and the well begins to be commercially used, these capitalised costs are depreciated over the estimated useful life of the well.

Low-value tangible and intangible fixed assets

Low-value tangible and intangible fixed assets are charged to profit or loss in the year that they are acquired.

Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is stated at acquisition cost less accumulated depreciation and impairment losses.

When the use of a property changes from the owner-occupied to investment, the property is reclassified from property, plant and equipment to investment property.

Finance leases

Leases, in respect of which all the risks and rewards of ownership are assumed by the Group, are classified as finance leases. Upon initial recognition the leased assets are stated at the lower of fair value and the present value of the minimum lease instalments. Subsequently they are accounted for at the initially recognised amount less accumulated depreciation and impairment losses.

Assets held for sale (note 4)

Assets which are very likely to be sold within one year from the reporting date are not included in fixed assets and are stated in current assets at the lower of their carrying amount and fair value less costs to sell (see note 3j). Such assets are not depreciated.

Depreciation (note 27)

Tangible fixed assets are depreciated on a straight-line basis. Land is not depreciated. The Group does not apply the sum-of-the-units depreciation method.

The following table shows the expected useful life of individual groups of fixed assets:

	Useful life
Buildings and halls	20 – 60 years
Technological structures	20 – 40 years
Oil and gas wells, oil and gas property	Estimated production life
Equipment	3 – 15 years
Production machinery	3 – 15 years
Drilling rigs	20 – 40 years
Computing technology	3 – 6 years
Aircrafts	15 years
Motor vehicles	4 – 10 years
Fixtures and fittings	3 – 14 years
Other tangible fixed assets	4 – 12 years

Subsequent expenditure

Expenditure incurred to replace part of an item of property, plant and equipment is capitalised only if it results in an increase in the future economic benefits generated by the relevant tangible fixed asset. Major overhauls are capitalised as a separate item into the corresponding category of fixed assets at the moment the overhaul is executed. All other expenditure is recognised in the statement of comprehensive income as an expense.

d) Intangible assets

Goodwill (note 7)

For more information refer to the section 3a) i).

Licenses (note 7)

Most licenses relate to crude oil and gas production and to lottery and betting business. They are stated at acquisition cost less accumulated amortization and impairment losses.

Exploration and evaluation assets (note 7)

Exploration and evaluation assets are represented by non-capitalised exploration and evaluation expenditures and mineral resources identified in business combinations. They are measured at fair value as at the date of the acquisition and they are not amortised but tested for impairment (see accounting policy 3f) and note 7). Exploration and evaluation assets are reclassified to tangible assets (oil and gas property) when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Customer contracts, trademarks and brands (note 7)

The Group capitalises major customer contracts and trademarks upon the acquisition of the company that concluded the contracts with the customers - unrelated parties - or the company that owns the trademark. The value of these intangible assets was determined based on an expert's appraisal prepared at the time of the acquisition.

Contracts and trademarks are assets which can be used in the future. Capitalised contracts are amortized on a straight-line basis against revenues arising from such contracts. Capitalised trademarks are stated at acquisition cost and are tested for impairment every year or they are depreciated over a period determined by the individual companies.

Brands are determined as intangible asset with indefinite useful life grounded by its establishment in the market and its significant contributions to the business. The Group will perform impairment testing of the brand annually in line with the Group's policy (see note 7).

Other intangible assets (note 7)

Other intangible assets acquired by the Group, which have finite useful lives, are measured at acquisition cost less accumulated amortisation and impairment losses.

Amortisation (note 27)

Intangible assets, except goodwill and other intangibles with indefinite useful lives, are amortised on a straight-line basis over their estimated useful life from the date they are available for use.

The following table shows the expected useful life of individual groups of intangible assets:

	Useful life
Appreciable rights and licences	The period for which they have been issued
Appreciable rights and licences - Distribution network (contracts with providers)	20 years
Software	2 - 7 years
Other intangible assets	3 - 6 years

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the statement of comprehensive income as an expense.

Research

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of comprehensive income as an expense as incurred.

e) Financial instruments**Investments at fair value through profit or loss**

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss in net finance income.

Available-for-sale financial assets

Available-for-sale financial assets include those non-derivative financial assets that are designated as such or are not classified as held-to-maturity investments or financial assets at fair value through profit or loss.

These assets are initially measured at at fair value plus any directly attributable transaction costs (fees, commissions and other expenses incurred in connection with their acquisition).

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items (see accounting policy 3b), are recognised directly in other comprehensive income. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Available-for-sale equity securities that do not have a quoted market price on an active market and whose fair value cannot be reliably measured are stated at cost, including transaction costs, less impairment losses. Impairment losses in respect of such investments carried at cost are not reversed.

Derivative financial instruments (note 21)

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from its operational, financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Forward contracts for purchase or sale of gas and electricity that can be settled net in cash or by another financial instrument are measured at fair value through profit or loss and recognised as trading derivatives.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are re-measured at fair value. The gain or loss on re-measurement is recognised immediately in profit or loss except as described below.

Cash-flow hedges (notes 21, 35)

Changes in the fair value of the derivative hedging instrument or designated non-derivative financial liability designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the statement of comprehensive income in profit or loss for the year.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying

amount of the asset when it is recognised. In other cases, the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

The Group also uses hedging derivatives to mitigate the risk of changes in future cash flows arising from changes in the prices of commodities sold, changes in foreign currency rates and interest rates, during the periods hedged.

To hedge against the currency risk relating to changes in future cash flows on concluded and potential contracts for the sale of gas inventories, the Group uses financial liabilities relating to the loan received for gas trading that are denominated in the currency of the sales contract (hedging future cash flows).

Short-term and long-term loans (note 17)

Short-term and long-term loans are initially recognized at fair value and subsequently are stated at amortised cost. Any part of a long-term loan which is due within one year from the reporting date is considered as a short-term loan.

Non-derivative financial assets (note 12)

Trade and other receivables are initially recognized on the date when they are originated and measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, less any impairment losses.

When applying amortised cost, any difference between the cost and the value upon redemption is recognised in the consolidated statement of comprehensive income over the duration of the asset or liability, using the effective interest method.

The Group derecognises trade receivables, other receivables and loans provided when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Non-derivative financial liabilities (notes 20)

The Group has the following non-derivative financial liabilities: trade and other payables, interest-bearing loans and borrowings, and finance lease liabilities. These financial liabilities, other than financial liabilities at fair value through profit or loss, are initially recognised at fair value less any directly attributable transaction costs. Subsequently, financial liabilities, other than financial liabilities at fair value through profit or loss, are measured at amortised cost using the effective interest method.

The Group classifies as current any part of non-current loans and borrowings that is due within one year of the date of the consolidated statement of financial position.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Offsetting

When the offsetting is permissible, financial instruments are offset at the level of individual companies.

f) Impairment

i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired.

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at (amortised) cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the equity to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at (amortised) cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity through other comprehensive income.

ii) Non-financial assets

The carrying amounts of the Group's non-financial assets (other than inventories and deferred tax assets), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date (for details refer to Note 7).

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows from continuing use that are largely independent from other assets or cash-generating units. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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.

g) Inventories (note 11)

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

The cost of inventories comprises the purchase costs, production or conversion costs and other costs incurred in bringing inventory to its present location and conditions. Trade discounts and rebates are deducted in determining the purchase price. Interest on loans for the purchase of inventory (borrowing costs) is not capitalised.

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Work in progress is valued at own cost and includes also an appropriate share of production overheads based on the normal operating capacity. Selling costs are not capitalised.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

h) Unfinished long-term projects (PoC contracts) (note 3n)

The group uses the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract, less a provision for expected losses and amounts invoiced in the course of the project. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

When the outcome of a contract cannot be reliably estimated, but there is an assurance that no loss will be incurred on a contract, the percentage of completion is based on the zero-profit method until more precise estimates can be made.

i) Cash and cash equivalents (note 13)

Cash and cash equivalents comprise cash balances and call deposits. For the purpose of the cash-flow statement, overdraft accounts are excluded.

j) Non-current assets held for sale (note 4)

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

k) Equity

Share capital (note 15)

The issued share capital comprises fully paid shares. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. The difference between the issue price of the shares and their nominal value is taken to the share premium account.

l) Employee benefits (note 22)

Money that the Group is obliged to pay to its employees is recognised as short-term (e.g. wages, social security contributions, paid annual leave) or long-term liabilities (e.g. retirement benefits, jubilees).

Contributions to defined contribution pension plans are recognised as employee benefit expense on an accrual basis. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The net liability of the Group in respect of defined benefit pension plans is calculated separately for each scheme as an estimate of the future benefits to which the employees are entitled in relation to their work in the current and prior periods; the value of the liability is equal to the present value of defined benefit payable at the balance sheet date less the fair value of plan assets. The defined benefit liability and the related expense are estimated annually by independent actuaries using the projected credit unit method. The present value of the liability is determined by discounting the estimated future cash flows to the interest rate of high quality corporate bonds or government bonds in the same currency as the liability with proportional liability duration, or interest rate that takes into account the risk and duration of the liability, where the market depth for such bonds is weak. The expenses for defined benefit plans, as estimated, are recognized in the income statement and

are included in personnel expenses. Additionally the actuarial gains/(losses) are recognised in the statement of comprehensive income.

m) Provisions (note 18)

A provision is recognised in the statement of financial position when the Group, as a result of a past event, has a legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Any additions and the effects of changes in interest rates are recognised in the consolidated statement of comprehensive income.

Provision for decommissioning, renewals and restorations

The Group establishes a provision for the renewal and restoration of areas damaged by oil and gas extraction and provision for decommissioning of assets. The amount of the provision is the best estimate of the amount required to cover the liability as at the reporting date. On this date the provision is adjusted to reflect the current estimate. If the estimate is expressed in future prices, it is discounted using the market interest rate.

The actual expenses incurred on decommissioning, renewal and restoration may differ significantly from the estimates as a result of changes in regulations or technology, an increase in personnel expenses, an increase in the cost of raw materials and equipment or in the time needed to complete decommissioning, renewal and restoration work, or a change in the rate of inflation or long-term real interest rates.

The initial discounted expenses related to decommissioning of tangible fixed assets are recognised as part of tangible fixed asset and depreciated over the estimated useful life of that asset.

Warranty provision

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historic warranty data and a weighing of all possible outcomes against their associated probabilities.

Jackpot provision

Jackpot games are games with fixed odds where unpaid winnings are transferred to next draw as a bonus. In next draw there are normal, regular winnings from amounts staked in current draw and bonuses transferred from previous draw. This obligation to transfer the unpaid winnings is given in game approval from regulator. Group creates a provision for bonuses on jackpot, which are transferred to next draw.

Restructuring provision

A restructuring provision is recognized once the Group has approved a detailed restructuring plan and restructuring has started or has been publicly announced. No provision is established for future operating losses.

In addition, the Group establishes provisions for litigations and other liabilities of uncertain timing or amount.

n) Revenues and other operating income

Revenues from the oil & gas stream (note 23)

Revenues from the sale of goods (including gas trading) (note 23)

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts, volume rebates and taxes relating to the sales. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Revenues from services rendered (note 23)

Revenue from services rendered is recognised in the statement of comprehensive income in the period to which relates in terms of timing and substance.

Revenue from services rendered from some drilling contracts is recognised in the statement of comprehensive income in proportion to the stage of completion of the transaction at the reporting date (PoC method, see also note 3h).

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

Revenues from lottery and betting stream (note 23)

Gaming revenues are reported net after deduction for player winnings.

Received stakes relating to future lottery periods are recorded as deferred revenues ("Numerical lottery subscription").

Lottery tax, assessed as percentage (according to specific country legislation) of revenue from stakes less wins in the period, is recognised based on recognised revenue less wins in the period.

Prize claims are recognized in lottery period based on the date of lottery draw and presented in balance sheet as other current payables, presented on accrual basis at the end of reporting period.

Unclaimed prizes (expired winnings that have been failed to claim by the winners) are recognized as a revenue after the relevant period given to winner expires, otherwise it is still reported as a payout/obligation to winners in balance sheet. In OPAP S.A. Group unclaimed prizes are attributed to the State after the given relevant claim period expires.

Draw based games (numerical lotteries)

There are two types of draw based games – Fixed odds and Pari mutuel (jackpot games).

For Fixed odds, the payout is fixed amount.

For Pari mutuel games payout pool is created and in case there is no winner in the given draw and the prize is rolled to the next draw as jackpot, the provision is recognized (on net basis).

Revenue is recognized when received stakes belongs to the period to which they relate in terms of timing and substance. Received stakes relating to future lottery periods are recognized as deferred revenues.

Instant lotteries

Gross revenues are recognized when the instant lottery tickets are being removed from the central warehouse or point of sale after being purchased and delivered to the customer, wholesalers or the agent's network. Instant lotteries payouts are recognized on accrual basis based on the claim date.

Betting (odds bets)

Odds bets are organized, according to gaming plan, via online (internet based) betting system connected to central IT system.

Amounts staked are recognized when the bet event result occurs. For a series of bet events, revenues are recognized when the last bet event result occurs. Betting payouts are recognized when the event occurred on accrual basis.

VLTs

Revenue is defined as the algebraic sum of all players' sessions within a period. A player's session begins when the player inserts his/her card in the machine and ends when he/she takes the card out. Revenue (GGR) is recognized on the net effect (receipts – winnings) of each player's game session. VLT machines were launched in the year 2017.

