Half Year Report of Fortuna Entertainment Group N.V. 2013

1 / Overview

Fortuna Entertainment Group N.V. (“Fortuna” or “FEG” or “the Group”) is the leading Central European betting operator. The Group offers a comprehensive range of online and land network-based betting products, including pre-match betting on a range of sporting events, live betting for major televised matches and number games.

The founding company FORTUNA sázková kancelář a.s. (“FORTUNA Betting Office, joint stock company” or “Fortuna SazKan”) was established in 1990 in Prague. From its incorporation, Fortuna SazKan’s primary business was sports fixed-odds betting. A year later, Terno, a. s. was established in Slovakia. In 2005, Penta Investments became the owner of both entities and in the same year it acquired Poland’s betting office Profesjonał. Subsequently, all companies were rebranded under one brand: Fortuna. Fortuna developed online betting and the gaming platform FortunaWin, through which has provided betting and gaming products to customers in Hungary and Croatia since June 2010 and May 2011, respectively.

Thanks to its 20 plus years of experience on the CEE market, Fortuna sets standards and trends in the betting sector. The Group is constantly investing in the development of new products and services; it has expanded its branch network as well as the quality of its distribution channels. As of 30 June 2013, Fortuna held the number-one market position in Poland and the number-two market position in the Czech Republic and Slovakia based on total amounts staked.

As of 30 June 2013, Fortuna operated 1,621 points of sales in three markets.

Fortuna entered the numerical lottery market in the Czech Republic by launching its first numerical lottery game Loto in July 2011. By the end of the first half of 2013, Fortuna offered four numerical lottery games and instant scratch tickets through a network of 6,000 points of sales (of which 1,531 were lottery terminals).

In October 2010, FEG went through a successful IPO on the stock exchanges in Prague and Warsaw. As of 30 June 2013, Fortuna’s majority shareholder was FORTBET HOLDINGS LIMITED, a subsidiary of Penta Investments Limited, with a 67.3% stake.

2 / First Half 2013 Financial Highlights

Financials (EUR thousands)	Six months to 30 June 2013	2012	% change
Amounts Staked	275,861	229,072	20.4%
– of which sports betting	268,434	219,087	22.5%
– of which lottery	7,427	9,985	(25.6%)
Gross Win	57,407	55,131	4.1%
– of which sports betting	53,752	50,183	7.1%
– of which lottery	3,645	4,948	(26.1%)
Revenues	47,847	48,041	(0.4%)
– of which sports betting	44,170	43,059	2.6%
– of which lottery	3,677	4,982	(26.2%)
EBITDA	12,922	10,139	27.4%
– of which sports betting	13,180	13,145	0.3%
– of which lottery	(258)	(3,006)	(91.4%)
Operating Profit	11,151	8,403	32.7%
– of which sports betting	11,654	11,664	(0.1%)
– of which lottery	(503)	(3,261)	(84.6%)
Net Profit for the Period	7,560	5,619	34.5%
Ratios			
EBITDA Margin	27.0%	21.1%	5.9 pp
Operating Profit Margin	23.3%	17.5%	5.8 pp
Net Profit Margin	15.8%	11.7%	4.1 pp
CAPEX as % of Revenues	3.7%	4.2%	(0.5 pp)
Operations			
Number of Points of Sales (sports betting)	1,621	1,577	3.8%
Number of Lottery Terminals	1,531	2,043	(21.1%)
Number of Employees – EOP	2,477	2,604	(4.9%)

	As of 30 June 2013	As of 30 June 2012	% change
No. of Shares EOP	52,000,000	52,000,000	0%
Total Assets	88,064	89,034	(1.1%)
Total Equity	19,635	40,739	(51.8%)
Total Borrowings	49,737	29,254	70.0%
Net Debt / (Net Cash)	38,272	15,575	145.7%
CAPEX	1,765	2,025	(12.8%)

3 / Management Report for the First Half of 2013

3.1 Financial Results in the First Half of 2013

Amounts Staked and Gross Win
In the first half of 2013, Fortuna recorded total Amounts Staked of EUR 275.9 million, 20.4% more than in the first half of 2012, according to the consolidated unaudited financial results. The strong Amounts Staked performance was clearly driven by growing internet and mobile sports betting in all the countries where Fortuna operates despite the absence of major sports event this year (last year's performance was boosted by EURO 2012 football championship).

The Amounts Staked from sports betting reached EUR 268.4 million in the first six months of 2013, 22.5% more than in the same period in 2012. A double digit growth was recorded in the Czech Republic and Slovakia. In Poland, the total Amounts Staked grew single digit. The Amounts Staked from lottery bets totalled EUR 7.4 million in the first half of 2013, a 25.6% yoy decrease, driven by the decline in the sales of numerical games.

In the first half of 2013, Gross Win came to EUR 57.4 million, an increase of 4.1% compared with the same period in 2012. Gross Win from online sports betting in the first half of 2013 increased to EUR 24.3 million, a gain of 37.0% over the same period in 2012. Gross Win from retail sports betting in the first half of 2013 amounted to EUR 29.4 million, a 9.3% less than in the previous year. The decline in retail betting was greatest in the Czech Republic and Poland while in Slovakia the Gross Win from retail betting was stable. Gross Win from lottery amounted to EUR 3.7 million in the first half of 2013, a 26.1% yoy decline.

Revenues, OPEX, EBITDA
In the first half of 2013, the Company recorded total revenues in the amount of EUR 47.8 million, 0.4% less than in the previous year on the back of declining lottery revenues. Of this, revenue from sports betting amounted to EUR 44.2 million and went up 2.6% yoy. Revenues from the lottery amounted to EUR 3.7 million, 26.2% less than last year.

Total operating costs in the first half of 2013 came to EUR 34.9 million, 7.9% less than in the same period in 2012. Staff costs declined 4.5% yoy to EUR 13.7 million, primarily due to lower personnel costs in the lottery segment. In the first half of 2013 governmental taxes and levies amounted to EUR 5.4 million, 6.1% less than in the previous year. Other operating expenses (net) decreased in the first half of 2013 by 11.1% to EUR 15.9 million primarily due to lower marketing expenses and other costs of sales related to lottery.

Group's EBITDA of Fortuna amounted to EUR 12.9 million in the first half of 2013, 27.4% more than in the first half of 2012. Out of this, sports betting EBITDA reached EUR 13.2 million and increased 0.3% yoy. EBITDA of lottery segment reached a negative number of EUR 0.3 million, compared to a 3 million loss last year and is fully in line with the Company's guidance.

In the first half of 2013, depreciation increased by 2.0% yoy to EUR 1.8 million as a result of new investments into new systems in the online sports betting.

EBIT and Net Profit
In the first half of 2013, operating profit (EBIT) amounted to EUR 11.2 million, 32.7% more than in the same period of the previous year. EBIT of sports betting segment was unchanged (a 0.1% yoy decline) and reached EUR 11.7 million. EBIT from lottery segment recorded a negative figure of EUR 0.5 million compared to a loss of EUR 3.3 million in the same period last year.

Net finance costs reached EUR 560 thousand in the first half of 2013, a 41.4% yoy decrease.

Income tax equalled EUR 3 million in 2013, 65.9% more than in 2012, on the back of higher profitability and a lower tax shield which in the past came from the lottery loss.

In the first half of 2013, the Company recorded net profit of EUR 7.6 million, 34.5% more than in the previous year, due to a better operating profitability.

Cash and Indebtedness
The total amount of bank debt as of 30 June 2013 was EUR 49.7 million, 70.0% more in comparison with 30 June 2012. Cash and cash equivalents as of 30 June 2013 amounted to EUR 11.5 million, 16.2% less than as of 30 June 2012. The total balance of those two items resulted in a Company net debt position of EUR 38.3 million as of 30 June 2013, 145.7% higher than as of 30 June 2012.

In June 2013, Fortuna signed agreement for a 6-year multicurrency credit facility in the amount of EUR 50 million with Česká spořitelna, a.s. The new loan has been used for refinancing of the existing bank debt of the Company, for dividend pay-out and share premium distribution and in addition, for investments into product development in the area of sports betting.

The financing is made up of three credit facilities: an amortizing loan of up to EUR 25 million, a non-amortizing loan of up to EUR 20 million and a revolving facility of up to EUR 5 million.

The total interest rate of the new financing consists of EURIBOR/PRIBOR and interest rate margin in the range of 1.75–3.00% depending on Net Debt/EBITDA ratio. In comparison to the previous credit facility, the Company will realize cost savings through interest rate swap. Similarly to the previous financing, the loan is secured by shares of Group's subsidiaries in the Czech Republic, Slovakia and Poland, by bank accounts and Fortuna's trademark.

CAPEX and Investments
In the first half of 2013, total capital expenditures amounted to EUR 1.8 million, 12.8% less than in the same period last year. The majority capital expenditures came from sport betting in the Czech Republic and Poland and included new investments into the online betting support.

Sports Betting by Countries
The revenues breakdown according to the markets in which the Company operates is driven by demographics, the legislative environment, absolute market shares, the average spend per capita and the growth potential of each individual market.

Sports betting in the Czech Republic generated more than a half of total Amounts Staked for the Company in the first half of 2013, a similar proportion to what was recorded for the same period last year. Total Amounts Staked in the Czech Republic grew at a double-digit rate compared with the total in the first half of 2012, due to higher betting volumes. The collected service fees in the first half of 2013 declined due to the abolishment of the online service fee and a rising share of online and live betting overall. The Gross Win from sports betting in the Czech Republic in the first half of 2013 went up if compared with the first half of 2012. However, the Gross Win margin declined as the online and live betting grew. The Gross Win generated by online grew double digit in the first half of 2013. The Gross Win from retail sports betting in shops declined on an annual basis.

The contribution of the **Slovak sports betting** business represented less than one third of the Group's Amounts Staked in the first half of 2013. The total Amounts Staked in Slovakia experienced a nice double-digit growth in the first half of 2013 and no high-rollers effect was included. The Gross Win in Slovakia grew in both retail and online segments. The growth of the Gross Win in online sports betting in Slovakia was faster and at a double-digit level, while retail grew at a low, single-digit pace in the first half of 2013.

Poland's share of the total Amounts Staked in the first half of 2013 showed no significant change from the previous year. The total Amounts Staked in Poland in the first half of 2013 grew at a high single digit rate, driven by the online betting. The Gross Win from betting in Poland in the first half of 2013 also grew at a single digit rate. A higher relative growth level was recorded by the online business, but it was the retail betting that continued to represent the majority of the Gross Win in absolute terms. The Gross Win from the retail betting in the first half of 2013 declined.

Czech Republic Lottery
In the first half of 2013, the Amounts Staked from the Fortuna Lottery reached EUR 7.4 million, a 25.6% decline compared with the same period of last year. The Gross Win from the lottery amounted to EUR 3.8 million, which is 25.1% less than in the first half of 2012. The decline in lottery is related to lower sales of numerical games while the scratch tickets continue to perform well.

3.2 Sports Betting Channels and Distribution Network

The Group delivers its sports betting products to customers through retail betting outlets, online and, to a lesser extent, via a telephone call centre. The Group offers retail betting through outlets operating under its own brand name, and at counters and betting rooms installed at other retail outlets (such as sports bars, restaurants and pubs) as well as outlets operated by third parties under the Group's "Partner" programme. The availability of distribution channels varies between the countries in which the Group operates, primarily reflecting the legal framework regulating betting services in each jurisdiction.

The distribution channels used by the Group complement each other while serving different groups of customers. Betting outlets and especially "Partner" betting outlets operated in bars appeal to customers who like to discuss bets and prefer watching sports events in a social setting. The users of online are generally younger, better educated, and users of social networking sites and the various functionalities of tablets, smart phones and mobile phones, who value their independence and expect immediate access to betting products regardless of the time of day. The remote services the Group offers also enable customers to place bets from locations where there are no betting shops. Currently, the share of internet and mobile betting is raising rapidly reflecting customer's behaviour to bet on the move. In 2013, the bets accepted via online have been matching/exceeding volumes accepted through the retail network.

