TOTOLOTEK S.A.
UL. TANECZNA 18B
02-829 WARSZAWA

REPORT OF THE INDEPENDENT CERTIFIED AUDITOR ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2017

TPA Spółka z ograniczoną odpowiedzialnością Sp. k. (formerly: TPA Group Sp. z o.o.)
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INDEPENDENT CERTIFIED AUDITOR'S REPORT ON THE AUDITED FINANCIAL STATEMENTS

To the General Meeting of Shareholders of Totolotek S.A.

We have audited the attached financial statements of Totolotek S.A. (hereinafter: *the Company*) with registered office in Warsaw, ul. Taneczna 18B consisting of:

- the introduction to the financial statements,
- the balance sheet prepared as of 31 December 2017,
- the profit and loss account for the financial year from 1 January 2017 to 31 December 2017,
- the cash flow statement for the financial year from 1 January 2017 to 31 December 2017,
- the statement of changes in equity for the financial year from 1 January 2017 to 31 December 2017,
- additional notes and explanations to the financial statements.

Responsibility of the Management Board and Supervisory Body

The Management Board of the Company is responsible for preparation of the financial statements based on the properly held accounting records and in accordance with the Accounting Act of 29 September 1994 (Journal of Law from 2017, item 2342 with subsequent amendments), hereinafter: "the Accounting Act" and all binding regulations as well as the Company's articles of association. The Management Board is also responsible for proper internal control environment necessary for the financial statements to be free from misstatements due to fraudulent activities or mistakes.

Both the Management Board of the Company and the Supervisory Body are responsible for ensuring that the financial statements are in accordance with the Accounting Act.

Responsibility of the certified auditor

Our responsibility was to express an opinion whether the financial statements of the Company present in all material respects true and fair view of the financial situation of the Company and are prepared in line with the Accounting Act and underlying accounting policies.

Our audit of the financial statements was conducted in accordance with:

- Act on certified auditors, auditing companies and public supervision body dated 11 May 2017 (Journal of Laws of 2017, item 1089), hereinafter: "the Auditors' Act",
- National Standards on Auditing being International Standards on Auditing IAASB adopted by the National Chamber of Auditors with the resolution no. 2783/52/2015 dated 10 February 2015, with further amendments,
- Chapter 7 of the Accounting Act.

The abovementioned regulations require compliance with ethical standards as well as planning and conducting the audit in a way allowing to obtain the reasonable assurance that the financial statements as a whole are free from material misstatements.
Our audit was based on the procedures aimed to acquiring audit proofs for financial data as well as other information presented in the financial statements. Selection of procedures depends on the certified auditor's professional judgement, including assessment of the risk of material misstatements due to fraud or error. Internal control procedures in the Company concerning preparation and presentation of the true and fair view of the financial statements were taken into account by the certified auditor while planning proper audit procedures. The certified auditor, however, does not express any opinion on the effectiveness of the internal control systems in the Company. Audit procedures included also assessment of appropriateness of the adopted accounting policies, rationality of the Management Board's accounting estimates, correctness of the accounting records being the basis of the audited financial statements as well as assessment of the general presentation of the financial statements.

The scope of the audit of the financial statements excludes assurance on future profitability of the Company or efficiency of the Company's Management Board businesses activity.

We believe that our audit procedures provides a reasonable basis for issuing our audit opinion.

Audit opinion

In our opinion the audited financial statements in all material respects:

- present accurately and clearly information required to assess the financial position of the Company as of 31 December 2017 as well as its financial result for the period from 1 January 2017 to 31 December 2017,
- were prepared in accordance with the accounting principles determined by the Accounting Act and adopted accounting policy and regulations,
- were prepared based on the properly held in accordance with the Chapter 2 of the Accounting Act accounting records,
- were prepared in accordance with all legal regulations and the Articles of Association of the Company.

Without qualifying our audit opinion on the financial statements of the Company, we would like to draw your attention to the fact that as of 31 December 2017 the Company recognized a negative value of its equity amounting 64.358.501,73 PLN as well the Company's short-term liabilities exceeded current assets by 25.913.627,38 PLN which may indicate potential liquidity and going concern risk. The Management Board referred to the going concern issues in the introduction to the financial statements and note 45 of additional information to the financial statements.

On 2 February 2018 the Company received from Intralot S.A. – parent undertaking of the Capital Group, to which the Company belongs – the letter of comfort providing the financial support to the Company for the period of at least 12 months from the date of the balance sheet i.e. till at least 31 December 2018. Therefore, the financial statements for the year ended on 31 December 2017 were prepared on the going concern basis.

Due to the fact that the accumulated losses exceeded the sum of supplementary and reserve capital as well as one-third of the share capital the Management Board, in compliance with Art. 397 od Code of Commercial Companies, the Company is obliged to call immediately a general shareholders' meeting to adopt a resolution on the Company's going concern.

We would also like to draw your attention to the information included by the Management Board in the note 42 of the financial statements regarding completed proceedings against the Company, conducted by the custom offices in Poland and which are the consequence of the dispute with the Ministry of Finance concerning the withdrawal of the Company's concession for gambling in 2012. The main dispute point is whether the Ministry of Finance First Instance's decision that withdrew the Company's concessions for gambling was final and enforceable or not.

As of the date of this report, there are six pending proceedings, appealed to the Supreme Administrative Court by Directors of the Customs Chambers in Biała Podlaska and Wrocław. Aforementioned proceedings are cassation appeals against the final judgements of the Provincial Administrative Courts. However, by referring to the final judgement from 13 January 2016 of the Supreme Administrative Court in Warsaw, which sustained the decision of the Provincial Administrative Court in Szczecin indicating that the Company could operate until receiving the final decision withdrawing the Company's permits, the Management Board and the Company's legal counsel are of the opinion that the aforementioned proceedings should be settled in favor of the Company.
According to the Management Board the aforementioned proceedings should not have the negative financial impact on the Company, thus no provisions in this respect were recognized in the accounting records. The aforementioned proceedings have no negative impact on the current concessions for gambling games holding by the Company. Due to the fact that, as of the date of this report, not all of the aforementioned cassations have been finalized, we are not able to estimate the final impact they could have on the future financial condition of the Company.

Opinion on the accounting records

The Management Board of the Company is responsible for ensuring that accounting records are properly kept.

In our opinion the audited financial statements were prepared on the basis of correctly kept accounting records i.e. in accordance with regulations of chapter 2 of the Accounting Act.

Opinion on the Management Board Report

Our opinion on the financial statements does not include Management Board Report.

The Management Board and members of the Supervisory Body are responsible for preparation of the Management Board Report in line with all binding regulations.

Our responsibility, as part of our audit procedures, was to verify whether the information presented in the Management Board Report comply with regulations of both article 49, paragraph 2 of the Accounting Act and the attached financial statements. Our responsibility was also to confirm, based on our knowledge of the Company and its environment obtained during the audit of the financial statements, that the Management Board Report is free from material misstatements.

In our opinion the Management Board Report for the financial year ended as of 31 December 2017 is complete in light of the article 49, paragraph 2 of the Accounting Act and presented information and consistent with the audited financial statements. Based on our knowledge of the Company and its environment obtained during the audit of the financial statements we did not identify any material misstatements.

Statement on non-financial information

Based on the act on certified auditors, auditing companies and public supervision body we confirm that that the Company was not obliged to prepare the statement on non-financial information as required by the article 49b point 1 of the Accounting Act.

Information on the Company's other obligations resulting from legal regulations

The financial statements of the Company for the financial year ended on 31 December 2016 were submitted to the National Court Register on 8 May 2017 and to the Tax Office on 27 April 2017. We would like to draw your attention to the fact, that the Company failed to submit the approved financial statements for the year ended on 31 December 2016 to the National Court Register within the time frame required by the article 69 of the Polish Accounting Act.

Krzysztof Dziekoński

Certified auditor no. 10089
acting on behalf of the audit company
Proxy
Proxy can be found at
http://www.tpa-group.pl/pl/pelnomocnictwo

TPA Sp. z ograniczoną odpowiedzialnością
Sp. k. (formerly: TPA Group Sp. z o. o.)
ul. Młyńska 12, 61-730 Poznań
Audit company entered under number 3082
on the list of audit companies.

Warsaw, 2 February 2018

The above audit opinion is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

Totolotek S.A.

FINANCIAL STATEMENT FOR THE YEAR ENDING ON 31 December 2017 INCLUDING AN OPINION OF AN INDEPENDENT CHARTERED ACCOUNTANT

Warszawa, dnia 2 Lutego 2018 roku

A. INTRODUCTION TO THE FINANCIAL STATEMENT

1. GENERAL INFORMATION

Totolotek Spółka Akcyjna ("the Company") was established by means of Notarial Deed of 17 February 1992. The Company is entered in the Register of Entrepreneurs, kept by the Regional Court, XIII Commercial Division of the National Court Register, entry number KRS: 0000027214.
The Company has the following statistical number REGON 010333455 and tax identification number NIP 524-03-02-341. The registered office of the Company is in Warsaw at ul. Taneczna 18B.

In 2007, the Company changed its name from Totolotek Toto-Mix S.A.

The lifetime of the Company shall be unspecified.
According to the Articles of Association of the Company, the main area of operation of the Company is:
1. activity connected with games of fortune and mutual bets 2. other commercial activity, i.e. sale of goods, advertising, lease services.

Totolotek S.A. is presenting its financial statement for the financial year starting on 1 January 2017 and ending on 31 December 2017 and for the comparative period starting on 1 January 2016 and ending on 31 December 2016.

2. ASSUMPTION OF CONTINUATION OF THE BUSINESS ACTIVITY

The financial statement of the Company was drawn-up with the assumption of continuation of the business activity by the Company for a period of at least 12 months after the balance sheet date, i.e. after 31 December 2017. The Management Board of the Company confirms the existence, as of the date of signature of the financial statement, of the following facts and circumstances.

In the present financial year the Company achieved a net loss to the amount of PLN 13,947,525.07. The Company shows negative equity capital to the value of PLN 64,358,501.73, and the current liabilities exceed the current assets by the amount of PLN 25,913,627.38. The Management Board believes that there is no threat that there will be no possibility of continued activity of the Company. In addition, in view of the coming into force as of 1 April 2017 of the new Act in Gambling, the Management Board anticipates the growth of revenues and improvement of the profitability of the Company. Moreover, on 2 February 2018, the Company obtained an assurance of its dominating entity, Intralot S.A., of possible financial support for a period of at least 12 months from the balance-sheet date, and there are no prerequisites which would indicate that the dominating entity will not be able to fulfil the adopted liabilities.
According to Art.397 of the Commercial Companies Code, on 21 April 2017, a resolution was adopted regarding continued existence of the Company during the next financial year of 2017. As of the date of drawing up the statement for 2017, no such

3. MERGER OF COMMERCIAL COMPANIES

During the financial period for which this financial statement is drawn-up, the Company did not merge with any other economic unit.

4. ADOPTED ACCOUNTING RULES (POLICY)

4.1. Format and basis for preparation of the financial statement

The financial statement was drawn-up according to the requirements of the Law of 29 September 1994 on Accountancy (uniform text, Journal of Laws of 2013, item 330, as amended, hereinafter "LoA").

The financial statement was drawn up according with the principle of historical costs and it contains no adjustments connected with uncertainty as to continuation of activity.

The profit and loss account was drawn-up by the Company in a comparative version. Cash flow statement was prepared with the use of the interim method.

The entity is not composed of any internal organizational units which prepare their own financial statements, and that is why this financial statement does not contain any consolidated data.

4.2. Intangible fixed assets

Intangible assets are recognized if it is probable that in the future they will contribute to proceeds of economic benefits to the Company which may be directly associated with such assets. Intangible assets are initially recognized according to the their acquisition price or cost of manufacture. After their initial recognition, intangible assets are valued according to their acquisition prices or cost of manufacture, decreased by redemption and write-offs for permanent loss of their value. Intangible assets are depreciated in a linear manner over a period of time corresponding to an estimated period of their economic use.