Revenues from tourism and other remaining streams (note 23)

Revenues from tourism

Revenue from the sale of tours is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and taxes relating to the sales.

Revenue is recognised in the statement of comprehensive income on accrual basis, in the month in which the service was provided or the tour finishes.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

Other operating income (note 24)

Lease income

Income from the lease of non-residential premises, office space and movable assets is recognised in the statement of comprehensive income in line Other operating income on a straight-line basis over the term of the lease.

Grants

A conditional grant is recognised in the statement of financial position initially as deferred income when there is reasonable assurance that it will be received and the conditions attaching to it have been met. Grants that compensate the Group for expenses incurred are recognised as income in the period in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in the statement of comprehensive income over the useful life of the asset.

o) Lease payments

Operating lease payments (note 32)

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease expense.

Finance lease payments

Payments made under finance leases are apportioned between principal, which reduces the overall liability from the finance lease, and finance expense. The latter is recognised in the statement of comprehensive income using the effective interest rate method.

p) Finance income and costs (note 29)

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established.

Finance expenses comprise interest expense on loans and borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss.

q) Income tax expense (note 30)

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference or tax loss carried forward can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, if there is an intention to settle current tax liabilities and assets on a net basis or tax assets and liabilities will be realised simultaneously.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

r) Discontinued operations (note 4)

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

s) Related parties (note 33)

A related party is a person or entity that is related to the Group (further as the "reporting entity").

- a) A person or close member of that person's family is related to a reporting entity if that person:
- (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of its parent.
- b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group.
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in a).
 - (vii) A person identified in a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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4. ASSETS AND LIABILITIES HELD FOR SALE

	31/12/2017	31/12/2016
Tangible fixed assets	795	1 874
Long-term investments	--	6 479
Long-term receivables *	--	39 017
Short-term receivables	--	315
Cash and cash equivalents	--	89
Assets classified as held for sale	795	47 774
	31/12/2017	31/12/2016
Short-term liabilities	--	9 183
Liabilities classified as held for sale	--	9 183

As at 31 December 2017, tangible fixed assets represent land classified as held for sale.

As at 31 December 2016, MND Georgia B.V. sub-group was reported as held for sale (referring to the Board of director's resolution of MND Group N.V. dated as at 16 December 2015). The negotiations with the potential investors are a long-term process and operation is ongoing. Based on that fact, the company was reclassified from assets held for sale and consolidated in 2017.

* As at 31 December 2016, long-term receivables represent long-term loans provided to related parties.

5. EFFECTS OF DISPOSAL OF SUBSIDIARIES

In 2017, there were no material disposals of the Group. Companies PERULA a.s. and OOO Saratovneftedobycha were dissolved and company Medicem International GmbH entered into the liquidation process and was disposed of the Group. Disposals of these companies had no material effect on the consolidated financial statements. Further, the ownership interest of 4.5% in Medicem Group B.V. was sold.

In 2016, there were no disposals from the Group, except of sale of 25% share in SAZKA Group a.s. (see Effect of change in ownership interests in Consolidated Statement of Changes in Equity).

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6. PROPERTY, PLANT AND EQUIPMENT

2017	Gas pipelines and compression stations	Underground gas storage owned	Underground gas storage leased	Land	Buildings and structures owned	Buildings and structures leased	Machinery, tools and equipment owned	Machinery, tools and equipment leased	Other tangible assets incl. tangible assets under construction*	Total
Acquisition cost										
Balance 1 January 2017	5 784	221 837	6 396	29 964	329 827	1 696	204 029	19 898	77 598	897 029
Effect of new acquisitions	--	--	--	5	429	--	4 018	--	6 098	10 550
Additions	1	166	--	1 482	7 990	--	51 361	9	48 571	109 580
Disposals	-5	-3 769	--	-1 021	-1 407	--	-3 239	-17	-840	-10 298
Effect of currency translation	281	11 365	371	1 106	15 606	98	633	643	-2 526	27 577
Transfers	319	-70	--	2	1 716	--	4 750	112	-7 526	-697
Balance 31 December 2017	6 380	229 529	6 767	31 538	354 161	1 794	261 552	20 645	121 375	1 033 741
Accumulated depreciation										
Balance 1 January 2017	3 197	102 186	4 344	128	174 016	1 404	73 775	9 602	7 175	375 827
Depreciation expense	282	6 115	328	--	20 527	91	16 272	1 492	11 670	56 777
Disposals	-5	-1 225	--	--	-1 437	--	-2 854	-17	-404	-5 942
Effect of currency translation	188	6 035	262	7	9 224	84	1 947	494	-441	17 820
Transfers	--	--	--	--	-1	--	-57	46	10	-2
Balance 31 December 2017	3 662	113 111	4 934	135	202 349	1 579	89 083	11 617	18 010	444 480
Net book value										
31 December 2017	2 718	116 418	1 833	31 403	151 812	215	172 469	9 028	103 365	589 261
1 January 2017	2 587	119 651	2 052	29 836	155 811	292	130 254	10 296	70 423	521 202

*In 2017, tangible assets under construction amounted to TEUR 64 739.

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2016	Gas pipelines and compression stations	Underground gas storage owned	Underground gas storage leased	Land	Buildings and structures owned	Buildings and structures leased	Machinery, tools and equipment owned	Machinery, tools and equipment leased	Other tangible assets incl. tangible assets under construction	Total
Acquisition cost										
Balance 1 January 2016	5 533	197 286	6 394	23 674	306 033	1 697	189 707	19 024	24 077	773 425
Effect of new acquisitions	--	--	--	8 790	17 268	--	899	--	32 529	59 486
Additions	202	22 256	--	50	5 202	--	10 830	912	25 624	65 076
Disposals	--	--	--	-2 210	-2 366	--	-6 760	-41	-1 287	-12 664
Effect of currency translation	-8	36	2	203	-117	--	1 857	3	833	2 809
Transfers	57	2 259	--	-543	3 807	--	2 504	--	-4 178	3 906
Balance 31 December 2016	5 784	221 837	6 396	29 964	329 827	1 697	199 037	19 898	77 598	892 038
Accumulated depreciation										
Balance 1 January 2016	2 933	95 168	4 024	144	155 821	1 309	60 791	7 927	250	328 367
Depreciation expense	262	6 999	320	--	19 977	96	13 832	1 714	7 244	50 444
Disposals	--	--	--	-16	-1 991	--	-6 326	-41	-795	-9 169
Effect of currency translation	2	19	--	--	-234	--	486	2	476	751
Transfers	--	--	--	--	443	--	--	--	--	443
Balance 31 December 2016	3 197	102 186	4 344	128	174 016	1 405	68 783	9 602	7 175	370 836
Net book value										
31 December 2016	2 587	119 651	2 052	29 836	155 811	292	130 254	10 296	70 423	521 202
1 January 2016	2 600	102 118	2 370	23 530	150 212	388	128 916	11 097	23 827	445 058

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7. INTANGIBLES ASSETS

2017	Appreciable rights and licences	Brands and trademarks*	Software	Exploration and evaluation assets	Intangible assets under construction	Other assets	Goodwill	Total
Acquisition cost								
Balance 1 January 2017	1 989 773	--	34 758	44 383	--	88 384	591 568	2 748 866
Effect of new acquisitions	10	32 296	4 398	--	--	--	50 994	87 698
Additions	5 739	55	18 553	--	896	647	--	25 890
Disposals	-3 827	-4	-780	--	--	-1 846	--	-6 457
Effect of currency translation	4 739	2 108	1 398	-4 724	33	253	--	3 807
Transfers*	-754 103	832 076	4 021	--	187	-81 484	--	697
Effect of disposals of investments	--	--	--	--	--	--	-6	-6
Balance 31 December 2017	1 242 331	866 531	62 348	39 659	1 116	5 954	642 556	2 860 495
Accumulated amortisation								
Balance 1 January 2017	28 881	--	17 546	32 173	--	1 691	--	80 291
Amortisation expense	74 853	126	10 418	--	--	763	--	86 160
Disposals	-3 677	-1	-768	--	--	-627	--	-5 073
Effect of currency translation	1 169	10	935	-2 794	--	59	--	-621
Transfers*	-8 595	8 865	2	--	--	-270	--	2
Balance 31 December 2017	92 631	9 000	28 133	29 379	--	1 616	--	160 759
Net book value								
31 December 2017	1 149 700	857 531	34 215	10 280	1 116	4 338	642 556	2 699 736
1 January 2017	1 960 892	--	17 212	12 210	--	86 693	591 568	2 668 575

* In 2017 the Group decided for more detailed presentation of intangible assets. It would be technically impracticable to change the presentation of the comparative year 2016 therefore the Group decided not to change the comparative presentation. Opening balances of brands and trademarks as at 1 January 2017 were transferred within the line "Transfers" from Appreciable rights and licences to Brands and trademarks.

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2016	Appreciable rights, licences, brands and trade marks	Software	Exploration and evaluation assets	Other assets	Goodwill	Total
Acquisition cost						
Balance 1 January 2016	130 161	17 163	40 432	7 411	386 179	581 346
Effect of new acquisitions *	1 858 645	16 784	--	79 539	205 389	2 160 357
Additions	366	4 168	--	3 390	--	7 924
Disposals	-38	-747	--	-159	--	-944
Effect of currency translation	639	6	3 951	18	--	4 614
Transfers	--	-2 616	--	-1 815	--	-4 431
Balance 31 December 2016	1 989 773	34 758	44 383	88 384	591 568	2 748 866
Accumulated amortisation						
Balance 1 January 2016	18 519	12 735	5 370	1 337	--	37 961
Amortisation expense **	10 282	5 544	23 753	406	--	39 985
Disposals	--	--	--	--	--	--
Effect of currency translation	80	4	3 050	17	--	3 151
Transfers	--	-733	--	-73	--	-806
Balance 31 December 2016	28 881	17 546	32 173	1 691	--	80 291
Net book value						
31 December 2016	1 960 892	17 212	12 210	86 693	591 568	2 668 575
1 January 2016	111 642	4 428	35 062	6 074	386 179	543 385

* For break-down of acquired intangible assets see note 14. Two of the acquired licenses are not amortised but they are subject to impairment testing due to the fact that they are not yet in use.

** Amortisation expense includes impairment (see note 27).

The most significant additions to intangible assets in 2017 were acquisitions of new software for draw based games and sports betting.

The most significant additions to intangible assets in 2016 were acquisitions of software for contact centre and sports betting and expenses on project Digital Entertainment Hub.

Goodwill

	2017	2016
Oil & gas stream	4 784	4 784
LP Drilling S.r.l.	4 105	4 105
MND Drilling Germany GmbH	679	679
Lottery and betting stream	601 588	561 095
SAZKA Group a.s. sub-group	355 786	355 786
Emma Delta Management Ltd sub-group	205 309	205 309
NEUROSOFT S.A.	40 493	--
Tourism and other remaining streams	36 184	25 689
Cestovní kancelář FISCHER, a.s.	12 654	12 654
AutoCont Holding a.s. sub-group	9 290	--
Conectart, s.r.o.	8 360	8 360
BOŘISLAVKA OFFICE & SHOPPING CENTRE s.r.o.	1 776	1 776
Dataspring s.r.o.	1 229	1 229
Quality Brands, s.r.o.	1 208	--
Other (individually immaterial)	1 667	1 670
Total goodwill	642 556	591 568

Brands and trademarks*

	2017
Lottery and betting stream	797 658
Sazka a.s.	73 294
OPAP S.A.	724 364
Tourism and other remaining streams	59 873
Cestovní kancelář FISCHER, a.s.	26 365
AutoCont Holding a.s. sub-group	32 194
Other (individually immaterial)	1 314
Total brands and trademarks	857 531

*In 2017 the Group decided for more detailed presentation of intangible assets. It would be technically impracticable to change the presentation of the comparative year 2016 therefore the Group decided not to change the comparative presentation.

Impairment testing

Impairment is determined by estimating the recoverable amount of the cash-generating unit to which goodwill and other assets with indefinite useful life relate.

In accordance with IAS 36, the Group performs regular impairment testing of goodwill and other non-current assets with indefinite useful life annually as at 31 December. Cash-generating units are defined on a level of legal entities. The allocation of CGU did not change from prior year.

All cash-generating units in one stream are tested using the same methodology.

When testing goodwill and exploration and evaluation assets (Oil & gas stream), the recoverable amount is estimated using the higher of:

1. Value in Use "VIU" which is derived from forecasts of future cash flows. The forecasts are prepared and updated by the management. Weighted average cost of capital (WACC) is applied as the appropriate discount rate to estimate net present value of future cash flows attributable to each cash-generating unit. The cash flow forecast is always prepared based on specific expected operating results and a business plan covering the whole lifecycle of each project (Oil & gas stream) or a period of at least three years (other business streams). The budgets have been approved by the management and are valid when the impairment test is performed. These

budgets are based on the past experience, as well as on future expectations and market trends. To reflect continuity of the business beyond the explicit forecasting period a terminal value model (Gordon growth model) is applied. A terminal growth rate of 2% is applied (2016: 2%).