The table below presents information on the Group's retail network as of 30 June 2013 and 2012:

	Czech Republic	Slovakia	Poland	Total
Betting outlets	360	254	378	992
"Partner" betting outlets	328	172	85	585
Total number as of 30 June 2012	688	426	463	1,577

	Czech Republic	Slovakia	Poland	Total
Betting outlets	333	225	395	953
"Partner" betting outlets	372	211	85	668
Total number as of 30 June 2013	705	436	480	1,621

Source: the Company

Thanks to experience from the Czech Republic and Slovakia markets, where Fortuna already successfully runs both betting spots and online betting the Company has been able to provide on-shore online offer in Poland shortly after obtaining the consent of the Minister of Finance in January 2012. Fortuna promptly responded to the received permission from Polish authorities and became the first licensed operator to provide online sports betting in Poland. Unfortunately, the Polish parliament decided to maintain a high 12% withholding tax from betting activities, which is discriminatory for legal tax-paying players versus offshore companies. There are three strong competitors on the Polish betting market: Totolotek (owned by Intralot and partly by the state), STS (owned by Stanleybet) and Fortuna PL. During 2012, Totolotek's retail betting licence was suspended by Polish authorities for a couple of months for a breach of licence conditions. Big market players are trailed by smaller operators such as Betako and Millenium.

Fortuna PL, STS and Millenium are currently the only operators to hold an online licence from the Polish Ministry of Finance.

In March 2012, Fortuna obtained permission from the Polish Minister of Finance to operate 80 new betting shops and extended licence for 54 other outlets. Most of the acquired shops were previously owned by Tipsport PL – a company controlled by TIPSPORT a.s. The acquisition enabled Fortuna to expand its retail network in Poland and become the biggest Polish betting operator by the number of betting outlets.

In 2011, after meeting necessary conditions, FortunaWin Ltd. and FortunaWin Gaming Ltd. applied for a permanent betting and gaming licence in Malta. The licence was finally awarded effective from 25 May 2011 for a period of 5 years.

3.3 Lottery in the Czech Republic

In July 2010, Fortuna obtained a licence to offer lottery products in the Czech Republic. Fortuna signed an agreement with Intralot, the largest full service technology provider catering to all of the systems and support needs of the lottery project. The strategy of Fortuna is to target not only the existing clients of lottery games, but primarily new customers. The aim is to create a market in the Czech Republic where the penetration in terms of the betting spent per capita is low compared with other countries (such as Slovakia or Hungary).

After the successful launch of the first numerical game Loto in July 2011, Fortuna started gaining market share quickly. However, the bankrupt market leader Sazka has invested significantly to regain its market share and Fortuna's plans to become a strong No. 2 player have not materialized. Fortuna's current market share of 2–3% in the numerical games market is well below the initial target. At the end of 2012, Fortuna's lottery project was placed under revision. Currently, the management of Fortuna together with majority shareholder are reviewing different options for the future of lottery project including potential partnership deals.

Scratch Cards

In May 2011 Fortuna started selling scratch tickets. Three types of instant scratch tickets have been initially introduced by Fortuna lottery – Zlatá rybka (Golden fish), Gól!!! and Šťastná sedma (Lucky seven) at prices of CZK 50, 30 and 20 each respectively. The first series of 1.5 million pieces was sold out in less than six months. Currently, Fortuna offers eleven types of scratch cards.

Despite the difficulties in the field of numerical lottery games, scratch cards have been very successful so far with estimated 30–35% market share. The penetration of scratch tickets in the Czech Republic is low (single digit number) in comparison to the Western Europe where it reaches 20% market share in the numerical lotteries market and represents an unique window of opportunity for Fortuna lottery.

Fortuna has been expanding its distribution network for scratch tickets and in June 2012 it signed a contract with Česká pošta s.p. (Czech Post Office) on distribution of lottery products through its 3,300 branch offices. As a result of this agreement, Fortuna started offering its range of scratch cards at the post offices across the whole Czech Republic from September 2012. In May 2013, Fortuna acquired a small scratch cards business from a Czech company GAMESTAR, a.s with an aim to get an access to their distribution network.

Numerical Games
Currently, Fortuna lottery offers four different numerical games: the bi-weekly game Loto and SUPERLOTO, the daily game Zlatých 11 (Golden 11) and the quick game FOFR with a number of additional games accompanied to them.

As of 30 June, 2013 Fortuna operated 1,531 lottery terminals. Key distributors of Fortuna's numerical games are retail chains such as GECO, Spar, HDS Retail, Citi-Tabák or Peal, number of individual retailers, tobacconists at supermarkets and large shopping malls and Fortuna's branches. Fortuna's terminals also offer mobile phone top-ups for customers of Telefónica O2 Czech Republic and Vodafone CZ. Scratch tickets are distributed through a network consisting over 6,000 points of sales.

3.4 Strategy

Growth Opportunities in Online and Mobile Betting
The Group's online businesses in Slovakia and the Czech Republic have been growing organically since 2007 and 2009, respectively. The Group's strategy is to continue to grow its online businesses organically and maximize the potential offered by the increased acceptance of betting and gaming as a pastime and the growth of broadband Internet penetration.

Having already launched online betting operations in Slovakia in 2007, the Group was able to leverage its experience to quickly and successfully launch its online betting operations in the Czech Republic in 2009. Following the necessary changes in the legislation and after the permission was granted by Polish authorities; Fortuna has been offering online betting in Poland since January 2012. In addition, the Group has built its online betting and gaming platform FortunaWin, offering a wide range of products, including betting on sports and other events, live betting, number betting, a lottery and an online casino.

In 2012 and 2013, online business has been moving fast from website to on-the-move betting (smart phone, tablets). Live betting and live streaming of matches is now playing a crucial role in attracting customers wanting to bet on-the-move. The Group has focused on development of product offers (trading platform, live betting, live streaming) as well as a new mobile application to be able to compete in this new developing betting segment.

Strengthening the Retail Network
The Group aims to maximize the cash generation from its core retail channel by growing Gross Win while carefully managing costs. To optimize the betting experience, the Group monitors its retail network and adjusts the number and location of retail betting outlets where Fortuna's products are offered on a regular basis. The Group also continuously upgrades the location, facilities, equipment and size of its retail betting outlets.

Fortuna intends to increase the number of its "Partner" betting outlets in order to decrease its fixed costs.

The Group intends to increase the number of products on offer in outlets in order both to attract more customers and to extend their dwell time and spend on each visit to an outlet. In addition, the Group intends to introduce more live and virtual products, improve its media presentation, and enhance its shop designs and the potential for the Fortuna info-channel to promote additional betting opportunities.

The Group seeks to expand and improve the betting opportunities available to customers while maintaining the integrity of its risk management system. The Group intends to offer live-streaming and virtual sports betting through machines, including horseracing, football, basketball and speedway in some of its betting outlets. The management expects the diversification of the Group's product portfolio to create cross-selling opportunities.

Lottery Project in the Czech Republic
In 2010, Fortuna obtained a licence to offer lottery products in the Czech Republic. The strategy of Fortuna was to target not only the existing clients of lottery games, but primarily new customers. The aim is to create a market in the Czech Republic where the penetration in terms of the betting spend per capita is low compared with other countries (such as Slovakia or Hungary). Currently, the lottery project is under revision. Current development of Fortuna's lottery business is described in the Chapter 3.3.

Promotion of Brand Loyalty
The Group seeks to promote brand loyalty amongst its customers. In 2005, the Group introduced a large-scale Fortuna Klub Plus loyalty programme in betting outlets in all of the countries in which it operates.

Management aims to improve the level of customer service it provides in all of its retail outlets and anticipates that this will be a key differentiator between the Group's retail outlets and those of its competitors. The Group has further improved the Fortuna Klub Plus members' service through the introduction of a new CRM system. The system is intended to improve customer relationships with the Group while building higher brand loyalty and to provide a targeted customer communication plan with a focus on activating and tracking customer spend.

The Group cooperates with charities and plans to develop its social responsibility policy. In addition, the Group sponsors football teams in order to build positive associations with its brand and betting, and to emphasize the entertaining and social nature of betting, thereby increasing the appeal of its brand to existing and potential customers.

Entering New Markets
The Group continuously monitors regulatory changes and market opportunities across the Central and Eastern European region. The Group operates FortunaWin, an online betting and gaming platform, through which the Group can offer its products on markets in new countries. Currently, the platform provides betting and gaming products to Hungarian and Croatian customers.

As part of the process of monitoring market opportunities, the Group regularly reviews land-based greenfield and acquisition opportunities across the Central and Eastern European region.

Compliance with Local Regulations
The Group strategy is to comply with local regulations concerning the provision of online betting services in the countries where it has land-based operations.

3.5 Risk Factors

The Company's business, results of operations and financial condition may be adversely affected by the following risks:

Risks Relating to the Betting and Gaming Industry

General Market Conditions
Changes and developments in economic, regulatory, administrative or other policies in the countries in which the Group operates, over which the Group has no control, could significantly affect the Group's business, prospects, financial conditions and results of operations in a manner that could not be predicted.

The Group's results are dependent on general economic conditions over which it has no control. General economic conditions such as employment rates and disposable income in the countries in which the Group operates can have an impact on its revenues. Accordingly, there can be no assurance that adverse general economic conditions in those countries in which the Group operates will not have adverse effects on the Group's business, financial condition, results of operations or prospects.

The number of the Group's customers is in turn directly related to the reputation of betting and gaming and the general public's perception of betting and gaming in the countries in which the Group operates. Public sentiment towards the betting and gaming industry can vary considerably. While the Group is attempting to improve the image of betting and gaming in its core markets, it is often labelled as a less socially desirable type of entertainment. Peaks in anti-betting and anti-gaming sentiment may occur from time to time, causing significant damage to the betting and gaming industry as a whole. Adverse changes in the perception of the betting and gaming industry by the general public may lead to a decrease in demand for betting and gaming services or increased regulatory restrictions which, in turn, may have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Demand for betting and gaming products is somewhat difficult to predict and may fluctuate over time. While it is possible to draw certain parallels between the macro-economic situation, the amount of disposable income and the amount of money that an average household spends on entertainment in general, the correlation between overall leisure spending and spending on betting and gaming appears to be far from linear. Demand for betting and gaming services may be affected by public opinion of the betting and gaming industry, negative or positive publicity surrounding the betting and gaming industry and other volatile factors. Therefore, the revenue of the Group may be adversely affected by temporary or permanent, sudden or gradual fluctuations in the demand for the Group's products which cannot be explained by the Group's operating performance or the condition of the economy in general.

Changes in the Regulatory Environment

The Group operates in various jurisdictions in sectors that are subject to state and/or municipal regulation and supervision. The regulations are complex and the legal framework does not always reflect technological progress. Since the Group offers some of its products online it is exposed to the risk that certain jurisdictions, where the Group's customers are located or from which its advertisements may be accessed via the Internet, may have conflicting laws or interpretations of such laws with regard to the legality or appropriate regulatory compliance of the Group's activities. In addition, the Group may try to offer its products in EU countries where the legal framework may contravene the free movement of services and impose limitations making the offering of such products impossible or economically unreasonable. In addition, different legal requirements in particular jurisdictions sometimes make it difficult to implement unified offers or to benefit fully from the synergy effect.

Another aspect of the regulatory issue is the uncertainty embedded in operations in highly regulated sectors. Some crucial matters are not directly regulated and depend on the discretion of regulators or interpretations that could be changed at any moment. Besides, the legal framework is currently under review in many European countries, resulting in various amendments and proposals for amendments. New legislation may be unfavourable to the operations of the Group or may require necessary adjustments to the operations. The Group Companies may be unable to implement new regulations in the prescribed period or at all. Consequently, the Group's operations in particular countries may change. An inability to use common solutions or implement common strategy may lead to additional expenses. Moreover, since the Group operates in a highly regulated market, the relationships with local regulators are very important to the business.

Changes in Taxation of Betting Services and Other Products

The Group is subject to taxation and/or levies in each of the countries in which it operates. The taxation and levies imposed upon the Group have changed over time. In the past certain governments considered that the sports betting and gaming sector was a potential source of additional taxation or other income. As the recent global economic crisis has led to a decrease in revenues from taxes in the countries in which the Group operates, some or all of those countries may consider increasing taxes on, or imposing new taxes on, services and products offered by the Group. For example, in Poland from 1 June 2010 the tax imposed on the total amount of money paid for bets increased from 10% to 12%. In Slovakia, the withholding tax of fixed-odds betting was increased from 5.5% to 6.0% in 2013. In the Czech Republic, amendments to the Gambling Act No. 300/2011 Coll came to effect in 2012 and previous taxation scheme used in betting and gaming was replaced by a unified 20% tax on Gross Win and 19% corporate income tax.