The anticipated period of economic use is as follows:

- Computer software- Other intangible fixed assets	4, 5 years 6 years

Estimates concerning the period of depreciation and the method thereof are an object of a review at the end of each financial year.

As of the balance sheet date, the Company evaluates whether the balance sheet value of the disclosed assets does not exceed the value of the anticipated future economic benefits. If there are any circumstances justifying this, the balance sheet value of the assets is reduced to the net selling price. Write-offs for permanent loss in value are recognized as other operating costs.

4.3. Fixed assets

Fixed assets are valued at their acquisition price, cost of manufacture or re-estimated value, decreased by depreciation and write-offs due to permanent loss in value.

Re-estimation takes place subject to separate provisions. The result of the re-estimation is translated to the capital from the estimation of NPV. After the sale or liquidation of a fixed asset, the amount which remains in the capital from the establishment of the net present value is transferred to the supplementary capital. The last re-estimation took place on 1 January 1995.

Fixed assets are depreciated according to a linear method, over a period of time corresponding to the estimated period of their economic use or to a shorter of the following two periods: economic use or the right to use. Such depreciation periods are as follows:

- Buildings, premises and civil and water engineering sites	10 years
- Technical devices and machines	3, 5,10 years
- Means of transport	5 years
- Other fixed assets	5,10 years

Equipment and furniture with low initial unit value, i.e. up to 3.5 thousand PLN, are entered as low-cost fixed assets and depreciated in a single instalment in a month of their acceptance for use. The other fixed assets, irrespective of their initial value (e.g. computers) are classified to a relevant Fixed Assets Catalogue and depreciated according to the adopted accounting policy.

Estimates concerning the period of economic use and methods of depreciation are an object of a review at the end of each financial year for the purpose of verification whether the applied methods and depreciation period are consistent with the anticipated time distribution of the economic benefits brought about by such fixed.

As of the balance sheet date, the balance sheet value of tangible fixed assets is reviewed in order to determine whether or not it exceeds the value of future economic benefits. In the event that it exceeds such value, it is reduced to the value of the net selling price.

4.4. Fixed assets under construction

Fixed assets under construction are valued at the value of total costs which are directly connected with their acquisition or production, including financial costs, decreased by write-offs for permanent loss of value. Investment materials are also disclosed as fixed assets under construction. Fixed assets under construction are not depreciated until the time of completion of their construction and commissioning for use.

4.5. Inventory

Inventories are valued according to the lower of the following values: the acquisition price or the costs of manufacture equal to the net selling price.
The costs incurred in order to deliver inventory components to their current location and condition are entered according to the method of "identification of actual costs".

4.6. Short- and long-term amounts receivable

Amounts receivable are entered in the amount of their required payment, decreased by write-offs establishing their net present value.

The net present value of amounts receivable is established taking into account the probability of their payment by making a write-off establishing their net present value. Write-offs establishing the net present value of amounts receivable are entered as, respectively, other operating costs or financial costs - depending on the type of the amount receivable to which such write-off applies.

Redeemed, overdue or unenforceable amounts receivable decrease the previous write-offs establishing the net present value.

Redeemed, overdue or unenforceable amounts receivable which are not subject to write-offs establishing their net present value or which are subject to such write-offs in part, are entered, respectively, as other operating costs or financial costs.

4.7. Transactions in foreign currencies

Transactions expressed in currencies other than PLN are converted to PLN according to the exchange rate binding on the date of transaction.
As of the balance sheet date, assets and liabilities expressed in currencies other than Polish zloty are converted to Polish zloty according to the average exchange rate announced for a given currency by the National Bank of Poland. Exchange differences which are a result of the conversion are entered, respectively, as financial revenues and costs or, in the cases specified by the provisions of law, capitalized at the value of such assets.

As of the balance sheet date, the Company did not have any accounts receivable or payable in foreign currencies.

4.8. Cash and cash equivalents

Cash in bank and in hand is valued according to its face value.

The cash item disclosed in the cash flow statement consists of cash in hand, cash in the entity's own points of sale and bank deposits with the maturity period of no longer than 3 months, which are not treated as investment activity.

4.9. Deferred costs

The Company settles deferred costs if they apply to future reporting periods. The Company settles accrued costs at the value of liabilities due to winnings, attributable to the current reporting period. The provision is created on the basis of a detailed specification of identifiable winning coupons which were not collected by players before the balance sheet date and which apply to bets accepted by the Company before the balance sheet date, adjusted by the preclusions (overdue winnings according to the rules and regulations) recognized before the drawing up of the financial statement as far as they are entered as part of the operating revenues.

The Company also has deferred revenues. They derive from the value of bets concluded in one year, but concern events which will take place in the following year.

4.10. Basic capital

The basic capital is entered at the value specified in the articles of association of the Company and entered in the Court Register. Differences between fair value of the obtained payment and the nominal value of the shares are entered in the supplementary capital. In the event of buy-out of the entity's own shares, the amount of payment for own shares is charged to the equity capital and is disclosed in the balance sheet as "equity shares".

4.11. Provisions

Provisions are disclosed if the Company has an obligation in this regard (whether by law or by custom) resulting from previous events or when it is certain or highly probable that the fulfilment of such obligation will entail outflow of funds reflecting economic benefits and when it is possible to reliably estimate the amount of such liability.

Any increases or decreases in the level of provisions for overdue vacations and jubilee awards and severance pay, as estimated by the shareholders, are entered as costs per types - remuneration. Previously they were entered as other costs or operating revenues.

4.12. Bank credits and loans

At the time of their initial entry, bank credits and loans are disclosed according to the costs constituting the value of obtained cash and covering costs of obtainment of the credit/loan. Then, all bank credits and loans, with the exception of liabilities allocated for trade, are valued according to the adjusted acquisition price (depreciated cost), with the application of the effective interest rate.

Liabilities allocated for trade are valued according to their fair value. Profit or loss from re-estimation to the fair value are entered in the profit and loss account for the current period.

4.13. Costs of external financing

Costs of external financing concerning construction, adaptation, assembly or improvement of fixed assets or intangible fixed assets, for the period of construction, adaptation, assembly or improvement, are entered at the value of such assets, if they apply to liabilities incurred for that purpose.

The costs of external financing concerning the manufacture of products requiring a long period of construction are written-off in the profit and loss account in the period in which they were incurred.

The other costs of external financing are entered in the profit and loss account.

4.14. Deferred income tax

Deferred income tax is determined according to the method of balance-sheet liabilities, in relation to all interim differences occurring as of the balance-sheet date between the tax value of assets and liabilities and their balance-sheet value, as disclosed in the financial statement.

Provision for deferred income tax is established with reference to all positive interim differences, unless such provision for all deferred income tax arises in consequence of depreciation of the goodwill or the initial entry of the asset component or liabilities in the case of transaction which does not constitute the merger of entities, and does not, at the time of conclusion thereof, affect either the gross financial result or the taxable income, or tax loss.

The asset component connected with the deferred income tax is entered with regard to all negative interim differences and unused losses carried forward to next years, at such value at which it is probable that a taxable income will be achieved which will provide for the use of the aforementioned differences and losses.

The balance sheet value of the asset component in the form of deferred income tax is verified as of each balance sheet date and is appropriately reduced by the amount to which it is no longer probable that taxable income will be achieved which is sufficient to partly or fully realize the asset component in the form of deferred income tax.

Assets in the form of deferred income tax and provisions for deferred income tax are valued with the application of tax rates which, according to the provisions adopted by the balance sheet date, will be binding during the period when a given asset component is realized or the reserve is dissolved.

Assets due to deferred income tax and provisions for deferred tax are presented in the balance sheet respectively in assets and provisions due to deferred income tax.

4.15. Financial instruments

Financial instruments at the time of their entry in accounting books are valued according to their cost (acquisition price), constituting the equivalent of the fair value of the price paid for them. Transaction costs are entered at the initial value of financial instruments.

After their initial entry, the financial instruments are entered in one of the four categories and are valued in the following way:

Financial instruments maintained until their maturity date – these are valued according to the adjusted acquisition price (depreciated cost) determined with the application of the effective interest rate.

Granted loans and equity accounts receivable - are valued according to the adjusted acquisition price (depreciated cost) determined with the application of the effective interest rate. Amounts receivable characterized by a short maturity period, for which no interest rate is established, are valued according to the payment due.

Financial instruments maintained until their maturity date – these are valued according to the adjusted acquisition price (depreciated cost) determined with the application of the effective interest rate.

4.16. Permanent loss in value of assets

As of each balance sheet date, the Company evaluates whether there are any objective evidence indicating permanent loss in value of a given item or a group of financial assets. If such evidence exists, the Company determines the estimated value which may be recovered for a given component of assets and performs a write-off for the establishment of the net present value of such asset resulting from the loss of value, to the amount equal to a difference between the value which is possible to be recovered and the balance sheet value. The loss resulting from the loss in value is entered in the profit and loss account for the current period. In the event that re-estimation was carried out before, the loss decreases the value of capital from re-estimation, and then

4.17. Recognition of liabilities

Liabilities are recognized at the value at which it is probable that the Company will gain economic benefits which may be reliably valued.

4.18. Sale of goods and products

Revenues are entered at the time when a significant risk and benefits deriving from the ownership title to the goods or products are transferred to the buyer. Revenues also cover amounts receivable or obtained costs from sale, decreased by tax on goods and services (VAT).

4.19. Interest

Revenues from interests are recognized at the time of their calculation (with the application of effective interest rate), if their obtainment is not doubtful.

4.20. Unreliability of estimates

"According to the Polish accounting standards, the drawing-up of the financial statement requires certain estimates and assumptions which affect the values shown in the financial statement and in additional information and explanation.
The adopted assumptions and estimates are based on the best knowledge of the Management Board regarding the current activities and events, but the actual results may differ from the anticipated ones.

Totolotek S.A.
Sprawozdanie finansowe za rok zakończony dnia 31 grudnia 2017 roku
Balance sheet

ASSETS	Note	Na dzień 31 grudnia 2017	Na dzień 31 grudnia 2016
(in PLN)			
A. Fixed assets		**7 459 053,91**	**8 480 301,97**
I. Intangible fixed assets	4	**1 058 344,24**	**1 836 081,55**
1. Costs of completed development work		-	-
2. Goodwill		-	-
3. Other intangible fixed assets		1 058 344,24	1 836 081,55
4. Prepayments for intangible fixed assets		-	-
II. Tangible fixed assets	5	**2 299 082,55**	**2 270 223,35**
1. Fixed assets		2 069 400,85	1 902 316,93
a) land (including a perpetual usufruct right to the land)		-	-
b) buildings, premises and sites of land and water engineering		1 022 530,14	517 139,56
c) technical equipment and machines		867 508,43	1 102 864,30
d) means of transport		-	-
e) other fixed assets		179 362,28	282 313,07
2. Fixed assets under construction		224 881,70	351 300,76
3. Prepayments for fixed assets under construction		4 800,00	16 605,66
III. Long-term amounts receivable	9	**4 101 627,12**	**4 083 964,51**
1. From affiliate entities		-	-
2. From other entities in which the entity has a capital commitment			
3. From other entities		4 101 627,12	4 083 964,51
IV. Long-term investments	1	-	-
1. Real estate		-	-
2. Intangible fixed assets		-	-
3. Long-term financial assets		-	-
a) in affiliate entities		-	-
- stocks or shares		-	-
- other securities		-	-
- granted loans		-	-
- other long-term financial assets		-	-
b) in other entities in which the entity has a capital commitment		-	-
- stocks or shares		-	-
- other securities		-	-
- granted loans		-	-
- other long-term financial assets		-	-
c) in other entities		-	-
- stocks or shares		-	-
- other securities		-	-
- granted loans		-	-
- other long-term financial assets		-	-
4. Other long-term investments		-	
V. Long-term accrued income	11	-	**290 032,56**
1. Assets connected with deferred income tax		-	-
2. Other accrued income		-	290 032,56
B. Current assets		**8 270 685,13**	**4 301 631,36**
I. Inventory	25	**196 604,74**	**225 028,46**
1. Materials		71 741,35	99 618,96
2. Semi-finished products and products under construction		-	-
3. Finished products		-	-
4. Goods		39 381,43	69 595,64
5. Prepayments for deliveries		85 481,96	55 813,86
II. Short-term amounts receivable	16	**356 519,07**	**368 036,44**
1. Amounts receivable from affiliated companies		31 995,13	39 923,40
for deliveries and services, payable within		31 995,13	39 923,40
- up to 12 months		31 995,13	39 923,40
- more than 12 months		-	-
b) other		-	-
2. Amounts receivable from other entities in which the entity has a capital commitment		-	-
for deliveries and services, payable within		-	-
- up to 12 months		-	-
- more than 12 months		-	-
3. Amounts receivable from other entities		324 523,94	328 113,04
for deliveries and services, payable within		211 503,93	214 436,97
- up to 12 months		211 503,93	214 436,97
- more than 12 months		-	-
b) for taxes, subsidies, customs, social insurance, health insurance and other benefits		67 406,22	70 451,02
c) other		45 613,79	43 225,05
d) pursued in court		-	-
III. Short-term investments		**6 934 820,71**	**2 986 170,05**
1. Short-term financial assets		6 934 820,71	2 986 170,05
a) in affiliate entities	10.	-	-
- stocks or shares		-	-
- other securities		-	-
- granted loans		-	-
- other short-term financial assets		-	-
b) in other entities		3 000,00	-
- stocks or shares		-	-
- other securities		-	-
- granted loans		3 000,00	-
- other short-term financial assets		-	-
c) cash and other cash assets	36	6 931 820,71	2 986 170,05
- cash in hand and in bank accounts		5 829 367,84	2 337 970,50
- other cash		1 102 452,87	648 199,55
- other cash assets		-	-
2. Other short-term investments		-	-
IV. Short-term deferred income	11	**782 740,61**	**722 396,41**
C. Due contributions to the basic capital (fund)		-	-
D. Equity shares		-	-
Total assets		**15 729 739,04**	**12 781 933,33**