2. Fair Value Less Costs of Disposal ("FVLCD") – i.e. the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. The estimate of FVLCD is based either on:
 - a. market price of the asset/cash-generating unit derived from its trading in an active market. Costs of disposal are considered as immaterial.
 - b. market multiples method – i.e. a comparison of the tested company with similar publicly traded companies. The Group relied on a peer based EV/EBITDA multiple benchmark to estimate the respective FVLCD. Costs of disposal are considered as immaterial.

Impairment testing of trademarks was carried out by applying the relief from royalty method. Similarly to the paragraphs above, an explicit cash flow forecasts were prepared based on a business plans. To reflect continuity of the trademarks beyond the explicit forecasting period a terminal value model (Gordon growth model) is applied. Net royalties after tax were discounted using the weighted average cost of capital (WACC) with an uplift of 1%p. Tax amortization benefit was reflected in the calculation as well.

In addition, the Group's management carried out a sensitivity analysis (possible movements in key assumptions and factors) influencing the calculation of value in use, and the expectable movements in those factors which may indicate an impairment of goodwill and indefinite-lived intangible assets.

Oil & gas stream

The recoverable amounts of projects in Czech Republic, Italy, Germany, Ukraine and Russia have been determined based on a value in use calculation. These cash flow projections are based on financial budgets approved by the management covering a period until the end of useful life of each project and discount rate calculated as Weighted Average Cost of Capital ("WACC"). 10% post-tax discount rate for exploration and production business ("E&P") (2016: 10%), 7.9% - 9.1% post-tax discount rates for drilling services (2016: 7.3 - 9%) and 6.6% post-tax discount rate for storage business (2016: 6.8%) have been used for testing in 2017. Key planning assumptions relate to the development of prices of crude oil and natural gas, tax and regulatory framework conditions for each country. In 2017, all projects exhibit a surplus of recoverable amount over the carrying amounts, i.e. no impairments were identified and no changes in exploration and evaluation assets were recognised (2016: intangible assets totalling of TEUR 23 753 were impaired).

Sensitivity analysis (possible movements in key assumptions and factors) influencing calculation of the recoverable amount do not indicate any impairment of goodwill since no material effects on the results in next year were identified.

Lottery and betting stream

The recoverable amounts of projects have been determined based on a FVLCD calculation - market multiples method. The Group used following assumptions for impairment testing: a common market participant, 12.97 EV/EBITDA market multiple based on peer group from Reuters (2016: 9.75 EV/EBITDA based on peer group from Reuters).

The resulting recoverable amount calculated based on FVLCD (market multiple) method exceeded the respective carrying amount, which led to the conclusion that no impairment of the tested assets had to be recognised as at 31 December 2017.

The resulting recoverable amounts calculated based on FVLCD calculations and above mentioned assumptions lead to Level 2 of the fair value hierarchy.

Impairment testing of trademarks was carried out by applying the relief from royalty method. Resulting recoverable amount exceeded the carrying amount of the trademarks, which led to the conclusion that no impairment of the trademarks had to be recognised as at 31 December 2017.

Sensitivity analysis (possible movements in key assumptions and factors) influencing calculation of the recoverable amount do not indicate any impairment of goodwill since no material effects on the results in next year were identified.

Tourism and other remaining streams

The recoverable amounts of Tourism projects have been determined mainly based on a FVLCD calculation - market multiples method. The Group used following assumptions for impairment testing: a common market participant, 11.2 EV/EBITDA market multiple based on peer group from Reuters (2016: 8.79 EV/EBITDA based on peer group from Reuters).

For other streams, the recoverable amounts have been determined using both value in use or FVLCD calculations.

The resulting recoverable amounts calculated exceeded the respective carrying amount, which led to the conclusion that no impairment of the tested assets had to be recognised as at 31 December 2017.

The resulting recoverable amounts calculated based on FVLCD calculations and above mentioned assumptions lead to Level 2 of the fair value hierarchy.

Impairment testing of trademarks was carried out by applying the relief from royalty method. Resulting recoverable amount exceeded the carrying amount of the trademarks, which led to the conclusion that no impairment of the trademarks had to be recognised as at 31 December 2017.

Sensitivity analysis (possible movements in key assumptions and factors) influencing calculation of the recoverable amount do not indicate any impairment of goodwill since no material effects on the results in next year were identified.

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(in thousands of Euro)****8. EQUITY-ACCOUNTED INVESTEEES (INVESTMENTS IN JOINT VENTURES AND ASSOCIATES)**

	2017		2016	
CLS Beteiligungs GmbH (1)	66.67%	46 754	66.67%	50 739
LTB Beteiligungs GmbH (2)	66.67%	46 798	66.67%	50 786
SafeDX s.r.o.	50.00%	758	50.00%	1 430
LOTTOITALIA S.r.l. (3)	32.50%	325 988	32.50%	202 074
Bio-Nexus s.r.o. (previously Cleerio s.r.o.)*	--	--	30.00%	1 897
BIO NEXUS Ltd.	39.51%	8 734	20.00%	2 832
NEUROSOFT S.A. (4)	67.72%	--	29.53%	12 175
Moravia Gas Storage a.s. (5)	50.00%	15 747	50.00%	14 463
Geewa a.s.	40.20%	1 212	30.82%	927
Cloud4com, a.s.	22.00%	1 217	22.00%	884
Medial Beteiligungs-GmbH (6)	29.63%	79 039	29.63%	70 308
VESTINLOG, s.r.o.	50.00%	171	--	--
ThreatMark, s.r.o.	25.76%	724	--	--
MARTKOPI OIL COMPANY LIMITED**	50.00%	5 237	--	--
Nazvrevi Oil Company Limited**	50.00%	--	--	--
Ninotsminda Oil Company Limited**	50.00%	--	--	--
Industrijske storitve d.o.o.	49.00%	868	--	--
Equity-accounted investees		533 247		408 515

* In 2017, the company Bio-Nexus s.r.o. (previously Cleerio s.r.o.) became part of equity-accounted investee BIO-NEXUS Ltd.

** In 2016, the companies were reported as held for sale (notes 1 and 4).

Change in the value of equity-accounted investees contains acquisitions, equity contributions and share of profit or loss of equity-accounted investees, share of other comprehensive income of equity-accounted investees less declared dividends.

All joint ventures of the Group have been reported under the equity method.

None of the Group's equity accounted investments is publicly listed entity and, consequently, does not have published price quotations.

The following tables represent assets and liabilities, revenues, profit/loss and total comprehensive income related to individually material joint ventures and associates of the Group:

- 1) CLS Beteiligungs GmbH is a company holding participations in lottery and gaming business. The share of 66.67% is owned through BAIH Beteiligungsverwaltungs GmbH and was acquired on 7 December 2016. According to the company's Articles of Association the company is able to make a decision only with 75% shareholders approval. Therefore the Group considers it as investment in associate and the company is accounted for using the equity method.

CLS Beteiligungs GmbH *)	31/12/2017	31/12/2016
Non-current assets	-1 596	915
Current assets	51	3 532
Non-current liabilities	--	--
Current liabilities	-3	-17
Net assets (100%)	-1 548	4 430
Group's share (66.67%)	-1 032	2 953
Fair value adjustments	47 786	47 786
Carrying amount of interest in associate	46 754	50 739
Revenues	--	--
Profit from continuing operations (100%)	5 722	394
Total comprehensive income (100%)	5 722	394
Group's share of total comprehensive income	3 815	263

*) The company does not prepare financial statements according to IFRS. Its preparation would require additional expenses that would not create any relevant benefit.

- 2) LTB Beteiligungs GmbH is a company holding participations in lottery and gaming business. The Group holds a total share of 66.67% (41.766% is owned through CAME Holding GmbH and 24.9% is owned through BAIH Beteiligungsverwaltungs GmbH). The shares in the company were acquired on 7 December 2016. According to the company's Articles of Association the company is able to make a decision only with 100% shareholders approval. Therefore the Group considers it as investment in associate and the company is accounted for using the equity method.

LTB Beteiligungs GmbH *)	31/12/2017	31/12/2016
Non-current assets	-1 596	915
Current assets	3 472	3 509
Non-current liabilities	--	--
Current liabilities	-3 443	-10
Net assets (100%)	-1 567	4 414
Group's share (66.67%)	-1 045	2 943
Fair value adjustments	47 843	47 843
Carrying amount of interest in associate	46 798	50 786
Revenues	--	--
Profit from continuing operations (100%)	5 727	394
Total comprehensive income (100%)	5 727	394
Group's share of total comprehensive income	3 818	263

*) The company does not prepare financial statements according to IFRS. Its preparation would require additional expenses that would not create any relevant benefit.

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- 3) LOTTOITALIA S.r.l. is a company that organizes and manages lottery and gaming business in Italy. The Group holds a share of 32.5%, the share in the company was acquired on 5 May 2016. The company is accounted for using the equity method.

LOTTOITALIA S.r.l.	31/12/2017	31/12/2016
Non-current assets	809 085	765 056
Current assets	279 346	56 046
Non-current liabilities	--	--
Current liabilities	-85 391	-199 337
Net assets (100%)	1 003 040	621 765
Group 's share (32.50%)	325 988	202 074
Fair value adjustments	--	--
Carrying amount of interest in associate	325 988	202 074
Revenues	363 323	37 446
Profit from continuing operations (100%)	177 845	21 767
Total comprehensive income (100%)	177 845	21 767
Group 's share of total comprehensive income	57 800	7 074

- 4) The company NEUROSOFT S.A. is part of OPAP S.A. sub-group. The Group owned 29.53% share in NEUROSOFT S.A. as at 31 December 2016. On 2 August July 2017, the Group acquired additional stake of 38.19% in this company and from that date NEUROSOFT S.A. is fully consolidated.
- 5) In 2016, Moravia Gas Storage a.s. put into operation one of the biggest and most advanced underground gas storage facilities in the Czech Republic and started to provide gas storage services. The joint venture is accounted for using the equity method.

Moravia Gas Storage a.s.*)	31/12/2017	31/12/2016
Non-current assets	112 568	109 972
Current assets	9 316	1 905
Non-current liabilities	-93 942	-86 574
Current liabilities	-2 363	-2 283
Net assets (100%)	25 579	23 020
Group 's share (50.00%)	12 790	11 510
IFRS and fair value adjustments	2 957	2 953
Carrying amount of interest in joint venture	15 747	14 463
Revenues	7 664	2 892
Loss from continuing operations (100%)	-1 564	-6 362
Total comprehensive loss (100%)	-1 208	-7 811
Group 's share of total comprehensive loss	-604	-3 905

*) The company does not prepare statutory financial statements according to IFRS. For the purposes of consolidation and the consolidated notes, statutory statements have been adjusted to comply with IFRS.

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- 6) Medial Beteiligungs-GmbH is a company holding participations in lottery and gaming business. The Group holds a share of 29.63%. The company is accounted for using the equity method.

Medial Beteiligungs-GmbH *)	31/12/2017	31/12/2016
Non-current assets	70 984	48 504
Current assets	10 999	4 021
Non-current liabilities	--	--
Current liabilities	-4	-13
Net assets (100%)	81 979	52 512
Group´s share (29.63%)	24 290	15 559
Fair value adjustments	54 749	54 749
Carrying amount of interest in associate	79 039	70 308
Revenues	--	--
Profit from continuing operations (100%)	29 000	26 287
Total comprehensive income (100%)	28 217	18 036
Group´s share of total comprehensive income	8 361	5 344

*) The company does not prepare financial statements according to IFRS. Its preparation would require additional expenses that would not create any relevant benefit.

As at and for the year ended 31 December 2017, the Group had the following receivables and payables and has realized the following income and expenses, with, and in respect of joint ventures and associates:

	2017	2016
Long-term receivables	5 086	2 268
Short-term receivables	843	1 120
Long-term payables	118	--
Short-term payables	936	62
Revenues and other operating income	3 762	7 383
Interest income	2 482	47
Purchase of services and other operating expenses	216	53
Interest expense	1	--

9. OTHER INVESTMENTS

	2017	2016
Other investments	15 884	19 216
Other investments	15 884	19 216

Other investments represent other long-term financial investments stated at cost less impairment.

In 2017, the Group received dividend income from these investments in the amount of TEUR 34 (2016 - TEUR 277).

10. SHORT-TERM FINANCIAL ASSETS

	2017	2016
Other short-term investments	5	24 833
	5	24 833

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11. INVENTORIES

	2017	2016
Raw materials	8 664	8 922
Goods	110 029	76 290
Own products	650	1 244
Work in progress	2 002	1 485
Advances paid for inventories	191	31
Total inventories	121 536	87 972

12. TRADE AND OTHER RECEIVABLES

Long-term receivables

	2017	2016
Loans receivable	62 868	85 720
Loans receivable from related parties	5 086	2 268
Financial derivatives (note 21)	1 392	346
Guarantee deposits	1 238	1 335
Prepayments of retirement benefits	221	221
Other long-term receivables	21 017	3 804
Total long-term receivables	91 822	93 694

Loans receivable of TEUR 62 868 (2016 – TEUR 85 691) are payable within 5 years and loans receivable of TEUR 0 (2016 – TEUR 29) are payable in more than 5 years.

Other long-term receivables comprise receivables of TEUR 11 956 (2016 – TEUR 3 791) payable within 5 years and TEUR 9 061 (2016 – TEUR 13) payable in more than 5 years. Other long-term receivables comprise receivables from VLT vendor amounting to TEUR 17 928 (2016: TEUR 10).