Any increase of taxation or the imposition of new taxes may decrease the amount of money customers want to spend on the Group's products. It may also lead to increased competition from online betting and gaming organizers that do not comply with local regulations and therefore will not be affected by changes in taxation. Consequently, such changes may have a material adverse impact on the Group's revenues and financial results.

Dependence on Licences

The Group conducts activities that are highly regulated. Licences or permissions are required to organize sports betting or to provide gaming products. Regulations in each of the countries in which the Group operates stipulate, among other things, various conditions concerning services organization, marketing, employees, and premises in which products are sold. Furthermore, the introduction of new products may result in a necessity to obtain new licences or to widen the scope of current licences and to make respective adjustments to conducted operations. The Group makes all reasonable efforts to comply with the terms and conditions of its licences and to renew licences that are due to expire. Any failure to comply with any applicable regulations or the terms and conditions of its licences, or any unfavourable change of law, may lead to the Group losing one or more of its licences or to an inability to renew its licences. In addition, the Group's operating companies may be unable to fulfil all of the requirements, terms and conditions that are necessary to obtain licences or to widen the scope of licences for new products. The loss of licences or a failure to obtain new licences may have a material adverse effect on the business of the Group, its financial results and prospects.

Restrictions on Marketing & Advertisement

Extensive restrictions apply to the marketing of betting and gaming services in some countries in which the Group operates. In those countries where such restrictions apply, the Group is forced to limit its marketing activities according to the relevant applicable laws. Such restrictions may have the effect of reducing the Group's potential to attract new customers, launch new products, implement a common marketing strategy or expand its market share in affected markets, and may lead to the loss of licences. In addition, the Group's advertisements may be accessed via the Internet by customers in countries where such activities may be illegal and the Group may face criminal or civil proceedings as a result.

Crime, Fraud & Security

Like many operators in the betting and gaming industry, the Group faces challenges caused by crime and fraud in the countries in which it conducts its business. The betting and gaming industry is subject to various pressures as a result of criminal activity, including organized crime, fraud, robbery, petty crime and theft. As the Group expands its operations, both in the markets in which it currently operates as well as in new markets, the Group expects criminal activity to continue to present certain challenges, especially in newly entered countries.

The continued activities of organized or other crime, fraud, new criminal challenges or activity to which the Group is not accustomed, or claims that the Group may have been involved in official corruption, may, in the future, bring negative publicity or disrupt the Group's ability to conduct its business effectively, which could therefore materially adversely affect the Group's business, financial condition, results of operations or prospects.

The integrity and security of betting and gaming operations are significant factors in attracting betting and gaming customers and in dealing with state authorities. Notwithstanding the Group's attempts to strengthen the integrity and security of its betting and gaming operations by improving its compliance functions and anti-money laundering procedures and its corporate governance policies and procedures, an allegation or a finding of illegal or improper conduct on the Group's part, or on the part of one or more of the Group's employees, or an actual or alleged system security defect or failure, could materially adversely affect the Group's business, financial condition, results of operations or prospects.

Risk Management Systems

The success of the Group depends on its risk management system. The internal risk management and control systems provide a reasonable assurance that the financial information does not contain any material misstatements and that the risk management and control systems functioned properly in the period ending 30 June 2013.

As part of the Group's risk management system, the Group compiles odds in order to assure their competitiveness and secure the Group's profit and monitors the bets proposed by customers to avoid any material exposures towards a particular sports event or to eliminate suspicious bets. In addition, the Group monitors the output of particular sports events and the payout of prizes. The risk management is based on experienced employees of the bookmaking department with the proper knowledge, experience and expertise and supported by tailored software. Any failure in the Group's risk management system could materially adversely affect the Group's business, financial condition, results of operations or prospects.

Single Event Losses and Sporting Schedules

In the long term, the Group's Gross Win percentage has historically remained fairly constant. In the short term there is less certainty of generating a positive Gross Win and the Group has, from time to time, experienced significant losses with respect to individual events or betting outcomes. Although the Group has systems and controls in place which seek to reduce the risk of daily losses occurring on a Gross Win basis, there can be no assurance that these systems and controls will be effective in reducing the Group's exposure to this risk. The effect of future fluctuations and single event losses could have a material adverse effect on the Group's cash flows and therefore a material adverse effect on its business, financial condition and results of operations.

Due to the fact that the Group accepts bets related to sports events, its business and financial result are partially related to schedules in sports events. Therefore factors such as weather conditions, terrorist acts, wars and outbreaks of pestilence and infectious diseases, which may result in cancellations or changes in the planned schedules of sports events, may adversely impact the Group's business, financial condition and results of operations.

Competition

The Group faces competition from other online and offline betting operators in the countries in which it operates, as well as from suppliers of other gaming products. The Group's competitors in the Group's most important markets comprise a relatively small number of large national operators and a relatively large number of online betting companies, each competing for the same customers. Moreover, the Group may face difficulties in competing with some betting and gaming organizers that offer their products without local licences since these entities are usually subject to lower taxation than the Group Companies in the countries where they have their registered seat and do not pay taxes in countries in which the Group operates locally.

In Slovakia, Poland and the Czech Republic, a failure by the relevant governmental authorities to implement the level of regulation necessary to enforce prohibitions on offshore betting and gaming could affect the success of the Group's operations in those jurisdictions. There can be no assurance that competition from new or existing competitors who provide services on onshore and offshore bases in countries in which the Group operates will not have a material adverse effect on the Group's operating results. In addition, there can be no assurance that any future development or investment by the Group will not be matched or surpassed by its competitors.

Key Personnel

The Group's success depends to a significant extent upon the contributions of a limited number of the Group's key senior management and personnel, especially bookmakers and local managers. There can be no certainty that the Group will be able to retain its key personnel. The loss (whether temporary or permanent) of the services of any director, member of the senior management team or other key personnel such as bookmakers, either at the FEG level or within a local management team, could have a material adverse effect on the business, financial condition or results of operations of the Group.

Acquisitions

The Group may consider growing through acquisitions in the near future. The Group's ability to realize the expected benefits from future acquisitions will depend, in large part, on its ability to integrate new operations with existing operations in a timely and effective manner and to manage a greater number of portfolio assets. In addition, the Group's potential acquisition plans involve numerous risks, including the following: the Group's acquisitions may not be profitable or generate the anticipated cash flows, the Group may fail to expand its corporate infrastructure to facilitate the integration of its operations with those of the acquired assets, the Group may face difficulties entering markets and geographical areas where it has limited or no experience, the Group may have potential difficulties in integrating its operations and systems with those of acquired companies, the Group may face a possible anti-monopoly review by relevant competition authorities that could result in such authorities seeking to prohibit or unwind its acquisition of new businesses, and the failure of the Group's acquisition strategy could possibly hamper its continued growth and profitability.

Failure to Introduce New Innovative Products and Services

Sports betting is the main product offered by the Group. In order to attract and retain customers, the Group regularly introduces new betting opportunities for its customers. If the Group fails to roll out the lottery according to plan, this may have a material adverse impact on the Group's financial standing and prospects. Moreover, in order to widen the range of products that it offers, the Group wants to introduce virtual horseracing and other gaming products. The introduction of particular products requires additional spending and marketing efforts. However, there is no guarantee that new products will meet customers' expectations. Therefore, the growth of the Group's revenues may not be sustained or may be lower than expected, which may adversely affect the Group's financial standing and the valuation of its shares.

Although some of the Group's operating companies have successfully introduced online services parallel to their offline operations in Slovakia and the Czech Republic, the outlets Group obtained a licence for online operation in Poland in January 2012. Although the Group may use its Czech and Slovak experience, the roll-out of online services in Poland may encounter some difficulties, especially in the fields of marketing, risk management and ongoing management, resulting from traditional models of operations. Consequently, the Group's financial results and prospects may be adversely affected.

Financial Risks

The Group's results of operations are directly affected by the general financial risks related to conducting business such as credit risk, liquidity risk and interest rate risk. The Group has introduced respective policies to limit these risks and analyses the sensitivity to particular factors of the Group's financial standing. The Group also tries to limit its exposure to such risks inter alia by prepayments made by customers, the provision of services to clients with an appropriate creditworthy history, hedging transactions related to interest rates and the rational management of liquidity. There can be no assurance that the Group's financial risk management will be appropriate or that the procedures in place will limit the influence of particular factors on the Group's financial standing. Any failure with respect to financial risk management or the inappropriateness of procedures in place may adversely impact the Group's business, financial condition and results of operations.

In addition, the Group may be unable to control its costs for various reasons, such as currency rates, inflation and other factors beyond the Group's control. Any failure in securing the financing of capital spending or in cost control may adversely impact the Group's financial condition business and results of operations.

Currency Fluctuations

The Group's operating entities use the currency of the country in which they are domiciled as their functional currency, as the Group considers that this best reflects the economic substance of the underlying events and circumstances relating to that entity. The Group reports its financial results in EUR. The Group also has expenses, assets and liabilities denominated in currencies other than EUR due to its international operations, in particular, the Czech koruna and Polish zloty. The Group does not hedge the risk of operating companies' profit translations. Fluctuations in the exchange rates of these foreign currencies could have an impact on the Group's results.

Increases and decreases in the value of the EUR versus other currencies could affect the Group's reported results of operations and the reported value of its assets and liabilities in its statement of financial position even if its results or the value of those assets and liabilities has not changed in their original currency. These translations could significantly affect the comparability of the Group's results between financial periods and/or result in significant changes to the carrying value of its assets, liabilities and shareholders' equity and its ability to pay dividends in the future.

Pledge in Favour of Česká spořitelna, a.s.

The Group companies have entered into the financing agreements with Česká spořitelna, a.s. Upon the occurrence of an event of default, certain actions can be taken by Česká spořitelna, a.s. on the basis of the financing agreements, including an acceleration of the outstanding loans and foreclosure of security. In accordance with Share Pledge Agreements (concluded in connection with the Facilities Agreement between certain companies of the Group and Česká spořitelna, a.s.), Česká spořitelna, a.s. may, among others, foreclose on the pledged shares, as a result of which Fortuna may cease to own Fortuna GAME, Fortuna SK, Fortuna PL, Riverhill and Alicela, which may result in a permanent or temporary inability of the Group to conduct business in the Czech Republic and/or the Slovak Republic and/or Poland.

Trademarks of Fortuna GAME registered in the Czech Republic with the Czech Industrial Property Office and registered in Slovakia with the Slovak Industrial Property Office and material trademarks of Fortuna PL registered in Poland with the respective authority are, together with bank account receivables and intra-group receivables of Fortuna GAME, Fortuna PL and Fortuna SK, pledged in favour of Česká spořitelna, a.s. to secure its receivables from the Facilities Agreement. If Česká spořitelna, a.s. forecloses on the aforementioned trademarks further to an event of default, Fortuna GAME and/or Fortuna PL may cease to own such trademarks and may not be able to use such trademarks in their operations, which may have a material adverse effect on the business of the Group.

Significant Influence of the Majority Shareholder

With its 67.26% of FEG's outstanding shares, Penta Investments Limited, through its wholly owned subsidiary FORTBET HOLDINGS LIMITED, will be in a position to exert significant influence over the outcome of matters submitted to a vote of the FEG's shareholders, including matters such as the approval of the annual financial statements, declarations of dividends, the election and removal of the members of the Supervisory Board and the Management Board, capital increases and amendments to the Articles of Association.

3.6 Material Subsequent Events

As of 4 July 2013, Radim Haluza was appointed Vice-chairman of the Management Board.

Fortuna has signed the Share Purchase Agreement in which it agrees to sell an 8% stake in its lottery business to E-INVEST. The agreement was executed in July 2013 and subsequently, the change shall be recorded in the Commercial Register. The companies had signed the Agreement on Future Agreement in May 2012 and agreed on cooperation in the lottery market in the Czech Republic. E-INVEST finally bought an 8% stake in the company FORTUNA sázky a.s., a subsidiary of Fortuna Entertainment Group.