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The Management Board

.....
Person preparing the statement

Totolotek S.A.
Sprawozdanie finansowe za rok zakończony dnia 31 grudnia 2017 roku
Balance sheet

LIABILITIES	Note	Na dzień 31 grudnia 2017	Na dzień 31 grudnia 2016
(in PLN)			
A. Equity capital (fund)		**64 358 501,73**	**50 410 976,66**
I. Basic capital (fund)	*12*	**14 700 000,00**	**14 700 000,00**
II. Supplementary capital (fund), including:		**416 469,99**	**416 469,99**
- surplus of the value of sales (issue value) over the face value of the shares (stocks)			
III. Capital (Fund) from establishment of NPV		-	-
- for the establishment of the present fair value			
IV. Other reserve capital (fund), including:		-	-
- established according to the articles of association of the company			
- for equity shares (stocks)			
V. Profit (loss) from previous years		**65 527 446,65**	**50 086 397,30**
VI. Net profit (loss)	*14*	**13 947 525,07**	**15 441 049,35**
VII. Write-offs from net profit during the financial year (negative value)		-	-
B. Amounts payable and provisions for amounts payable		**80 088 240,77**	**63 192 909,99**
I. Provisions for amounts payable	*15*	**1 430 931,04**	**1 224 642,37**
1. Provision for deferred income tax		-	-
2. Provisions for pension benefits and similar		860 817,39	933 819,01
- long-term		117 511,83	94 285,75
- short-term		743 305,56	839 533,26
3. Other provisions		570 113,65	290 823,36
- long-term		-	-
- short-term		570 113,65	290 823,36
II. Long-term amounts payable	*17*	**43 083 692,63**	**33 768 426,93**
1. To affiliate entities		43 043 337,70	33 704 072,00
2. To other entities in which the entity has a capital commitment		-	-
3. To other entities		40 354,93	64 354,93
a) credits and loans		-	-
b) amounts payable for an issue of debt securities		-	-
c) other financial liabilities	*13*	-	-
d) liabilities under bills of exchange		-	-
e) other		40 354,93	64 354,93
III. Short-term amounts payable		**34 184 312,51**	**25 906 655,38**
1. Amounts payable to affiliate entities		16 770 250,69	11 879 197,45
a) for deliveries and services, payable within:		8 293 818,89	6 257 617,28
- up to 12 months		8 293 818,89	6 257 617,28
- more than 12 months		-	-
b) other		8 476 431,80	5 621 580,17
2. Amounts payable to other entities in which the entity has a capital commitment		-	-
a) for deliveries and services, payable within:		-	-
- up to 12 months		-	-
- more than 12 months		-	-
b) other		-	-
3. Amounts payable to other entities		17 414 061,82	14 027 457,93
a) credits and loans	*13*	5 515 739,75	5 517 043,09
b) amounts payable for an issue of debt securities		-	-
c) other financial liabilities	*13*	-	-
d) for deliveries and services, payable within:		4 385 363,65	3 350 718,45
- up to 12 months		4 385 363,65	3 350 718,45
- more than 12 months		-	-
e) prepayments received for deliveries		-	-
f) liabilities under bills of exchange		-	-
g) for taxes, customs, social and health insurance and other public-legal liabilities		5 098 338,42	3 468 446,05
h) for remuneration		943 575,23	937 373,39
i) other		1 471 044,77	753 876,95
3. Special-purpose funds		-	-
IV. Deferred costs	*18*	**1 389 304,59**	**2 293 185,31**
1. Negative goodwill		-	-
2. Other accrued income		1 389 304,59	2 293 185,31
- long-term		-	-
- short-term		1 389 304,59	2 293 185,31
Total liabilities		**15 729 739,04**	**12 781 933,33**

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Totolotek S.A.
Sprawozdanie finansowe za rok zakończony dnia 31 grudnia 2017 roku
Profit and Loss Account

Profit and Loss Account	Note	Rok zakończony dnia 31 grudnia 2017	Rok zakończony dnia 31 grudnia 2016
(in PLN)			
A. Net proceeds from sale and their equivalents:	*23*	**349 173 748,02**	**210 627 018,34**
- from affiliate entities			
I. Net proceeds from sale of products		348 682 060,48	210 016 764,12
II. Change in the level of products (increase-positive value, decrease-negative value)		-	-
III. Cost of manufacture of products for the entity's own needs			-
IV. Net revenues from sale of goods and materials		491 687,54	610 254,22
B. Costs of operating activity		**363 036 686,21**	**223 820 358,31**
I. Depreciation		1 825 508,30	1 874 156,54
II. Material and energy use		3 642 632,87	3 629 434,39
III. Third party's services		24 990 887,54	20 358 667,12
IV. Taxes and charges, including:		42 447 359,86	26 063 918,32
- excise tax		-	-
V. Remuneration		18 994 649,36	16 805 836,32
VI. Social insurance and other benefits, including:		3 444 484,86	3 274 689,92
- old-age pension			
VII. Other costs per types		267 050 213,53	151 217 507,21
VIII. Value of sold goods and materials		640 949,89	596 148,49
C. Profit (Loss) on sale (A- B)		**- 13 862 938,19**	**- 13 193 339,97**
D. Other operating revenues	*28*	**1 128 880,53**	**2 219 367,74**
I. Profit on sale of non-financial fixed assets		-	-
II. Subsidies		-	-
III. Establishment of NPV of non-financial assets		-	-
IV. Other operating revenues		1 128 880,53	2 219 367,74
E. Other operating costs	*29*	**208 285,68**	**324 900,66**
I. Loss on sale of non-financial fixed assets		57 712,18	78 984,36
II. Establishment of NPV of non-financial assets		-	-
III. Other operating costs		150 573,50	245 916,30
F. Profit (Loss) on operating activity (C+D-E)		**- 12 942 343,34**	**- 11 298 872,89**
G. Financial revenues	*30*	**2 703 959,73**	**101 297,34**
I. Dividends and share in profits, including:		-	-
- from affiliate entities, including:		-	-
- in entities in which the entity has a capital commitment		-	-
b) from other entities, including:		-	-
- in entities in which the entity has a capital commitment		-	-
II. Interest, including:		17 298,80	101 297,34
- from affiliate entities		-	-
III. Profit from sale of financial assets, including:		-	-
- in affiliate entities		-	-
IV. Establishment of NPV of the value of investments			-
V. Other		2 686 660,93	-
H. Financial costs	*31*	**3 709 141,46**	**4 243 473,80**
I. Interest, including:		3 709 141,46	2 481 206,33
- to affiliate entities		3 508 528,83	2 313 393,02
II. Loss from sale of financial assets, including:		-	-
- to affiliate entities		-	-
III. Establishment of NPV of the value of investments		-	-
IV. Other		-	1 762 267,47
I. Profit (Loss) on business activity (F+G-H)		**- 13 947 525,07**	**- 15 441 049,35**
J. Income tax	*27*	**-**	**-**
K. Other mandatory reduction of profit (increase of loss)		**-**	**-**
N. Net profit (loss) (I-J-K)		**- 13 947 525,07**	**- 15 441 049,35**

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The profit and loss account should be analysed together with the additional information, which constitutes an integral part of the financial statement

Totolotek S.A.
Sprawozdanie finansowe za rok zakończony dnia 31 grudnia 2017 roku
Statement on changes in the equity capital

Statement on changes in the equity capital (fund)	Rok zakończony dnia 31 grudnia 2017	Rok zakończony dnia 31 grudnia 2016
(in PLN)		
I. Equity capital (fund) at the beginning of the period (BO)	**- 50 410 976,66**	**- 34 969 927,31**
- changes in the adopted accounting rules (policy)	-	-
- error adjustment	-	-
I.a. Equity capital (fund) at the beginning of the period (BO), after adjustments	**- 50 410 976,66**	**- 34 969 927,31**
1. Basic capital (fund) at the beginning of the period	14 700 000,00	14 700 000,00
1.1. Changes in the basic capital (fund)	-	-
a) increase (due to)	-	-
- issue of shares (stocks)	-	-
b) reduction (due to)	-	-
- redemption of shares (stocks)	-	-
1.2. Basic capital (fund) at the end of the period	14 700 000,00	14 700 000,00
2. Supplementary capital (fund) at the beginning of the period	416 469,99	416 469,99
2.1. Changes in the supplementary capital (fund)	-	-
a) increase (due to)	-	-
- issue of stocks above their face value	-	-
- from (statutory) distribution of profits	-	-
- from distribution of profits (above the face value required by law)	-	-
a) reduction (due to)	-	-
- coverage of loss	-	-
2.2. Level of supplementary capital (fund) at the end of the period	416 469,99	416 469,99
3. Capital (Fund) from establishment of NPV at the beginning of the period	-	-
- changes in the adopted accounting rules (policy)	-	-
3.1. Change in the capital (fund) from establishment of NPV	-	-
a) increase (due to)	-	-
-	-	-
b) reduction (due to)	-	-
- sale of fixed assets	-	-
3.2. Capital (Fund) from establishment of NPV at the end of the period	-	-
4. Other reserve capital (fund) at the beginning of the period	-	-
4.1. Changes in other reserve capital (fund)	-	-
4.2. Other reserve capital (fund) at the end of the period	-	-
5. Profit (loss) from previous years at the beginning of the period	- 50 086 397,30	- 35 324 877,54
5.1. Profit from previous years at the beginning of the period	-	-
5.2. Profit from previous years at the beginning of the period, after adjustments	-	-
5.3. Profit from previous years at the end of the period	-	-
5.4. Loss from previous years at the beginning of the period	- 50 086 397,30	- 35 324 877,54
5.5. Loss from previous years at the beginning of the period, after adjustments	- 50 086 397,30	- 35 324 877,54
a) increase	- 15 441 049,35	- 14 761 519,76
- loss from the previous years to be covered, carried forward	- 15 441 049,35	- 14 761 519,76
b) decrease	-	-
- distribution of profit from previous year	-	-
5.6. Loss from previous years at the end of the period	- 65 527 446,65	- 50 086 397,30
5.7. Profit (loss) from previous years at the end of the period	- 65 527 446,65	- 50 086 397,30
6. Net result	- 13 947 525,07	- 15 441 049,35
a) net profit	-	-
b) net loss	13 947 525,07	15 441 049,35
c) write-offs from profit	-	-
II. Equity capital (fund) at the end of the period (BZ)	**- 64 358 501,73**	**- 50 410 976,66**
III. Equity capital (fund), after taking into account the proposed distribution of profit (coverage of loss)	**- 64 358 501,73**	**- 50 410 976,66**