Short-term receivables

	2017	2016
Trade receivables	289 559	168 760
Tax receivables	28 767	16 313
Short-term loans provided	11 238	70 288
Short-term loans provided to related parties	61	4 858
Prepaid expenses	24 897	23 160
Financial derivatives (note 21)	13 034	420
Short-term receivables from agents	107 640	74 522
Other receivables	25 136	41 292
Total short-term receivables	500 332	399 613

Short-term net receivables overdue total TEUR 19 435 (2016 – TEUR 5 188). The provision for bad debts amounted to TEUR 38 258 (2016 – TEUR 37 356).

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13. CASH AND CASH EQUIVALENTS

	2017	2016
Cash in hand	12 011	3 647
Cash at bank	540 387	395 025
Cash deposits on demand	172 918	82 548
Total cash and cash equivalents	725 316	481 220

The Group has tied cash amounted to TEUR 9 049 (2016 – TEUR 30 128) mainly for the purpose of game principals, due to guarantees received from the agents and liabilities to suppliers and as security to the borrowing facility. Cash deposits are repayable on demand.

14. NEW ACQUISITIONS

In 2017 the Group acquired interest in the following companies:

Company name	Interest acquired	Date of acquisition	Consideration transferred in TEUR
AutoCont Holding a.s. (sub-group)	100%	28 Novemeber 2017	
BYW Czech, a.s.	70%	26 September 2017	
Fsázky a.s.*	100%	23 May 2017	
Metanol d.o.o.	100%	25 September 2017	
NEUROSOFT S.A.	38.19%	2 August 2017	
Quality Brands, s.r.o.	100%	30 June 2017	
Rezervoarji d.o.o.	100%	25 September 2017	
Sazka Distribution Vietnam Joint Stock Company	90%	28 June 2017	
SAZKA Group Financing a.s.	100%	18 October 2017	
SnackCall s.r.o.	100%	13 Novemeber 2017	
Total amount			109 070

* Fsázky a.s. was acquired on 23 May 2017. Effective from 1 December 2017 the company merged with Sazka a.s.

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The acquisitions of all companies had the following effect on the Group:

	Recognised values on acquisition			Total
	AutoCont Holding a.s. sub-group	NEUROSOFT S.A.	Others (individually immaterial)	
Tangible fixed assets	2 830	537	7 183	10 550
Brands	32 296	--	--	32 296
Other intangible assets	188	4 115	105	4 408
Other non-current assets	--	116	367	483
Short-term receivables	27 530	--	2 935	30 465
Cash and cash equivalents	5 117	2 613	3 565	11 295
Other current assets	6 546	4 443	152	11 141
Deferred tax liability	-6 160	-1 112	-	-7 272
Other non-current liabilities	-526	-312	-	-838
Short-term loans and borrowings	--	-779	-265	-1 044
Other current liabilities	-26 551	-1 335	-2 502	-30 388
Net identifiable assets and liabilities	41 270	8 286	11 540	61 096
Goodwill (note 7)	9 290	40 493	1 211	50 994
Bargain purchase gain	--	--	-77	-77
Non-controlling interest acquired	-219	-2 675	-49	-2 943
Consideration paid	50 341	46 104	12 625	109 070
Consideration paid, satisfied in cash	45 055	34 197	12 427	91 679
Contingent consideration	5 286	--	198	5 484
Fair value of previously held assets – part of consideration	--	11 907	--	11 907
Cash acquired	-5 117	-2 613	-3 565	-11 295
Net cash outflow in 2017	39 938	31 584	8 862	80 384

The other acquisitions were aggregated because they are individually immaterial and their effect to revenue and profit is immaterial too.

The values of assets and liabilities recognized on acquisition are their fair values (see accounting policy 3a).

AutoCont Holding a.s sub-group

On 28 November 2017, the Group acquired 100% shares and voting interest in AutoCont Holding a.s. and consequently, by obtaining control AutoCont Holding a.s. sub-group started to be fully consolidated.

Given the fact that acquisition accounting is considered complete, the Group is presenting below the significant assumptions and judgements for each type of assets and liabilities and recognition of following assets and liabilities at fair value at the acquisition date:

- Newly identifiable intangible asset was recognized referring to an internally generated brand (AutoCont). In order to determine the fair value of the brand, the income approach, i.e. relief from royalty method was applied. This method assumes the fair value of brand is represented by present value of hypothetical royalty fee saved, which would otherwise be paid in form of licence fee to the licensor. The royalty rate of 1.73% was applied. Financial projections was performed based on business plans covering a period of five years, followed by a perpetuity, which was used to calculate terminal value. For the calculation of terminal value, Gordon growth model was chosen. Net royalties after tax were discounted using the weighted average cost of capital (WACC) with an uplift of 1%p. The brand was valued to TEUR 32 194.
The brand was determined as intangible asset with indefinite useful life grounded by its establishment in the market and its significant contributions to the business. The Group

will perform impairment testing of the brand annually in line with the Group's policy (see also note 7).

- Deferred tax liability of TEUR 6 117 resulting from the recognition of the brand was recognized. The corporate income tax rate of 19% valid in the Czech Republic was used. Goodwill recognized at AutoCont Holding Group level and arising from the previous historical mergers and acquisitions was derecognized, because it does not meet criteria stated by IFRS. The Group did not identify any other identifiable intangible assets or liabilities assumed to be recognized. Furthermore, all other acquired assets and liabilities were considered as adequate (the values are approximate to fair values) and are in line with the Group accounting policies and therefore no revaluation adjustment would be required.

Goodwill which was recognized separately as a result from the acquisition is attributable mainly to synergies between operating business of the Group and the acquiree and the value of intangibles not meeting the criteria for recognition, subsumed in the goodwill. Goodwill from the acquisition would not be deductible for tax purposes.

The Group revised the acquisitions accounting as at the date of financial statements and no changes from Purchase Price Allocation analysis were identified.

The acquisition of AutoCont supported the Group's long term vision to build a strong business pillar that will focus on information technologies. AutoCont supplies corporate infrastructure and corporate information systems, develops software, and offers IT outsourcing and cloud services in the Czech Republic and Slovakia. Acquisition of AutoCont Holding a.s. subgroup will allow the Group to strengthen its digital business and expand further in this industry sector.

For December 2017, AutoCont Holding a.s. – sub-group contributed consolidated revenue of TEUR 30 137 and consolidated profit of TEUR 2 539 to the Group's result. If the acquisition had occurred on 1 January 2017, management estimates that consolidated revenue would have been higher by TEUR 130 335, and consolidated profit for the year would have been higher by TEUR 2 246. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same as if the acquisition had occurred on 1 January 2017.

NEUROSOFT S.A.

The Group acquired 38.19% share in NEUROSOFT S.A. and increased its participation from 29.53% to 67.72% and consequently, by obtaining control the consolidation method changes from equity method to full consolidation method.

The Group did not identify any other identifiable intangible assets or liabilities assumed to be recognized. Furthermore, all other acquired assets and liabilities were considered as adequate (the values are approximate to fair values) and are in line with the Group accounting policies and therefore no revaluation adjustment would be required.

The final amount of goodwill is expected to be defined within 12 months from NEUROSOFT S.A. acquisition.

NEUROSOFT S.A. is already providing the Group with a number of services that are directly supporting the delivery of its key technology transformation initiatives. This investment will therefore further strengthen the relationship between the two companies and will consequently provide additional benefits and efficiencies, together with a closer collaboration with NEUROSOFT S.A. experienced software development team.

The share in the losses of the NEUROSOFT S.A. recognized by the Group for the period from 1 January 2017 to 31 July 2017 amounts to TEUR 267 and is presented in line "Share of profit of equity-accounted investees, net of tax" of the consolidated statement of comprehensive income.

During the period from 2 August to 31 December 2017, NEUROSOFT S.A. contributed to the Group's profit before tax TEUR 278. If the acquisition had occurred on 1 January 2017, the Group assumes that the the impact on consolidated revenues and profit would have been immaterial.

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In 2016 the Group acquired interest in the following companies:

Company name	Interest acquired	Date of acquisition	Consideration transferred in TEUR
BXY Czech, a.s.	100%	8 January 2016	
BWV Czech, a.s.	51%	26 October 2016	
Direct Communication, s.r.o.	100%	1 January 2016	
KKCG US LLC	100%	7 March 2016	
US Methanol LLC	100%	7 March 2016	
BAIH Beteiligungsverwaltungs GmbH	100%	7 December 2016	
Emma Delta Management Ltd – group *)	66.7%	6 October 2016	
IGH Financing a.s.	100%	28 April 2016	
Italian Gaming Holding a.s.	100%	19 February 2016	
Kavárna štěstí s.r.o.	100%	30 May 2016	
SAZKA Asia a.s.	100%	27 July 2016	
Sazka Asia Vietnam Company Limited	100%	29 November 2016	
Total amount			409 971

*) see also comment (iv) in Note 1 f).

The most significant acquisition was acquisition in Emma Delta Management Ltd sub-group, including OPAP S.A. sub-group. The other acquisitions were aggregated because they are individually immaterial.

The acquisitions of all companies had the following effect on the Group:

	Recognised values on acquisition		
	Emma Delta Management Ltd sub-group	Others (individually immaterial)	Total
Tangible fixed assets	60 801	--	60 801
Brands	724 364	--	724 364
Licenses	1 134 281	--	1 134 281
Other intangible assets	96 312	11	96 323
Other non-current assets	24 882	70 030	94 912
Short-term receivables	169 946	61	170 007
Cash and cash equivalents	218 161	1 144	219 305
Other current assets	2 854	--	2 854
Long-term loans and borrowings	-280 336	--	-280 336
Deferred tax liability	-210 066	--	-210 066
Other non-current liabilities	-45 364	--	-45 364
Short-term loans and borrowings	-397 183	--	-397 183
Payables	-232 368	-76	-232 444
Net identifiable assets and liabilities	1 266 284	71 170	1 337 454
Goodwill (note 7)	205 309	80	205 389
Non-controlling interest acquired	-1 132 836	-36	-1 132 872
Consideration paid	338 757	71 214	409 971
Consideration paid, satisfied in cash	107 250	68 833	176 083
Consideration – part settled in 2017	--	2 381	2 381
Fair value of previously held assets – part of consideration	231 507	--	231 507
Cash acquired	-218 161	-1 144	-219 305
Net cash inflow (+) /outflow (-) in 2016	110 911	-67 689	43 222

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The values of assets and liabilities recognized on acquisition are their fair values (see accounting policy 3a).

Emma Delta Management Ltd sub-group contributed from October to December 2016 TEUR 420 407 to Group's consolidated revenues and TEUR 31 431 to Group's total profit for the period.

15. EQUITY

	2017	2016
Authorised and issued share capital		
100 000 ordinary shares of CHF 1 each	<u>90</u>	<u>90</u>

On incorporation, 1 800 ordinary shares of EUR 1 each were issued at par. Subsequently, on 19 December 2006, the Company issued a further 118 200 ordinary shares, at a premium of EUR 8 350,21 each, resulting in a share premium reserve of TEUR 986 995. In 2012, the share premium was reduced by TEUR 305 613 with a respective transfer to retained earnings.

In 2016 the Company finished redomiciliation from Cyprus to Switzerland. As a consequence the Company adjusted the amounts of share capital and share premium according to amounts required by Swiss legislation and declared to Swiss tax authority for confirmation (i.e. share capital TEUR 90 and share premium TEUR 672 402).

The Company is planning to pay dividends to its shareholders in the amount of TEUR 9 100. In 2017, the Company paid dividends to its shareholders in the amount of TEUR 11 450.

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16. NON-CONTROLLING INTERESTS

The Group's non-controlling interests amount to TEUR 1 115 159 as of 31 December 2017 relate mainly to SAZKA Group a.s. sub-group and represent 25% on its equity including 71.86% non-controlling interest in OPAP S.A. sub-group (including 33% non-controlling interest in its subsidiary HELLENIC LOTTERIES S.A. and 32.28 % non-controlling interest in its subsidiary NEUROSOFT S.A.) and 28.14% on equity of the whole Emma Delta Management Ltd sub-group. Other non-controlling interests are individually immaterial.

The reconciliation of non-controlling interest is presented in table below:

Summarized statement of financial position as at the year end	SAZKA Group a.s. sub-group	Others (individually immaterial)	Total
Assets	3 886 506		
Liabilities	2 256 333		
Sub-group's non-controlling interest	927 718		
Net assets attributable to the group	702 455		
Non-controlling interest percentage	25,00%		
NCI calculation	175 614		
Sub-group's non-controlling interest entering into consolidation	927 718		
Carrying amount of non-controlling interest	1 103 332	11 827	1 115 159
Summarized statement of comprehensive income for the year			
Revenues	1 763 845		
Profit	92 980		
Other comprehensive income	-9 013		
Total comprehensive income	83 967		
Non-controlling interest percentage	25.00%		
Profit allocated to non-controlling interest	23 245		
Other comprehensive income allocated to non-controlling interest	-2 253		
Share of profit of sub-group's non-controlling interest entering into consolidation	96 569		
Share of other comprehensive income of sub-group's non-controlling interest entering into consolidation	34		
Total comprehensive income attributable to non-controlling interest	117 595	-1 571	116 024
Summarized cash flow information for the year			
Net cash from operating activities	259 007		
Cash flows used in investing activities	-231 577		
Net cash from financing activities	20 666		
Net increase in cash and cash equivalents	48 096		

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The Group's non-controlling interests amount to TEUR 1 299 319 as of 31 December 2016 relate mainly to SAZKA Group a.s. sub-group and represent 25% on its equity including 67% non-controlling interest in OPAP S.A. sub-group (including 33% non-controlling interest in its subsidiary HELLENIC LOTTERIES S.A.) and 33.3% on equity of the whole Emma Delta Management Ltd sub-group. Other non-controlling interests are individually immaterial.