The Extraordinary General Meeting of shareholders of Fortuna Entertainment Group N.V. ("EGM") was held on 31 July 2013 in Amsterdam. It was attended by shareholders who together hold 72.18% of share capital and voting rights and therefore, it had a quorum. At Fortuna's EGM, all of the resolutions that were subject to shareholder approval were adopted. The EGM approved the terms of, and the transactions contemplated by, as well as the entering into, execution, delivery and performance of the Facilities Agreement, Intercreditor Agreement and Share pledge agreements I, II, II and IV, in connection with financing described in the Chapter 3.1 of the Report. The full wording of the Minutes from the EGM is available on Company's website.

In July and August 2013 the Group entered into interest rate swap transactions with Česká spořitelna with a notional amount of CZK 346 million and EUR 9 million effective 30 September 2013. The swaps fix the 3-month PRIBOR/EURIBOR variable interest rates and represent cash flow hedging.

There were no other material events after 30 June 2013.

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Shares and Shareholders Structure

Shareholders Structures as of 30 June 2013

FORTBET HOLDINGS LIMITED, a subsidiary of Penta Investments Limited	67.26%
Management	0.02%
Other free float	32.72%

Source: Company Data

The Company received a notification that that clients and investment funds managed by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. were as of 14 January 2013 jointly holding 2,535,128 shares in the Company, constituting 4.88% of the share capital and of the total voting rights attached to the shares issued by the Company. Prior to that, clients and funds managed by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A., had jointly held over 5.00% of the share capital and voting rights attached to the shares issued by the Company.

In the first half of 2013, the majority shareholder of Fortuna Entertainment Group N.V. (previously AIFELMONA HOLDINGS LIMITED) changed its legal name and registered seat to FORTBET HOLDINGS LIMITED, with its registered office at Agias Fylaxeos & Polygnostou, 212, C & I Center Building, 2nd floor, 3082, Limassol, Cyprus.

The changes were duly registered in the Registrar of Companies of the Republic of Cyprus and are in the effect from 11 April 2013 (with respect to change of legal name) and from 26 February 2013 (with respect to change of registered office) and in any case do not affect shares held in the Company or execution of shareholder's rights. The majority shareholder is a subsidiary of Penta Investments Limited and holds 34,975,330 shares in the Company, constituting 67.26% of the share capital, and representing 34,975,330 votes, constituting 67.26% of total votes in the Company.

The total stake held by the management of the Company as of 30 June 2013 was 0.02%.

In 2011, the Company adopted the stock option plan (the "Plan") for selected members of the management and employees. The Plan came to effect from 30 June 2011. Participants in the Plan were granted the option (right) to acquire shares at the exercise price of CZK 115 per share. The right to exercise the options granted in 2011 expired on 28 February 2013. As of 30 June 2013, total number of option granted was zero and none of granted options were exercised during the first half of 2013.

As of 30 June 2013, the issued and paid-up share capital of FEG amounted to EUR 520,000 and is divided into 52,000,000 shares with a nominal value of EUR 0.01 each. All of the shares are ordinary registered shares, are fully paid up and rank *pari passu* with each other and there is no other class of shares authorized. All shares have been or will be issued under Dutch law. All shares have one vote and carry equal dividend rights.

Share Price Development and Trading Activity in the First Half of 2013[1]

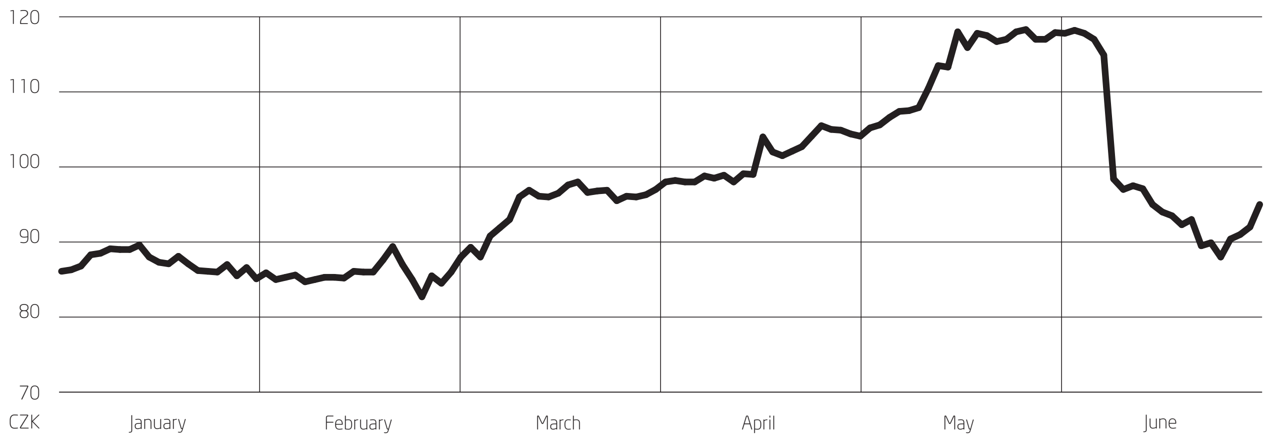
Shares of Fortuna Entertainment Group N.V. were listed on the Prague Stock Exchange on 27 October 2010 (conditional trading from 22 October) and on the Warsaw Stock Exchange on 28 October 2010. The shares are traded on the Prague Stock Exchange under ISIN NL0009604859 BAAFOREG and on the Warsaw Stock Exchange under FEG.

During the first half of 2013, Fortuna shares were traded for a total value of CZK 765 million on the Prague Stock Exchange and for a total value of PLN 64.7 million on the Warsaw Stock Exchange. The lowest trading price during the 6 months was CZK 82.7 and PLN 13.5 and the highest CZK 118.3 and PLN 20 on the Prague and Warsaw Stock Exchanges respectively.

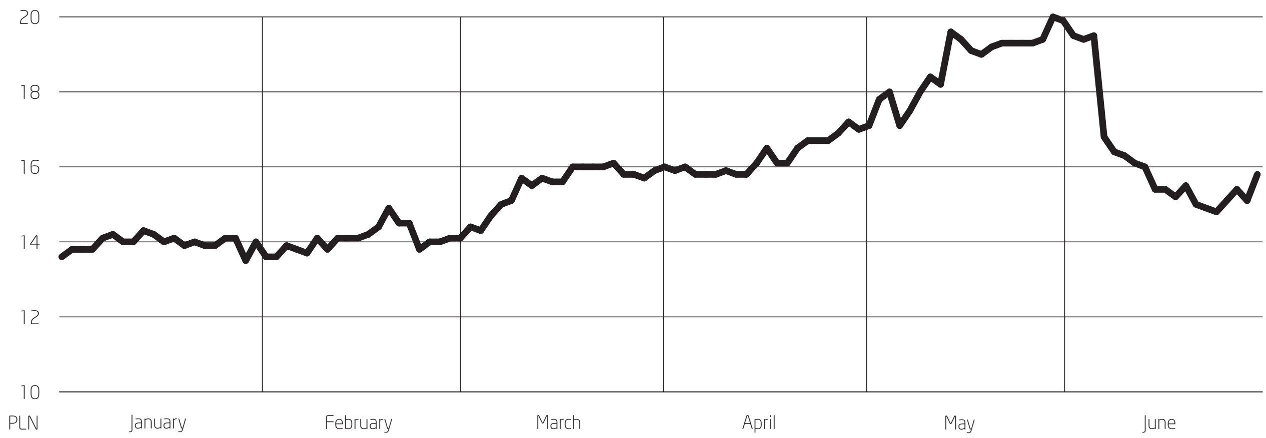
The closing price on 28 June 2013 was CZK 95 on the Prague Stock Exchange and PLN 15.8 on the Warsaw Stock Exchange and market capitalization reached CZK 4.9 billion (based on the Prague Stock Exchange quote).

[1] Sources: PSE and WSE websites

Share Price Development from 1 January 2013 till 30 June 2013
Prague Stock Exchange



Warsaw Stock Exchange



Source: BBG

5 / Dividend Policy and Dividend Payment

The Annual General Meeting of shareholders of Fortuna Entertainment Group N.V. held on 28 May 2013 in Amsterdam approved the Management Board's proposal to effect a gross dividend payment of EUR 0.67 in cash per share.

The AGM effected:

- gross dividend payments of EUR 0.23 in cash per share from the consolidated net profit for the financial year 2012. The dividend pay-out represents approximately 97% of the net profit (consolidated accounts);
- gross dividend payments of EUR 0.10 in cash per share from retained earnings;
- gross dividend payments of EUR 0.34 in cash per share as the distribution of the share premium.

The total sum allocated for the dividend amounted to EUR 34.84 million which, based on a total number of shares 52,000,000, equalled to EUR 0.67 per share. The dividend record date was set to 11 June 2013. The actual payment of dividend occurred on 26 June 2013.

The long-term dividend policy of the Company is to keep the dividend payout ratio within 70–100% of the consolidated net profit.

6 / Related Parties Transactions

Notification Directors and Members of Supervisory Board and Notifications of Insider Transactions according to Section 5:60 of the Financial Supervision Act (Wft)

In the first half of 2013 (more specifically in January and February 2013), Mr. Michal Vepřek, member of senior management and CFO, executed a number of transactions in shares (a purchase) issued by the Company.

Prior to those transactions, Mr. Vepřek did not hold any shares issued by the Company. After the purchase and as of 30 June 2013, he held 4,000 shares of the Company, representing 0.008% share on the total capital.

Transactions were executed through the Prague Stock Exchange.

7 / Corporate Governance

Annual General Meeting of 28 May 2013

The General Meeting of shareholders of Fortuna Entertainment Group N.V. was held on 28 May 2013 in Amsterdam. It was attended by shareholders who together hold 71.63% of share capital and voting rights and therefore, it had a quorum. At Fortuna's AGM, all of the resolutions that were subject to shareholder approval were adopted. The adopted resolutions were the following:

The AGM adopted the annual accounts for the financial year 2012 as drawn up by the Management Board and as approved by the Supervisory Board. The annual accounts for the financial year 2012 were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code by the Management Board and audited and provided with the unqualified auditor's report by Ernst & Young, the Company's external auditor.

The General Meeting approved a Management Board's proposal to effect gross dividend payments of EUR 0.67 in cash per share with a nominal value of one eurocent (EUR 0.01) for the financial year 2012:

- gross dividend payments of EUR 0.23 in cash per share from the consolidated net profit for the financial year 2012. The dividend pay-out represents approximately 97% of the net profit (consolidated accounts);
- gross dividend payments of EUR 0.10 in cash per share from retained earnings;
- gross dividend payments of EUR 0.34 in cash per share as the distribution of the share premium.

The total sum allocated for the dividend amounts to EUR 34.84 million which, based on a total number of shares 52,000,000, equals to EUR 0.67 per share. The dividend record date will be 11 June 2013. The dividend record date was set at 11 June 2013. The General Meeting further authorized the Management Board to determine the actual payment of dividend date either to 26 June 2013 or to 30 July 2013, depending on financing of the Company.

In accordance with the advice of the Audit Committee, the Annual General Meeting appointed Ernst & Young as the external auditor of the Company, for the financial year 2013.

The General Meeting granted full discharge to each of the members of the Management Board for the performance of his management during the 2012 financial year. The General Meeting granted full discharge to each of the members of the Supervisory Board for the performance of his supervision during the 2012 financial year.

The General Meeting approved the annual remuneration (starting from the beginning of 2013) of each member of the Supervisory Board. The approved remuneration is in accordance with the respective service agreements of the relevant members of the Supervisory Board as entered into with the Company.

The General Meeting appointed Mr. Radim Haluza as a new Member of the Management Board in accordance with the articles of association of the Company. This appointment was effective as at 28 May 2013.

The General Meeting suspended Mr. Jozef Janov from his function of the Chairman and Member of the Supervisory Board in accordance with the articles of association of the Company. This suspension was effective as at 28 May 2013.

The General Meeting appointed Mr. Václav Brož as a new Chairman of the Supervisory Board in accordance with the articles of association of the Company. This appointment was effective as at 28 May 2013.

The General Meeting appointed Mr. Marek Šmrha as a new Member of the Supervisory Board in accordance with the articles of association of the Company. This appointment was effective as at 28 May 2013.

The General Meeting renewed the authorization for the Management Board, subject to the approval of the Supervisory Board, for a period of eighteen months as of 28 May 2013 to purchase fully paid-up shares in the Company's own capital on the stock exchange or otherwise for valuable consideration and to alienate shares in the Company's own capital, which shares were repurchased by the Company whether before or after 28 May 2013, for purposes of stock option plans and other general corporate purposes. The aforesaid authorization pertains to the maximum number that the Company may acquire pursuant to the law and the articles of association of the Company as of the date of acquisition, in which respect the price must be between the amount equal to the nominal value of these shares and the amount equal to hundred and ten percent (110%) of the average quotation of the listed shares on the stock exchange maintained by the Warsaw Stock Exchange and the Prague Stock Exchange of the past five days before the purchase.

In addition, the General Meeting discussed the Annual Report 2012. The Annual Report 2012, including the Company's 2012 annual accounts, has been prepared in accordance with Dutch law and the relevant rules, laws and regulations relating to the trading of the Company's shares on the Prague Stock Exchange and Warsaw Stock Exchange. The Annual Report 2012 was published on the Company's website (www.fortunagroup.eu) and is available for inspection at the office of the Company and can be obtained from the Company upon request.

Management Board Structure as at 30 June 2013

Name	Position	Office term in 1H 2013	Expiration of the office term
Wilfred Walsh	Chairman of the Management Board	1 January 2013 – 30 June 2013	at the General Meeting held in 2014
Janka Galáčová	Member of the Management Board	1 January 2013 – 30 June 2013	at the General Meeting held in 2014
Richard van Bruchem	Member of the Management Board	1 January 2013 – 30 June 2013	at the General Meeting held in 2014
Radim Haluza[2]	Member of the Management Board	28 May 2013 – 30 June 2013	at the General Meeting held in 2017

The business address of the members of the Management Board is FEG's principal place of business at Strawinskylaan 809 WTC T.A/L 8, 1077XX Amsterdam, the Netherlands.

From 1 January 2013, the Dutch Management and Supervision (Public and Private Limited Liability Companies) Act [Wet bestuur en toezicht in naamloze en besloten vennootschappen] came to effect. New rules stipulated in this act also affect Fortuna Entertainment Group N.V.. One of the rules introduced into the limited liability company law pertains to the "balanced distribution" of men and women on management boards and supervisory boards. Fortuna, as a Dutch public limited liability company (NV) must ensure that at least 30% seats of its management board is occupied by women and at least 30% by men to the extent that those seats are occupied by natural persons. As of 30 June 2013, less than 30% of seats of the Management Board of Fortuna Entertainment Group N.V. were held by a female (Ms. Janka Galáčová), rest were held by male. In the future, the Company does not exclude that females will be appointed to achieve a balanced distribution of seats.

As of 1 May, 2013, Mr. Marek Biely was appointed as the CEO of Fortuna Slovakia and Chairman of the Management Board of Fortuna SK. He replaced Milan Alakša as the regional (Slovakia) head.

[2] As of 4 July 2013, Radim Haluza was appointed Vice-chairman of the Management Board.

Supervisory Board Structure as at 30 June 2013

Name	Position	Office Term in 1H 2013	Expiration of the office term
Václav Brož[3]	Chairman of the Supervisory Board	1 January 2013 – 30 June 2013	at the General Meeting held in 2014
Michal Horáček	Member of the Supervisory Board	1 January 2013 – 30 June 2013	at the General Meeting held in 2014
Marek Rendek	Member of the Supervisory Board	1 January 2013 – 30 June 2013	at the General Meeting held in 2015
Marek Šmrha	Member of the Supervisory Board	28 May 2013 – 30 June 2013	at the General Meeting held in 2017
Jozef Janov	*Chairman of the Supervisory Board*	*1 January 2013 – 28 May 2013*	*na*

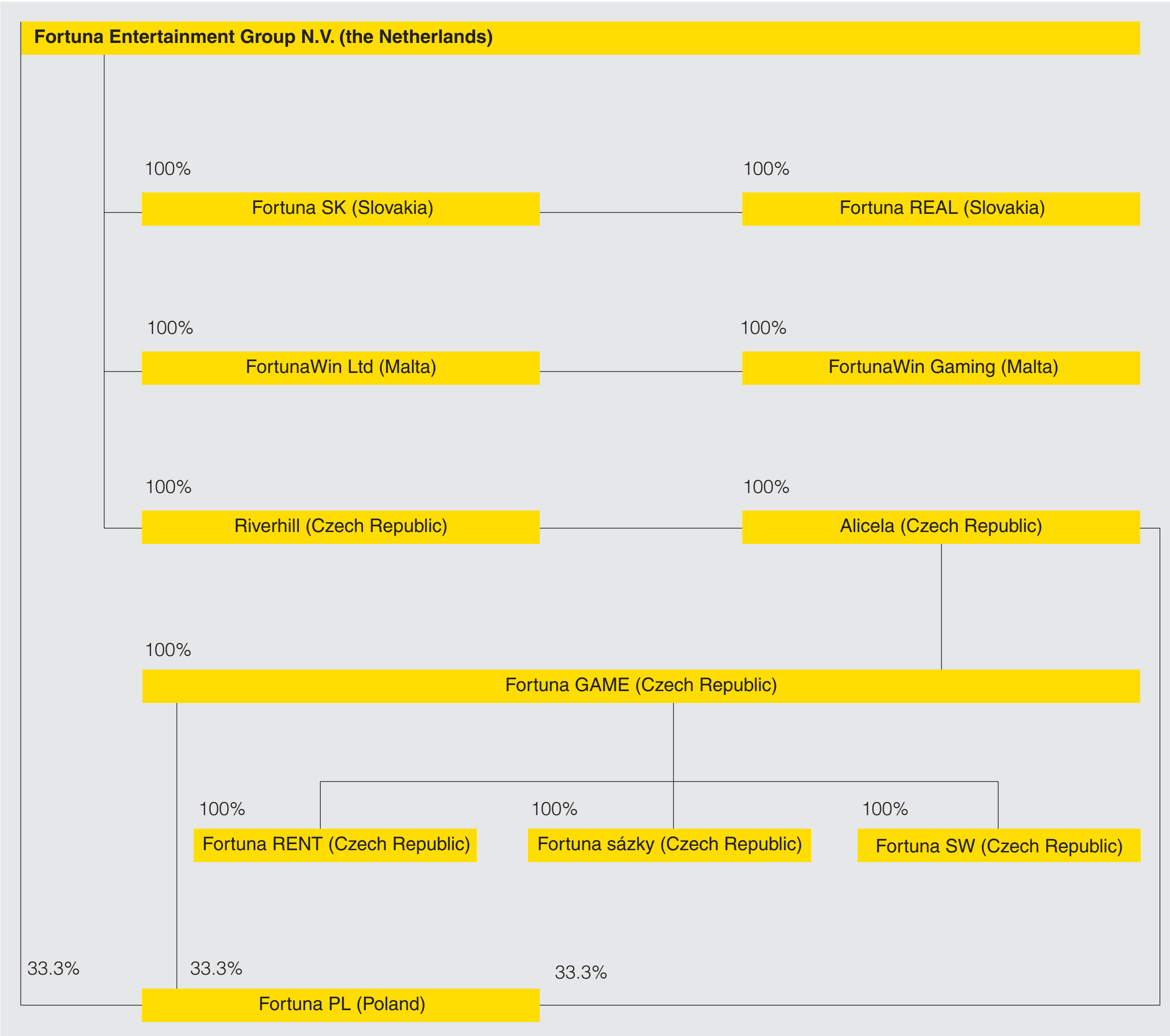
The business address of the members of the Supervisory Board is FEG's principal place of business at Strawinskylaan 809 WTC T.A/L 8, 1077XX Amsterdam, the Netherlands.

From 1 January 2013, the Dutch Management and Supervision (Public and Private Limited Liability Companies) Act [Wet bestuur en toezicht in naamloze en besloten vennootschappen] came to effect. New rules stipulated in this act also affect Fortuna Entertainment Group N.V. One of the rules introduced into the limited liability company law pertains to the "balanced distribution" of men and women on management boards and supervisory boards. Fortuna, as a Dutch public limited liability company (NV) must ensure that at least 30% seats of its supervisory board is occupied by women and at least 30% by men to the extent that those seats are occupied by natural persons. As of 30 June 2013, there were no females on the Supervisory Board of Fortuna Entertainment Group N.V. A 100% of seats were held by male as a result of previous distribution of the seats before the Management and Supervision Act came to effect. In the future, the Company does not exclude that females will be appointed to achieve a balanced distribution of seats.

[3] Mr. Václav Brož was appointed as a new Chairman of the Supervisory Board in accordance with the articles of association of the Company. This appointment was effective as at 28 May 2013.

Organizational Structure as of 30 June 2013

The diagram below presents the current structure of the Group as at 30 June 2013:



Source: Company Data

Changes to the Organisational Structure in the First Half of 2013

Effective 1 January 2013, a part of the company FORTUNA GAME a.s. which related to numerical and instant lottery games in the Czech Republic as well as pre-paid mobile top-ups, was contributed to the company FORTUNA sázky a.s., a 100% subsidiary of FORTUNA GAME a.s. FORTUNA sázky a.s. was previously a dormant company.

A one-third interest in Fortuna zakłady bukmacherskie Sp. z o.o. in Poland, which was originally owned by Fortuna Loterie a.s., was transferred to the company ALICELA a.s.

The Company ibet, s.r.o. ceased to exist and was erased from the Commercial Register as of 1 March 2013.

The above changes were solely organisational ones and they have no impact on current trading and contractual relationships or the business performance of Fortuna Group.

Management Statement

The Company's members of the Management Board hereby declare that, to the best of their knowledge:

- the half year financial statements for the first half of 2013 included in this Half Year Report give a true and fair view of the assets, liabilities, financial position, and profit and loss of the Company and the entities included in the consolidation;

- the half-yearly Directors' report gives a true and fair view of the Company's position as at the balance sheet date of 30 June 2013, the state of affairs during the six months of 2013 to which the report relates and of that of the Company's related entities whose financial information has been consolidated in the company's half-yearly financial statements, and the expected course of affairs focusing in particular, where not detrimental to the company's vital interests, on capital expenditures and circumstances affecting revenue developments and profit-earning capacity.

- the half-year Management Board Report gives a true and fair view of the important events of the past six-month period and their impact on the half-year financial statements, as well as the principal risks and uncertainties for the six-month period to come, and the most important related party transactions.

Amsterdam, 28 August 2013

Wilfred Thomas Walsh
Chairman of the Management Board
of Fortuna Entertainment Group N.V.

Radim Haluza
Vice-chairman of the Management Board
of Fortuna Entertainment Group N.V.

Richard van Bruchem
Member of the Management Board
of Fortuna Entertainment Group N.V.

Janka Galáčová
Member of the Management Board
of Fortuna Entertainment Group N.V.

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Interim Consolidated Financial Statements of Fortuna Entertainment Group N.V. for the six months ended 30 June 2013

Unaudited Interim Condensed Consolidated Financial Statements prepared in accordance with IAS 34 as adopted by the European Union for the six months ended 30 June 2013

CONTENT

Interim Condensed Consolidated Statement of Financial Position as at 30 June 2013

€ 000	Notes	30 June 2013 (unaudited)	31 December 2012 (audited)
ASSETS			
Non-current assets			
Goodwill	7	49,054	50,634
Intangible assets	10	8,593	8,308
Property, plant and equipment	10	5,136	5,937
Deferred tax assets		485	708
Restricted cash		4,989	7,512
Other non-current assets		2,217	1,757
Total non-current assets		**70,474**	**74,856**
Current assets			
Current receivables		3,478	2,030
Income tax receivable		8	268
Other current assets		2,639	2,406
Cash and cash equivalents	11	11,465	15,480
Total current assets		**17,590**	**20,184**
TOTAL ASSETS		**88,064**	**95,040**
EQUITY AND LIABILITIES			
Share capital		520	520
Share premium		8,262	25,942
Statutory reserve		4,674	5,021
Foreign currency translation reserve		(1,448)	468
Hedge reserve		(142)	(367)
Retained earnings		7,769	17,369
Total equity		**19,635**	**48,953**
Non-current liabilities			
Provisions		492	400
Long-term bank loans		46,101	13,697
Deferred tax liabilities		2	–
Other non-current liabilities		26	30
Total non-current liabilities		**46,621**	**14,127**
Current liabilities			
Trade and other payables		16,171	17,140
Income tax payable		1,044	838
Provisions		104	487
Current portion of long-term bank loans		3,636	11,947
Derivatives	13	410	701
Other current liabilities		443	847
Total current liabilities		**21,808**	**31,960**
EQUITY AND LIABILITIES		**88,064**	**95,040**

Interim Condensed Consolidated Income Statement for the six months ended 30 June 2013

€ 000	Notes	30 June 2013 (unaudited)	30 June 2012 (unaudited)
Amounts staked	6	275,861	229,072
Revenue	**6**	**47,847**	**48,041**
Governmental taxes and levies	6	(5,387)	(5,740)
Personnel expenses		(13,688)	(14,328)
Depreciation and amortisation	6	(1,771)	(1,736)
Other operating income		408	433
Other operating expenses	14	(16,258)	(18,267)
Operating profit	**6**	**11,151**	**8,403**
Finance income		633	1,034
Finance cost		(1,193)	(1,991)
Profit before tax		**10,591**	**7,446**
Income tax expense	8	(3,031)	(1,827)
Net profit for the period		**7,560**	**5,619**
Attributable to:			
Owners of the parent		7,560	5,619

€	2013	2012
Earnings per share		
Weighted average number of ordinary shares for basic earnings per share	52,000,000	52,000,000
Basic and diluted, profit for the period attributable to ordinary equity holders of the parent	0.145	0.108
Basic and diluted, profit for the period from continuing operations attributable to ordinary equity holders of the parent	0.145	0.108

Interim Condensed Consolidated Statement of Comprehensive Income for the six months ended 30 June 2013

€ 000	Notes	30 June 2013 (unaudited)	30 June 2012 (unaudited)
Profit for the period		**7,560**	**5,619**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net gain / (loss) on revaluation of cash flow hedges	9	250	(3)
Income tax effect	9	(25)	1
		225	(2)
Exchange differences on translation of foreign operations		(1,916)	380
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**(1,691)**	**378**
Other comprehensive income for the period, net of tax		**(1,691)**	**378**
Total comprehensive income for the period, net of tax		**5,869**	**5,997**
Attributable to:			
Owners of the parent		5,869	5,997

Interim Condensed Consolidated Statement of Cash Flows for the six months ended 30 June 2013

€ 000	Notes	30 June 2013 (unaudited)	30 June 2012 (unaudited)
Cash flows from operating activities			
Profit before tax		10,591	7,446
Adjustments for:			
Depreciation and amortisation		1,771	1,736
Changes in provisions		(291)	(98)
(Gain) / Loss on disposal of property, plant and equipment		(15)	(18)
Interest paid and received		465	655
Change in fair value of derivatives		(111)	(118)
Operating profit before working capital changes		12,410	9,603
(Increase) / Decrease in other assets		(771)	275
(Increase) / Decrease in receivables		(1,722)	(10)
(Decrease) / Increase in payables and other liabilities		303	(55)
(Increase) / Decrease in restricted cash		2,335	1,521
Cash generated from operating activities		12,555	11,334
Corporate income tax paid		(2,753)	(1,510)
Net cash flows provided by / (used in) operating activities		**9,802**	**9,824**
Cash flows from investing activities			
Interest received		80	95
Repayment of liabilities for purchase of subsidiary		–	(29)
Purchase of buildings, equipment and intangible assets		(1,625)	(2,025)
Proceeds from sale of buildings and equipment		41	22
Net cash flows provided by / (used in) investing activities		**(1,504)**	**(1,937)**
Cash flows from financing activities			
Net proceeds from / (Repayments of) borrowings		24,708	623
Incurred transaction costs capitalized		(496)	–
Dividends paid	12	(34,840)	(11,960)
Interest paid		(538)	(750)
Net cash flows provided by / (used in) financing activities		**(11,164)**	**(12,087)**
Net effect of currency translation in cash		(1,149)	346
Net decrease in cash and cash equivalents		(4,015)	(3,854)
Cash and cash equivalents at the beginning of the period		15,480	17,533
Cash and cash equivalents at the end of the period		**11,465**	**13,679**

Interim Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2013

€ 000	Share capital	Share premium	Statutory reserves	Retained earnings	Hedge reserve	Foreign exchange translation reserve	Total
1 January 2013	**520**	**25,942**	**5,021**	**17,369**	**(367)**	**468**	**48,953**
Profit for the period	–	–	–	7,560	–	–	**7,560**
Other comprehensive income	–	–	–	–	225	(1,916)	**(1,691)**
Total comprehensive income	**–**	**–**	**–**	**7,560**	**225**	**(1,916)**	**5,869**
Dividend paid-out to shareholders	–	(17,680)	–	(17,160)	–	–	**(34,840)**
Statutory reserve movement	–	–	(347)	–	–	–	**(347)**
30 June 2013 (unaudited)	**520**	**8,262**	**4,674**	**7,769**	**(142)**	**(1,448)**	**19,635**

Interim Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2012

€ 000	Share capital	Share premium	Statutory reserves	Retained earnings	Hedge reserve	Foreign exchange translation reserve	Total
1 January 2012	**520**	**25,942**	**3,502**	**18,529**	**(433)**	**(1,358)**	**46,702**
Profit for the period	–	–	–	5,619	–	–	**5,619**
Other comprehensive income	–	–	–	–	(2)	380	**378**
Total comprehensive income	**–**	**–**	**–**	**5,619**	**(2)**	**380**	**5,997**
Dividend paid-out to shareholders	–	–	–	(11,960)	–	–	**(11,960)**
Statutory reserve movement	–	–	708	(708)	–	–	**–**
30 June 2012 (unaudited)	**520**	**25,942**	**4,210**	**11,480**	**(435)**	**(978)**	**40,739**

Notes to Interim Condensed Consolidated Financial Statements as at 30 June 2013

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements for the six months ended 30 June 2013 of Fortuna Entertainment Group N.V. (“FEGNV”, “Company”), comprise the interim condensed consolidated statement of financial position as at 30 June 2013 and 31 December 2012, the interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of cash flows and interim condensed consolidated statements of changes in equity for the six months ended 30 June 2013 and 30 June 2012, and a summary of significant accounting policies and other explanatory notes.

The interim condensed consolidated financial statements of FEGNV for the six months ended 30 June 2013 were authorized for issue by the board of directors on 31 July 2013.

FEGNV has its registered office at Strawinskylaan 809, Amsterdam, the Netherlands. As at 30 June 2013 FORTBET HOLDINGS LIMITED (formerly AIFELMONA HOLDINGS LIMITED) having its registered office at 212 Agias Fylaxeos & Polygnostou Street, C & I Center, 2nd Floor, 3082 Limassol, Cyprus, held 67.26% of the shares of the Company and was controlling shareholder; the remaining 32.74% of shares are publically traded at the Polish stock exchange in Warsaw and the Czech stock exchange in Prague.

Description of Business
Fortuna Entertainment Group N.V. operates in the betting industry under local licences in Czech Republic, Slovakia and in Poland and via an online platform based in Malta targeting the market in Hungary and Croatia. Sports’ betting is the key product of FEGNV with the most popular betting events being football, ice hockey, tennis and basketball. The odds are distributed to customers via retail chains in the Czech Republic, Slovakia and Poland and via online web sites in the Czech Republic, Slovakia, Hungary, Croatia and since January 2012 also in Poland.

In May 2011 the Group started with commercial sale of scratch tickets and in the second half of the year 2011 the company launched numerical lottery games in the territory of the Czech Republic.

FEGNV has the following members of Management and Supervisory Board as at 30 June 2013:

Management Board	
Chairman:	Wilfred Walsh
Member	Radim Haluza
Member:	Richard van Bruchem
Member:	Janka Galáčová

Supervisory Board	
Chairman:	Václav Brož
Member:	Marek Rendek
Member:	Michal Horáček
Member:	Marek Šmrha

Radim Haluza was appointed a new Member of the Management Board effective 28 May 2013. On 4 July 2013 he was appointed Vice-Chairman of the Management Board.

Jozef Janov was suspended from his function of the Chairman and Member of the Supervisory Board effective 28 May 2013.

Vaclav Brož was appointed a new Chairman of the Supervisory Board effective 28 May 2013.

Marek Šmrha was appointed a new Member of the Supervisory Board effective 28 May 2013.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2013 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Fortuna Group's annual financial statements as at 31 December 2012.

FEGNV was incorporated on 4 November 2009 with the purpose to transfer all subsidiaries of Penta Investments Limited forming the betting business (the subsidiaries) to FEGNV with the intention of an initial public offering of Fortuna Entertainment Group N.V.'s shares on the main market of Giełda Papierów Wartościowych Warszawie S.A. (the Warsaw Stock Exchange, "WSE") and Burza cenných papírů Praha, a.s (the Prague Stock Exchange, "PSE") in 2010. The transfer of the subsidiaries was completed on 12 May 2010 due to certain regulatory approvals being required to transfer FORTUNA zakłady bukmakerskie Sp. z o.o. The initial public offering of FEGNV's shares on the Warsaw and Prague Stock exchange got executed on 28 October 2010 and 27 October 2010, respectively.

The interim condensed consolidated financial statements have been prepared on a historical cost basis unless disclosed otherwise.

The interim condensed consolidated financial statements are presented in Euros and all values are rounded to the nearest thousand (€ 000) except when otherwise indicated.

2.1. Basis of Consolidation

The interim condensed consolidated financial statements comprise the financial statements of FEGNV and its subsidiaries as at 30 June 2013.

At the date of these interim condensed consolidated financial statements, FEGNV is the legal parent of legal entities operating in the betting industry which are ultimately owned by Penta. The interim condensed consolidated financial statements in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union were prepared by FEGNV, as reporting entity, as at 30 June 2013 and include the following entities ("Fortuna Group", "the Group"):

Fortuna Entertainment Group N.V.
RIVERHILL a.s.
ALICELA a.s.
FORTUNA GAME a.s.
FORTUNA RENT s.r.o.
FORTUNA sázky a.s.
FORTUNA software s.r.o.
FortunaWin Ltd.
FortunaWin Gaming Ltd.
FORTUNA SK, a.s.
FORTUNA Real, s.r.o
FORTUNA Online Zakłady Bukmacherskie sp. z o.o.

All entities are 100% owned by FEGNV, either directly or indirectly.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Fortuna Group's consolidated financial statements for the year ended 31 December 2012, except for the adoption of new Standards and Interpretations as of 1 January 2013, noted below:

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

IAS 1 Clarification of the Requirement for Comparative Information (Amendment)

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under IAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet.

IAS 32 Tax Effects of Distributions to Holders of Equity Instruments (Amendment)
The amendment to IAS 32 Financial Instruments: Presentation clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the interim condensed consolidated financial statements for the Group, as there is no tax consequences attached to cash or non-cash distribution.

IAS 34 Interim Financial Reporting and Segment Information for Total Assets and Liabilities (Amendment)
The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The Group provides this disclosure in Note 6.

IAS 19 Employee Benefits (Revised 2011) (IAS 19R)
IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. IAS 19R does not have an impact on the Group's financial position or performance.

IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7
The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group's financial position or performance.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements
IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Group.

IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. As the Group does not have any joint arrangements, the amendment does not have an impact on the Group's financial position or performance.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period requires that they are provided. Accordingly, the Group has not made such disclosures.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures.

In addition to the above-mentioned amendments and new standards, IFRS 1 First-time Adoption of International Financial Reporting Standards was amended with effect for reporting periods starting on or after 1 January 2013. The Group is not a first-time adopter of IFRS, therefore, this amendment is not relevant to the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. INFORMATION ABOUT PRODUCTS AND SERVICES

The Group's results of operations are affected by the schedule of sporting events on which the Group accepts bets. The football tournaments in Europe and around the world that contribute significantly to the Group's revenue and gross win from betting are reflected in the financial results in the spring and autumn months. Therefore, the Group has traditionally recorded higher amounts staked in the spring and autumn months although this has been to some extent balanced by the online betting that is less exposed to seasonality.

The Group's results of operations are also affected by the schedules of significant sporting events that may occur at regular but infrequent intervals, such as the Olympic Games, the FIFA Football World Cup, the IIHF World Championships and the UEFA European Football Championship.

The Group revenues are subject to the short-term volatility of profitability which may lead to either excess or insufficient revenue margins. The half year results may be seen as relatively short term. Comparison of the results over a longer period of time provides more precise information about the performance of the business.

5. BUSINESS COMBINATIONS

On 25 May 2013, the Group acquired instant lottery operations of Gamestar, a.s., a small company operating in the Czech Republic. In this transaction, the Group acquired licences to operate three instant lottery games in the territory of the Czech Republic and intangible assets relating to these instant lottery games such as trademarks and distribution contracts. No tangible assets were acquired by the Group. Further, gaming deposit of € 1,985 thousand was transferred to the Group but remained payable to Gamestar, a.s. Gaming deposit was included in the interim condensed consolidated financial statements both as current receivable and trade and other payable. In July 2013 it was released by Ministry of Finance of the Czech Republic and paid back to Gamestar, a.s.

The results of acquired instant lottery games for the period from 25 May 2013 until 30 June 2013 included in the interim condensed consolidated financial statements are immaterial to the Group (revenue of € 28 thousand). Consideration transferred was determined to be contingent, based on the performance of the instant lottery games acquired and will be settled on a quarterly basis in future periods. Fair value of the consideration transferred will be calculated once the terms are set and the whole transaction will be accounted for using the acquisition method. Goodwill and any identifiable assets and liabilities are expected to be immaterial to the Group and will be included in the Group consolidated financial statements as at 31 December 2013.

6. SEGMENT INFORMATION

Identification of Reportable Segments
Since 2013 the Group distinguishes for management purposes two reportable segments, Sports betting and Lottery. Sports betting segment includes operations in the sports betting industry in the Czech Republic, Slovakia, Poland and via an online platform based in Malta also in Hungary and Croatia. Lottery segment includes scratch tickets and numerical lottery games operated by the Group in the territory of the Czech Republic.

The parent company, FEGNV, does not report any significant results, assets and liabilities other than its interest in subsidiaries and equity and is included in Sports betting segment.

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects, as explained in the table below, is measured differently from operating profit or loss in the interim condensed consolidated financial statements. Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

The following tables present revenue and profit information regarding the Group's operating segments and revenue streams for the six months ended 30 June 2013 and 2012 respectively.

Period ended 30 June 2013 (unaudited) € 000	Sports betting	Lottery	TOTAL
Revenue	**44,170**	**3,677**	**47,847**
Governmental taxes and levies	4,595	792	**5,387**
Depreciation and amortisation	1,526	245	**1,771**
Operating profit	**11,654**	**(503)**	**11,151**
Capital expenditure	1,744	21	**1,765**
Non-current assets excl. goodwill	13,097	632	**13,729**
Operating segment assets	32,615	6,395	**39,010**
Operating segment liabilities	13,952	4,329	**18,281**

Period ended 30 June 2012 (unaudited) € 000	Sports betting	Lottery	TOTAL
Revenue	**43,059**	**4,982**	**48,041**
Governmental taxes and levies	4,464	1,276	**5,740**
Depreciation and amortisation	1,481	255	**1,736**
Operating profit	**11,664**	**(3,261)**	**8,403**
Capital expenditure	1,775	250	**2,025**
Non-current assets	12,721	1,342	**14,063**
Operating segment assets	36,248	3,139	**39,387**
Operating segment liabilities	14,644	3,574	**18,218**

Segment results for each operating segment excludes net finance costs of € 560 thousand and € 957 thousand for the 6 months ended 30 June 2013 and 2012, respectively, and income tax expense of € 3,031 thousand and € 1,827 thousand for the 6 months ended 30 June 2013 and 2012, respectively.

Segment assets exclude goodwill of € 49,054 thousand and € 50,634 thousand for the period ended 30 June 2013 and 31 December 2012, respectively, as this asset is managed on a group basis.

Segment liabilities exclude bank loans of € 49,737 thousand and € 25,644 thousand for the periods ended 30 June 2013 and 31 December 2012, respectively, and derivatives of € 410 thousand and € 701 thousand for the periods ended 30 June 2013 and 31 December 2012, respectively, as these liabilities are managed on a group basis.

Capital expenditure consists of additions to property, plant, and equipment and intangible assets including assets from the acquisition of subsidiaries.

In connection with this non-current assets consist of property, plant and equipment and intangible assets.

Information about Product and Services

An analysis of the Group's revenue for the period is as follows. Amounts staked do not represent the Group's revenue and comprise the total amount staked by customers on betting and lottery activities.

Period ended 30 June 2013 (unaudited) € 000	Sports betting	Lottery	TOTAL
Total amounts staked	**268,434**	**7,427**	**275,861**
– of which: Sports betting – Bets	257,079	–	257,079
– of which: Sports betting – Commissions	11,355	–	11,355
– of which: Lottery – Bets	–	7,427	7,427
Paid out prizes	**(214,682)**	**(3,772)**	**(218,454)**
Gross win	**53,752**	**3,655**	**57,407**
– of which: Sports betting – Online	24,352	–	24,352
– of which: Sports betting – Retail	29,400	–	29,400
– of which: Lottery	–	3,655	3,655
Withholding tax paid	(8,585)	–	(8,585)
Other revenues	179	22	201
Revenue	**44,170**	**3,677**	**47,847**
Taxation of earnings from betting/gaming	(4,595)	(792)	(5,387)

Period ended 30 June 2012 (unaudited) € 000	Sports betting	Lottery	TOTAL
Total amounts staked	**219,087**	**9,985**	**229,072**
– of which: Sports betting – Bets	207,507	–	207,507
– of which: Sports betting – Commissions	11,580	–	11,580
– of which: Lottery – Bets	–	9,985	9,985
Paid out prizes	**(168,904)**	**(5,037)**	**(173,941)**
Gross win	**50,183**	**4,948**	**55,131**
– of which: Sports betting – Online	17,780	–	17,780
– of which: Sports betting – Retail	32,403	–	32,403
– of which: Lottery	–	4,948	4,948
Withholding tax paid	(7,352)	–	(7,352)
Other revenues	228	34	262
Revenue	**43,059**	**4,982**	**48,041**
Taxation of earnings from betting/gaming	(4,464)	(1,276)	(5,740)

7. IMPAIRMENTS

Goodwill and Intangible Assets
Goodwill and intangible assets with indefinite lives are tested for impairment annually (as at 31 December) and when circumstances indicate the carrying value may be impaired. Fortuna Group's impairment test for goodwill and intangible assets with indefinite lives is based on value-in-use calculations that use a discounted cash flow model. The key assumptions used to determine the recoverable amount for different cash generating units were discussed in the consolidated financial statements for the year ended 31 December 2012.

The Group management is of the opinion that there are no indications for a potential impairment of goodwill and intangible assets with indefinite lives as at 30 June 2013.

8. INCOME TAX

The Group calculates the period income tax expense using the tax rate that would be applicable to expected total annual earnings, i.e., the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

The major components of income tax expense in the interim condensed consolidated statement of income are:

€ 000	30 June 2013 (unaudited)	30 June 2012 (unaudited)
Current income tax:		
Current income tax charge	2,846	1,810
Deferred tax:		
Relating to origination and reversal of temporary differences	186	17
Income tax expense reported in the statement of income	**3,031**	**1,827**

Increase in Current income tax was caused mainly by the fact that in 2013 lottery activities were transferred to a separate legal entity which resulted in loss of tax shield from lottery business and higher income tax expense in the Czech Republic.

9. COMPONENTS OF OTHER COMPREHENSIVE INCOME

€ 000	30 June 2013 (unaudited)	30 June 2012 (unaudited)
Movements of other comprehensive income before tax		
Cash flow hedges		
Gains / (losses) arising during the year		
Interest rate swap contracts	250	(3)
Total effect on other comprehensive income resulting from cash flow hedges (before tax)	**250**	**(3)**
Tax effect of components of other comprehensive income		
Cash flow hedges		
Gains / (losses) arising during the year		
Interest rate swap contracts	(25)	1
Total tax effect on other comprehensive income resulting from cash flow hedges	**(25)**	**1**

10. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, Fortuna Group acquired non-current assets with a cost of € 1,765 thousand (30 June 2012: € 2,025 thousand).

11. CASH AND CASH EQUIVALENTS

€ 000	30 June 2013 (unaudited)	31 December 2012 (audited)
Cash at bank	8,764	13,172
Cash in hand and in transit	2,701	2,308
Cash and cash equivalents	**11,465**	**15,480**

Cash and Indebtedness

In June 2013 Fortuna Group signed a 6-year EUR 50 million multicurrency credit facility agreement with Česká spořitelna, a.s. The new loan was used for refinancing of the existing bank debt, for the dividend pay-out and share premium distribution (see note 12) and in addition, for investments into product development in the area of sports betting. The total interest rate of the new financing consists of EURIBOR/PRIBOR and interest rate margin in the range of 1.75–3.00% depending on Net Debt/EBITDA ratio. The new loan is secured by shares of Group's subsidiaries in the Czech Republic, Slovakia and Poland, by bank accounts and Fortuna's trademark.

The total bank debt as of 30 June 2013 thus amounted to € 49,737 thousand and increased by 94% compared to 31 December 2012. Cash and cash equivalents as of 30 June 2013 amounted to € 11,465 thousand which is a decrease by 26% compared to 31 December 2012. As a result, net debt position of the Group increased from € 10,164 thousand as of 31 December 2012 to € 38,272 thousand as of 30 June 2013.

12. DIVIDENDS PAID AND PROPOSED

The Annual General Meeting (AGM) of shareholders of Fortuna Entertainment Group N.V. held on 28 May 2013 in Amsterdam approved the Management Board's proposal to pay-out a gross dividend of € 0.67 in cash per share for the financial year 2012 whereas € 0.33 per share was paid from retained earnings and € 0.34 per share was distributed from the share premium. Actual payment of dividend occurred on 26 June 2013 and it was in accordance with the communicated dividend policy.

Declared and paid during the year € 000	2013	2012
Dividend for 2011 paid in 2012	–	11,960
Dividend for 2012 paid in 2013	34,840	–
Total	**34,840**	**11,960**

13. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Derivatives
As at 30 June 2013, Fortuna Group held interest rate swaps with a notional amount of € 18,228 thousand (31 December 2012: € 19,740 thousand). These swaps fix the 3-month PRIBOR/EURIBOR variable interest rates. Part of the interest rate swaps is designated as a cash flow hedge.

Interest rate swaps € 000	30 June 2013 (unaudited) liabilities	31 December 2012 (audited) liabilities
Cash flow hedges	263	451
Held for trading	147	250
Total cash flow hedges	**410**	**701**

Fair Value Hierarchy
As at 30 June 2013, Fortuna Group had derivative contracts measured at fair value of € 410 thousand (liability).

All financial instruments carried at fair value are categorised in three categories by reference to the observability and significance of the inputs used in measuring fair value. The categories are defined as follows:

Level 1 – Quoted market prices
Level 2 – Valuation techniques (market observable)
Level 3 – Valuation techniques (non-market observable)

As at 30 June 2013, the Group held the following financial instruments measured at fair value:

Financial instruments € 000	30 June 2013	Level 1	Level 2	Level 3
Interest rate swaps	(410)	–	(410)	–

No change in classification of the interest rate swaps occurred since prior year.

Fortuna Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are interest rate swaps. The most frequently applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and interest rate curves.

Bank Loan Covenants
New bank loan covenants will be subject of review for the first time as at 31 December 2013.

14. OTHER OPERATING EXPENSES

€ 000	30 June 2013 (unaudited)	30 June 2012 (unaudited)
Operating lease expense	(4,426)	(4,347)
Franchise fees	(1,405)	(1,471)
Materials and office supplies	(1,097)	(1,152)
Marketing and advertising	(3,093)	(4,675)
Telecommunication costs	(1,093)	(1,254)
Energy and utilities	(788)	(795)
Repairs and maintenance	(347)	(427)
Taxes and fees paid to authorities	(373)	(357)
IT services	(1,176)	(1,283)
Professional services (legal, consultancy, data services etc.)	(1,936)	(1,807)
Travelling and entertainment costs	(363)	(438)
Others	(161)	(261)
	(16,258)	**(18,267)**

15. SHARE-BASED PAYMENT PLANS

As at 30 June 2013 there were no stock option plans in place. Options granted in 2011 to employees (employed on or before 31 December 2010 in the betting divisions of the main subsidiaries of Fortuna Entertainment Group N.V.) expired 28 February 2013. None of granted options were exercised.

The Group did not adopt any further stock option plan during the first half of the year 2013.

For the six months ended 30 June 2013, the Group has recognised € 0 of share-based payment transactions expense in the income statement (30 June 2012: € 0).