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Totolotek S.A.
Sprawozdanie finansowe za rok zakończony dnia 31 grudnia 2017 roku
Cash flow statement (interim method)

Cash flow statement (interim method)	Rok zakończony dnia 31 grudnia 2017	Rok zakończony dnia 31 grudnia 2016
(in PLN)		
A. Cash flow from operating activity		
I. Net profit (loss)	- 13 947 525,07	- 15 441 049,35
II. Total adjustments	**8 036 684,65**	**10 977 341,79**
1. Depreciation	1 825 508,30	1 874 156,54
2. Profits (losses) from exchange differences	- 2 269 593,36	1 150 924,54
3. Interest and shares in profits (dividends)	3 508 528,83	2 313 393,02
4. Profit (loss) on investment activity	140 332,78	78 984,36
5. Change in the level of reserves	206 288,67	- 231 600,77
6. Change in the level of inventory	28 423,72	- 8 616,36
7. Change in the level of amounts receivable	- 6 145,24	607 671,62
8. Change in the level of short-term liabilities, with the exception of loans and credits	5 277 533,31	4 928 129,88
9. Change in the level of deferred costs	- 674 192,36	264 298,96
10. Other adjustments	-	-
III. Net cash flow from operating activity (I±II)	**- 5 910 840,42**	**- 4 463 707,56**
B. Cash flow from investment activity		
I. Proceeds	**710,00**	**10 000,00**
1. Sale of intangible fixed assets and tangible fixed assets	710,00	10 000,00
2. Sale of investments in real estate and intangible fixed assets	-	-
3. From financial assets, including:	-	-
a) in affiliate entities	-	-
b) in other entities		-
- sale of financial assets	-	-
- dividends and share in profits	-	-
- repayment of granted long-term loans	-	-
- interest	-	-
- other proceeds from financial assets	-	-
4. Other investment proceeds	-	-
II. Expenses	**- 1 359 486,64**	**- 1 158 635,56**
1. Acquisition of intangible fixed assets and fixed assets	- 1 359 486,64	- 1 158 635,56
2. Investments in real estate and intangible fixed assets	-	-
3. For financial assets, including:	-	-
a) in affiliate entities	-	-
b) in other entities	-	-
- acquisition of financial assets	-	-
- granted long-term loans	-	-
4. Other investment expenses	-	-
III. Net cash flow from investment activity (I±II)	**- 1 358 776,64**	**- 1 148 635,56**
C. Cash flow from financial activity		
I. Proceeds	**11 300 815,00**	**7 896 110,00**
1. Net proceeds from issue of shares and other capital instruments and additional payments to the capital	-	-
2. Credits and loans	11 300 815,00	7 896 110,00
3. Issue of debt securities	-	-
4. Other financial proceeds	-	-
II. Expenses	**- 85 604,98**	**- 800 000,00**
1. 1. Acquisition of equity shares (stocks)	-	-
2. Dividends and other payments to owners	-	-
3. Other expenses than payments to owners for distribution of profit	-	-
4. Repayment of credits and loans	- 1 303,34	- 800 000,00
5. Redemption of debt securities	-	-
6. For other financial liabilities	-	-
7. Payment of liabilities under financial lease agreements	-	-
8. Interest	- 81 301,64	-
9. Other financial expenses	- 3 000,00	-
III. Net cash flow from financial activity (I-II)	**11 215 210,02**	**7 096 110,00**
D. Total net cash flow (A.III±B.III±C.III)	**3 945 592,96**	**1 483 766,88**
E. Balance-sheet change in the level of cash, including:	**3 945 650,66**	1 483 709,18
- change in the level of cash due to foreign exchange	57,70	- 57,70
F. Cash at the beginning of the period	**2 986 227,75**	1 502 460,87
G. Cash at the end of the period at (F±D), including	**6 931 820,71**	**2 986 227,75**
- with a limited possibility of disposal (Corporate Fund of Social Benefi	-	-

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B. ADDITIONAL INFORMATION AND EXPLANATION

1 INFORMATION ABOUT SIGNIFICANT EVENTS CONCERNING PREVIOUS YEARS INCLUDED IN THE FINANCIAL STATEMENT FOR THE FINANCIAL YEAR

Until the day of preparing the financial statements for the financial year, until February 2, 2018 there were no events concerning previous years, which have not been and should have been included in the accounting books of the financial year.

2 INFORMATION ABOUT SIGNIFICANT EVENTS WHICH OCCURRED AFTER THE BALANCE SHEET DATE, NOT TAKEN INTO ACCOUNT IN THE FINANCIAL STATEMENT

After the balance sheet date until the day of preparing the financial statements for the financial year, that is until 02/02/2018, no events occurred that have not been and should have been included in the accounting books of the financial year

3 CHANGE OF THE ACCOUNTING RULES (POLICY) DURING THE FINANCIAL YEAR

In 2017, the Company did not change its accounting rules.

4 INTANGIBLE FIXED ASSETS

2017

(in PLN)	Other intangible fixed assets	Prepayments for intangible fixed assets	Total
Initial value			
Opening balance	**9 524 842,76**	-	**9 524 842,76**
Increase, including:	**29 483,38**	-	**29 483,38**
Acquisition	29 483,38	-	29 483,38
Transfers	-		-
Decrease, including:	**14 054,40**	-	**14 054,40**
Liquidation	14 054,40	-	14 054,40
Closing balance	**9 540 271,74**	-	**9 540 271,74**
Redemption			
Opening balance	**7 688 761,21**	-	**7 688 761,21**
Increase, including:	807 220,69	-	**807 220,69**
Depreciation of the period	807 220,69		807 220,69
Decrease, including:	14 054,40	-	**14 054,40**
Liquidation	14 054,40		14 054,40
Closing balance	**8 481 927,50**	-	**8 481 927,50**
Write-offs establishing NPV			
Opening balance	-	-	**0,00**
Increase	-	-	-
Decrease	-	-	**0,00**
Closing balance	**0,00**	-	**0,00**
Net value			
Opening balance	**1 836 081,55**	-	**1 836 081,55**
Closing balance	**1 058 344,24**	-	**1 058 344,24**

2016

(in PLN)	Other intangible fixed assets	Prepayments for intangible fixed assets	Total
Initial value			
Opening balance	**9 269 055,56**	-	**9 269 055,56**
Increase, including:	**255 787,20**	-	**255 787,20**
Acquisition	**255 787,20**	-	**255 787,20**
Other	-	-	-
Transfers	-	-	-
Decrease	-	-	-
Liquidation	-	-	-
Closing balance	**9 524 842,76**	-	**9 524 842,76**
Redemption			
Opening balance	**6 914 403,78**	-	**6 914 403,78**
Increase, including:	**774 357,43**	-	**774 357,43**
Depreciation of the period	**774 357,43**		**774 357,43**
Decrease	-	-	-
Liquidation	-		-
Closing balance	**7 688 761,21**	-	**7 688 761,21**
Write-offs establishing NPV			
Opening balance	-	-	-
Increase	-	-	-
Decrease	-	-	-
Closing balance	-	-	**0,00**
Net value			
Opening balance	**2 354 651,78**	-	**2 354 651,78**
Closing balance	**1 836 081,55**	-	**1 836 081,55**

In 2017, the main expenditure on intangible assets were connected with the acquisition of new computer software and licences for sale. In 2016, the main expenditure on intangible assets were connected with the acquisition of computer software and licences for sale.

5 TANGIBLE FIXED ASSETS

2017

(in PLN)	Buildings, premises and sites of land and water engineering	Technical equipment and machines	Means of transport	Other fixed assets	Fixed assets under construction	Prepayments for fixed assets under construction	Total
Initial value							
Opening balance	898 003,80	9 508 569,83	-	1 664 408,37	351 300,76	16 605,66	**12 438 888,42**
Increase, including:	636 810,00	362 771,66	-	146 400,86	37 407,07	4 800,00	**1 188 189,59**
Acquisition	636 810,00	362 771,66	-	146 400,86	37 407,07	4 800,00	1 188 189,59
Transfers	16 605,66	153 976,55	-	9 849,58	- 163 826,13	- 16 605,66	-
Decrease, including:	14 971,10	1 130 378,66	-	246 006,70	-		**1 391 356,46**
Liquidation and sales	14 971,10	1 130 378,66	-	246 006,70	-		1 391 356,46
Closing balance	**1 536 448,36**	**8 894 939,38**	**-**	**1 574 652,11**	**224 881,70**	**4 800,00**	**12 235 721,55**
Redemption							
Opening balance	380 864,24	8 405 705,53	-	1 382 095,30	-	-	**10 168 665,07**
Increase, including:	146 358,19	636 914,29	-	235 015,13	-	-	**1 018 287,61**
Depreciation of the	146 358,19	636 914,29	-	235 015,13		-	1 018 287,61
Decrease, including:	13 304,21	1 015 188,87	-	221 820,60	-	-	**1 250 313,68**
Liquidation and sales	13 304,21	1 015 188,87	-	221 820,60	-	-	1 250 313,68
Closing balance	**513 918,22**	**8 027 430,95**	**-**	**1 395 289,83**	**-**	**-**	**9 936 639,00**
Write-offs establishing							
Opening balance	-	-	-	-	-	-	-
Increase		-	-	-	-	-	-
Decrease	-	-	-	-	-	-	-
Closing balance	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net value							
Opening balance	**517 139,56**	**1 102 864,30**	**-**	**282 313,07**	**351 300,76**	**16 605,66**	**2 270 223,35**
Closing balance	**1 022 530,14**	**867 508,43**	**-**	**179 362,28**	**224 881,70**	**4 800,00**	**2 299 082,55**

2016

(in PLN)	Buildings, premises and sites of land and water engineering	Technical equipment and machines	Means of transport	Other fixed assets	Fixed assets under construction	Prepayments for fixed assets under construction	Total
Initial value							
Opening balance	788 585,94	9 634 758,68	-	1 613 019,98	301 119,37	12 139,00	12 349 622,97
Increase, including:	129 376,86	512 372,47	-	260 081,66	142 737,44	16 605,66	1 061 174,09
Acquisition	129 376,86	512 372,47	-	260 081,66	142 737,44	16 605,66	1 061 174,09
Transfers	12 139,00	30 118,37	-	62 437,68	- 92 556,05	- 12 139,00	-
Decrease, including:	32 098,00	668 679,69	-	271 130,95	-	-	971 908,64
Liquidation and sales	32 098,00	668 679,69	-	271 130,95	-	-	971 908,64
Closing balance	898 003,80	9 508 569,83	-	1 664 408,37	351 300,76	16 605,66	12 438 888,42
Redemption							
Opening balance	306 726,04	8 268 619,09	-	1 376 445,11	-	-	9 951 790,24
Increase, including:	80 736,48	776 679,08	-	242 383,55	-	-	1 099 799,11
Depreciation of the	80 736,48	776 679,08	-	242 383,55	-	-	1 099 799,11
Decrease, including:	6 598,28	639 592,64	-	236 733,36	-	-	882 924,28
Liquidation and sales	6 598,28	639 592,64	-	236 733,36	-	-	882 924,28
Closing balance	380 864,24	8 405 705,53	-	1 382 095,30	-	-	10 168 665,07
Write-offs establishing	-	-	-	-	-	-	-
Opening balance	-	-	-	-	-	-	-
Increase	-	-	-	-	-	-	-
Decrease	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Net value	-	-	-	-	-	-	-
Opening balance	481 859,90	1 366 139,59	-	236 574,87	301 119,37	12 139,00	2 397 832,73
Closing balance	517 139,56	1 102 864,30	-	282 313,07	351 300,76	16 605,66	2 270 223,35

In 2017 and 2016, the main expenditure on fixed assets was connected with investments in premises and computer software.