The reconciliation of non-controlling interest is presented in table below:

Summarized statement of financial position as at the year end	SAZKA Group a.s. sub-group	Others (individually immaterial)	Total
Assets	3 642 360		
Liabilities	1 889 992		
Sub-group NCI	1 139 164		
Net assets attributable to the Group	613 204		
Percentage of non-controlling interest	25.00%		
NCI calculated	153 301		
Sub-group NCI incoming to consolidation	1 139 164		
Carrying amount of NCI	1 292 465	6 854	1 299 319
Summarized statement of comprehensive income for the year			
Revenue	628 195		
Profit	56 604		
Other comprehensive income	-3 207		
Total comprehensive income	53 397		
NCI percentage *)	25.00%		
Profit allocated to non-controlling interest*)	3 486		
Other comprehensive income allocated to non-controlling interest	-121		
Share of profit of sub-group's non-controlling interest entering into consolidation	35 671		
Share of other comprehensive income of sub-group's non-controlling interest entering into consolidation	-140		
Total comprehensive income attributable to non-controlling interest	38 896	-1 455	37 441
Summarized cash flow information for the year			
Net cash from operating activities	52 376		
Cash flows used in investing activities	-157 441		
Net cash from financing activities	446 450		
Net increase in cash and cash equivalents	341 385		

*) On 17 August 2016, the Company sold 25% share in SAZKA Group a.s. out of the Group. The profit allocated to NCI relates to the period after that date. Profit and loss figures and cash flow information as presented in table above relate to the whole year.

17. LOANS AND BORROWINGS

This note provides an overview of the contractual terms and conditions governing interest-bearing loans and borrowings of the Group.

	2017	2016
Long-term liabilities		
Bank loans	852 876	1 207 176
Finance lease liabilities	905	2 405
Long-term loans from related parties	121	--
Long-term loans from companies outside the Group	104 261	91 558
Liabilities arising from debt securities	797 116	41 375
Total loans and borrowings – long-term part	1 755 279	1 342 514
Short-term liabilities		
Short-term bank loans and other short-term borrowings	95 259	149 411
Short-term part of long-term bank loans	115 051	170 938
Short-term part of finance lease liabilities	1 146	1 321
Bank overdrafts	2 379	19 156
Liabilities arising from debt securities (short-term part)	169 707	1 025
Total loans and borrowings – short-term part	383 542	341 851

Bank loans

Long-term bank loans are payable as follows:

	2017	2016
Within one year	115 051	170 938
From one to five years	826 080	1 161 210
In more than five years	26 796	45 966
	852 876	1 207 176

The loans received by the Group are secured by property, plant and equipment totalling TEUR 157 886 (2016 – TEUR 248 901), shares, inventories and pledge on receivables with respect to the gas trading business and bank accounts.

Based on the loans contractual conditions the Group companies need to fulfil specific financial indicators such as long-term debt coverage (debt-EBITDA ratio) or debt-equity ratio. As at 31 December 2017 and 31 December 2016 the Group companies fulfilled these indicators.

Interest rates for loans and borrowings are based on PRIBOR, EURIBOR or LIBOR and margin that vary from 1.23% to 7.625%.

Issued bonds

On 13 November 2017, the Group issued unsecured bearer bonds in book-entry form. The bonds were accepted for trading on the regulated market of Prague Stock Exchange (Burza cenných papírů Praha, a.s.), ISIN CZ0003517708. These are bonds with a floating interest rate equal to 6M PRIBOR + 2.48% p.a, due on 13 November 2022. Bond coupons are paid semi-annually in May and November. The nominal value of each bond is TCZK 3 000. The total nominal value is TCZK 2 202 000. Bonds are issued under Czech law and on the territory of the Czech Republic. Costs of TEUR 513, associated with the issue of bonds, were accrued till the maturity.

On 7 February 2017, the Group entered into an agreement with Piraeus Bank for the extension of the duration of the Bond Loan of TEUR 75 000 with maturity date on 3 April 2017, up to 3 March 2018.

Following the completion of the Public Offer that took place between 15 and 17 March 2017, the Group announced on 17 March 2017 that 200 000 common, bearer bonds with a nominal value of EUR 1 000 each have been allocated and as a result capital of an amount of TEUR 200 000 has been raised. The total demand across the yield range from investors that participated in the Public Offer was TEUR 421 000. The final yield has been set at 3.50%, the bonds' interest rate at 3.50% and the offer price of the Bonds at EUR 1 000 each, namely 100% of the nominal value.

Finance lease liabilities

Subjects of finance lease contracts are equipment for oil and gas industry and other leased assets such as motor vehicles and other equipment.

Finance lease liabilities are due as follows:

Equipment for oil and gas industry	2017			2016		
	Principal	Interest	Instalment	Principal	Interest	Instalment
Within one year	1 076	12	1 088	1 267	28	1 295
From one to five years	869	3	872	2 327	13	2 340
	1 945	15	1 960	3 594	41	3 635

Others	2017			2016		
	Principal	Interest	Instalment	Principal	Interest	Instalment
Within one year	70	2	72	54	2	56
From one to five years	36	1	37	78	3	81
	106	3	109	132	5	137

Finance lease liabilities are secured by the leased assets. No conditional rental payments have been agreed in the lease contracts.

Reconciliation of movements of short-term and long-term loans and borrowings, finance lease liabilities and other long-term liabilities to cash flow

	2017	2016
Balance 1 January	1 698 866	710 564
<i>Cash flows</i>		
Loans and borrowings received	1 404 369	1 337 201
Repayment of loans and borowings	-944 475	-1 042 296
<i>Non-cash changes</i>		
Effect of new acquisitions	1 044	684 001
Unpaid interest	24 934	7 886
Non-cash settlement	-39 769	--
Effect of FX differences recognised in profit or loss	-29 289	423
Effect of FX differences recognised in other comprehensive income	43 517	1 087
Balance 31 December	2 159 197	1 698 866

18. PROVISIONS

Long-term provisions

	Provision for decommissioning, renewals and restorations	Provision for litigation	Other provisions	Total provisions
Balance 1 January 2016	46 507	--	813	47 320
Effect of new acquisitions	--	35 822	1 854	37 676
Additions	17 121	645	812	18 578
Discounted	361	--	--	361
Transfers	-294	--	--	-294
Released	-166	-4 273	--	-4 439
Effect of currency translation	-6	--	--	-6
Balance 31 December 2016	63 523	32 194	3 479	99 196
Balance 1 January 2017	63 523	32 194	3 479	99 196
Additions	562	17 978	834	19 374
Discounted	558	--	--	558
Transfers	-299	--	--	-299
Released *)	-4 267	-19 862	--	-24 129
Used	-317	-817	-160	-1 294
Effect of currency translation	2 589	--	120	2 709
Balance 31 December 2017	62 349	29 493	4 273	96 115

*) In compliance with IFRIC 1, part of decommissioning provision in the amount of TEUR 2 543 was accounted against tangible fixed assets and part in the amount of TEUR 1 724 was recognised in result from operating activities.

Provisions for decommissioning, renewals and restorations are created in accordance with the policy described in note 3m).

Provision for litigations amounting to TEUR 29 493 (2016: 32 194) relates mainly to provisions recorded against losses from lawsuits by third parties, agents and employees against the Group. The provision reversal of TEUR 19 833 relates entirely to the aforementioned lawsuits. The reversal took place after considering the respective court decisions issued during 2017, which rejected the relevant lawsuits due to substantive reasons (legal and actual) and affected the lawyers' estimations relating to similar cases. Management was thus forced to reevaluate the likely outcome and concluded that the potential economic outflow was rather not probable. Thus, these cases have been characterised as possible. The current year additions includes TEUR 13 445 regarding a case, the outcome of which was not positive for the Group at the second level. However, although the Group formed the relative provision according to its provisioning policy, it expects that the outcome of the case at the level of cassation will be positive for the Group and will confirm the court decision of first degree.

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Short-term provisions

	Provision for decommissioning, renewals and restorations	Provision for litigations	Jackpots provision	Other provisions	Total
Balance 1 January 2016	--	105	4 760	2 030	6 895
Additions	--	--	7 602	2 361	9 963
Transfers	294	--	--	--	294
Used	--	--	-4 759	-1 907	-6 666
Released	--	-46	--	-56	-102
Translation adjustment	--	--	3	-7	-4
Balance 31 December 2016	294	59	7 606	2 421	10 380
Balance 1 January 2017	294	59	7 606	2 421	10 380
Effect of new acquisition	--	--	866	278	1 144
Additions	3	--	7 105	2 136	9 244
Transfers	366	--	--	-66	300
Used	--	--	-7 805	-2 363	-10 168
Released	--	--	-866	-114	-980
Effect of currency translation	-8	3	419	130	544
Balance 31 December 2017	655	62	7 325	2 422	10 464

19. DEFERRED TAX

	2017	2016
Deferred tax asset	7 978	17 233
Deferred tax liability	260 139	247 924

Deferred tax assets and liabilities related to income taxes levied by the same taxation authority were offset in individual companies for the purposes of presentation in the consolidated financial statements.

	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
Tangible and intangible fixed assets	9 954	10 236	-294 096	-282 422	-284 142	-272 186
Hedging derivatives	136	412	-4 169	-121	-4 033	291
Total financial assets	29	218	--	-438	29	-220
Total inventories	1 563	2 465	-60	-44	1 503	2 421
Total receivables	429	1 006	-10 425	-9 617	-9 996	-8 611
Total assets held for sale	3	--	--	-134	3	-134
Total liabilities	16 966	20 958	-1 711	-798	15 255	20 160
Total provisions	27 453	24 383	--	--	27 453	24 383
Tax losses carried forward	1 767	3 205	--	--	1 767	3 205
Deferred tax asset/(liability)	58 300	62 883	-310 461	-293 574	-252 161	-230 691
Related tax offsets	-50 322	-45 650	50 322	45 650	--	--
Net deferred tax asset/(liability)	7 978	17 233	-260 139	-247 924	-252 161	-230 691

(+ deferred tax asset, - deferred tax liability)

In accordance with the accounting policy stated in note 3q), the deferred tax was calculated using tax rates applicable in individual companies.

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Change in the deferred tax

The following table shows a change in deferred tax recognised in profit or loss and other comprehensive income:

	2017			2016		
	Deferred tax liability /asset	Recognised in profit or loss	OCI	Deferred tax liability /asset	Recognised in profit or loss	OCI
Deferred tax asset (+) /liability (-)	-252 161	-8 138	-4 339	-230 691	6 143	526
Tangible and intangible fixed assets	-284 142	-4 322	--	-272 186	1 299	--
Financial assets	29	-1	--	-220	-442	--
Inventories	1 504	-1 221	--	2 421	-490	--
Receivables	-9 996	-841	--	-8 611	-1 757	--
Assets held for sale	3	137	--	-134	732	--
Liabilities	15 254	-1 948	-74	20 160	2 332	73
Provisions	27 453	1 919	--	24 383	3 980	--
Tax losses carried forward	1 767	-1 879	--	3 205	489	--
Hedging derivatives	-4 033	18	-4 265	291	--	453

In 2017, total increase in the net deferred tax liability by TEUR -21 470 is further affected by exchange rate difference of TEUR -1 743, deferred tax of TEUR 22 recognised directly to equity-accounted investee and deferred tax liability from new acquisitions of TEUR -7 272.

The Group has unrecognised deferred tax assets, in accordance with the accounting policy 3q), as it is uncertain whether sufficient future taxable profits will be available against which they could be utilised, shown in the table below. These deferred tax assets relate to the following components of assets and liabilities:

	Basis of the calculation of deferred tax		Unrecognised deferred tax asset	
	2017	2016	2017	2016
Tangible and intangible fixed assets	2 583	1 442	491	274
Provisions	265	440	50	84
Tax losses carried forward	91 654	129 099	18 596	27 208
Total	94 502	130 981	19 137	27 566

Tax losses carried forward

Tax losses carried forward expire as follows:

Expire within:	2017	2016
1 - 5 years	74 984	56 075
5 - 10 years	27 999	55 229
unlimited	10 158	20 015
Total	113 141	131 319

20. TRADE AND OTHER PAYABLES

Long-term payables

	2017	2016
Financial derivatives (note 21)	2 031	2 068
Trade and other long-term payables	9 377	6 158
Guarantee deposits from lottery agents	8 968	6 275
Total long-term payables	20 376	14 501

Short-term payables

	2017	2016
Trade payables	394 086	247 780
Payables to the state	43 633	14 498
Payables to employees	17 989	14 209
Financial derivatives (note 21)	3 065	2 165
Deferred revenues	10 660	10 988
Liabilities arising from unpaid winnings	105 051	81 726
Lottery tax payables	66 280	54 070
Other payables	163 369	181 969
Total short-term payables	804 133	607 405

Short-term trade payables overdue amount to TEUR 10 074 (2016 – TEUR 4 222).