16. RELATED PARTY DISCLOSURES

The interim condensed consolidated financial statements include the following companies (together "Fortuna Group", "the Group"):

Consolidated entities	Country of incorporation	Nature of activity
Fortuna Entertainment Group N.V.	The Netherlands	Holding company
RIVERHILL a.s.	Czech Republic	Holding company
ALICELA a.s.	Czech Republic	Holding company
FORTUNA GAME a.s.	Czech Republic	Sports betting
FORTUNA RENT s.r.o.	Czech Republic	Rentals
FORTUNA sázky a.s.	Czech Republic	Lottery
FORTUNA Online Zakłady Bukmakerskie sp. z o.o.	Poland	Sports betting
FORTUNA SK, a.s.	Slovakia	Sports betting
FORTUNA Real, s.r.o.	Slovakia	Rentals
FORTUNA software s.r.o.	Czech Republic	Software company
FortunaWin Ltd.	Malta	Online betting
FortunaWin Gaming Ltd.	Malta	Online gaming

The following table provides the total amount of transactions which have been entered into with related parties, which were part of Penta portfolio of companies during the six months ended 30 June 2013 and 2012:

Consolidated statement of financial position € 000	30 June 2013 (unaudited)	30 June 2012 (unaudited)
Receivables from related parties		
Digital Park Einsteinova, a.s.	59	58
Total receivables from related parties	**59**	**58**
Payables to related parties		
DÔVERA zdravotná poisťovňa, a.s.	16	17
Penta Investments Limited	15	16
Avis Accounting BV	1	1
AB Facility, s.r.o.	1	1
Digital Park Einsteinova, a.s.	3	–
	36	**35**
Cash in related parties		
Privatbanka, a.s.	2,550	2,075
Total cash in related parties	**2,550**	**2,075**

Consolidated statement of income € 000	30 June 2013 (unaudited)	30 June 2012 (unaudited)
Interest income from related parties		
Privatbanka, a.s.	1	26
Total sales to related parties	**1**	**26**
Interest expense from related parties		
Privatbanka, a.s.	1	1
Total interest from related parties	**1**	**1**
Purchases from related parties		
Predict Performance Improvement Ltd	33	94
Avis Accounting BV	11	10
DÔVERA zdravotná poisťovňa, a.s.	72	72
Digital Park Einsteinova, a.s.	75	75
AB Facility, s.r.o.	4	3
Total purchases from related parties	**195**	**254**

Shares Held by the Management

As at 30 June 2013 key management held 4,000 shares of FEGNV, representing 0.008% of aggregate voting rights and members of the Supervisory Board held 5,253 shares, representing 0.01% of aggregate voting rights. Apart from the information provided above, no other member of the Management Board, the Supervisory Board and the key management owns any shares in FEGNV.

17. EVENTS AFTER THE REPORTING PERIOD

Radim Haluza was appointed the Vice-chairman of the Board of Directors of Fortuna Entertainment Group N.V. effective 4 July 2013.

On 30 July 2013 E-INVEST bought an 8% stake in the company FORTUNA sázky a.s., a subsidiary of Fortuna Entertainment Group N.V. FORTUNA sázky a.s. currently operates numerical and instant lottery games and provides additional services, such as mobile phone top-ups through a network of around 6,000 points of sale across the Czech Republic.

On 30 July 2013 and 5 August 2013 the Group entered into interest rate swap transactions with Ceska sporitelna with a notional amount of CZK 346 million and € 9 million effective 30 September 2013. These swaps fix the 3-month PRIBOR/EURIBOR variable interest rates and are designed as cash flow hedges.

Amsterdam, 28 August 2013

Wilfred Thomas Walsh
Chairman of the Management Board
of Fortuna Entertainment Group N.V.

Radim Haluza
Vice-chairman of the Management Board
of Fortuna Entertainment Group N.V.

Richard van Bruchem
Member of the Management Board
of Fortuna Entertainment Group N.V.

Janka Galáčová
Member of the Management Board
of Fortuna Entertainment Group N.V.

CONTACTS

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Defined Terms

“AIFELMONA HOLDINGS LIMITED”	AIFELMONA HOLDINGS LIMITED, a company having its registered seat at Kyriakou Matsi, 16, EAGLE HOUSE, 10th floor, 1082, Nicosia, Cyprus
“Alicela”	ALICELA a.s., a joint stock company (akciová společnost), having its registered office at Praha 10, Na Výsluní 201/13, 100 00, Czech Republic, and registered with the Commercial Register maintained by the Regional Court in Prague, Section B, under the number 9476
“Company”, “FEG”	Fortuna Entertainment Group N.V. a limited liability company (Naamloze Vennootschap), having its statutory seat in Amsterdam, the Netherlands, and its registered offices at Strawinskylaan 809, 1077XX Amsterdam, the Netherlands, and registered with the Trade Register of the Chamber of Commerce of Amsterdam, the Netherlands, under number 34364038
“ibet”	ibet, s.r.o. v likvidaci, a limited liability company (společnost s ručením omezeným) with its registered office at Praha 7, Jankovcova 1596/14, 170 00, Czech Republic, and registered with the Commercial Register maintained by the Regional Court in Prague, Section C, under number 162004. The company was erased from the Commercial Register effective 1 March 2013
“FORTBET HOLDINGS LIMITED”	FORTBET HOLDINGS LIMITED, a company having its registered seat at Agias Fylaxeos & Polygnostou, 212, C & I Center Building, 2nd floor, 3082, Limassol, Cyprus
“Fortuna GAME”	FORTUNA GAME a.s., a joint stock company (akciová společnost), having its registered office at Praha 1, Vodičkova 699/30, 110 00, Czech Republic and registered with the Commercial Register maintained by the Municipal Court in Prague, Section B under number 944
“Fortuna PL”	Fortuna Online Zakłady Bukmacherskie sp. z o.o., a limited liability company (spółka z ograniczoną odpowiedzialnością) having its registered office at Bielska 47, Cieszyn, Poland, and registered with the register of entrepreneurs maintained by the District Court in Bielsko-Biała, VIII Commercial Division of the National Court Register, under number 0000002455
“Fortuna REAL”	FORTUNA Real, s.r.o., a limited liability company (spoločnosť s ručením obmedzeným), having its registered office at Digital park II, Einsteinova 23, 851 01, Bratislava 5, Slovak Republic and registered in the Commercial Register of the District Court of Bratislava I in Section Sro, under number 40783/B

"Fortuna RENT"	FORTUNA RENT s.r.o., a limited liability company (společnost s ručením omezeným) with its registered office at Praha 1, Vodičkova 699/30, 110 00, Czech Republic, and registered with the Commercial Register maintained by the Regional Court in Prague, Section C, under number 104630
"Fortuna sázky"	FORTUNA sázky a.s., a joint stock company (akciová společnost), with its registered office at Praha 1, Vodičkova 699/30, 110 00, Czech Republic, and registered with the Commercial Register maintained by the Regional Court in Prague, Section B, under number 14936
"Fortuna SK"	FORTUNA SK, a.s., a joint stock company (akciová spoločnosť), having its registered office at Digital park II, Einsteinova 23, 851 01, Bratislava 5, Slovak Republic, and registered with the Commercial Register maintained by the District Court of Bratislava I in Section Sa under number 123/B
"Fortuna SW"	FORTUNA software s.r.o. (formerly NAVI PRO, s.r.o.), a limited liability company (společnost s ručením omezeným) with its registered office at Praha 1, Vodičkova 699/30, 110 00, Czech Republic, and registered with the Commercial Register maintained by the Regional Court in Prague, Section C, under number 103552
"FortunaWin"	collectively FortunaWin Ltd., a limited liability company having its registered office at Villa Seminia, 8, Sir Temi Zammit Avenue, Ta' Xbiex XBX1011, Malta, and registered with the Malta Financial Services Authority under number C. 48339 and FortunaWin Gaming Ltd., a limited liability company having its registered office at Villa Seminia, 8, Sir Temi Zammit Avenue, Ta' Xbiex XBX1011, Malta, and registered with the Malta Financial Services Authority under number C. 48340
"Riverhill"	RIVERHILL a.s., a joint stock company (akciová společnost), having its registered office at Praha 10, Na Výsluní 201/13, 100 00, Czech Republic, and registered with the Commercial Register maintained by the Regional Court in Prague, Section B, under number 9437
"Penta"	Penta Investments Limited, a company incorporated under the law of the Island of Jersey with its registered office at 17 The Esplanade, JE2 3QA St Helier. Registered number 112251

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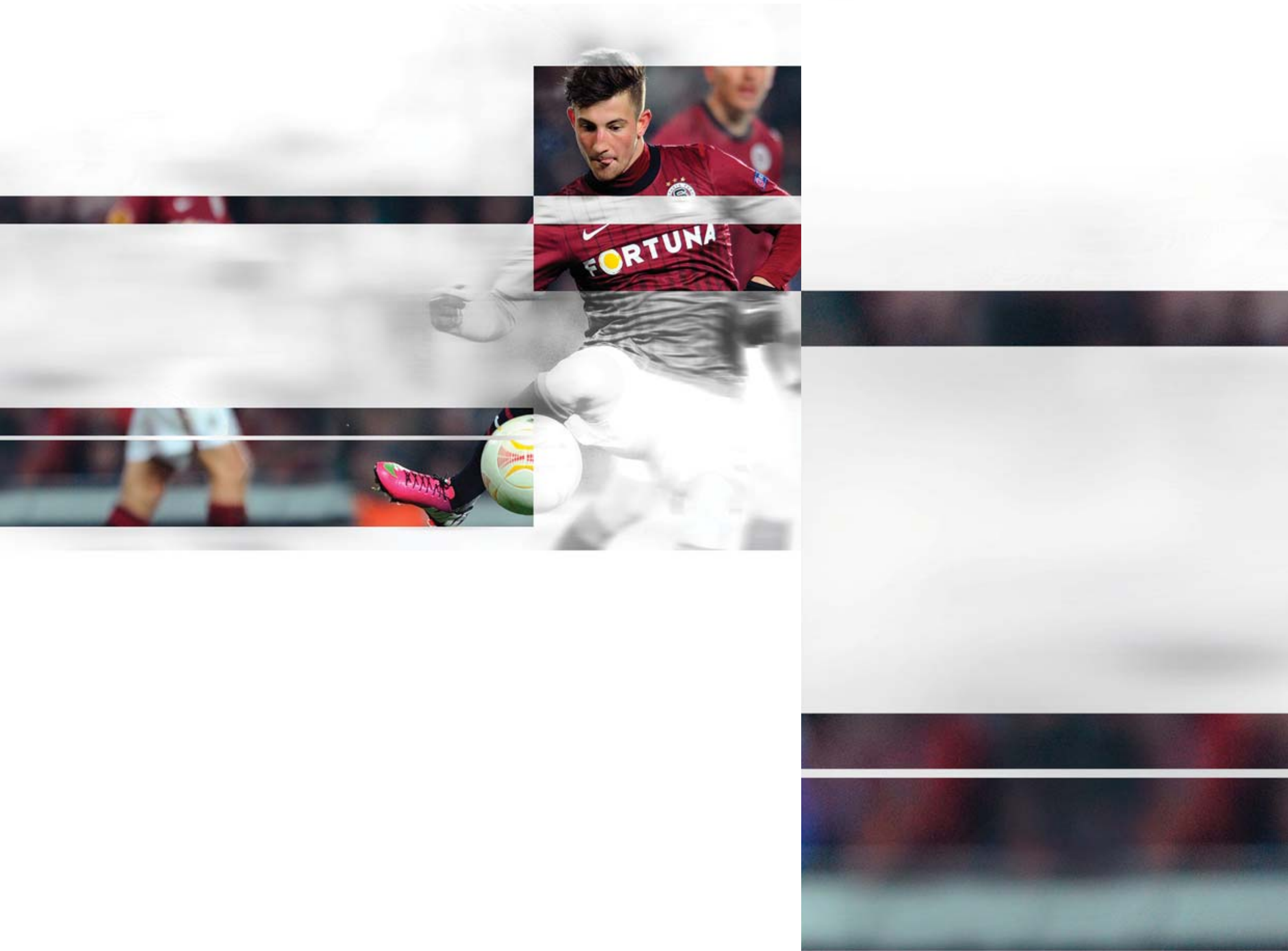
FORTUNA