As of 31 December 2017, the company used, on the basis of lease agreements, cars to the value of PLN 723,940.07. As of 31 December 2016, the company used, on the basis of lease agreements, cars to the value of PLN 638.729,51.
Costs of service (including foreign exchange differences) of liabilities incurred in order to finance fixed assets under construction, entered at the cost of their manufacture (acquisition price) in the year ending on 31 December 2017 amounted to 0 PLN (in the year ending on 31 December 2016 they amounted to 0 PLN).

Investment expenditure on fixed tangible assets and intangible assets in the current financial year amounted to PLN 1,217,672.97. The incurred expenditure did not cover expenditure made in connection with environmental protection.

Investment expenditure planned for 2018 amounts to PLN 5,57 thousand (no plans are made with regard to expenditure on environmental protection).
The Company does not have any amounts payable towards the state budget or territorial self-government in exchange for the obtainment of the ownership title to buildings or constructions.

6 WRITE-OFFS ESTABLISHING NPV OF LONG-TERM FINANCIAL AND NON-FINANCIAL ASSETS

In 2017, the company did not make any write-offs establishing NPV of the value of long-term financial and non-financial assets.
In 2016, the company did not make any write-offs establishing NPV of the value of long-term financial and non-financial assets.

7 COSTS OF COMPLETED DEVELOPMENT WORK AND THE VALUE OF THE COMPANY'S GOODWILL, AS WELL AS EXPLANATION OF THE PERIOD OF WRITING THEM OFF

In 2017, the company did not conduct any development work.
In 2016, the company did not conduct any development work.

8 THE VALUE OF LAND UNDER PERPETUAL USUFRUCT

In 2017, the company did not have land under perpetual usufruct.
In 2016, the company did not have land under perpetual usufruct.

9 LONG-TERM AMOUNTS RECEIVABLE

Structure of maturity of long-term amounts receivable:

2017

(in PLN)	up to 1 year	1 - 3 years	3 - 5 years	more than 5	Total
Long-term amounts receivable from affiliate entities	-	-	-	-	-
Long-term amounts receivable from other entities	-	3 870 224,62	42 954,92	259 903,35	4 173 082,89
Należności długoterminowe, razem na dzień 31 grudnia 2017 roku	-	3 870 224,62	42 954,92	259 903,35	4 173 082,89

A significant value of long-term amounts receivable is the security paid to the Ministry of Finance for the granted concessions, to the amount of PLN 3,760,000. The other part of the amount is constituted by deposits paid to the owners of premises leased by the Company.
For the purpose of the Financial Statement, the present value was established of the discount of long-term amounts receivable in the form of deposits

2016

(in PLN)	up to 1 year	1 - 3 years	3 - 5 years	more than 5	Total
Long-term amounts receivable from affiliate entities	-	-	-	-	-
Long-term amounts receivable from other entities	-	3 850 325,63	74 353,91	274 022,67	4 198 702,21
Należności długoterminowe, razem na dzień 31 grudnia 2016 roku	-	3 850 325,63	74 353,91	274 022,67	4 198 702,21

A significant value of long-term amounts receivable is the security paid to the Ministry of Finance for the granted concessions, to the amount of PLN 3,760,000. The other part of the amount is constituted by deposits paid to the owners of premises leased by the Company.
For the purpose of the Financial Statement, the discount was made of long-term amounts receivable in the form of deposits of PLN 114.737,70.

10 INVESTMENTS

10.1 Long-term investments

2017

NPV.

(in PLN)	Real estate	Intangible fixed assets	Long-term financial assets in affiliates	Long-term financial assets in other entities	Other long-term investments	Total
Opening balance	-	-	-	-	-	-
Gross value	-	-	-	-	1 010,00	1 010,00
Redemption	-	-	-	-	-	-
Write-offs establishing NPV	-	-	-	-	1 010,00	1 010,00
Increase, including:	-	-	-	-	-	-
Acquisition	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Decrease	-	-	-	-	-	-
Establishment of NPV	-	-	-	-	-	-
Closing balance, including:	-	-	-	-	-	-
Gross value	-	-	-	-	1 010,00	1 010,00
Redemption				-	-	-
Write-offs establishing NPV				-	1 010,00	1 010,00
Net value	-	-	-	-	-	-

2016

(in PLN)	Real estate	Intangible fixed assets	Long-term financial assets in affiliates	Long-term financial assets in other entities	Other long-term investments	Total
Opening balance	-	-	-	-	-	-
Gross value	-	-	-	-	1 010,00	1 010,00
Redemption	-	-	-	-	-	-
Write-offs establishing NPV	-	-	-	-	1 010,00	1 010,00
Increase, including:	-	-	-	-	-	-
Acquisition	-	-	-	-	-	-
Decrease	-	-	-	-	-	-
Establishment of NPV	-	-	-	-	-	-
Closing balance, including:	-	-	-	-	-	-
Gross value	-	-	-	-	1 010,00	1 010,00
Redemption	-	-	-	-	-	-
Write-offs establishing NPV	-	-	-	-	1 010,00	1 010,00
Net value	-	-	-	-	-	-

10.2 Short-term investments

In 2017 and 2016, the company did not have any short-term investments apart from cash.

10.3 Securities

2017

In 2017, the Company did not have any securities or rights, including share certificates, convertible debt securities, warrants and options.

2016

In 2016, the Company did not have any securities or rights, including share certificates, convertible debt securities, warrants and options.

11 DEFERRED COSTS

(in PLN)	31 grudnia 2017	31 grudnia 2016
Assets connected with deferred income tax	-	-
Other, including:	-	290 032,56
Expenses on the ATHLOS software	-	290 032,56
Total long-term items	-	**290 032,56**
Expenses on the ATHLOS software	529 371,51	387 053,04
Costs of tax on games / winnings (cut-off)	65 103,63	106 966,56
Other (total of insignificant items)	188 265,47	228 376,81
Total short-term	**782 740,61**	**722 396,41**

In 2014-2017, expenses were incurred in connection with the functioning of the Athlos software in the Company, to a total value of PLN 1,544,561.55. In connection with the fact that the economic benefits deriving from the incurred expenditure will also apply to future periods, the management board decided to settle them in time over a period of 5 years.

12 CAPITALS

As of 31 December 2017, the basic capital of the Company amounted to PLN 14,700,000 and was divided into 1,470,000 shares with the face value of PLN 10 each.

As of the balance sheet date, the ownership structure of the share capital of the Company was as follows:

	Number of shares	Number of votes	Face value of one share	Share in the basic capital
2017				
BETA RIAL SP. Z O.O.	489 998	489 998	10	33,33%
POLSKI MONOPOL LOTERYJNY SP. Z O.O.	6 662	6 662	10	0,45%
TOTALIZATOR SPORTOWY SP. Z O.O.	20 000	20 000	10	1,36%
POLSKI ZWIĄZEK MOTOROWY	379	379	10	0,03%
WHITE EAGLE INVESTMENT LTD.	433 100	433 100	10	29,46%
POLLOT SP. Z O.O.	489 998	489 998	10	33,33%
NATURAL PERSONS	29 863	29 863	10	2,03%
Total	**1 470 000**	**1 470 000**		**100%**
2016				
BETA RIAL SP. Z O.O.	489 998	489 998	10	33,33%
POLSKI MONOPOL LOTERYJNY SP. Z O.O.	6 662	6 662	10	0,45%
TOTALIZATOR SPORTOWY SP. Z O.O.	20 000	20 000	10	1,36%
POLSKI ZWIĄZEK MOTOROWY	379	379	10	0,03%
WHITE EAGLE INVESTMENT LTD.	433 100	433 100	10	29,46%
POLLOT SP. Z O.O.	489 998	489 998	10	33,33%
NATURAL PERSONS	29 863	29 863	10	2,03%
Total	**1 470 000**	**1 470 000**		**100%**

13 INTEREST-BEARING BANK CREDITS AND LOANS

(in PLN)	31 grudnia 2017	31 grudnia 2016
Short-term		
Credits in current account	5 515 739,75	5 517 043,09
Total short-term	**5 515 739,75**	**5 517 043,09**
AMOUNT OF GRATED CREDIT LIMITS (under the aforementioned credit lines, credits were incurred and Bank S.G. Issued a guarantee up to the amount of PLN 435,000.00 in 2017 and PLN 365,000.00 in 2016).	6 000 000,00	6 000 000,00
INCURRED CREDITS	-	
THE AMOUNT OF CREDIT LIMITS AVAILABLE AS OF THE BALANCE-SHEET	**49 260,25**	**117 956,91**

Credit limits granted by Bank SG on the basis of an annex of 17 August 2017 were extended until 31 May 2018.

14 COVERAGE OF LOSS

The financial statement was drawn up before the adoption of a resolution regarding the coverage of loss for the current year. The Management Board of the Company suggests that the losses should be covered with profits from future years.
The result for 2016 was approved by the Shareholders' Meeting on 21 April 2017, when a resolution was adopted on the coverage of losses from profits of future years.

15 PROVISIONS

During the reporting periods covered by the financial statement, the following changes occurred in the level of provisions:

2017

(in PLN)	Provision for deferred income tax	Provisions for pension benefits and similar	Provisions for vacation leaves	Other provisions	Total
Stan na dzień 1 stycznia 2017 roku	-	**110 927,16**	**822 891,85**	**290 823,36**	**1 224 642,37**
Increase	-	26 246,33	-	570 113,65	596 359,98
Use		-	99 247,95	209 951,28	309 199,23
Dissolution	-	-		80 872,08	80 872,08
Stan na dzień 31 grudnia 2017 roku, w tym:	-	**137 173,49**	**723 643,90**	**570 113,65**	**1 430 931,04**
Long-term		117 511,83	-	-	117 511,83
Short-term	-	19 661,66	723 643,90	570 113,65	1 313 419,21

The main amount of provisions in 2017 is constituted by the provision for vacation leaves to the amount of PLN 723,643.90 and the provision for bonuses for players, to the value of PLN 254,787.37

2016

(in PLN)	Provision for deferred income tax	Provisions for pension benefits and similar	Provisions for vacation leaves	Other provisions	Total
Stan na dzień 1 stycznia 2016 roku	-	**98 738,04**	**585 989,77**	**771 515,33**	**1 456 243,14**
Increase	-	12 189,12	236 902,08	290 823,36	539 914,56
Use	-	-	-	681 785,23	681 785,23
Dissolution	-	-	-	89 730,10	89 730,10
Stan na dzień 31 grudnia 2016 roku, w tym:	-	**110 927,16**	**822 891,85**	**290 823,36**	**1 224 642,37**
Long-term	-	94 285,75	-	-	94 285,75
Short-term	-	16 641,41	822 891,85	290 823,36	1 130 356,62

The main amount of provisions in 2016 is constituted by the provision for vacation leaves to the amount of PLN 822.891,85 and the provision for bonuses for play

16 WRITE-OFFS ESTABLISHING NPV OF AMOUNTS RECEIVABLE

2017

(in PLN)	Write-offs establishing NPV of long-term amounts receivable	Write-offs establishing NPV of short-term amounts receivable
Stan na dzień 1 stycznia 2017 roku	-	**1 120 500,97**
Increase	-	**87 048,61**
- other (amounts receivables from POS)	-	87 048,61
Use	-	
Dissolution	-	**40 428,57**
Stan na dzień 31 grudnia 2017 roku	-	**1 167 121,01**

2016

(in PLN)	Write-offs establishing NPV of long-term amounts receivable	Write-offs establishing NPV of short-term amounts receivable	
Stan na dzień 1 stycznia 2016 roku	-	-	**1 045 670,28**
Increase	-	-	**96 489,68**
- other (mainly amounts receivables from POS)	-	-	96 489,68
Use	-	-	-
Dissolution	-	-	**69 723,89**
Stan na dzień 31 grudnia 2016 roku	-	-	**1 120 500,97**

17 LONG-TERM AMOUNTS PAYABLE

Structure of maturity of long-term amounts payable:

2017

(in PLN)	up to 1 year	1 - 3 years	3 - 5 years	more than 5 years	Total
Long-term liabilities towards affiliates (loan from Pollot)	-	43 043 337,70	-	-	**43 043 337,70**
Long-term amounts payable to other companies, including:	-	40 354,93	-	-	**40 354,93**
a) bank credits and loans	-	-	-	-	-
b) other credits and loans	-	-	-	-	-
c) due for an issue of debt securities	-	-	-	-	-
d) due under financial lease	-	-	-	-	-
e) other - deposits under agreements with no time	-	40 354,93	-	-	**40 354,93**
Zobowiązania długoterminowe, razem na dzień 31 grudnia 2017 roku	-	**43 083 692,63**	-	-	**43 083 692,63**

The balance of long-term liabilities towards affiliates to the amount of PLN 43,043,337.70 covers a loan received from Pollot

2016

(in PLN)	up to 1 year	1 - 3 years	3 - 5 years	more than 5 years	Total
Long-term amounts payable to affiliate companies	-	33 704 072,00	-	-	**33 704 072,00**
Long-term amounts payable to other companies, including:	-	64 354,93	-	-	**64 354,93**
a) bank credits and loans	-	-	-	-	-
b) other credits and loans	-	-	-	-	-
c) due for an issue of debt securities	-	-	-	-	-
d) due under financial lease	-	-	-	-	-
e) other - deposits under agreements with no time	-	64 354,93	-	-	**64 354,93**
Zobowiązania długoterminowe, razem na dzień 31 grudnia 2016 roku	-	**33 768 426,93**	-	-	**33 768 426,93**

The balance of long-term liabilities towards affiliates to the amount of PLN 33.704.072,00 covers a loan received from Pollot

18 PREPAYMENTS

(in PLN)	31 grudnia 2017	31 grudnia 2016
Negative goodwill	-	-
Prepayments towards revenues	-	-
Total long-term items	-	-
		-
Prepayments towards revenues	427 172,54	528 892,74
Other, including:	962 132,05	1 764 292,57
- unclaimed winnings of Totalizator TM	467 749,30	384 282,72
- winning fund Mutual Bets	494 382,75	1 380 009,85
Total short-term	**1 389 304,59**	**2 293 185,31**

19 LIABILITIES SECURED ON THE ENTITY'S ASSETS

As of 31 December 2017, the Company did not have liabilities secured on its moveable assets (computer hardware). On 21 February 2017, the Head of the Second Mazovia Revenue Office revoked security proceedings on the assets of the Company, to a total amount of PLN 380 thousand, made at the request of the Customs Chamber in Szczecin.

As of 31 December 2016, the Company had liabilities secured on its moveable assets (computer hardware) made at the request of the Director of the Customs Chamber in Szczecin by the Head of the Second Mazovia Revenue Office, to a total amount of PLN 380 thousand.

20 CONTINGENT LIABILITIES, INCLUDING GUARANTEES AND WARRANTIES GRANTED BY THE ENTITY, INCLUDING BILLS OF EXCHANGE

As of 31 December 2017, the Company did not have any contingent liabilities under granted guarantees and warranties other than those described in note 13, to the value of PLN 435,000. The guarantee was issued by Bank Societe Generale at the request of the company in order to secure the agreement concluded with Totoalizator Sportowy.

As of 31 December 2016, the Company did not have any contingent liabilities under granted guarantees and warranties other than those described in note 13, to the value of PLN 365,000. The guarantee was issued by Bank Societe Generale at the request of the company in order to secure the agreement concluded with Totoalizator Sportowy.

21 NON-BALANCE-SHEET AMOUNTS PAYABLE

As of 31 December 2017, the Company did not have any non-balance sheet liabilities.

As of 31 December 2016, the Company did not have any non-balance sheet liabilities.

22 AGREEMENTS CONCLUDED BY THE ENTITY, NOT INCLUDED IN THE BALANCE SHEET

As of 31 December 2017, the Company did not have any agreements concluded and not disclosed in the balance sheet whose disclosure, due to their nature or economic purpose, would be necessary to evaluate their impact on the property and financial situation as well as the financial result of the entity.

As of 31 December 2016, the Company did not have any agreements concluded and not disclosed in the balance sheet whose disclosure, due to their nature or economic purpose, would be necessary to evaluate their impact on the property and financial situation as well as the financial result of the entity.

23 SUBSTANTIVE AND TERRITORIAL STRUCTURE OF SALE

The substantive structure of revenues from sale in 2017 and 2016 was as follows:

	Type of activity (in PLN)	Rok kończący się dnia 31 grudnia 2017	Rok kończący się dnia 31 grudnia 2016
1.	Toto-Mix - betting	339 492 448,68	199 887 800,11
2.	Toto-Liga and Toto-Gol - lottery, horse races	8 360 840,50	9 383 756,00
3.	sale of products and services	828 771,30	745 208,01
	- country	828 771,30	745 208,01
	- abroad	-	-
4.	sale of goods	491 687,54	610 254,22
	- country	491 687,54	610 254,22
	- abroad	-	-
Net revenues from sale, total		**349 173 748,02**	**210 627 018,34**

24 WRITE-OFFS ESTABLISHING NPV OF TANGIBLE FIXED ASSETS AND INTANGIBLE ASSETS

No write-offs were made in 2017 and in 2016 establishing NPV of intangible fixed assets.

25 WRITE-OFFS ESTABLISHING NPV OF PROVISIONS

The Company did not make write-offs establishing NPV of provisions in 2017 or 2016.

26 INFORMATION ABOUT REVENUES, COSTS AND RESULTS OF ACTIVITY DISCONTINUED IN THE FINANCIAL YEAR OR ANTICIPATED TO BE DISCONTINUED IN THE FOLLOWING YEAR

In 2017, the Company did not discontinue and it is not planning to discontinue in the following year any type of activity.

In 2016, the Company did not discontinue and it is not planning to discontinue in the following year any type of activity.

27 INCOME TAX

The determination of the gross profit in relation to the basis of taxation is as follows:

(in PLN)	Rok kończący się dnia 31 grudnia 2017	Rok kończący się dnia 31 grudnia 2016
Gross profit (loss)	**- 13 947 525,07**	**- 15 441 049,35**
(-) Revenues of the current year not covered by the taxable income	**2 942 853,20**	**1 608 208,74**
- dissolution of provision for amounts receivable (previously-established provisions not constituting costs of	40 428,57	69 723,89
- dissolution of provision for amounts payable (previously-established provisions not constituting costs of	128 485,04	320 758,57
- balance-sheet foreign exchange differences	2 773 939,59	1 615,50
- preclusions of winnings (limitation of the obligation constitutes taxable income on the limitation date)	-	-
- other	-	1 216 110,78
(+) Costs of the current year, not considered to be costs of obtaining revenues	**9 888 546,78**	**6 152 465,75**
- PFRON [State Fund for Rehabilitation of the Disabled]	205 665,00	253 778,50
- interest on budgetary liabilities	37 439,40	4 674,33
- write-off establishing NPV of mounts receivable, inventory and fixed assets, uncollectable and written-off	109 281,74	110 435,50
- unpaid remuneration and unpaid social insurance (ZUS) premiums	349 453,08	670 837,01
- interest	3 508 533,41	2 313 395,86
- invoices unpaid within statutory deadlines	-	-
- compensation/court settlements/court costs	-	3 171,63
- balance-sheet foreign exchange differences	57,70	1 370 992,27
- costs of depreciation	247 126,23	256 086,34
- representation	87 995,49	128 991,48
- other	5 342 994,73	1 040 102,83
(+) Revenues of the preceding year subject to taxation in the current year	-	-
- preclusions of winnings (limitation of the obligation constitutes taxable income on the limitation date)	-	-
- free of charge revenues	-	-
- annual VAT adjustment	-	-
- other	-	-
(-) Costs of the previous year, considered to be costs of obtaining revenues in the current year	**1 019 908,02**	**591 497,28**
- paid remuneration and paid social insurance (ZUS) premiums	333 230,21	275 194,30
- paid interest (cost of previous years)	81 301,64	-
- expenditure on the equipment of points of sale (settled in a balance sheet as depreciation write-offs)	143 382,00	316 302,98
- invoices paid in the current year which were not paid within the statutory deadline from previous years	-	-
- other - received invoices for established provisions	461 994,17	-
(-) Tax costs considered to be costs of obtaining revenues in the current year	-	-
- operating leasing presented as a financial leasing for the balance sheet needs	-	-
- other	-	-
Basis for taxation with an income tax	**- 8 021 739,51**	**- 11 488 289,62**
Tax rate	19%	19%
Due tax (according to tax scale)	-	-
Income tax (settlement of losses from previous years)	-	-
Income tax (current liability)		-
Change in the level of provisions / assets in the form of deferred income tax	-	-
Income tax - total	**-**	**-**

Provisions concerning tax on goods and services, income tax from legal persons, natural persons, and social insurance are subject to frequent changes, thanks to which there is often no reference to well-established regulations or legal precedences. The binding provisions also contain lack of clarity which leads to differences in opinions regarding the legal interpretation of tax provisions, both between state authorities, and between state authorities and enterprises. Tax and other settlements (for example, custom or foreign currency) may be an object of an audit of the authorities which are entitled to impose high penalties, and the additional amounts of payables determined during such audits must be paid, including high interest. These phenomena mean that the tax risk in Poland is higher than the risk usually occurring in the states having a developed tax system. Tax settlements may be subject to an audit during a period of five years. In consequence, the amounts disclosed in the financial statement may be changed at later stage, upon the determination of their value by tax authorities.

The provisions for / assets in the form of deferred income tax cover differences resulting from:

(in PLN)	31 grudnia 2017 roku	31 grudnia 2016 roku
Provision for deferred income tax		
- revenues of future periods	-	-
- interest on amounts receivable pursued in court	-	-
- balance-sheet settlement of expenditure on equipment in time	-	-
- balance-sheet settlement of permits in time		-
- positive foreign exchange differences	-	-
- preclusions of winnings		-
Provision for deferred income tax - total	**-**	**-**

Assets connected with deferred income tax		
- remuneration for employees paid in the following year	-	-
- provisions for overdue holiday leaves	-	-
- provisions for jubilee awards and severance pay	-	-
- social insurance premiums	-	-
- negative foreign exchange differences	-	-
- invoices unpaid within statutory deadlines	-	-
- calculated interest	-	-
- provisions for amounts payable	-	-
- assets from the established write-offs for NPV of amounts receivable, inventory and fixed assets	-	-
- assets from tax losses from previous years to be deducted in the following years	-	-
Assets connected with deferred income tax - total	**-**	**-**
Write-off establishing NPV of assets connected with deferred income tax	**-**	**-**
Assets connected with deferred income tax - net	**-**	**-**

The Company incurred tax losses in the previous years and that is why, evaluating that the Company will not be able to realize the incurred tax losses in the following years, it did not recognize the asset and provision for deferred income tax as of 31 December 2017.

28 OTHER OPERATING REVENUES

(in PLN)	Rok kończący się dnia 31 grudnia 2017	Rok kończący się dnia 31 grudnia 2016
Profit on sale of non-financial fixed assets	-	-
Subsidies	-	-
Other operating revenues, including:	**1 128 880,53**	**2 219 367,74**
- dissolution of write-offs establishing NPV of amounts receivableTaxes and charges	40 428,57	69 723,89
- revenues from insurance compensation	1 674,13	3 077,39
- other revenues from rendered services (advertising services, sublease, reinvoicing of costs)	42 180,53	40 862,48
- sale of the trademark	-	-
- preclusion of winnings and other time-barred and written-off liabilities	870 838,16	730 787,92
- VAT refund, annual adjustment	-	-
- other	173 759,14	1 374 916,06
Other operating revenues, total	**1 128 880,53**	**2 219 367,74**

29 OTHER OPERATING COSTS

(in PLN)	Rok kończący się dnia 31 grudnia 2017	Rok kończący się dnia 31 grudnia 2016
Loss on sale of non-financial fixed assets	**57 712,18**	**78 984,36**
Establishment of NPV of non-financial assets, including:	**87 048,61**	**96 489,68**
- write-off establishing NPV of amounts receivable	87 048,61	96 489,68
- write-off establishing NPV of the inventory	-	-
- write-off establishing NPV of the fixed assets	-	-
Other operating costs, including:	**63 524,89**	**149 426,62**
- donations	-	-
- court fees connected with disputable court cases	-	3 171,63
- write-off of amounts receivable	22 233,13	13 945,82
- other costs from rendered services (advertising services, sublease, reinvoicing of costs)	-	-
- costs connected with damages covered by insurance compensation	-	-
- cost of liquidated fixed assets and lost fixed assets	-	-
- provision for lost court cases	-	-
- other	41 291,76	132 309,17
Other operating costs, total	**208 285,68**	**324 900,66**

30 FINANCIAL REVENUES

(in PLN)	Rok kończący się dnia 31 grudnia 2017	Rok kończący się dnia 31 grudnia 2016
Interest, including:	**17 298,80**	**101 297,34**
- interest from affiliate entities		-
- interest from other contractors	73,64	168,65
- interest on debentures	-	-
- budgetary interest	286,00	84 986,00
- bank interest	16 939,16	16 142,69
Other, including:	**2 686 660,93**	-
- foreign exchange differences	2 643 123,86	-
- discount of amounts receivable	43 537,07	-
Financial revenues, total	**2 703 959,73**	**101 297,34**

31 FINANCIAL COSTS

(in PLN)	Rok kończący się dnia 31 grudnia 2017	Rok kończący się dnia 31 grudnia 2016
Interest, including:	**3 709 141,46**	**2 481 206,33**
- interest for affiliated companies, for loans	3 508 528,83	2 313 393,02
- interest for other contractors /including leasing/	885,52	1 401,68
- budgetary interest	37 439,40	4 674,33
- bank interest	162 287,71	161 737,30
- interest constituting a provision for court cases	-	-
Establishment of NPV of the value of investments	-	-
Other, including:	-	**1 762 267,47**
- foreign exchange differences	-	1 424 283,03
- established provisions		-
- other financial costs	-	337 984,44
Financial costs, total	**3 709 141,46**	**4 243 473,80**

32 INTEREST AND FOREIGN EXCHANGE DIFFERENCES WHICH INCREASED THE PRICE OF ACQUISITION OF GOODS OR COST OF MANUFACTURE OF PRODUCTS IN THE FINANCIAL YEAR

In 2017, the Company did not incur any interest or foreign exchange differences which would increase the price of acquisition of goods or cost of manufacture of products.

In 2016, the Company did not incur any interest or foreign exchange differences which would increase the price of acquisition of goods or cost of manufacture of products.

33 AMOUNT AND CHARACTER OF INDIVIDUAL REVENUE OR COST ITEMS CHARACTERIZED BY EXTRAORDINARY VALUE OR OCCURRING INDICENTALLY

In 2017, the Company did not have any items of extraordinary value or such which would occur incidentally.

In 2016, the Company did not have any items of extraordinary value or such which would occur incidentally.

34 INFORMATION ABOUT JOINT VENTURES WHIH ARE NOT SUBJECT TO CONSOLIDATION

In 2017, the company did not participate in joint ventures which are not subject to consolidation.

In 2016, the company did not participate in joint ventures which are not subject to consolidation.

35 LIST OF ENTITIES IN WHICH THE COMPANY HAD A CAPITAL INVOLVEMENT OR 20% OF SHARE IN THE TOTAL NUMBER OF VOTES IN THE GOVERNING BODY OF THE COMPANY

In 2017, the company did not have any capital involvement in other entities.

In 2016, the company did not have any capital involvement in other entities.

36 THE STRUCTURE OF CASH IN CASH FLOW STATEMENT

(in PLN)	31 grudnia 2017	31 grudnia 2016
Cash in bank	**4 765 100,69**	**1 464 688,26**
- current accounts	4 765 100,69	1 464 688,26
- deposits of up to 1 year	-	-
- deposits of over 1 year	-	-
Cash in hand	**1 064 267,15**	**873 339,94**
- cash in hand	42 719,76	30 750,62
- cash in the sales network	1 021 547,39	842 589,32
Other cash	**1 102 452,87**	**648 199,55**
Cash, total	**6 931 820,71**	**2 986 227,75**

37 EXCHANGE RATES ADOPTED FOR VALUATION

For the purpose of drawing-up the financial statement, the Company used the exchange rates announced by the National Bank of Poland as of the balance-sheet date, i.e. Table no. 251/A/NBP/2017 of 29 December 2017:
-1 EUR - 4.1709 PLN -1
GBP - 4.7001 PLN

For the purpose of drawing-up the financial statement for 2016, the Company used the exchange rates announced by the National Bank of Poland as of the balance-sheet date, i.e. Table no. 252/A/NBP/2016 of 30 December 2016:
-1 EUR - 4.4240 PLN
-1 GBP - 5.1445 PLN
-1 CZK - 0,1637 PLN

38 INFORMATION ABOUT THE AVERAGE EMPLOYMENT WITH A BREAKDOWN INTO PROFESSIONAL GROUPS

Group of employees	Rok kończący się dnia 31 grudnia 2017	Rok kończący się dnia 31 grudnia 2016
The Management Board (contract of employment)	2	2
White-collar workers	196	218
Physical workers	-	-
Employment, total	**198**	**220**

39 INFORMATION ON REMUNERATION, INCLUDING REMUNERATION FROM PROFITS, BOTH PAID AND DUE TO PERSONS FORMING THE MANAGEMENT AND SUPERVISORY BODIES

Remuneration (in thousand PLN)	Rok kończący się dnia 31 grudnia 2017	Rok kończący się dnia 31 grudnia 2016
The Management Board (contracts of employment, civil-legal agreements)	729	648
The Supervisory Board	-	-
Remuneration, total	**729**	**648**

40 INFORMATION ON LOANS AND OTHER SIMILAR TRANSACTIONS GRANTED TO PERSONS TO PERSONS FORMING THE MANAGEMENT AND SUPERVISORY BODIES

In the financial year ending on 31 December 2017, the Company did not grant to persons forming a part of the managing or supervisory authorities any loans and benefits of a similar nature.

In the financial year ending on 31 December 2016, the Company did not grant to persons forming a part of the managing or supervisory authorities any loans and benefits of a similar nature.

41 INFORMATION ABOUT THE CAPITAL GROUP AND TRANSACTIONS WITH AFFILIATES

In 2017, the Company had transactions with its affiliates. None of the transactions was concluded on the basis of conditions other than market conditions.

a) Capital group

The Company operates as part of the capital group of Intralot S.A.

The consolidated financial statement at the highest level of the capital group, in which the Company is a subsidiary, is drawn up by Intralot S.A., with a registered office in Greece.

b) Important investor

The important investor in the Company, taking into account the number of voting rights in the body is Beta-Rial Sp.z o.o., White Eagle Ltd. and Pollot Sp. z o.o., however the important role in the exercising of control over the entity is played by Intralot S.A., with a registered office in Greece, which has intermediate capital relations through Intralot Global Holdings BV in the Netherlands.

Pollot Sp. z o.o.

value of transactions (in PLN)	Rok kończący się dnia 31 grudnia 2017	Rok kończący się dnia 31 grudnia 2016
Purchases - lease of office space, cars and other	840,00	38 993,04
Sale - sublease of commercial space and other	4 184,64	17 174,82
Costs - interest	3 508 528,83	2 313 393,02
balance (in PLN)	**31 grudnia 2017**	**31 grudnia 2016**
Amounts payable for deliveries, labour and services, interest	-	47 961,44
Liabilities under loans (in total, during 2016, PLN 7,896,110.00 was received under loans)	43 043 337,70	33 704 072,00
Amounts payable for interest	8 100 942,77	4 981 701,94
Amounts receivable for deliveries, labour and services	656,82	328,41

Betting Company Cyprus LTD

value of transactions (in PLN)	Rok kończący się dnia 31 grudnia 2017	Rok kończący się dnia 31 grudnia 2016
Purchase of software and amounts receivable for licences	686 369,70	706 004,10
balance (in PLN)	**31 grudnia 2017**	**31 grudnia 2016**
Amounts payable for deliveries, labour and services	1 520 293,05	895 860,00
Amounts receivable for deliveries, labour and services	-	-

Intralot Interactiv S.A. (Anonymi Eteria)

value of transactions (in PLN)	Rok kończący się dnia 31 grudnia 2017	Rok kończący się dnia 31 grudnia 2016
Purchase - software for Internet sales	465 804,67	547 932,71
Provision of costs 2015	-	- 42 423,00
balance (in PLN)	**31 grudnia 2017**	**31 grudnia 2016**
Amounts payable for deliveries, labour and services (licence fees, software service)	1 300 628,43	893 356,02
Amounts payable for acquisitions (purchase of the ATHLOS software)	246 500,19	261 458,40

Intralot S.A. (Anonymi Eteria)

value of transactions (in PLN)	Rok kończący się dnia 31 grudnia 2017	Rok kończący się dnia 31 grudnia 2016
Purchase - remuneration for TOTORACING	1 330 497,56	1 513 756,82
Provision of costs 2015	-	- 55 149,90
balance (in PLN)	**31 grudnia 2017**	**31 grudnia 2016**
Amounts receivable for deliveries and services	4 174 877,91	3 043 653,47
Amounts payable for acquisitions (purchase of thermal printers)	128 988,84	136 816,18

Intralot International Ltd

value of transactions (in PLN)	Rok kończący się dnia 31 grudnia 2017	Rok kończący się dnia 31 grudnia 2016
Purchase - remuneration for TOTORACING	-	176 660,81
Provision of costs 2015	-	- 175 494,20
balance (in PLN)	**31 grudnia 2017**	**31 grudnia 2016**
Amounts payable for deliveries, labour and services (remuneration for TOTORACING)	1 298 019,50	1 376 786,35

Beta Rial Sp. z o.o.

value of transactions (in PLN)	Rok kończący się dnia 31 grudnia 2017	Rok kończący się dnia 31 grudnia 2016
Sales - reinvoicing of costs	-	135 124,00
balance (in PLN)	**31 grudnia 2017**	**31 grudnia 2016**
Amounts receivable for deliveries, labour and services	24 600,00	24 600,0

42 OTHER SIGNIFICANT INFORMATION - PROCEEDINGS

In 2017, administrative and court-administrative cases were finalized concerning fines imposed upon the Company in connection with a claim that the Company operated without a permit in the period from 30 March 2012 to 24 September 2012, according to the expectations of the Company, noted in the financial statement for the previous year.

As regards disputes, we should note that there 6 cases pending before the Supreme Administrative Court, based on cassation complaints of former Directors of Customs Chambers in Biała Podlaska and Wrocław against judgements of Provincial Administrative Courts, revoking the decisions of both instances. Despite the fact that total value of the subject matter of the complaint in these matters amounted to PLN 6,094,078.76, we should not expect a decision of the Supreme Administrative Court which would generate this service.

That is because it is established, not only in the case law, but also in justifications of administrative decisions discontinuing proceedings in cases concerning fines, that Totolotek could operate in the period from 30 March 2012 to 24 September 2012, i.e. until the time of obtaining the final decision withdrawing the permit granted to the company, which is a repetition of the general legal view, expressed in the judgement of the Supreme Administrative Court of 13 January 2016, file ref. no. II GSK 2294/15.

The Management Board believes that the proceedings before the Supreme Administrative Court will not have negative consequences for the company, and that is why no financial provisions were established for that purpose.

As regards cases based on claims of players, we should mention two cases which are currently at the stage of dispute resolution, i.e.

– the value of the dispute PLN 861,896.00, the matter concerns a player who is trying to obtain the winnings under false pretences, based on his own interpretation of the rules of the Toto-Mix game. The Company claims that the coupons referred to in the client's claim are not winning coupons. In the course of the proceedings, an expert's opinion will be drawn-up regarding the justification of the interpretation of the rules of TOTO-MIX, in the aspect of the relevance of a mutual bet, justifying the claims of the Plaintiff. On 18 April 2018, a date was set for the consideration of the matter before the Circuit Court in Warsaw. Considering the course of the matter so far, we should not expect that it would end in 2018.

– the value of the subject matter of the dispute PLN 63,370.00, including PLN 9,840.00 acknowledged by the company, but no payment was made due to a failure to present original coupons. The matter concerns wring settlement of horse racing bets in connection with the withdrawal of 6 out of 10 horses participating in the race, which occurred without any correction of either stakes or the amount of winnings. It should be noted that TOTOLOTEK S.A. does not provide betting services for horse racing (GBI RACING), and these tasks are performed by a foreign entity providing the Company with a ready product in the form of an offer.

43 FINANCIAL INSTRUMENTS

Purposes and rules of management of the financial risk

The Company is exposed to the market risk covering mainly a risk of change of interest rates, exchange rates and a credit risk.

Interest rate risk

The Company's facing a market risk connected with changes in interest rates applies mainly to credits and loans, both granted and received. As of 31 December 2017, the Company had significant credits, and therefore it was in danger of interest rate risk.

Foreign currency risk

The Company's facing a foreign exchange risk is connected mainly with cash, credits, loans and settlements denominated in foreign currencies. As of 31 December 2017, the Company had significant credits and loans in foreign currencies, and therefore it was in danger of foreign exchange rate risk. The Company had significant currency liabilities which, at the end of the year, due to nominal exchange differences, were significantly increased. By the date of drawing-up the financial statement, the Company did not settle its liabilities, and therefore, it is difficult to estimate the risk deriving from the execution of payments.

Credit risk

The credit risk connected with the other party's inability to fulfil its obligations specified in agreements regarding the financial instruments of the Company is basically limited to the amounts by which such obligations of the other party exceed the obligations of the Company. As of 31 December 2017, the Company did not have any significant financial instruments which would be connected with a risk of inability to fulfil by the other party of the conditions specified in agreements regarding such financial instruments. Therefore the Company, as of 31 December 2017, was not in danger of a credit risk.

44 REMUNERATION OF EXPERT AUDITOR OR AN ENTITY AUTHORIZED TO AUDIT FINANCIAL STATEMENTS, PAID OR DUE FOR THE FINANCIAL YEAR

The Company had the following account settlements with the expert auditor concerning the financial year 2017:

title	total remuneration (gross)
obligatory audit of the annual financial statement	13 530,00
other certifying services - i.e. audit of consolidation packages to the groups prepared according to IAS	89 175,00
tax advisory services	18 450,00
other services	-

45 CONTINUATION OF THE BUSINESS ACTIVITY

The financial statement of the Company was drawn-up with the assumption of continuation of the business activity by the Company for a period of at least 12 months after the balance sheet date, i.e. after 31 December 2017. The Management Board of the Company confirms the existence, as of the date of signature of the financial statement, of the following facts and circumstances.

In the present financial year the Company achieved a net loss to the amount of PLN 13,947,525.07. The Company shows negative equity capital to the value of PLN 64,358,501.73, and the current liabilities exceed the current assets by the amount of PLN 25,913,627.38. The Management Board believes that there is no threat that there will be no possibility of continued activity of the Company. In addition, in view of the coming into force as of 1 April 2017 of the new Act in Gambling, the Management Board anticipates the growth of revenues and improvement of the profitability of the Company. Moreover, on 2 February 2018, the Company obtained an assurance of its dominating entity, Intralot S.A., of possible financial support for a period of at least 12 months from the balance-sheet date, and there are no prerequisites which would indicate that the dominating entity will not be able to fulfil the adopted liabilities. According to Art.397 of the Commercial Companies Code, on 21 April 2017, a resolution was adopted regarding continued existence of the Company during the next financial year of 2017. As of the date of drawing up the statement for 2017, no such resolution was adopted yet.

46 MERGER OF COMMERCIAL COMPANIES

In 2017, the Company did not merge with any other business unit.

In 2016, the Company did not merge with any other business unit.

47 REASONS FOR DIFFERENCES BETWEEN THE BALANCE SHEET CHANGES OF SOME ITEMS AND CHANGES RESULTING FROM THE CASH FLOW STATEMENT

I. CHANGE IN THE LEVEL OF SHORT-TERM AMOUNTS PAYABLE, WITH THE EXCEPTION OF CREDITS AND LOANS

Change in the level of short-term amounts payable, according to the balance sheet (BZ-BO)	8 277 657,13
Change in the level of short-term amounts payable, according to the cash flow statement	5 277 533,31
Differences:	
- elimination of unpaid interest on the loan	3 425 923,85
- elimination of balance-sheet valuation of unpaid interest on the loan	(307 986,36)
- elimination of the change in the level of acquisitions of fixed assets	(141 813,67)
- elimination of the change in the level of long-term amounts payable	24 000,00

48 SECURITIES OR RIGHTS TO SECURITIES

In 2017, the Company did not have securities or rights to securities.

In 2016, the Company did not have securities or rights to securities.

49 VALUE OF NON-DEPRECIATED FIXED ASSETS, USED ON THE BASIS OF LEASE, RENTAL OR OTHER AGREEMENT, INCLUDING LEASING

As of 31 December 2017, the company used, on the basis of lease agreements, cars to the value of PLN 723,940.07. Apart from that, the Company did not depreciate any fixed assets used on the basis of lease, rental and other agreements.

As of 31 December 2016, the company used, on the basis of lease agreements, cars to the value of PLN 638.729,51. Apart from that, the Company did not depreciate any fixed assets used on the basis of lease, rental and other agreements.

REPORT OF THE MANAGEMENT BOARD OF "TOTOLOTEK " Spółka Akcyjna
WITH A REGISTERED OFFICE IN WARSAW
on the activity in the financial year 2017

"TOTOLOTEK" Spółka Akcyjna is a capital company, entered in the register of entrepreneurs, entry no. KRS 0000027214, kept by the District Court for the Capital City of Warsaw in Warsaw, Thirteenth Commercial Division of the National Court Register, with the share capital to the value of PLN 14,700,000 (fourteen million seven hundred thousand).

In the financial year 2017, the business activity of "TOTOLOTEK" S.A. was concentrated mainly on further investment and development of the Internet channel used by the Company to sell nearly 49% of all of its turnover, despite the fact that it obtained a permit for organization of games via the Internet only in the middle of 2013.

The sales dynamics of the online channel, whose growth in comparison to 2016 amounted to 65%, is caused by the determined development of the offer, strengthening its attractiveness, launch of mobile applications, as well as a result of co-operation with sports clubs under sponsoring agreements and "branding" supporting activities.

The Company strengthened its position as the third legal market operator, in view of the volume of its turnover. In 2017, the company continued its operations with the "Totomix" products (live betting and pregame) on sports lotteries ("Totoliga, Totogol"), but also focused on further development of racing products, i.e. increase of "Toto Racing" product sale – dog races, and Totolotek – betting on horse races with live transmission in England and Ireland.

Totolotek is the only company in the market with such a rick portfolio of products among legal mutual betting operators in Poland. This diversification allows the Company to obtain good solvency results on all products and reduces the risk associated with increasing the live offer within the Toto-Mix product – bookmaker betting.

Another selling channel of the Company which is still important is the network of ground points of sale the optimization whereof is a regular element of the Company's operations. Relocations of points are dictated by the work on the Company's image and increase of the network quality in view of brand recognition.

The bookmaking activity as of 31 December 2017 was conducted in 262 betting points which means a reduction of the network by 42 points of sale in 2017, with simultaneous two-digit growth of sales in the retail network. In 2017, the Company closed unprofitable points of sale and invested in training and incentive systems for employees of the retail network. This gave an effect in the form of the growth of sales in the retail channel by 16% in comparison of the previous year, despite the reduction of the network. The aforementioned activities caused significant growth of average sales per POS – to the level of over PLN 60 thousand.

In 2017, Totolotek continued further, significant investments in its image, thanks to the sponsoring activity. As of 31 December 2017, the Company limited its activities to co-operation with two clubs: Lechia Gdańsk and Legia Warszawa (basketball section) with simultaneous development of marketing services under new agreements, and it has become a strategic partner of PZPN under the newly-

concluded sponsoring agreement concerning the Poland's Cup – a project with a global range within the scale of the country.

The additional business activity of TOTOLOTEK S.A. covered the sale of offer programmes and statistics, as well as sale of starters and mobile telephone top-ups. In 2017, Totolotek, ased on a co-operation agreement, also conducted agency sales in exchange for commission-based remuneration concerning games of numbers and lotteries organized by Totalizator Sportowy. This co-operation was gradually widened and at the end of 2017, the Company sold Lotto products in approx. 140 points.

Total net revenues from the sales and from financial operations in the financial year 2017 amounted to PLN 353,006,588.28 (three hundred fifty-three million six thousand five hundred eighty-eight and 28/100). The revenues obtained from the basic activity are no higher than 65% in comparison with the previous year due to very good results of the online channel and increase of sales in the retail network despite its smaller size.

The sum of assets of the balance sheet as of the end of the financial year 2017 amounted to PLN 15,729,739.04 (fifteen million seven hundred twenty-nine thousand seven hundred thirty-nine and 04/100).

The financial year 2017 closed with a loss to the value of PLN 13,947,525.07 (thirteen million nine hundred forty-seven thousand five hundred twenty-five and 07/100). The loss was caused by more than average solvency in the first quarter and large investments incurred in connection with the acquisition of new clients, which resulted in the achievement of a much larger scale of operations.

The Management Board of "TOTOLOTEK" S.A. suggests that the loss should be covered from profits achieved in the following financial years, as it is anticipated that the Company will generate profits.

The Management Board of "TOTOLOTEK" S.A. considers the current financial situation of the Company to be stable. Significant costs of activity were connected with the development of products (mostly the Internet channel), which, however, translates to an improvement of the results from sale of the Company in 2017 in comparison with the previous years and a significant growth of the scale.

Moreover, the Management Board of the Company has a guarantee of the majority shareholder of the Intralot S.A., in the form of a letter, that in the event that such a need arises, Intralot S.A. shall secure the necessary funds providing for the continuation of the activity by the Company for a period of 12 months of the date of issue of the letter.

The Management Board expects that the results of "TOTOLOTEK S.A." will be much better in the future, because it anticipates the maintenance of the online and race product sales dynamics as well as maintenance of the retail sales network. The Management Board believes that thanks to the new law on gambling, which came into force on 1 April 2017, the sales of products have already grown, but still a significant part of the market remains within the grey zone. The authorities support the currently-legal operator, actively fighting the grey zone of the mutual betting market.

In 2018, Totolotek is planning to finance the activity from its own funds and the anticipated increase of the capital aimed at the elimination of the Company's debt. If such increase does not take place, then the alternative source of financing will be the Company's own funds and possible loans from the shareholders. In the following years, the development of the Company is anticipated along with the achievement of better financial results through:

- increasing profitability and sales network profitability,
- development of online and mobile betting based on separate permit issued to the Company by the Minister of Finance in 2013
- introduction of a new product – virtual games – permitted by the new act on gambling.

Moreover, the Management Board of Totolotek S.A. confirms that:

- In the financial year 2017, the Company did not conduct an activity in the field of research or technological development.
- In the financial year 2017, the Company did not acquire its equity shares.
- In the financial year 2017, the Company did not have any branches (plants).
- In the financial year 2017, no fines were imposed on the Company resulting from the provisions on environmental protection and there is no significant risk that such fines will be imposed in the future, mostly due to the type of the conducted economic activity.

As of the balance sheet date, the Company has commercial liabilities in EURO. The liabilities generate a general risk of a change of the foreign currency exchange. The Company did not adopt any special purposes or methods of management of the aforementioned financial risk.

This report of the Management Board on the activity in the financial year 2017 constitutes an integral part of the financial statement.

The Management Board of "TOTOLOTEK" SA:

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Adam Lamentowicz- President of the Management Board

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Patryk Winkler – Memer of the Management Board

Warsaw, 2 February 2018