Other long-term payables include deferred consideration for new acquisitions of TEUR 5 484 (2016 – TEUR 3 467).

Other short-term payables include funds deposited with the Group for the purpose of re-investment in accordance with agreements signed, in the amount of TEUR 111 676 (2016 – TEUR 98 498).

21. FINANCIAL DERIVATIVES

As at 31 December 2017, the Group had the following derivatives:

Hedging derivatives:

	Due date	Fair value as at 31/12/2017
Receivables from swap transactions - long-term	2019	1
Receivables from swap transactions - long-term	2022	1 181
Receivables from swap transactions - long-term	2021	34
Receivables from swap transactions - short-term	2018	2 946
Receivables from forward transactions - short-term	2018	539
Payables from swap transactions - long-term	2019	-7
Payables from swap transactions - short-term	2018	-1 863
Payables from forward transactions - short-term	2018	-129
Receivables from futures transactions - short-term	2018	4
Total hedging derivatives		2 706

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As at 31 December 2017, the Group held derivatives to hedge future cash flows from the payments of interest according to the credit contracts or loan agreements (interest rate swaps), to hedge against foreign currency risk (currency swaps and currency forwards) and to hedge against to changes of sold commodity (commodity swap and commodity futures).

Trading derivatives:

	Due date	Fair value as at 31/12/2017
Receivables from futures transactions - short-term	2018	205
Payables from option transactions - long-term	2021	-1 992
Payables from futures transactions - short-term	2018	-539
Payables from swap transactions - short-term	2018	-522
Payables from swap transactions - long-term	2020	-32
Receivables from forward transactions - short-term	2018	380
Receivables from swap transactions - short-term	2018	160
Receivables from futures transactions - long-term	2020	174
Payables from forward transactions - short-term	2018	-8
Receivables from option transactions - short-term	2018	8 800
Receivables from swap transactions - long-term	2022	2
Payables from put in option transactions - short-term	2018	-4
Total trading derivatives		6 624

As at 31 December 2017, the Group held trading derivatives in a form of currency swaps, currency forwards, interest rate swaps, commodity futures and purchase options.

As at 31 December 2016, the Group had the following derivatives:

Hedging derivatives:

	Due date	Fair value as at 31/12/2016
Receivables from swap transactions - long-term	2022	346
Receivables from forward transactions - short-term	2017	55
Payables from swap transactions - long-term	2019	-21
Payables from swap transactions - long-term	2020	-195
Payables from forward transactions - short-term	2017	-217
Payables from swap transactions - short-term	2017	-1 830
Payables from swap transactions - short-term	2019	-28
Total hedging derivatives		-1 890

As at 31 December 2016, the Group held derivatives to hedge future cash flows from the payments of interest according to the credit contracts or loan agreements (interest rate swaps), to hedge against foreign currency risk (currency swaps and currency forwards) and to hedge against to changes of sold commodity (commodity swap).

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Trading derivatives:

	Due date	Fair value as at 31/12/2016
Receivables from futures transactions - short-term	2017	365
Payables from option transactions - long-term	2021	-1 852
Payables from swap transactions - short-term	2017	-35
Payables from futures transactions - short-term	2017	-55
Total trading derivatives		-1 577

As at 31 December 2016, the Group held trading derivatives in a form of currency swaps, interest rate swaps, commodity futures and purchase options.

All financial derivatives were stated at fair value as at 31 December 2017 and 31 December 2016 and categorised to Level 2 in the fair value hierarchy. For fair value determination, a market comparison technique was used. Fair values are based on Level 2 inputs.

22. EMPLOYEE BENEFITS

Defined Benefit Plan

The most significant amount of employee benefits relate to OPAP S.A. sub-group. Under Greek labor law, employees are entitled to termination payments in the event of retirement with the amount of payment varying in relation to the employee's compensation and length of service. The liability arising from the above obligation is actuarially valued by an independent firm of actuaries. The last actuarial valuation was undertaken in December 2017.

The analysis of the plans in Consolidated Statement of Financial Position is as follows:

Liabilities from long-term employee benefits:

Opening balance as at 1 January 2017	1 991
Effect of new acquisitions	297
Current service costs	1 735
Interest costs	44
Settlement cost (result)	109
Total cost recognized in Profit and Loss	1 888
Actuarial (gain)/loss arising from financial assumptions	-28
Actuarial (gain)/loss arising from experience adjustment	-227
Total actuarial loss recognized in Equity	-255
Payments	-367
Closing balance as at 31 December 2017	3 554

In March 2017, the board of directors of OPAP S.A. approved a long-term motivation programme, designed to distribute part of net profit to members of the board of directors and key executives when set up KPI's are fulfilled. It is a three-year programme for the period 2017-2019.

The programme's objectives (KPI's) are:

- meeting the OPAP S.A. sub-group's profitability plans for the reported period, and
- increasing the share price at the Athens Exchange.

When the above conditions are met, the maximum amount to be distributed among no more than thirty recipients is TEUR 3 578. A liability relating to this programme recognised as at 31 December 2017 is TEUR 1 113.

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23. REVENUES

	2017	2016
Revenue from lottery and betting	1 664 027	591 246
Revenue from gas trading	975 984	576 563
Revenue from tourism	190 732	140 551
Sale of services	119 124	122 793
Sale of goods including electricity	318 008	68 683
Sale of crude oil	34 733	30 513
Sale of gas	16 441	14 712
Sale of products	9 429	10 261
Operation of gas storage tanks	1 077	1 856
Total revenue	3 329 555	1 557 178

24. OTHER OPERATING INCOME

	2017	2016
Income from subsidies	378	160
Profit from sale of materials	54	639
Income from negative goodwill (note 14)	77	--
Gain from disposal of fixed assets	1 842	762
Other operating income	44 858	16 433
Total other operating income	47 209	17 994

Comparing other operating income for the year 2017 and 2016 an increase in income primarily relates to the acquisition of Emma Delta Management Ltd. (including the OPAP S.A. sub-group) as of 6 October 2016. The most significant amount of TEUR 15 950 in Other operating income relates to income from the sale of gaming halls.

25. MATERIALS, CONSUMABLES AND SERVICES

	2017	2016
Goods including gas trading	1 270 896	611 049
Materials and energy used	40 869	39 755
Services relating to sales	238 862	183 937
Other services	245 099	117 546
Agent 's commissions	399 053	129 458
Fees to system providers	35 766	18 444
Own work capitalised	-9 621	-4 438
Total materials, consumables and services	2 220 924	1 095 751

Other services contain TEUR 1 995 (2016 - TEUR 1 318) of costs attributable to auditors' remunerations.

Own work capitalised includes capitalisation of wells, see accounting policy 3c), and capitalisation of materials and gas for own consumption (oil production).

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	2017	2016
Payroll expenses	117 491	69 971
Social security and health insurance expenses	29 070	18 610
Other social expenses	5 629	2 320
Retirement benefit costs	670	90
Total personnel expenses	152 860	90 991

27. DEPRECIATION AND AMORTIZATION

	2017	2016
Depreciation of tangible fixed assets, incl. investment property	56 796	50 402
Amortisation of intangible assets	86 160	16 232
Impairment of intangible assets	--	23 753
Total depreciation and amortisation	142 956	90 387

For impairment of intangible assets see note 7.

28. OTHER OPERATING EXPENSES

	2017	2016
Repairs	5 674	4 674
Travel expenses	6 832	8 973
Fees	6 958	4 554
Other taxes	12 173	14 418
Tax on the net revenues (lottery tax)	530 436	182 291
Insurance premiums	2 621	1 888
Sponsorship and donations	29 031	10 107
Other operating expenses (including operating lease)	46 235	10 253
Total other operating expenses	639 960	237 158

Comparing other operating expenses for the year 2017 and 2016 an increase in expenses primarily relates to the acquisition of Emma Delta Management Ltd. (including the OPAP S.A. sub-group) as of 6 October 2016.

29. NET FINANCE INCOME/(COSTS)

	2017	2016
Interest income, incl. income from bonds	11 434	14 183
Interest expense, incl. bond loans interest and expense	-83 836	-60 642
Gain from foreign exchange transactions	11 748	7 148
Gain/(loss) from sale of other investments	843	-18
Dividends received	34	281
Gain on financial assets at fair value through profit or loss	272	23 371
Impairment provision	-8 000	-455
Other finance income	14 597	20 820
Other finance expenses	-9 726	-4 098
Net finance income/(costs)	-62 634	590

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Profit on revaluation of financial assets at fair value through profit or loss represents the change in fair value of financial assets until 6 October 2016 when these assets entered into purchase price allocation of Emma Delta Management Ltd. sub-group (see also note 14).

When comparing finance income and finance cost for the year 2017 and 2016 an increase in expenses primarily relates to the acquisition of Emma Delta Management Ltd. (including the OPAP S.A. sub-group) as of 6 October 2016.

30. INCOME TAX

	2017	2016
Current income tax	67 222	23 185
Deferred income tax	8 138	-6 143
Income tax	75 360	17 042

Effective tax rate	2017		2016	
Profit before tax	229 077		73 087	
Income tax determined using current tax rates	64 142	28.00%*	13 887	19.0% **
Effect of different tax rate used to determine current and deferred tax;	-94	-0.04%	-53	-0.1%
Effect of non-deductible expenses	25 606	11.18%	5 459	7.5%
Effect of non-taxable income	-27 075	-11.82%	-7 397	-10.1%
Effect of certain income subject to a special tax rate	-23	-0.01%	88	0.1%
Charity gifts	--	--	-47	-0.1%
Tax credits	-8	0.00%	3 120	4.3%
Tax relating to prior periods	2 684	1.17%	526	0.7%
Effect of accumulated tax loss claimed in current period	742	0.32%	407	0.5%
Effect of not recognised deferred tax asset relating to tax losses of current period	10 207	4.45%	4 900	6.7%
Effect of consolidation and IFRS adjustments without deferred tax effect	-8 032	-3.51%	-100	-0.1%
Effect of different tax rate of companies within the Group	7 211	3.15%	-3 748	-5.1%
Total income tax / effective tax rate	75 360	32.90%	17 042	23.3%

* The Group decided for more precise presentation of effective tax rate reconciliation. As a consequence, the tax rate used for the reconciliation of effective tax rate in 2017 was calculated as weighted average tax rate of Group's companies. The weight used for this calculation was operating profit excluding depreciation and amortization. It would be technically impracticable to change the presentation of the comparative year 2016 therefore the Group decided not to change the comparative presentation.

** Tax rate in the Czech Republic where majority of Group's operations is located in 2016.

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Corporate income tax by country/region	Tax rate	
	2017	2016
Austria	25.00%	25.00%
Cyprus	12.50%	12.50%
Czech Republic	19.00%	19.00%
Germany*	26.2%; 29.13%; 29.47%	24.22%; 26.2%; 32.63%
Great Britain	19.25%	20.00%
Greece	29.00%	29.00%
Ireland	12.50%	12.50%
Israel	24.00%	25.00%
Italy	28.13%	27.90%
Netherlands	25.00%	25.00%
Russia	20.00%	20.00%
Slovakia	21.00%	22.00%
Switzerland	8.00%; 8.50%; 10.00%	8.50%
Ukraine	18.00%	18.00%
Vietnam	20.00%	20.00%

*) Basic corporate income tax rate in Germany of 15% is adjusted by solidarity surcharge and municipality tax which differs according to a seat of the company.

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31. OTHER COMPREHENSIVE INCOME

	2017	2016
Foreign currency translation differences for foreign operations	-13 400	1 999
Foreign currency translation differences of disposed foreign operations transferred to profit or loss	49	--
Foreign currency translation differences for foreign operations total	-13 351	1 999
	2017	2016
Share of OCI of equity-accounted investees	-54	-3 176
Share of OCI of equity accounted investees	-54	-3 176
	2017	2016
Effective portion of changes in fair value of cash flow hedges, before tax	21 702	-1 580
Deferred tax	-4 102	300
Effective portion of changes in fair value of cash flow hedges, net of tax	17 600	-1 280
	2017	2016
Actuarial gain/(loss) - before tax	255	-252
Actuarial gain/(loss) - deferred tax	-74	73
Actuarial gain/loss, net of tax	181	-179
	2017	2016
Net change in fair value of cash flow hedges transferred to profit or loss, before tax	852	-804
Deferred tax	-163	153
Net change in fair value of cash flow hedges transferred to profit or loss, net of tax	689	-651
Other comprehensive income, net of income tax	5 065	-3 287
Other comprehensive income attributable to:		
- owners of the Company	7 670	-2 346
- non-controlling interest	-2 605	-941
Other comprehensive income for the period, net of income tax	5 065	-3 287

32. OPERATING LEASES

Income

The Group leases non-residential premises and movable assets and the Group determined that these assets are operating leases - see note 3n). In 2017, an amount of TEUR 2 202 (2016 - TEUR 320) was recognised as income from operating leases in the statement of comprehensive income.

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The Group will receive the following income from operating lease instalments:

	2017	2016
Within one year	1 204	635
From one to five years	4 049	1 025
In more than five years	2 615	1 848
	7 868	3 508

Expense

In 2017, an amount of TEUR 13 404 (2016: TEUR 6 395) was recognized as an expense on operating leases in the statement of comprehensive income. The expenses are included in other services in note 28.

The rent paid to the landlord is adjusted to market rentals at regular intervals, and the Group does not have an interest in the residual value of the assets. As a result, it was determined that substantially all of the risks and rewards of the assets are with the landlord.

The Group is obliged to pay operating lease instalments as follows (long-term contracts only):

	2017	2016
Within one year	21 619	14 384
From one to five years	27 793	23 561
In more than five years	33 777	36 167
	83 189	74 112

33. RELATED PARTIES

In 2017 the members of the Board of Directors of KKCG AG received remuneration of TEUR 1 473 (2016 – TEUR 1 546).

Bonuses, remuneration and other personnel expenses incurred in respect of members of the board of directors, supervisory board and executive management of the consolidated companies:

	2017		2016	
	Members of statutory bodies	Executive management	Members of statutory bodies	Executive Management
Payroll expenses	--	20 983	--	14 097
Social security and health insurance	329	3 662	457	2 491
Remuneration of members of statutory bodies	2 692	--	3 360	--
Total personnel expenses	3 021	24 645	3 817	16 588

Bonuses for executive management are part of the payroll expenses.

KKCG Holding AG

As at 31 December 2017, the Group has other payables of TEUR 51 (2016 – TEUR 0) to KKCG Holding AG (note 20).

Other related parties

As at 31 December 2017, the Group has long-term receivables of TEUR 23 835 (2016 – TEUR 22 308) (note 12) from, and short-term payables of TEUR 20 830 (2016 – TEUR 4 341) to indirectly related companies (note 20) and long-term receivables of TEUR 29 563 (2016 – TEUR 2 226) (note 12) from, and short-term payables of TEUR 52 396 (2016 – TEUR 76 178) to ultimate shareholders and directors of the Group (note 20).

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In 2017, the Group realised finance income of TEUR 537 (2016 – TEUR 459) from Group indirectly related companies and TEUR 209 (2016 – TEUR 5) from ultimate shareholders and directors of the Group (note 29). Finance expenses to indirectly related companies in 2017 amounted to TEUR 1 (2016 – TEUR 2) and to ultimate shareholders and directors of the Group to TEUR 20 (2016 – TEUR 56) (note 29).

Please refer to note 8 regarding receivables, payables, income and expenses from or to joint ventures and associates.

34. CONTINGENCIES

Legal matters

The Group estimates legal claims against OPAP S.A., for which a negative outcome is likely and therefore result in a provision, including interest, amounting to TEUR 29 493 (2016 – TEUR 32 195) (note 18).

35. FINANCIAL RISK MANAGEMENT

a) Risk management and financial instruments

This note describes in detail the financial and operating risks to which the Group is exposed, and the ways in which these risks are managed. Risk management is an essential part of the Group corporate governance. The main focus is on the quantification of the risk exposure in the area of market risk (exchange rate, interest rate and commodity price risk) and credit risk and mitigation of the potential risk exposure in line with the Group financial goals and risk profile. The aim of the Group's risk management system is creation of the additional value for the Group by taking an acceptable level of risk.

For all risks major steps in the Group's risk management process are – risk identification, set up of risk measurement methodology, calculation of risk exposure, definition of hedging strategy and implementation of hedging strategy. Risk objectives and methodology are approved by the Board of Directors. Management of individual subsidiaries is responsible for the implementation and daily processing of the risk management framework.

Major financial instruments of companies in the Group include bank loans and borrowings, issued bonds and financial derivatives. The primary aim of these financial instruments is to obtain funds needed for activities of the Group companies and hedging of the Group's activities.

The most significant financial risks to which the Group is exposed include market risk – mainly currency risks on foreign currency sale, interest charge connected with various interest rates and commodity price risk and credit risk of major trading counterparties and business customers. The principles for managing the above risks are approved and monitored by top management of each Group company.

Group companies enter into derivative transactions (currency forwards and swaps, call and put options, interest rate swaps and commodity swaps and futures), in order to manage currency, interest rate and commodity price risks arising from Group's operations.

b) Credit risk

Credit risk represents the risk of loss that the Group companies would incur if the trading counterparty or business customer is unable to fulfil its obligation resulting from payment obligation, obligation to off-take a commodity or service at a certain price and non-delivery of contracted commodity or service.

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The Group carries out business predominantly with international financial institutions. The Group follows the principle that all customers willing to carry out business under credit terms are subject to procedures for credit risk assessment. In addition, the balances of receivables are continuously monitored on individual and aggregated level.

Oil and gas division generates revenues from the sale of crude oil and gas production, gas trading, rendering of services relating to the operation of underground gas storages and drilling services. All trading and business counterparties are subject to a credit risk assessment procedure that sets credit limit for the counterparty. Counterparty credit limits are approved by the Risk Management Committee based on external credit ratings assessment where available or based on internal credit risk methodology. The credit exposure to each counterparty is monitored on a daily basis, taking also into account potential future exposure. The Group also requires in some cases a bank or parent company guarantee, prepayments or other credit support instrument to mitigate credit risk.

One of key measures to mitigate the credit risk in ordinary business activities in lottery and betting division are deposits received from partners (agents) – see note 20. Receivables from the partners are monitored by management on regular basis.

Regarding the credit risk arising from other financial assets of the Group which include cash and cash equivalents, available-for-sale investments and certain derivative instruments, the credit risk of the Group arises from a failure of the counterparty to discharge their obligations, where the maximum risk is the book value of such instruments. This risk is mitigated by cooperation with the best graded local and international banks and diversification of the portfolio.

Credit risk by type of counterparty

<i>At 31 December 2017</i>	Companies (non- financial insti- tutions)	State, govern- ment	Financial insti- tutions	Indivi- duals	Total
Assets					
Long-term receivables	60 610	2	1 359	29 851	91 822
Short-term investments	5	--	--	--	5
Short-term receivables	357 823	35 436	6 435	102 524	502 218
Cash and cash equivalents	11 831	--	713 485	--	725 316
Total	430 269	35 438	721 279	132 375	1 319 361

Credit risk by type of counterparty

<i>At 31 December 2016</i>	Companies (non- financial insti- tutions)	State, govern- ment	Financial insti- tutions	Indivi- duals	Total
Assets					
Long-term receivables	92 757	111	247	579	93 694
Short-term investments	--	--	24 833	--	24 833
Short-term receivables	300 756	57 056	559	74 169	432 540
Cash and cash equivalents	1 205	--	480 015	--	481 220
Total	394 718	57 167	505 654	74 748	1 032 287

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The ageing structure of financial assets:

Ageing structure							
<i>At 31 December 2017</i>	Not past due	Past due 0-90 days	Past due 91-180 days	Past due 181-365 days	More than one year	Adjustment created	Total
Assets							
Long-term receivables	92 059	--	--	--	--	-237	91 822
Short-term investments	5	--	--	--	--	--	5
Short-term receivables	481 725	11 698	7 467	2 003	37 247	-37 922	502 218
Cash and cash equivalents	725 124	--	192	--	42	-42	725 316
Total	1 298 913	11 698	7 659	2 003	37 289	-38 201	1 319 361

Ageing structure							
<i>At 31 December 2016</i>	Not past due	Past due 0-90 days	Past due 91-180 days	Past due 181-365 days	More than one year	Adjustment created	Total
Assets							
Long-term receivables	93 927	--	--	--	--	-233	93 694
Short-term investments	24 833	--	--	--	--	--	24 833
Short-term receivables	425 144	4 081	486	1 090	39 097	-37 358	432 540
Cash and cash equivalents	481 265	--	--	--	--	-45	481 220
Total	1 025 169	4 081	486	1 090	39 097	-37 636	1 032 287

Management believes that the unimpaired amounts that are past due are still collectible in full, based on historical payment behaviour and extensive analysis of customer credit risk, including underlying customer's credit ratings if they are available.

Risk analysis by country/region (by a seat of the counterparty)

<i>Long-term and short-term receivables, short-term investments and cash and cash equivalents</i>	31/12/2017	31/12/2016
Czech Republic	703 636	457 713
Greece	328 689	252 743
Cyprus	50 150	155 863
Germany	33 894	26 583
Switzerland	61 161	11 219
Italy	10 357	7 706
Austria	27 701	2 213
Russia	442	1 200
Ukraine	1 818	1 122
Other countries	101 513	115 925
Total	1 319 361	1 032 287

c) Market risk

Market risk arises from the possible changes in the value of assets and liabilities and cash flows denominated in foreign currencies due to fluctuations in foreign exchange rates, interest rates and commodity prices. The Group has implemented policies and methods for monitoring and hedging these risk exposures.

i) Currency risk, commodity risk

The Group is exposed to significant risks arising from foreign currency transactions. These risks arise from sales or purchases in currencies other than the functional currency. Approximately 93% of sales of the oil and gas division is denominated in currencies (primarily in EUR 89% and secondary in USD 3%) other than the functional currency of the operating units, whereas 95% of expenditures is denominated in other than functional currency of the operating units (primarily in EUR 94%). Approximately 56% of sales and 45% of expenditures of the industry division is denominated in EUR. Lottery and betting division generates about 87% of sales and 89% of expenditures in EUR. Division of tourism and other remaining streams generates about 7% of sales and nearly 68% of expenditures in currencies other than the functional currency of the operating unit.

Companies in the Group continuously monitor currency risks and evaluate the potential impact of fluctuations in the currency exchange rates on the Group's operations. Significant part of the foreign exchange exposure is hedged either by natural hedging, e.g. using financing in the same currency as the revenues generated and also incurring revenues and expenses in the same currency, or by using hedge accounting through FX forward and swap contracts.

The crude oil division is exposed to currency risk relating to generating revenues in USD from the sale of crude oil in the Czech Republic and abroad and from the sale of gas in EUR. The foreign exchange risk from USD denominated crude oil revenues is in the long-term positively compensated by the movement of crude oil prices on world markets. Gas revenues denominated in EUR are hedged by FX forward contracts.

Risk exposure resulting from trading with gas is monitored on a daily basis by observing market value, mark-to-market and value-at-risk of the open position and is subject to certain approved limits for individual risk indicators. The exposure to market risk, within the risk limits approved by Board of Directors or Risk Committee, depends on the market conditions and expectations. All risk limits are monitored and reviewed on a regular basis.

Changes in commodity prices represent the highest risk of oil division. In 2017, lower prices of crude oil of 1 USD/bbl would cause decrease in profit before tax by approximately TEUR 667 without the impact of hedging and by approximately TEUR 428 with consideration of hedging. Ceteris paribus the impact of appreciation of CZK against USD by 1 CZK would represent decrease in profit before tax by approximately TEUR 1 498 without the impact of hedging and by approximately TEUR 769 with consideration of hedging. Vice versa increase in crude oil prices and decrease of CZK against USD has positive impact on operating profit.

For gas trading (using underground gas storages), the main risk is a change of the summer/winter spread (difference between summer and winter gas prices). In 2017, the decrease in the summer/winter spread by 0.1 EUR/MWh would represent decrease in profit before tax by approximately TEUR 770 in relation to the total working gas volume. Exposure to FX risk (EUR position) from gas trading activities is very low, because trading over natural gas storage capacities is financed by EUR denominated loan and open positions are hedged by FX forward and FX swap contracts.

The currency risk of the industry division is mainly eliminated by natural hedging because revenues generated in foreign currencies (mainly EUR) are predominantly compensated by expenses in foreign currencies (mainly EUR).

The Group respects the principle that in order to maximise the effectiveness of derivatives, the conditions of derivatives must correspond with the conditions of the risk item.

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Risk analysis of currency risk

<i>At 31 December 2017</i>	EUR	CZK	USD	Other	Total
Long-term receivables	32 723	58 634	239	226	91 822
Short-term investments	--	5	--	--	5
Short-term receivables	375 845	118 537	4 658	3 178	502 218
Cash and cash equivalents	330 804	368 481	21 123	4 908	725 316
Total assets	739 372	545 657	26 020	8 312	1 319 361
Long-term loans and interest-bearing borrowings	-1 317 687	-417 392	-20 200	--	-1 755 279
Other long-term payables	-9 381	-6 597	-4 398	--	-20 376
Short-term loans and interest-bearing borrowings	-314 749	-66 754	-2 156	117	-383 542
Short-term payables	-519 293	-274 050	-12 130	-3 943	-809 416
Total liabilities	-2 161 110	-764 793	-38 884	-3 826	-2 968 613
Total	-1 421 738	-219 136	-12 864	4 486	-1 649 252

<i>At 31 December 2016</i>	EUR	CZK	USD	Other	Total
Long-term receivables	61 857	9 003	22 594	240	93 694
Short-term investments	--	24 833	--	--	24 833
Short-term receivables	337 387	88 321	3 578	3 254	432 540
Cash and cash equivalents	360 789	102 521	14 920	2 990	481 220
Assets	760 033	224 678	41 092	6 484	1 032 287
Long-term loans and interest-bearing borrowings	-921 280	-402 593	-18 641	--	-1 342 514
Other long-term payables	-11 322	-1 327	-1 852	--	-14 501
Short-term loans and interest-bearing borrowings	-268 028	-71 573	-2 250	--	-341 851
Short-term payables	-373 752	-231 477	-7 825	-2 262	-615 316
Liabilities	-1 574 382	-706 970	-30 568	-2 262	-2 314 182
Total	-814 349	-482 292	10 524	4 222	-1 281 895

Currency risk sensitivity analysis

A reasonably possible strengthening (weakening) of EUR, CZK and USD against all other currencies as at 31 December 2017 would have affected the measurement of financial instruments denominated in a foreign currency and affected the equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

Effect in thousands of Euro	Profit or loss		Equity, net of tax	
	10% increase + profit/ - loss	10% decrease + profit/ - loss	10% increase + increase/ - decrease	10% decrease + increase/ - decrease
31 December 2017				
EUR	-10 914	10 914	--	--
CZK	-12 146	12 146	-19 738	19 738
USD	-4 322	4 322	--	--

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ii) Interest rate risk

The risk to the Group relating to changes in market interest rates is primarily attributable to the Group's bank loans with floating interest rates. The Group continuously monitors developments in financial markets and, based on the current situation, decides whether loans will be drawn either with a floating or fixed interest rate. During the credit relationship the risk of an increase in interest rates is continuously monitored and the use of standard instruments and hedge accounting to eliminate the risk (interest rate swaps) is considered.

Long-term loans of the Group were mainly concluded with floating interest rates (except for the loans in some companies within the investment division or some real estate projects where a fixed rate was negotiated). Interest rate risk of long-term loans is hedged by interest rate swap contracts.

Due to the fact that the floating interest rate from the long term loans is hedged by interest rate swap, the sensitivity of the Group's operating profit resulting from short term revolving loan is very low and insignificant in comparison to the operating profit.

In order to mitigate the above risks, the following derivative financial instruments were concluded:

Fair value of hedging derivative instruments	As at 31 December 2017		As at 31 December 2016	
	Assets	Liabilities	Assets	Liabilities
	TEUR	TEUR	TEUR	TEUR
FX forwards and swaps	560	-362	55	-271
Interest rate swaps	4 141	-489	346	-1 843
Commodity futures	4	--	--	--
Commodity swaps	--	-1 148	--	-177
Total	4 705	-1 999	401	-2 291

Nominal value of derivative instruments	Currency	As at 31 December 2017		As at 31 December 2016	
		Assets	Liabilities	Assets	Liabilities
		FX forwards and swaps	TEUR	393 280	-112 300
	TUSD	23 584	-7 376	2 000	-11 100
Interest rate swaps	TCZK	5 695 345	--	--	-149 400
	TEUR	82 135	-2 482	82 135	-68 409
Commodity swaps	TUSD	--	-23 958	--	-11 397

Gains or losses on changes in fair value of derivatives during the period qualify for hedge accounting and are charged to equity.

Interest rate sensitivity

Interest rate sensitivity from the whole loan portfolio is insignificant. Major interest rate costs are either hedged by interest rate swaps or have fixed interest rate. In relation to unhedged loans increase/decrease in interest rates (EURIBOR, LIBOR and PRIBOR) by 1 percentage point would cause an increase/decrease of interest cost by TEUR 6 799.

d) Liquidity risk

Liquidity risk represents the possibility that the company might not be able to fulfil its payment obligations, primarily in respect of covering the amounts due to providers of bank loans and borrowings.

The Group monitors the risk of having insufficient funds by continuously monitoring the liquidity and maturity of investments, other financial assets, projected cash flows from its activities in individual currencies and fulfilment of bank covenants (see note 17).

The Group maintains free liquidity sources that consist of cash and equivalents and a portfolio of high-quality, liquid investments in currencies in which the future financial needs are expected.

The Group aims to balance its continuous financing facility requirements using bank overdrafts, bank loans and finance leases.

The Group uses proprietary IT tools for liquidity management, market management, valuation of financial instruments and for trading and risk management purposes.

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's management minimises liquidity risk (i.e. the risk of inappropriate funds to cover liabilities) through ongoing future cash flow management and planning. The key cash flow planning tool is an annual medium term plan prepared for the period of the following three years. The cash flows for the immediately following years are broken down in detail into individual months, and consequently updated on an ongoing basis.

As part of its liquidity risk management strategy, the Group ensures that a portion of its assets is highly liquid.

The table below presents an analysis of Group's financial assets and liabilities classified by maturity, namely by the period remaining from the reporting date till the contractual maturity. Where earlier repayment is possible, the Group makes the most prudent assessment possible, therefore expecting the earliest possible repayment of liabilities and the latest possible repayment of receivables. Assets and liabilities whose maturity is not contractually specified are grouped under the "undefined maturity" category.

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As at 31 December 2017	Within 1 year	From 1 to 5 years	In more than 5 years	Undefined maturity	Total
	TEUR	TEUR	TEUR	TEUR	TEUR
Assets					
Other-long term investments	--	--	--	15 884	15 884
Long-term receivables	--	82 081	9 741	--	91 822
Short-term financial assets	5	--	--	--	5
Short-term trade and other receivables	500 332	--	--	--	500 332
Income tax receivables	1 886	--	--	--	1 886
TOTAL	502 223	82 081	9 741	15 884	609 929
Liabilities					
Long-term interest-bearing loans and finance lease liabilities	--	-1 602 354	-152 925	--	-1 755 279
Other long-term liabilities	--	-17 849	-2 527	--	-20 376
Short-term interest-bearing loans and finance lease liabilities	-383 542	--	--	--	-383 542
Trade and other payables	-804 133	--	--	--	-804 133
Income tax liabilities	-5 283	--	--	--	-5 283
TOTAL	-1 192 958	-1 620 203	-155 452	--	-2 968 613
	-690 735	-1 538 122	-145 711	15 884	-2 358 684

As at 31 December 2016	Within 1 year	From 1 to 5 years	In more than 5 years	Undefined maturity	Total
	TEUR	TEUR	TEUR	TEUR	TEUR
Assets					
Other-long term investments	--	--	--	19 216	19 216
Long-term receivables	--	93 085	609	--	93 694
Short-term financial assets	24 833	--	--	--	24 833
Short-term trade and other receivables	399 613	--	--	--	399 613
Income tax receivables	32 927	--	--	--	32 927
TOTAL	457 373	93 085	609	19 216	570 283
Liabilities					
Long-term interest-bearing loans and finance lease liabilities	--	-1 163 455	-179 059	--	-1 342 514
Other long-term liabilities	--	-13 856	-645	--	-14 501
Short-term interest-bearing loans and finance lease liabilities	-341 851	--	--	--	-341 851
Trade and other payables	-607 405	--	--	--	-607 405
Income tax liabilities	-7 911	--	--	--	-7 911
TOTAL	-957 167	-1 177 311	-179 704	--	-2 314 182
	-499 794	-1 084 225	-179 095	19 216	-1 743 898

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e) Capital management

The main purpose of the Group companies when managing capital is to ensure that the companies and thus the Group maintain strong credit ratings and sound capital to support their business activities with other counterparties and maximise shareholder value.

The Group companies manage their capital structure and adjust it in the light of changes in financial conditions. In order to secure or adjust the capital structure, the Group companies may adjust the dividends paid and other distributions made to shareholders, or issue new shares. The Group aims to maintain an appropriate ratio total liabilities (including loans) to IFRS equity and level of assets and liabilities utilising the high rating of the Group to obtain low-cost external funds.

	31/12/2017	31/12/2016
Total liabilities	3 338 885	2 682 856
Less: cash and cash equivalents and short-term financial assets	725 321	506 053
Net debt	2 613 564	2 176 803
Total equity	1 949 835	2 120 858
Debt to equity ratio	1.340	1.026

f) Fair value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Fair values are obtained, as appropriate, from quoted market prices, discounted cash flow projections and other valuation models.

To estimate the fair value of individual classes of financial instruments, the following methods and assumptions are used:

Cash and cash equivalents, short-term investments

The book value of cash and other short-term investments approximates their fair value, as these financial instruments have a relatively short maturity.

Other long-term investments

Fair values cannot be estimated for financial instruments for which quoted market prices do not exist and are thus stated at cost.

Receivables and payables

The book value of short-term receivables and payables approximates their fair value, as these financial instruments have a short maturity.

Short-term loans

The book value approximates their fair value, as these instruments have a floating interest rate and a short maturity.

Long-term loans

The book value of long-term loans and other liabilities with different interest rates approximates their fair values.

Derivatives

The fair value of derivatives is based on obtained value (see below table).

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The following tables show the carrying amounts and fair values of financial assets and liabilities as at 31 December, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of their fair value:

2017	Carrying amount at 31/12/2017			Fair value at 31/12/2017		
	Held-for-trading	Designated at fair value	Fair value – hedging instruments	Level 1	Level 2	Level 3
Financial assets measured at fair value						
Commodity futures	379	--	4	--	383	--
Currency swaps	160	--	21	--	181	--
Currency forwards	380	--	539	--	919	--
Interest rate swaps	2	--	4 141	--	4 143	--
Call options	8 800	--	--	--	8 800	--
Financial liabilities measured at fair value						
Commodity futures	-539	--	--	--	-539	--
Currency forwards	-8	--	-129	--	-137	--
Currency swaps	-237	--	-233	--	-470	--
Commodity swaps	--	--	-1 148	--	-1 148	--
Call options	-1 992	--	--	--	-1 992	--
Put options	-4	--	--	--	-4	--
Interest rate swaps	-317	--	-489	--	-806	--

2016	Carrying amount at 31/12/2016			Fair value at 31/12/2016		
	Held-for-trading	Designated at fair value	Fair value – hedging instruments	Level 1	Level 2	Level 3
Financial assets measured at fair value						
Commodity futures	365	--	--	--	365	--
Currency forwards	--	--	55	--	55	--
Interest rate swaps	--	--	346	--	346	--
Financial liabilities measured at fair value						
Commodity futures	-55	--	--	--	-55	--
Currency forwards	--	--	-217	--	-217	--
Currency swaps	-11	--	-54	--	-65	--
Commodity swaps	-18	--	-177	--	-195	--
Purchase options	-1 852	--	--	--	-1 852	--
Interest rate swaps	-6	--	-1 843	--	-1 849	--

Fair values as shown in the tables were obtained from financial institutions in which the swaps and forwards are contracted. The Group considers that the carrying amount of the purchase option is reasonable approximation of fair value and therefore not revaluated.

Fair value hierarchy

The Group uses the following hierarchy of valuation techniques to determine and disclose the fair value of financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: other techniques based on inputs that have a material impact on the reported fair value and that are observable, either directly or indirectly
- Level 3: techniques based on inputs that have a material impact on the reported fair value and that are not based on observable market data

36. RESEARCH AND DEVELOPMENT

In 2017, the Group incurred the amount of TEUR 1 613 (2016 – TEUR 1 288) on research and development of innovative biomedical products.

37. MATERIAL SUBSEQUENT EVENTS

Description of significant subsequent events that occurred after 31 December 2017:

- 1) On 15 January 2018, the Group acquired controlling interest in Casinos Austria AG via the acquisition of additional shares in Medial Beteiligungs GmbH. After the acquisition, the controlling interest in Casinos Austria AG sub-group is represented by 38.29 % investors shares hold by the parent company and 17.2 % of voting rights based on a shareholders agreement with Novomatic AG, totalling in 55.49 %. However the economic interest attributable to the Group is represented only by the shares directly owned by the Group's subsidiaries (i.e. 38.29 % at Medial Beteiligungs GmbH level and 25.53 % at the Group level).

However, certain transfers of direct and indirect interests by the Group's controlling shareholders in Casinos Austria AG may give Novomatic AG the right to terminate the shareholders agreement. Since one of the Group's subsidiaries (SAZKA Group a.s.) is considering an initial public offering there is a potential risk of the termination of shareholder's agreement. If such a circumstances would lead to the termination of shareholders agreement, the acquiree would have been classified as an associate and the Group would have accounted of it using equity method accounting, which would have a material impact on financial statements.

The total consideration transferred amounts to TEUR 113 774 paid in cash. The acquisition accounting is ongoing.

As of 15 January 2018 the Group drew on a loan in the amount of TEUR 115 000 relating to the additional acquisition of Medial Beteiligungs GmbH shares

- 2) As of 26 April 2018, the Group acquired a controlling interest in 3 Croatian companies operating in betting business and casinos games. After the acquisition, the Group holds effective interest in:
 - 50.25 % of company SUPER SPORT d.o.o.,
 - 50.25 % of company PUNI BROJ d.o.o.,
 - 12.75 % of company Minus5 d.o.o.

Based on effective interest, the Group has gained control over all three Croatian companies. Total consideration paid amounts to TEUR 211 900 and the acquisition accounting is ongoing.

On 23 February 2018, the Group also signed an option agreement, under which the Group will effectively buy the remaining outstanding shares of SUPER SPORT d.o.o. and PUNI BROJ d.o.o.

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As of 26 April 2018 the Group drew on a loan in the amount of 107 000 TEUR relating to the acquisition of Croatian business.

Except for the above, no other subsequent events that would have a significant impact on the balances or understanding of consolidated financial statements as at 31 December 2017 occurred.



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Independent Auditor's Report to the General Meeting of

KKCG AG, Lucerne

Report on the Audit of the Consolidated Financial Statements

Opinion

As independent auditor, we have been engaged to audit the accompanying consolidated financial statements of KKCG AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements (pages 4 to 87) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (IFRS for EU) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises the Board of Director's report, but does not include the consolidated financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS for EU and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG



Roger Neining
*Licensed Audit Expert
Auditor in Charge*



Yvonne Lingg
Licensed Audit Expert

Zurich, 30 May 2018

Enclosure:

- Consolidated financial statements, which comprise the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements