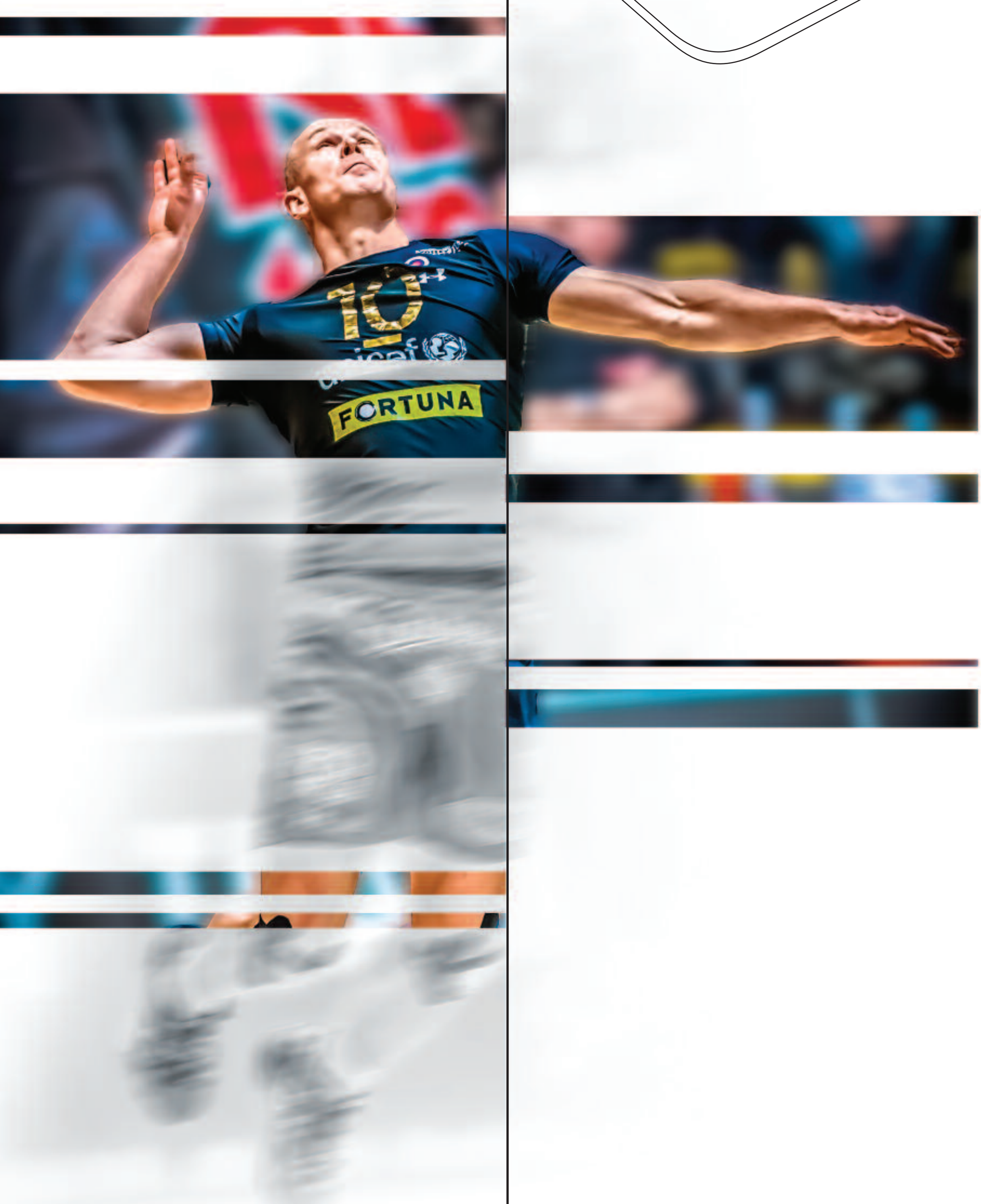
# Annual Report of Fortuna Entertainment Group N.V. for the Year 2012

**Mobile and tablet betting in 2012 grew to EUR 37.8 million of Gross Win.**

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# 1 / Fortuna at a Glance

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 on variety of matches and lottery 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 has developed online betting and the gaming platform FortunaWin, through which it can offer products in new markets. FortunaWin has provided betting and gaming products to customers in Hungary and Croatia since June 2010 and May 2011, respectively.

Thanks to its 20 years of experience on the Central and Eastern Europe (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 31 December 2012, Fortuna held the number-one market position in Poland and the number-two market position in both the Czech Republic and Slovakia based on total amounts staked.

As of 31 December 2012, Fortuna operated 1,566 points of sale in three markets.

In July 2011, Fortuna entered the numerical lottery market in the Czech Republic by launching its first numerical lottery game Loto. By the end of 2012, Fortuna offered four numerical lottery games and instant scratch tickets. Fortuna held a market share of more than 5% on the Czech lottery market and operated 1,632 lottery terminals at the end of 2012.

In October 2010, FEG went through a successful IPO on the stock exchanges in Prague and Warsaw. As of 31 December 2012, Fortuna's majority shareholder was AIFELMONA HOLDINGS LIMITED, a subsidiary of Penta Investments Limited, which holds a 67.3% stake.

# 2 / 2012 Financial Highlights

| Financials (EUR thousands) | 2012 | 2011 |
|---|---|---|
| Amounts Staked | 467,881 | 409,344 |
| – of which sports betting | 448,291 | 399,455 |
| – of which lottery | 19,590 | 9,889 |
| Gross Win | 110,850 | 101,804 |
| – of which sports betting | 100,889 | 96,705 |
| – of which lottery | 9,961 | 5,099 |
| Revenues | 96,238 | 89,844 |
| – of which sports betting | 86,225 | 84,758 |
| – of which lottery | 10,013 | 5,086 |
| EBITDA | 22,083 | 19,963 |
| – of which sports betting | 25,880 | 26,655 |
| – of which lottery | (3,797) | (6,692) |
| Operating Profit | 18,423 | 16,831 |
| – of which sports betting | 22,772 | 23,872 |
| – of which lottery | (4,349) | (7,041) |
| Net Profit for the Year from Continuing Operations | 12,319 | 13,320 |
| – of which sports betting | 16,694 | 20,334 |
| – of which lottery | (4,375) | (7,014) |
| **Ratios** | | |
| EBITDA Margin | 22.9% | 22.2% |
| Operating Profit Margin | 19.1% | 18.7% |
| Margin of Net Profit for the Year from Continuing Operations | 12.8% | 14.8% |
| CAPEX as % of Revenues | 4.3% | 5.1% |

| | As of 31 Dec 2012 | As of 31 Dec 2011 |
|---|---|---|
| Number of Shares – End of Period (“EOP”) | 52,000,000 | 52,000,000 |
| Total Assets | 95,040 | 93,855 |
| Total Equity | 48,953 | 46,702 |
| Total Borrowings | 25,644 | 28,501 |
| Net Debt / (Net Cash) | 10,165 | 10,968 |
| CAPEX | 4,095 | 4,613 |
| **Operations** | | |
| Number of Points of Sale (sports betting) | 1,566 | 1,426 |
| Number of Lottery Terminals | 1,632 | 1,470 |
| Number of Employees – EOP | 2,529 | 2,613 |

# 3 / 2012 Key Milestones

**January 2012**
Fortuna PL is granted a licence from the Polish Ministry of Finance for online fixed-odds betting and becomes the first bookmaker to offer legal online betting services to Polish clients.

Fortuna Loterie issues two million new scratch cards in four different series and gains 35% of Czech scratch cards market.

**March 2012**
Fortuna PL obtains permission from the Polish Ministry of Finance to operate 67 new betting retail shops previously owned by Tipsport PL.

**April 2012**
Fortuna Loterie introduces its new numerical game SUPERLOTO.

**May 2012**
Wilf Walsh is appointed Chairman of the Management Board of Fortuna Entertainment Group N.V. by the Annual General Meeting of Shareholders.

**June 2012**
Fortuna and E-INVEST sign the Agreement on a Future Agreement on the sale of a 10% stake in Fortuna Loterie to E-INVEST. The transfer of the shares should be executed within twelve months.

Fortuna pays out a gross dividend of EUR 0.23 per share to its shareholders.

**July 2012**
During EURO 2012 football championship in Poland and Ukraine, Fortuna acquires over 9,000 new internet customers (i.e. 400 per day). The biggest increase in newly registered online customers was recorded in Poland (18%).

Fortuna Loterie signs a contract with Czech Post on the distribution of scratch cards at 3,300 post offices across the Czech Republic.

Radim Haluza becomes the new CEO of Fortuna Entertainment Group N.V., effective 1 July 2012.

**August 2012**
Summer Olympic Games 2012 in London generated Amount Staked of CZK 166 million, EUR 3.2 million and PLN 7.6 million in the Czech Republic, Slovakia and Poland, respectively.

Fortuna Entertainment Group increases its revenues for the first six months of 2012 by almost 15%.

**September 2012**
Launch of a new and faster live website with a higher number of matches and new add-on features (chat).

**October 2012**
Fortuna Loterie offers a special CZK 1 million prize in its Loto numerical game.

**November 2012**
Fortuna Loterie introduces the very first quick game called FOFR, with a draw every 5 minutes. Some 65% of accepted bets are distributed back to players, which amounts to the highest pay-out on the Czech lottery market.

**December 2012**
65 Fortuna outlets in the Czech Republic were renovated and re-designed in 2012. As well as introducing state of the art design to the market, the new outlets became equipped with multimedia screens enabling live betting directly on the premises.

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# Letter from the Chairman of the Management Board to Shareholders

**Dear Shareholders,**

2012 was a year full of challenges and change for the Group and I am very pleased to be reporting strong underlying growth in our Sports Betting businesses across the region. Besides the increase in Gross Win Tax to 20% in the Czech Republic and the unusual 2011 effect of "high rollers" in the region we have secured normalised turnover (stakes) growth of 14.3% and Gross Win growth of 8.9% versus our record breaking performance in 2011. Overall, EBITDA was EUR 22.1 million.

2012 also saw significant changes in our management structure as we seek to take advantage of the growth in our online channels, spearheaded by the approval of our domestic online betting licence in Poland which proved very successful in its inaugural year. Radim Haluza was promoted to Group CEO from 1 July 2012 and we have deliberately recruited a number of local online experts who have honed their skills and expertise overseas with offshore competitors as we seek to redefine our web operations into a cutting edge, best in class operation.

We continue to respond aggressively to the changes in our business particularly in terms of product and distribution and the best example of this is the growth in betting "on the move" as mobile and tablet betting in 2012 grew to EUR 37.8 million of Gross Win, an increase of 27.9% on 2011.

Fortuna differentiates itself from other operators, particularly the offshore providers by providing our customers with a legal, regulated betting proposition that encompasses single wallet in retail and online as well as the opportunity to bet with franchise partners in sports bars across the region.

Highlights from 2012 and key opportunities going forward include:

- In January 2012 we launched our regulated Polish online website at efortuna.pl and in the first year of operation our online business performed ahead of target with a Gross Win of EUR 3.5 million and active customers (one bet per month) of EUR 15 thousand. The timing was perfect, especially as Poland successfully co-hosted Euro 2012, and while results were fairly predictable we are delighted that our margin on the tournament was among the leading performances of all European sports betting operators.

- Our online business overall continues to grow rapidly, hand in hand with the increase in broadband penetration affording access to our website which continues to innovate on managing customers through the process of recruitment, retention and reactivation. New CRM processes have been implemented and are quickly adding value as we develop a meaningful, ongoing dialogue with our customers to ensure we are the "default" betting choice across all three territories.

Customers are motivated by watching "live action" and betting during the game so we provide the best live streaming of top class sports events – in 2012 "Live Betting" accounted for 26.8% of our turnover, an increase on 2011 by 10 percentage points. As part of this development we have recently secured an agreement with Swedish technology specialist Mobenga to provide state of the art betting "apps" for both mobile and tablet customers who are rapidly becoming the key growth element in our business strategy. Range and profit protection also remain essential components in the way we manage our business and to this end we have also completed a deal with trading format specialist Amelco in London. They will provide us with the most comprehensive range of pre-match, priced up sports markets from around the world, ensuring we have more games and more markets per game than other providers. This involves competitive pricing so we can ensure we maintain our history of delivering the best choice to the customer and margins which are better than the competition.

- Retail, despite some decline in the Czech Republic in 2012 (15.3% decline on Gross Win) remains an essential part of our overall distribution mix and in no way is it going to disappear suddenly, despite the surge in online activity. We still saw strong profit performance across all three territories and the blended performance of both channels is crucial as we operate our single wallet strategy that allows customers to withdraw and deposit cash from their online accounts across our retail network. Our shops remain effective poster sites for our online business and contributed 57% of our Gross Profit in 2012. We anticipate that over the next few years we can control and manage any decline in the retail business through our policy of not being landlords and "light" leases, meaning we can manage the retail network effectively and flexibly.

- It has been a difficult year for Loterie Fortuna and a market share of less than 6% is some way short of our original objectives. The Czech lottery market has not truly recovered since the collapse of monopoly incumbent Sazka in 2011 and the revived market leader has spent very heavily to maintain market share. Nonetheless, we do see some encouraging shoots of growth, most notably when the Lottery broke even for the first time in December 2012. We have severely rationalised head office expenditure as well as our distribution outlets to focus on those units that are contributing most turnover. Alongside our burgeoning scratch card business and successful partnerships with both GECO and Czech Post we remain confident that we can be a profitable second player in the market going forward.

- Regulation and taxation remains a challenge for all betting operators but for Fortuna, as a legal licensed player, that pays local taxes in each territory, the problem is more acute and this is particularly the case in Poland. Whilst there is a legal framework for gambling in Poland, we believe the law is probably incompatible with the EU Treaty given the limited range of gambling products which may be offered.

The key impediments in Poland are that only online sports betting is allowed and no other forms of online gambling (such as casino, poker, slots, etc.) are currently permissible. This puts local operators at a serious disadvantage versus offshore players in terms of customer offer. Only companies engaged solely in sports betting can sponsor (passively) and any form of advertising is banned. Betting tax is based on 12% of customer turnover (stakes) rather than a gross profits tax on the betting operator. The move to this form of taxation is common all over Europe. It will undoubtedly provide increased and much need needed funds for the Polish Treasury. It also means customers will wager legally and responsibly with local operators who can grow profitably, providing jobs and boosting the economy. We will continue to press our rational case for reform along these lines.

Similarly, we are committed to pushing for change in allowing Fortuna to get a licence for full casino and online gaming products in both the Czech Republic and Slovakia. Unlocking the tax situation in Poland and providing a comprehensive betting and gaming online service to our customers would significantly transform our profit potential in the future.

Thanks go to our shareholders who I have enjoyed meeting and updating at regular intervals during the year. I want to thank our majority shareholder Penta and the Supervisory Board for their wise counsel. Both Radim Haluza (CEO) and Michal Vepřek (CFO) along with the rest of the management team in Prague have worked really hard this year in shaping the initiatives we have discussed and I'm grateful for their endeavours and support.

Similarly, I want to thank all our staff in the Netherlands, Malta, the Czech Republic, Slovakia and Poland and our customers for giving us their business along with their loyalty to the Fortuna brand.

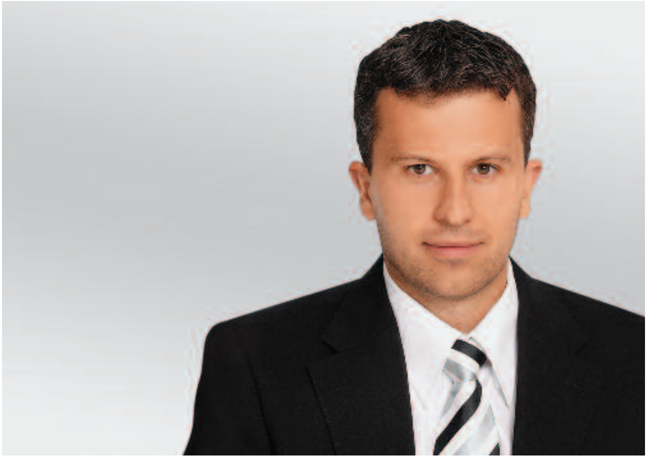
We remain committed to adding shareholder value by improving our performance organically across all existing channels and by innovating and rapidly adopting profit opportunities across all territories while maintaining a vice like grip on cost control. It's business as usual for 2013.

Thank you.

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

11 April 2013

# 5 /
# Statement by the Chairman of the Supervisory Board



**Ladies and Gentlemen,**

In the past year, the Supervisory Board has closely followed the business activities of companies within Fortuna Entertainment Group N.V. and communicated intensively with members of the Management Board and executive management to assist them in the best decision-making for the Company and its shareholders.

The year 2012 brought a number of successes, opportunities as well as challenges for Fortuna but also a number of events, which happened last year that made us review our current business strategy, in particular in the lottery segment. The EURO 2012 football championship co-hosted by Poland and Ukraine was the most important sports event in the past year.

They key growth driver for 2012 became internet betting in Poland. The Polish government finally recognised the importance of regulating the local online sports betting market and made necessary amendments to the gambling law in 2011. Fortuna started offering its online services to Polish customers immediately after it was granted the licence in January 2012. For a few months, Fortuna was the only licensed sports betting operator in Poland offering a full range of internet betting services including live betting, and it was ready to take bets during EURO 2012. According to management estimates, the rapid expansion of the online offer in Poland ahead of the efforts of our competition, together with the acquisition of 67 retail shops from Tipsport PL, boosted Fortuna's market share in Poland to over 40%, making Fortuna the market leader in Poland. The Polish market delivered on our expectations and should remain the fastest growth market in Fortuna's portfolio. In the Czech Republic, Fortuna delivered solid growth in amounts staked though the financial performance in the sports betting segment was affected by the introduction of the new taxation regime for betting and gambling services. Despite being more transparent and standardised, this increased the gross win tax for Fortuna and impacted our profits. In Slovakia, where the market situation and legislative environment remained stable, we had to deal with the loss of high rollers at the beginning of the year.

We have placed our lottery project under revision. The Czech lottery market has been contracting in the past couple of years and our initial strategy failed to deliver the anticipated growth, also due to aggressive competition from the incumbent operator. Nevertheless, we have planned to be profitable in the first half of 2013, though the contribution of the project to Group's revenues and profits is rather marginal. Currently, we are reviewing different options for the future of our lottery project including a potential partnership deal.

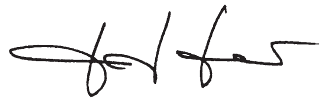
Despite facing a number of negative events last year (increased taxation in the Czech Republic, lost high rollers in Slovakia), which were not fully anticipated, I am very satisfied with Fortuna's financial and business performance in 2012. Management in the second half of 2012 improved the growth in all KPIs – the number of active clients; revenue per client; net gaming revenues and EBITDA. In sports betting, which is our key value contributor, we have managed to grow our top line numbers and remain one of the leading betting operators in all the countries where we operate. Fortuna continued with the innovation of its existing product portfolio and the diversification of its offer, particularly in the online segment. We are highly delighted to see impressive double digit growth in online betting and the rising proportion of live betting and live streaming, which promise major potential for the future organic growth of our business. We are successful in the retention and protection of our retail business, which complements and supports our online expansion.

Looking ahead, 2013 will be a year with many challenges. We will place a strong emphasis on a further expansion of our online proposition to attract both existing and new customers via a compelling product and technology offer. We believe that our lottery project will break even and that therefore the impact on the Group's profitability will no longer be negative.

The Supervisory Board is committed to supporting the executive management of Fortuna in key decisions and activities with the ultimate aim of increasing value and sustainability for all shareholders. We also believe that now, after the appointment of new CEO Radim Haluza and changes in the top management, we have the right management team in place which will drive the performance of the company and deliver the anticipated results.

On behalf of the Supervisory Board, I would like to thank the management and employees of Fortuna for their achievements and daily efforts. We look forward to the coming challenges and mutual cooperation during 2013.

Yours sincerely,



Jozef Janov
Chairman of the Supervisory Board
of Fortuna Entertainment Group N.V.

11 April 2013


**In September 2012, Fortuna launched new and faster live website with a higher number of matches and new add-on features.**

# 6 / Management Board Report

## 6.1 Description of the Company's Business and Markets

### 6.1.1 General Market Overview

The Group operates in the betting and gaming sector and since mid-2011 also in the lottery business in the Czech Republic. Betting is mainly focused on sporting events while gaming services include the following: online casino games such as poker, black jack, roulette and skill games. After gaming and lotteries, betting is the biggest subsector in the overall EU betting and gaming market. The substantial growth in the European betting market has been driven by regulatory change and the growth of online betting. Currently, legal frameworks for betting service providers in many European jurisdictions are under review. Some countries are contemplating the liberalisation of the betting market, partly due to the inefficiency of various limitations and bans, and partly in order to increase existing taxes or impose taxes on new areas of commerce. Gaming is the most significant subsector, with further prospects for growth, resulting mainly from the rapid development of online services. This trend is supported by cooperation between various entities in the betting and gaming sector: landline operators are starting to cooperate with online service providers, while betting organisers are entering into agreements with gaming operators.

Fortuna operates in the Czech Republic, Slovakia, Poland and Hungary. Compared with the markets of western countries, the Central and Eastern Europe betting markets are still relatively underdeveloped and offer opportunities for future growth. Apart from the Czech Republic, the competitive landscape consists largely of a small number of single-country operators. However, due to the growth in the online betting industry, country operators have started to compete not only at a local level, but also with offshore online operators. In terms of retail operations, potential new market entrants encounter significant barriers to entry, including requirements to obtain local licences, a high marketing spend to build brand recognition, and high retail establishment costs.

The table below presents the main economic indicators in the countries where the Group operates:

| | Czech Republic | Hungary | Poland | Slovakia |
|---|---|---|---|---|
| Population (million, 2012) | 10.5 | 10 | 38.5 | 5.4 |
| GDP (EUR billions, 2012 *f) | 152.5 | 99.6 | 381.0 | 72.9 |
| GDP per capita (EUR, 2012 *f) | 14,524 | 9,960 | 9,896 | 13,500 |
| HICP (all items, annual average inflation rate, 2012) | 3.5% | 5.7% | 3.7% | 3.7% |

Source: Eurostat
GDP – gross domestic product
*f – forecast

#### 6.1.2 Czech Republic

Fixed-odds Betting
The competitive landscape in the betting sector is composed primarily of five major bookmakers: Tipsport, Fortuna, Chance[1], Sazka and SynotTip. The leading position on the market in terms of the number of outlets is held by Tipsport, with a significant area being "partner" outlets in bars. Fortuna has a solid second position with a market share of around 30%. Alternative bookmakers are SynotTip and Sazka, the core activities of which are slot machines and lotteries.

Lottery
The Czech lottery market had been controlled by former state monopoly Sazka since 1956. Under previous management, Sazka was over-indebted and went bankrupt in May 2011. Prior to Sazka's bankruptcy, the size of the Czech lottery market was approximately CZK 7.5 billion (or EUR 300 million) in terms of amounts staked, implying a per capita spend of just below EUR 30 per year.

After the sale of bankrupt Sazka to a new entity controlled by PPF Group and KKCG in autumn 2011, Sazka's situation stabilised. Sazka's market share in 2012 was estimated at 94%, while Fortuna had a share of over 5% (numerical games). The third player on the lottery market Tipsport accounted for less than a 1% market share. According to market estimates, the size of the Czech lottery market measured by amounts staked was just 50% of its size prior to Sazka's crisis. In December 2012, KKCG became the sole 100% owner of Sazka after it purchased the stake owned by PPF Group.

Fortuna has been quite successful in penetrating the scratch cards market in Czech Republic. Since May 2011, the Company has issued ten series of scratch cards and currently holds 40% of the market, according to estimates.

#### 6.1.3 Slovakia
The Slovak betting market is currently structured as a duopoly, with the leading role played by Niké, followed by Fortuna SK, which is significantly strengthening its position. The deregulation of Internet betting has also allowed for the further growth of the market through this new sales channel. Besides these two players, there are also Tipos and Tipsport. Doxxbet, which previously sold its outlet network to Tipsport SK and continued to offer only online betting, currently does business under Maltese licences.

#### 6.1.4 Poland
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. Fortuna PL is currently number one in terms of market share. 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. In March 2012, Fortuna signed the contract with Tipsport and took over approximately 67 outlets; all of them are partner outlets.

Fortuna PL, STS and Millenium are currently the only operators to hold an online licence from the Polish Ministry of Finance. As of 31 December 2012, all three domestic online betting operators provided internet betting services, however only Fortuna offered a full range of services including live betting. The two competitors offered pre-match online betting only.

#### 6.1.5 Offshore Online Market
Since the inception of online betting and gaming some 15 years ago, the vast majority of these operations have straddled international borders, creating headaches for governments. Initially, online betting and gaming developed in the Caribbean, first targeting the North American market, then the European market, and so on. The Internet provided the first entrepreneurs, and subsequently established operators, with the means of targeting markets where regulation applied to certain or all types of betting and gaming was either grey or, in some cases, prohibitive.

Increasingly, as the sector has matured and with listings on stock exchanges, the appetite for operational risk has somewhat diminished. Today, most listed operators tend not to enter a market via the offshore route, where they believe there is prohibitive legislation, and in an increasing number of cases where they can obtain licences. Given these trends, the proportion of onshore online betting and gaming has increased dramatically in recent years.

The key industry drivers are increasing trust in e-commerce, growing broadband penetration and wider regulation of the sector. Proposals are currently underway to tax and regulate online gaming in several significant European markets. Product evolution has also helped to drive the total online spend. The online offering has expanded rapidly, fuelled by an increase in broadband penetration and speeds leading to more interactive games, particularly live betting.

In June 2010, Fortuna started to offer Internet betting services in Hungary via FortunaWin.com, a Maltese subsidiary. In November 2010, FortunaWin launched weekly poker tournaments in cooperation with a leading poker company, PokerStars. 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 25 May 2011, for a period of 5 years.

[1] Chance was acquired by Tipsport, effective 1 January 2013.

## 6.2 Regulatory Environment

The part of the entertainment industry that includes betting, games of chance and gaming machines has not been subject to harmonisation at the European Union level and Member States remain competent to define the conditions for the pursuit of activities in that sector. However, regulations concerning the sector have been several times brought before the European Court of Justice (”ECJ”). The ECJ has indicated that there is no intention to treat the sector as an ordinary market sector that should be governed by the rules of the market. It was noticed that socially-based attitudes towards the sector tend to restrict, or even prohibit, such activities to prevent them from being a source of private profit. Furthermore, the issue of public security, in particular the prevention of criminal or fraudulent behaviour, is often raised by Member States imposing limitations. The ECJ also indicated that sometimes a proportion of the funds from operations in the sector have to be used for social works, charitable works, sport or culture. Therefore limiting the powers of the Member States in the ECJ's interpretations of the provisions of the Treaty with respect to the sector does not have the aim of establishing a common market and the liberalisation of that area of activity. In accordance with Article 45, in conjunction with Article 62, of the Treaty on the functioning of the European Union, the free movement of services, guaranteed in Article 56 of the Treaty, may be restricted only on grounds of public policy, public security or public health.

The development of European legislation (regarding electronic services, for instance) and further judgments of the ECJ may impact local legislation and result in changes in the gambling laws.

**6.2.1 Regulatory Environment in the Czech Republic**
The general terms and conditions for the operation of lotteries (as well as betting games, horse racing bookmaking and similar gambling games) are defined in Act No 202/1990, the Lottery Act (“Czech Gambling Act”). Although Lottery Games operated via the Internet are not explicitly recognised in the Czech Gambling Act, the Ministry of Finance issued the licences for the operation of online fixed-odds betting on the basis of Section 50 (3) of the Czech Gambling Act in 2008.

An operator that intends to organise a lottery game must obtain a licence for the operation of lottery games. The Ministry of Finance may issue a licence for fixed-odds betting for a maximum period of 10 years.

A licence for the operation of a lottery game may be granted only to a legal entity with its seat in the Czech Republic. Moreover, some types of lottery games (i.e. betting games, fixed-odds betting) may be operated only by a joint-stock company which has all its shares registered and which has been founded to operate such games. In certain cases, the Czech Gambling Act also requires that the operator of a particular lottery game must have a certain minimum registered capital, the amount of which varies for each type of lottery game operated. Except for lottery games operated in specially determined premises (casino games), a licence cannot be granted to a Czech company if interests in it are held by foreign entities or entities whose direct parent entity is a foreign entity.

Payments to the state and municipalities and winnings of the participants are, with respect to most types of lottery games, secured by a security deposit (in an amount determined by the Czech Gambling Act) placed by the operator in a special bank account.

Czech regulations concerning advertising do not stipulate any special rules related to the advertising of lottery games, therefore the general rules for the advertising of any goods or services apply. Only the advertising of lottery games operated legally on the basis of a duly issued licence is allowed under applicable Czech law.

In 2011, the Czech parliament approved Amendment to the Czech Gambling Act No 300/ 2011 Coll. Effective 1 January 2012, proceeds used for the benefit of the public under previous legislation were replaced by a unified 20% withholding tax on Gross Win and a 19% corporate income tax and administration related to sports betting has been simplified in some aspects. The collected proceeds from taxation are divided between municipal and state budgets in the proportion of 20:80, respectively, in the case of lottery and sports betting. The new tax law also gives more power to local municipalities when it comes to the regulation of gambling and betting and newly allows online casino games. Regulation also prohibits the advertising of offshore betting operators in the Czech Republic and places higher requirements on the ownership transparency of onshore companies.

#### 6.2.2 Regulatory Environment in Slovakia

The operation of gambling games in the Slovak Republic is regulated primarily by Act No 171/2005 on Gambling Games, as amended (the "Slovak Gambling Act"), which is the main legislative instrument of Slovak gambling law.

Betting games may be operated solely on the basis of an "individual licence" for the operation of betting games issued by the Slovak Ministry of Finance. A separate consent of the municipality has to be obtained for the operation of a betting outlet within its territory. The term of validity of a betting licence is limited to 5 years. A betting licence may be issued only to joint stock companies or limited liability companies having their registered office in the Slovak Republic with a minimum amount of registered capital of EUR 331,939. In the case of legal entities with a "foreign property participation", a betting licence may be issued only to legal entities with a "foreign property participation" of entities that have their registered office or the address of their permanent residence in an EU or OECD Member State.

Slovak gambling legislation does not regulate the area of online betting. However, in practice betting licences do contain an authorisation to operate online betting.

An application for a betting licence is subject to an administration fee charged by the Slovak Ministry of Finance. In the case of fixed-odds betting, the fee amounts to EUR 3,319; for other types of betting games the fee is EUR 331.50.

The operator of a betting game is required to maintain a certain minimum amount of funds as a financial guarantee in a bank account solely for the purposes of the settlement of the obligations of the operator of the betting game. In the case of fixed-odds betting, the financial guarantee amounts to EUR 750,000. The operator of a betting game is required to maintain the financial guarantee during the entire term of validity of the betting licence, as well as after the expiration of the validity of the licence until all the above referred obligations are settled and the annual settlement of the licence fees is submitted to the Slovak Ministry of Finance.

The operator of a betting game is further under the obligation to pay licence fees to the state and/or municipal budget. In the case of fixed-odds betting, the fee is 5.5%[2] of the sum of bets/stakes and in the case of horse racing betting it is 1% of the sum of bets/stakes.

Currently, significant changes to Slovak gambling legislation in the area of betting games are not anticipated.

#### 6.2.3 Regulatory Environment in Poland

Commencing 1 January 2010, a new gambling law entered into force. An entity that intends to organise betting is obliged to apply for the permission of the ministry responsible for public finances. The permission is issued for 6 years for a specified number of betting outlets, which may be amended. After the expiry of that permission, an entity may apply for permission only once for six consecutive years. An entity organising betting should be organised as a limited liability company or joint stock company with share capital of at least 2 million zloty and have its registered office in Poland.

The fee for a betting permit is 2,000% of the base amount and 50% of the base amount for each betting outlet. The base amount is the total average monthly gross wages and salaries excluding payments from profit in the second quarter of the previous year as published by the Central Statistical Office. In 2011, the base amount was 3,394.58 zloty, which makes the permission fee 67,892 zloty and around 1,697 zloty for each betting outlet. In addition, a betting company is obliged to establish collateral securing the interests of its customers and fiscal obligations. The amount of collateral is determined on the basis of the number of betting outlets. The base amount is 40,000 zloty. The amount of collateral for 40 betting outlets is six times the base amount and increases by one base amount are set for each further 10 betting outlets (i.e. in case of 100 betting outlets = 240,000 zloty + 6 x 40,000 zloty = 480,000 zloty). The collateral may be in the form of a banking or insurance guarantee, cash deposit or mortgage.

The total amount of money paid for bets is subject to taxation. A 2.5% tax is imposed on sums paid for bets concerning the results of an animal competition if permission is issued only for this kind of betting and a 12% tax is imposed on sums paid for bets concerning the results of other events.

Licensed onshore, online betting in Poland was prohibited until last year. On 26 May 2011, the Polish parliament amended the gambling law to allow online sports betting for locally licensed players. Moreover the new regulations strengthen the Polish Customs Service's authority in controlling illegal activities of online gamblers, including monitoring and the suspension of money transfers. The new regulations came into force on 14 July 2011. Unfortunately, parliament decided to maintain a high 12% withholding tax on betting activities, which discriminates against legal taxpaying players versus offshore companies.

Immediately after the new regulations were introduced, the Polish subsidiary of Fortuna Entertainment Group – Fortuna zakłady bukmacherskie – submitted to the Ministry of Finance a request for permission to provide its clients in Poland with online betting. The Ministry of Finance awarded the licence to Fortuna on 24 January 2012.

[2] The fee increased to 6% at the beginning of 2013.

#### 6.2.4 Regulatory Environment in Malta

The legislative framework relative to gaming in Malta is based on a three-tier structure comprising an enabling legislative act (namely, the Lotteries and Other Games Act, 2001 (Chapter 438 of the Laws of Malta), the "Principal Act") at the first level, related regulations enacted by means of Legal Notices in terms of the enabling provisions in the Principal Act at the second level, and other technical specifications at the third level. The Principal Act incorporates all gaming legislation into a single instrument, with the exception of casinos, which are regulated by separate legal instruments. In the context of this regulatory regime, it is the Lotteries and Gaming Authority which acts as the regulatory body and is responsible for the supervision of all types of gaming in Malta, including remote gaming operations established and incorporated in Malta.

Licences are granted by the Lotteries and Gaming Authority (LGA) for an initial period of 5 years; they may be renewed thereafter for further periods of 5 years each, always subject to continued compliance by the licensee with all terms and conditions applicable to such a licence, and at the discretion of the LGA. The regulations clearly and firmly provide that the core part of the online gaming operations must be located physically in Malta. In order to qualify for a licence, an applicant must be a limited liability company registered in Malta.

The granting of a licence in terms of the regulations is, in all cases, subject to a non-refundable application fee, which is to be paid once only together with the submission of an application for a licence, of EUR 2,350. Upon receipt of notice that the class or classes of licences applied for will be granted for a period of 5 years, a licence fee of EUR 7,000 for each licence shall be charged by the LGA. Finally, upon an application for the renewal of a licence, a renewal fee for each licence shall be due in the amount of EUR 1,165.

### 6.3 Products and Services

The Group's products offered by the sports betting division are divided into three categories: sports betting, number games (bets on numbers) and bets on social events. The Group offers only fixed-odds bets, which are bets at predetermined odds on an event occurring which give rise to either the retention by the Group of a stake placed by a customer or a liability to make a certain payment to a customer. The odds offered by the Group vary depending on the nature of the event and the amount to be paid to a given customer depends solely on such odds and is not influenced by the amounts staked by other customers.

Within each category of products, the Group generally offers three major types of bets:

- SOLO Bet – where a customer makes a single bet, for example, on the outcome of one specific football match;
- AKO BET (accumulator bet) – where a customer can bet on a number of games on one ticket;
- COMBIBET (combination bet) – where a customer can bet on a combination of betting events on one betting slip.

Sports betting remains the most popular category of the Group's products. In 2012, Fortuna offered over 3,000 pre-match bets daily, approximately 550 live in-play betting events and 170 live sport streams per week, in around 20 sporting disciplines. The Group offers a variety of betting opportunities (differing by betting method) for one event in order to make the offer more interesting and to satisfy more sophisticated customers.

Bets may be placed before the match (pre-match bets) and during the event (live bets).

Live betting was introduced in 2007. As new combinations appear during the event, they result in further betting opportunities and live betting allows customers to react to changing circumstances by making new bets. Since May 2010, Fortuna has been offering live bets to customers through their mobile phones. Live betting is becoming increasingly popular and accounted for 26.8% of the Group Amounts Staked in the financial year ended 31 December 2012.

Number games are offered in three options, namely Combinator, Variator and Accumulator, depending on the quantity of numbers drawn and the betting possibilities.

Although the popularity of sports events is similar in each country in which the Group operates, there is some local bias towards particular sports disciplines. However, the four favourite sports remain the same in all the mentioned countries, namely football (over 50% of the total Amounts Staked), ice hockey (approximately 20% of the total Amounts Staked in the Czech Republic and Slovakia), tennis (around 15% of the total Amounts staked) and basketball (around 5% of the total Amounts Staked).

The Fortuna lottery currently offers instant scratch tickets, the bi-weekly game Loto and SUPERLOTO, the daily game Zlatých 11 (Golden 11) and the quick game FOFR.

**Scratch tickets**
Fortuna loterie entered the market in May 2011 with three kinds of instant scratch tickets – 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. Every fourth ticket wins and paid out prizes constitute 60% of amounts staked. Series II was issued in October 2011 in a total volume of 3 million pieces.

After the great success of scratch tickets, Fortuna expanded the offer with additional brand editions such as Zlatá cihla (Golden Brick), Medvídci (Bears), Šťastná podkova (Lucky Horseshoe) and Pavouček štěstí (Lucky Spider) and others in 2012. Lottery Fortuna has so far gained approximately 40% of the scratch ticket market in the Czech Republic and has issued 10 editions of scratch cards.

**Loto**
Loto is a simple and attractive game and the rollover jackpot will start at CZK 10 million and is forecast to be paid out several times each year. Overall, nine prizes will be split; players know in advance the amount they can win, except the jackpot as this is set and not divided among a large number of potential winners. The lottery draw will take place twice a week each Wednesday and Saturday. In playing Loto, bettors must select 6 numbers out of 49 and one colour out of two. An additional game to Loto is Šťastné číslo (Lucky Number). The minimum bet amount is CZK 20 and every fourth bet can win.

In October 2012, Fortuna introduced a special prize in its Loto numerical game. In addition to standard winnings, a special prize of CZK 1 million is paid to the person who matches the most winning numbers in a draw. The prize is paid out of the Loto jackpot until the jackpot falls under the minimum level of CZK 20 million. The payment is then suspended until the jackpot exceeds the level of CZK 30 million again.

**Zlatých 11**
In November 2011, Fortuna lottery presented Zlatých 11, a new game, in which bettors can win a daily prize of up to CZK 300 million. Bettors can bet as little as five crowns, but only bettors who bet CZK 100 can win the main prize. The draw takes place seven days a week, including during holidays. Bettors know in advance how much they can win. In Zlatých 11, the winnings are fixed in accordance with the bet amount and selected and correctly guessed numbers. The game is therefore very variable; bettors may try out a wide range of variants and see which brings them the highest winnings. There is a high probability that the bettor will win one of the prizes. When 11 numbers are played, there is a probability of 1:3.64. In the competing Šťastných 10 (Lucky 10), the ratio is 1 out of 9.05 (probability of 1:9.05). Also, bettors can win a doubling of their initial payment even if they do not guess a single number in the 11-number-game.

Denní Číslo (Daily Number) is an additional game to Zlatých 11. Bettors can make a bet on a six digit number indicated on their tickets and play for CZK 1 million and other prizes.

**SUPERLOTO**
In May 2012, Fortuna Loterie introduced a new flagship game – SUPERLOTO with three draws a week. The mechanics of SUPERLOTO are very similar to Loto. Once again, 6 numbers are selected from 49, plus a colour, but one of four, this time around. The supplementary game +Šťastné číslo (+A Happy Number) also follows the same principle as in Loto, while another supplementary game, Loto Plus, is a novelty. SUPERLOTO pays out 55% of bets received.

**FOFR**
Fortuna Loterie introduced the very first quick game, named FOFR, in November 2012. The draw takes place every 5 minutes between 8:05 AM to midnight. Eight numbers are selected out of twenty five and one colour out of four. Winnings are calculated as multiples of correctly guessed numbers and colours and are fixed in advance based on a prize table. A proportion of 65% of accepted bets is distributed back to players which, is the highest payout in the Czech lottery market.

## 6.4 Distribution Channels

The Group delivers its betting products to customers through retail betting outlets, online and 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 following table summarizes the types of distribution channels used by the Group in the markets in which it operates:

| | Czech Republic | Slovakia | Poland | Malta |
|---|---|---|---|---|
| Betting outlets | Available | Available | Available | Not available |
| "Partner" betting outlets | Available | Available | Available | Not available |
| Online | Available | Available | Available | Available |
| Telephone | Available | Not available | Not available | Not available |
| SMS | Not available | Available | Not available | Not available |

Source: the Company

The management believes that 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 and telephone services are generally younger and better educated, and the users of social networking sites, and the various functionalities of smart phones and mobile phones, 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.

**Retail betting outlets**

Retail betting outlets accounted for 62.5% of the Group's Gross Win from sports betting in the year ended 31 December 2012.

The table below presents information on the Group's retail network for the years ended 31 December 2012 and 2011:

| | Czech Republic | Slovakia | Poland | Total |
|---|---|---|---|---|
| Betting outlets | 344 | 234 | 399 | 977 |
| "Partner" betting outlets | 330 | 184 | 75 | 589 |
| Total number in 2012 | 674 | 418 | 474 | 1,566 |

| | Czech Republic | Slovakia | Poland | Total |
|---|---|---|---|---|
| Betting outlets | 369 | 255 | 369 | 993 |
| "Partner" betting outlets | 266 | 157 | 10 *) | 433 |
| Total number in 2011 | 635 | 412 | 389 | 1,426 |

Source: the Company

*) 67 partner outlets acquired from Tipsport PL not included

The Group has betting outlets in the Czech Republic, Poland and Slovakia. In general, Fortuna's betting outlets are around 20 to 50 square metres in size.

Under the "Partner" programme, the Group's land network is extended by installing point of sale betting outlets in places such as bars or restaurants with high traffic where the owner is willing to offer betting products to customers. The Group enters into a lease agreement with each of the "Partners", under which the Group agrees to pay a lease for the use of the premises. Part of the lease is linked to the betting revenues and part is fixed. The financial performance of the "Partner" outlet network is monitored continuously.

In addition, the Group cooperates with third parties that operate some betting outlets in the Czech Republic and Slovakia and provide personnel and lease premises for betting outlets on a commission basis. The Group provides training and equips "Partner" outlets with information panels and information technology. In June 2010, Fortuna introduced the "Partner" programme in Poland.

In March 2012, Fortuna obtained permission from the Polish Minister of Finance to operate 80 new betting shops. Most of them were previously owned by Tipsport PL – a company controlled by TIPSPORT a.s. The takeover enabled Fortuna to expand its retail network in Poland and become the biggest Polish betting operator by the number of betting outlets. The Ministry of Finance granted Fortuna the permission to offer bets through 80 new betting shops and extended the licence for providing services through 54 other outlets, for which the license was to expire soon.

**Online business**
The Group started offering online betting to its customers in Slovakia in 2007, followed by the introduction of online betting in the Czech Republic in 2009. The Internet platforms allow for wider distribution of the Group's products and enable the Group to diversify its product range; for example, the Group successfully launched live betting based on its experience with other online products. Following changes in Polish legislation and permission obtained from the Ministry of Finance, Fortuna was able to launch licensed online operations in Poland in January 2012.

Management believes that online products form the most dynamic growth sector in the industry.

In addition, the Group operates an online betting and gaming platform under the FortunaWin brand offering a wide range of products, including sports betting, live virtual betting, number betting, lottery and online casino. To exploit the full potential of the Internet and to spread its geographical coverage, the FortunaWin business is located in Malta and targets Hungarian customers. 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 25 May 2011, for a period of 5 years.

Online betting accounted for 37.4% of the Group's Gross Win from sports betting in the financial year ended 31 December 2012.

**Telephone and SMS business**
In 2007 the Group started to operate fixed-odds betting via telephone in the Czech Republic, and via SMS in Slovakia (Telekonto service). Although migration to the internet has occurred, telephone betting still appeals to a core group of Czech customers who prefer to speak to an individual when placing their bet.

At present, both telephone betting in the Czech Republic (via direct voice contact with an operator) and SMS betting in Slovakia is negligible and accounts for less than 1% of the Amounts Staked from sports betting in the respective countries.

**Lottery terminals**
Fortuna's lottery products have their own distribution network and a unique distribution strategy which is to a large extent independent of the traditional sports betting distribution network. Since the lottery products cannot be offered online, it is important to place the lottery terminals at the most lucrative and frequented distribution outlets no matter whether they are Fortuna's own sites or not. Typically, lottery terminals are placed in tobacco shops, gas stations, small stores and also in Fortuna's own betting outlets. The key distributors for the lottery are GECO, Benzina, Citi-Tabák, Relay, Spar, Inmedio and Peal. Apart from the sale of Fortuna lottery games, terminals also offer mobile phone top-ups for all three mobile operators present on the Czech market.

As of 31 December 2012, the Fortuna lottery operated 1,630 lottery terminals in the Czech Republic.

**Scratch cards**
Highly successful scratch cards are on sale in selected Fortuna outlets and through a network of external resellers such as GECO, Relay, Inmedio, Peal, City-Tabák, Žabka stores, e-shop JAS ČR and others. In June 2012, Fortuna Loterie signed a contract with Česká pošta s.p. (Czech Post) on the distribution of lottery products through the postal operator's 3,300 branches. Fortuna began offering its range of scratch cards at the post offices across the whole of the Czech Republic in September 2012.

## 6.5 Customers

Most of Fortuna's customers are male. Only 9% of the customers are women. In terms of age, the customers are more diversified. More than 70% of customers are between 18 and 45 years of age. As of 31 December 2012, Fortuna had 189,775 registered customers in the Czech Republic, 71,309 in Slovakia and 68,205 in Poland.

## 6.6 Marketing, Sponsorship and CSR

The strength and awareness of the "Fortuna" brand remains the key asset across all territories and provides a substantial competitive edge for attracting and maintaining customers. However, because of strict regulations governing the advertising of betting in Poland, the development of marketing activities in this particular market will be more gradual. The scale, form and content of the Group marketing will continue to vary from country to country.

The focus of the Fortuna sponsorship activities is football, the sport being the favourite discipline in terms of sports betting. Football clubs and competitions therefore offer natural partnership opportunities for Fortuna Entertainment Group. In the Czech Republic, the organisation sponsors both professional and amateur football clubs. The Group has formed partnerships with five top division teams, including AC Sparta Prague, Slovan Liberec and Bohemians 1905. Fortuna is the main "platinum" partner of the Slovak national football team and the Slovak football association. In addition, Fortuna sponsors the Slovak field hockey association and a number of sports clubs and teams in sports including basketball, handball, tennis and volleyball.

In Poland, Fortuna's sponsorship activities are mainly focused on football and basketball. Fortuna supports several sports events and venues such as the Cieszyn Street Run (http://www.fortuna.bieguliczny.pl/) and a football academy for kids (http://lukam2010.pl/2,hot-news.html). Where regulations permit, the Group desires to run marketing campaigns in various media channels.

Fortuna Entertainment Group is proud of maintaining good relations with its customers. That is why it established the Fortuna Klub Plus loyalty scheme in 2008. This scheme currently has more than 180,000 active members on all the markets on which the Group operates. By becoming a member of this club, customers can obtain a whole range of perks, such as advantageous odds, gift items and discounts in partner shops and stores.

Management believes that being a responsible member of the community can play a role in building customer loyalty and strengthening the corporate brand. The Group is therefore committed to its own corporate social responsibility programme. The Group undertakes some charitable activities in the Czech Republic. In addition, Fortuna contributes financially to many local football clubs under the "Grant Project", organised to improve and cultivate the Czech football environment. Fortuna also supports disabled sportspersons and other disabled people in adapting and returning to social life after suffering a debilitating injury. Moreover, Fortuna donates to selected support programmes for children in all the countries in which it operates.

## 6.7 Risk Management

Risk management is key in the profitable operation of a fixed-odd betting business. A bookmaker's odds are determined so as to provide an average return to the bookmaker over a large number of events. However, there is an inherently high level of short-term volatility in the Gross Win percentage event-by-event and day-by-day. The Group may from time to time experience significant losses as well as extraordinary gains with respect to individual events or betting outcomes. However across a sustained period of operations, the Gross Win margin stabilises.

The risk of incurring daily losses on a Gross Win basis is significantly reduced by the averaging effect of taking a very large number of individual bets over a considerable number of events and is also tightly controlled through a risk management process which relies on:

**Odds Compilation**
The Group cooperates with a team of 45 experienced bookmakers who are responsible for determining fixed-odds. Initial odds are compiled from first principles and the mathematical chance of an outcome based on previous results. The odds also have an imbedded assumed margin. Initial odds are further processed to set additional odds related to a particular game and adjusted for any market information, bookmakers' knowledge of the sport and local expertise. The bookmakers have access to Betradar databases which collect information on odds from more than 130 companies around the world. The databases help to monitor, assess and compare odds proposed by the Group's competitors. The management believes that the odds compilation process used by the Group is more accurate than fully-automated odds generation, thus enabling the Group to provide competitive odds to its customers.

**Odds Adjusting**
Once odds are compiled, they are entered into the Group's system and delivered to the Group's operating companies, which may adjust the odds at a local level. The odds are continuously reviewed with respect to customers' behaviour and compared to odds proposed by the Group's competitors. When extraordinary bets occur or the number of bets for a particular event considerably increases, the odds are changed or, on very rare occasions, betting on an entire event is suspended or cancelled. The Group also monitors the decisions of its competitors and may decide to cancel particular offers in the event that its competitors do so. Furthermore, the Group analyses its exposure related to each event on which it has accepted bets and adjusts its odds to decrease the risk of incurring significant loss on that event.

In fixed-odds betting, the liability to make payment is in principle unlimited. However, the Group is not obliged to accept any bet, or may accept a bet on certain conditions only.

**Bet Acceptance**
The Group is under no obligation to accept any bet. The procedure of bet acceptance is designed to eliminate suspicious bets and to adjust the odds ratio to generate a positive Gross Win for the Group. In addition, there is a "black list" of customers. For different types of bets, the Group sets limits on the stake value and particular leagues. If a particular game is defined as risky, customers are not allowed to make a solo bet for this game; they can only make a combination bet of 3 to 5 games, one of which is the risky game. Each bet request is entered into the centralised system accessible to all the shops for automatic approval. If the bet is not accepted by this automated mechanism, the bet is transferred to the Group's headquarters where a bookmaker may refuse to accept the bet based on his own judgement, propose new odds, or propose new amounts to be staked. Each bookmaker is permitted to accept a bet within particular limits. If a bet exceeds such limits, a bookmaker can ask a more highly qualified bookmaker with bigger limits for permission to approve the bet.

**Payout of Winnings**
Results of each sports event are downloaded from two sources and checked. Where the results of a sports event are called into question, the Group will make inquiries to the sports authorities about the outcome of the sports event and may refuse to pay out winnings on the event. The Group may also refuse to pay out winnings if there is any suspicious activity or disruption in the Group's system operations. The Group's system operations are analysed immediately after a given sports event or, where a sports event occurs at night, before the start of the following business day. Bets may be rejected both before and after the sports event. In addition, limits are set on each customer's virtual account in order to prevent them from transferring a significant amount of money in a short time.

**Payment Management**
The Group has implemented internal procedures to ensure proper cash management. These internal procedures address legal, safety and insurance requirements in the following areas: bet acceptance, cash keeping and carrying, and winnings pay out. The majority of bets are placed upon prior payment. Credit card payments received by the Group mainly relate to online operations in Malta. The Group only accepts payment via cash or debit card in the Czech Republic and Slovakia. Internet payments are serviced by SporoPay, operated by Slovenská sporiteľňa, a.s., and TatraPay, operated by Tatra banka, a.s. in Slovakia, and by ČSOB, a.s. in the Czech Republic. The management regularly monitors all non-standard card payments and customer behaviour in order to minimise any losses.

**Information Technology Solutions**
The Group's servers are managed by specialised entities in each of the countries in which the Group operates. All of the premises offering the Group's products in a particular country are linked via the country network. In addition, the country networks are interconnected. Back-up and continuity of services is assured for each country. Failures in services in a particular outlet should be remedied within two hours. The Group maintains considerable IT security services, including firewalls and virus controls.

The online software platform, which allows for the provision of online services in Slovakia and the Czech Republic, is scalable and has not encountered any problems with betting capacity in the past.

**Employees' Misconduct**
The activities of each of the Group's bookmakers are supervised by senior bookmakers and corrective action may be undertaken at any time. The Group has a cash-monitoring system in each betting outlet which is designed to detect any fraudulent behaviour by the Group's betting outlet employees. The Group's cash management policy helps to decrease the size of a potential loss arising from any employee's misconduct.

## 6.8 Environment and Legal

**Environmental Issues**
Fortuna believes that environmental matters are not of material importance to the Group activities and its financial situation.

**Legal and arbitration proceedings**
The Group is routinely involved in litigation, either as a plaintiff or defendant, in various legal disputes arising in the ordinary course of business.

There were no other governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which FEG is aware) during the 12 months prior to the date of this Annual Report which may have, or have had in the recent past, significant effects on the financial position or profitability of the Group.

## 6.9 Research & Development

**Intellectual Property**
The Group relies on the strength of its brands and the names and/or logos of its betting outlets, all of which are registered trademarks and are protected by local legislation applicable in the countries of operation.

The Group has 113 trademarks, including 75 trademarks registered in the Czech Republic, 12 trademarks registered in the Slovak Republic, 26 trademarks registered in Poland and 1 international trademark. In addition, one trademark is co-owned by Fortuna zakłady bukmacherskie Sp. z o.o. and Fortuna sp. z o.o., a company which is not a related party to Fortuna.

The Group has more than one hundred registered Internet domains, including “ifortuna.sk”, “efortuna.sk”, “efortuna.pl”, “ifortuna.cz”, “ifortuna.eu”, “fortunawin.com” and “fortunaloterie.cz”. As the majority of Internet domains are owned by Fortuna GAME, under some inter-group agreements Fortuna GAME provides other Group Companies with the right to use certain of the Group’s domain names.

Like in previous years, the Group has not had any material research and development activities.

## 6.10 Strategy

**Growth Opportunities in Online 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 to 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, Fortuna began offering online betting in Poland in 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.

**Strengthening the Retail Network**
The Group aims to maximise the cash generation from its core retail channel by growing Gross Win while carefully managing costs. To optimise 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 horse racing, 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, where web platforms will be used to introduce its customers to new online products.

**Lottery in the Czech Republic**
In July 2010, Fortuna obtained a licence to offer lottery products in the Czech Republic. The aim was to create a market in the Czech Republic where the penetration in terms of the betting spend per capita was low compared with other countries (such as Slovakia or Hungary) and become a significant number two player after Sazka. The Group signed an agreement with Intralot, the largest full service technology provider catering to all of the systems and support needs of the lottery project. In May 2011, Fortuna started selling instant scratch tickets and in July 2011, Fortuna launched its first numerical lottery game Loto.

The Group is constantly reviewing new opportunities to develop its lottery business going forward. In June 2012, Fortuna signed the Agreement on a Future Agreement with Czech company E-INVEST on a sale of a 10% stake in Fortuna Loterie to E-INVEST. The transfer of the shares should be executed in July 2013. The capital entry of E-INVEST should further strengthen the existing relationship with GECO, one of the main distributors of lottery products.

In addition, the Group is currently reviewing other strategic options concerning a further development of the lottery project, including a co-operation with a strategic partner.

**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 further plans to improve 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 emphasise 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 has developed FortunaWin, an online betting and gaming platform, which provides the Group with an opportunity to offer its products on markets in new countries. Currently the new online platform provides betting and gaming products to Hungarian 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 betting services in the countries where it has land-based operations. In January 2012 Fortuna Poland was granted a license from the Polish Ministry of Finance for online fixed-odds betting and became the first bookmaker to offer legal online betting services to Polish clients.

## 6.11 Human Resources

Most of the Group's employees work in the Group's betting outlets, with an average of slightly more than two employees per outlet, with one or two employees per shift.

The table below provides information on the number of Group employees in particular categories as well as the total headcount of the Group as of 31 December 2012, 2011 and 2010:

| | 31 December 2012 | 31 December 2011 | 31 December 2010 |
|---|---|---|---|
| Holding management | 8 | 8 | 9 |
| Headquarters | 345 | 352 | 233 |
| Betting outlet staff | 2,176 | 2,253 | 2,402 |
| Total number of employees | 2,529 | 2,613 | 2,644 |

Source: the Company

The table below provides a breakdown of persons employed in the Group by geographical location as of 31 December 2012, 2011 and 2010:

| | 31 December 2012 | 31 December 2011 | 31 December 2010 |
|---|---|---|---|
| Czech Republic | 976 | 1,051 | 1,061 |
| Poland | 868 | 849 | 847 |
| Slovakia | 683 | 710 | 732 |
| Other (FortunaWin) | 2 | 3 | 4 |

Source: the Company

The Group recognises the importance of its staff in operating a stable and efficient business and the provision of a high level of customer service and, accordingly, the Group strives to recruit, train, reward and retain the best personnel. The Group believes that it offers an attractive employment package. In addition to offering training and other benefits, the size and diversity of the Group's operations provide development and promotion opportunities for new employees.

Outlet employees' compensation is determined by a basic salary and performance-linked incentive bonuses. The variable (motivation) component of the wage is derived from the turnover of a particular betting outlet. Minimal revenues from betting that are to be reached in a month are specified for each betting outlet (an accepted amount without commissions). If the amount exceeds the specific limit, a certain amount is paid as a performance bonus for a betting outlet. This amount is proportionally divided among the employees according to the number of hours worked by them in a particular month. Recently the Group introduced other bonuses based on the number of new members enlisted with Fortuna Klub Plus.

The compensation of bookmakers is a combination of fixed salary and variable components, while that of other back-office staff is mainly based on a fixed salary. Moreover, some employees receive annual bonuses which are related to the financial performance of the Group Company. The ongoing performance of the Group's staff is monitored and discussed at regular performance appraisals. While these appraisals are carried out at a local level by local managers, performance criteria are established in the Group's head office, and the Group carries out an audit of performance reviews. The Group encourages teamwork and the sharing of knowledge and expertise.

There is one trade union at Fortuna PL. There are no other trade unions and committees registered in other companies of the Group.

The employees of Fortuna Loterie and Fortuna GAME have their representatives on the supervisory boards of these companies.

As of the date of this Annual Report, the Group's employees do not have any shareholdings in FEG, with the exception of shares held by Group Management and the stock option plan set out in chapter 8.3.

### 6.12 Review of 2012

Fortuna, the leading Central European fixed-odds betting operator present in the markets of Poland, the Czech Republic and Slovakia, recorded in 2012 a total Amounts Staked figure of EUR 467.9 million, 14.3% more than in 2011. The Amount Staked from sports betting reached EUR 448.3 million, 12.2% more than in 2011. The Amounts Staked performance was positively driven by online segment growth in the Czech Republic and Poland.

Amounts Staked from lottery bets in 2012 totalled to EUR 19.6 million, up 98.1% yoy. The Amounts Staked from sold scratch tickets amounted to EUR 6.5 million (+90.8% yoy) and from numerical lottery games EUR 13.1 million (+101.9% yoy).

In 2012, total Gross Win reached EUR 110.9 million, an increase of 8.9% compared with 2011. Gross Win from sports betting equalled EUR 100.9 million, a 4.3% increase yoy. Of which, Gross Win from online betting in 2012 increased to EUR 37.8 million, a substantial gain of 27.9% over 2011. Gross Win from retail betting in 2012 amounted to EUR 63.1 million, a 6.0% decline compared to the previous year.

Online betting expansion was supported by a further development of "live betting" and live streaming, which are becoming increasingly popular amongst Fortuna clients. Share of live betting on total Amounts Staked in 2012 was 26.8% and increased substantially from a 16.5% share in the previous year.

Gross Win from lottery was EUR 10.0 million (+95.4% yoy), of which EUR 2.9 million (+82.6% yoy) came from the sale of scratch tickets and EUR 7.1 million (+101.1% yoy) from lottery games.

In 2012 Gross Profit[3] from betting increased 5.9% yoy and reached EUR 84.7 million, of which Gross profit from sports betting was EUR 76.9 million and increased yoy by 0.9%. Gross profit margin from sports betting in 2012 was 17.2%, a 1.9% decrease compared with last year as a result of higher taxation in the Czech Republic. Gross profit from lottery amounted to EUR 7.8 million, 107.7% up yoy. Gross profit margins from lottery games are traditionally high and reached 32.7% (scratch tickets) and 42.3% (numerical games).

[3] Gross profit from betting is calculated as Gross Win from betting minus taxation from betting.

**Revenues, OPEX, EBITDA**

In 2012 the Company recorded total revenues in the amount of EUR 96.2 million, 7.1% more than in the previous year. Revenue from sports betting were EUR 86.2 million and went up 1.7% yoy, pushed down by higher betting tax in the Czech Republic. Revenues from lottery amounted to EUR 10.0 million in 2012, up 96.9% yoy.

Total operating costs in 2012 reached EUR 74.1 million, 6.1% more than in 2011. Staff costs decreased 0.5% yoy to EUR 26.8 million primarily due optimization of the branch network in sports betting. Staff costs in the sports betting segment declined 0.7% yoy to EUR 25 million and in the lottery segment increase slightly 2.2% to EUR 1.8 million. Governmental taxes and levies amounted to EUR 11 million, 17.2% more than in the previous year as a result of new betting taxation in the Czech Republic. Of which sport betting taxes grew 9.9% and lottery tax 60.7%. Other operating expenses (net) increased in 2012 by 8.4% to EUR 36.4 million primarily related to online betting services, such as live streaming, etc. Of which, sports betting other operating expenses (net) amounted to EUR 26.5 million (+6.6%) and lottery EUR 9.8 million (+13.5%).

Total consolidated EBITDA recorded in 2012 was EUR 22.1 million, up 10.6% yoy. EBITDA from sports betting reached EUR 25.9 million, 2.9% less than previous year. EBITDA from lottery resulted in a loss of EUR 3.8 million and improved 43.3% compared last year result.

In 2012 total depreciation rose 16.9% to EUR 3.7 million, of which depreciation related to sports betting segment was EUR 3.1 million (+11.7%) and EUR 0.6 million (+58.2%) related to lottery.

**EBIT and Net Profit**

In 2012 operating profit (EBIT) amounted to EUR 18.4 million, 9.5% more than in the previous year. This result was driven by improved EBITDA.

Net finance costs reached EUR 2.3 million in 2012 and increased by 140.6% yoy. This was caused by the adverse effect of non-cash FX changes which was very little in 2011. Total long-term and short-term indebtedness as of 31 December 2012 was EUR 25.6 million, 10% less compared with 31 December 2011.

Income tax equalled EUR 3.8 million in 2012, 49.5% more than in 2011. The increase is related to a newly introduced corporate income tax in the Czech Republic.

In 2012 the Company recorded net profit from continued operations of EUR 12.3 million, 7.5% less than in the previous year. Although operating profitability of the Group improved, the net profit figure was impacted by higher non-cash finance costs and income tax expense. The sports betting segment recorded a net profit of EUR 16.7 million, down 17.9% yoy and the lottery segment ended with a net loss of EUR 4.4 million, 38.2% lower than in 2011. The Company met its initial target to keep the lottery loss below EUR 5 million in 2012.

**Breakdown of Revenues by Country**

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

**Selected financial results by country in 2012**

| (in EUR million) | CZ sports betting | CZ lottery | Slovakia | Poland | Malta |
|---|---|---|---|---|---|
| Total amounts staked | 243.3 | 19.6 | 131.5 | 68.9 | 4.6 |
| Gross Win from betting | 44.5 | 10.0 | 31.4 | 24.8 | 0.1 |
| – of which online/scratch tickets | 20.9 | 2.9 | 13.2 | 3.5 | 0.1 |
| – of which retail/numerical games | 23.6 | 7.1 | 18.2 | 21.3 | – |
| Withholding tax paid | – | – | (6.8) | (8.3) | – |
| Other revenues | 0.1 | – | 0.3 | 0.1 | – |
| Revenues | 44.6 | 10.0 | 24.9 | 16.6 | 0.1 |
| Taxation of earnings from betting | (8.8) | (2.2) | – | – | – |
| Gross profit from betting | 35.7 | 7.8 | 24.6 | 16.6 | 0.1 |
| – of which online | 16.7 | 2.1 | 9.9 | 1.8 | 0.1 |
| – of which retail | 19.0 | 5.7 | 14.7 | 14.8 | – |
| Gross profit from betting (in %) | 14.7% | 39.8% | 18.7% | 24.1% | 2.1% |

**Czech Republic Sports Betting**
Czech Republic sports betting generated 52% of all amounts staked for the Company in 2012. Amounts Staked reached EUR 243 million, 13.2% more than in 2011. Gross Win from sports betting in the Czech Republic amounted to EUR 44.5 million in 2012, 0.3% less than in the previous year – due to the rising share of online betting. Online betting contributed the most; Gross Win from the online segment climbed by 24.6% yoy and amounted to EUR 20.9 million. In the opposite, Gross Win from retail betting in the Czech Republic declined 15.3% yoy and totalled EUR 23.6 million. 2012 revenues from sports betting in the Czech Republic were EUR 44.6 million, down 0.5% yoy. Changes in the betting taxation effective January 2012 and introduction of a new Gross Win tax resulted in higher taxation of EUR 8.8 million, 9.9% more than in the previous year.

Gross profit from betting in the Czech Republic was EUR 35.7 million, 2.5% less than in 2011. Online gross profit went up by 21% and amounted to EUR 16.7 million. Gross profit from retail sports betting in the Czech Republic decreased by 16.8% to EUR 19.0 million in 2012. Gross profit margin from sports betting in the Czech Republic equalled to 14.7% in 2012, 2.5 percentage points less than in 2011 as a result of higher betting tax.

**Czech Republic Lottery**
The Lottery segment in the Czech Republic represented 4.1% share on Total Amounts Staked. Amounts Staked from lottery in 2012 came to EUR 19.6 million, 98.1% more than in 2011. Of which, scratch tickets sales were EUR 6.5 million (+90.8% yoy) and numerical games stakes EUR 13.1 million (+101.9% yoy). Gross Win in the Czech Republic lottery amounted to EUR 10.0 million in 2012, up 95.4% yoy. Out of which EUR 2.9 million were sold scratch tickets (+82.6% yoy) and EUR 7.1 million lottery games (+101.1% yoy). 2012 revenue from Czech lottery amounted to EUR 10.0 million, a 96.9% increase compared with 2011.

Gross profit from lottery in the Czech Republic was EUR 7.8 million, 107.7% higher than in 2011. Gross profit margin from the sale of scratch tickets in the Czech Republic equalled 32.7% in 2012 and numerical lottery games 43.3%.

**Slovakia**
The share of Slovakia measured by total Amounts Staked in 2012 reached 28.1%. Total amounts staked reached EUR 131.5 million, 0.1% more than in 2011. The lower growth resulted from reduction of high-rolling customers at the beginning of 2012. Slovak national football team also did not qualify for EURO 2012 championship and which could have affected level of bets taken during the championship in Slovakia. On the other hand, an increase of a betting commission from 5% to 6% has a positive effect on total level of collected bets. Gross Win in Slovakia amounted to EUR 31.4 million in 2012, 3.1% less than in the previous year. Gross Win from online betting was EUR 13.2 million, 5.2% more than in 2011. Gross Win from retail betting in Slovakia declined by 8.4% yoy and totalled EUR 18.2 million. 2012 revenues from sports betting in Slovakia were EUR 24.9 million, 5.0% less than in 2011.

Gross profit from betting in Slovakia was EUR 24.6 million, 5.2% less than in 2011. Gross profit from online betting in Slovakia went up by 3% in 2012 to EUR 9.9 million. Gross profit from retail betting in Slovakia declined 10.1% in 2012 to EUR 14.7 million. The gross profit margin from betting in Slovakia equalled 18.7% in 2012, 1.1 percentage points less than in 2011.

**Poland**
Poland accounted for a 14.7% share of total amounts staked in 2012. Total amounts staked in Poland reached EUR 68.9 million, a great 39.5% increase on 2011. Polish volumes went up as a result of new online expansion and acquisition of 67 new retail shops. Gross Win from betting in Poland increased by 27.8% yoy to EUR 24.8 million in 2012. Newly introduced online business contributed EUR 3.5 million and retail sports betting EUR 21.3 million, an increase of 9.7% yoy. 2012 revenues in Poland amounted to EUR 16.6 million, a 22.7% more than in the last year.

Gross profit from betting in Poland was EUR 16.6 million, 22.7% more than in 2011. The gross profit margin from betting in Poland amounted to 24.1% in 2011, 3.3 percentage points less than in 2011, yet the highest gross profit margin from sports betting of all the markets.

**Malta**
Total amounts staked generated by FortunaWin based in Malta reached EUR 4.6 million in 2012, up by 21.1% yoy. Gross Win from betting was EUR 126 thousand, a 37% yoy decline and the gross profit from betting equalled EUR 97 thousand which is by 44.6% less than last year. The gross profit margin from FortunaWin was 2.1% in 2012.

**Sport Betting Channels and Distribution Network**

Fortuna's online business overall continues to grow rapidly, hand in hand with the increase in broadband penetration affording access to Fortuna's website. In 2012, Fortuna offered over 3,000 pre-match bets daily, approximately 550 live in-play betting events and 170 live sport streams per week, in around 20 sporting disciplines. The share of live betting was more than one quarter of total bets taken in 2012, a substantial increase from 2011. The newly introduced internet betting in Poland generated Gross Win of EUR 3.5 million in 2012 and so far attracted over 15 thousand of active online customers, supported by the attractive EURO 2012 football championship co-hosted by Poland. As part of online business development Fortuna has recently signed a deal with Swedish technology specialist Mobenga to provide state of the art betting "apps" for both mobiles and tablets.

Although the internet betting segment has been growing rapidly, the retail outlets network remains important distribution channel of Fortuna and contributes to 62% of the total Gross Win from sports betting of the Company (70% in 2011). 65 existing Fortuna's Czech branches were renovated and re-designed in 2012. Apart from the best available state-of-the-art design, the new outlets have been equipped with multimedia screens enabling live betting directly in the premises.

Another important role of the retails outlet network is the support it provides to the online betting segment – internet clients may use all the customer services, such as deposits and withdrawals and the customer queries and solutions service, free of charge. For the additional expansion of the retail network, the Group would like to use a "cost-light" partnership model with successful local businesses, such as sport bars.

**Lottery in the Czech Republic**

Fortuna's lottery project has been placed under revision. The Czech lottery market has not truly recovered since the collapse of monopoly incumbent Sazka in 2011 and the revived market leader Sazka has invested significantly to maintain market share. Fortuna's current market share of 6% is below its initial target. However, primarily thanks to a strict cost control (both head office expenses and distribution costs), December 2012 was the first profitable month for lottery and the initially planned break-even in the first half of 2013 should be achieved. Currently, the management of Fortuna together with majority shareholder are reviewing different options for the future of lottery project including potential partnership deals.

Despite the difficulties in the field of numerical lottery games, scratch cards have been very successful so far with estimated 40% market share. Both partnerships with GECO and the Czech Post should contribute to rising sales volumes also going forward. The previously announced sale of a 10% stake in Fortuna lottery to E-INVEST will be concluded by June 2013.

**Dividend Policy and Dividend**

Company's on-going dividend policy is to pay out a dividend of 70–100% of the consolidated net profit. According the preliminary audited financial results, the 2012 consolidated net profit will be EUR 12.3 million. The management of the Company will propose to the AGM a 100% dividend pay-out of 2012 net profit. In addition, the management will consider the option of a dividend pay-out from retained earnings from previous years. The proposed dividend payment will be submitted to shareholders for an approval at the AGM on 28 May 2013.

Final dividend amount will be subject to approval of statutory bodies of the Company. The record and payment dates will be announced later.

**2013 Outlook**

Fortuna's customers are increasingly attracted by watching "live action" and betting during the game. Company's aim is to provide the best live streaming of top class sports events. As part of this development, Fortuna has recently secured an agreement with Swedish technology specialist Mobenga to provide state of the art betting "apps" for both mobile and tablet customers who are rapidly becoming the key growth element in our business strategy. In 2013, the business plan estimates a growth of Amounts Staked over EUR 510 million.

Range and profit protection also remain essential components in the way the business is managed and to this end, Fortuna have also completed a deal with trading format specialist Amelco in London. Amelco will provide Fortuna with the most comprehensive range of pre-match, priced up sports markets from around the world. As a result, Fortuna could be able to offer more games and more markets per game than other providers. All of this, in a combination with opportunity to bet via newly designed betting outlets and franchise partners, should differentiate Fortuna from other betting providers, particularly those operating illegally. In 2013, the financial target of the Company is to increase its EBITDA by EUR 1 million, to EUR 23.1 million in total.

We believe that our sports betting business should continue to grow double digits in 2013.

With respect to Lottery Fortuna, the project is currently under revision and we are looking for new strategic options. As initially anticipated, the lottery project is expected to break-even in the first half of 2013.

## 6.13 Material Subsequent Events

Effective 1 January 2012, Fortuna Loterie a.s., provider of numerical and instant lottery games in the Czech Republic and FORTUNA GAME a.s., a fixed-odds betting provider in the Czech Republic, merged. FORTUNA GAME a.s. became the successor company. The merge was recorded in the Commercial Register on 31 December 2012 with the effective date 1 January 2012. Subsequently, 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 and pre-paid mobile top-ups, was contributed to the company FORTUNA sázky a.s., a 100% subsidiary of FORTUNA GAME a.s.

As of 1 January 2013, Ondřej Vích became the new head of bookmaking of Fortuna Entertainment Group N.V. He joined Fortuna from BetClic Everest Group, where he was lately responsible for group risk management. Ondřej replaced Michal Hanák who left the Company effective 31 December 2012.

Effective 1 January 2013, the Slovak government increased the fixed-odds betting fee paid on the sum of stakes from 5.5% to 6%.

Clients and investment funds managed by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. jointly held as of 14 January 2013 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.

During January and February 2013, Michal Vepřek, CFO of Fortuna Entertainment Group N.V., acquired 4,000 shares issued by the Company through transactions at the Prague Stock Exchange.

# 7 / Investor Information

## Fortuna's Shares and Share Capital

Shareholders as of 31 December 2012:

| | |
|---|---|
| AIFELMONA HOLDINGS LIMITED, a subsidiary of Penta Investments Limited | 67.26% |
| BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A.[4] | 6.98% |
| Management | 0.02% |
| Other free float | 25.74% |

Source: Company Data

On 21 October 2010, Fortuna successfully completed an Initial Public Offering (IPO) of its shares with the issue price set at EUR 4.3 per share. In the IPO, a total number of 18,200,000 shares were offered by the selling shareholder Penta Investments Limited (including the over-allotment), including 2,000,000 newly-issued shares. The total volume of the offering equalled EUR 78.26 million based on the 18,200,000 shares. After the exercise of the over-allotment option, 34,975,330 shares remained with Penta; the rest were sold to institutional and retail investors. About 1% of the offering was allocated to retail.

The IPO was twice oversubscribed and the issue price was set at just under the upper end of the indicated price range. 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.

As of 31 December 2012, the issued and paid-up share capital of FEG amounted to EUR 520,000 and was 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 authorised class of shares. All shares have been or will be issued under Dutch law. All shares have one vote and carry equal dividend rights.

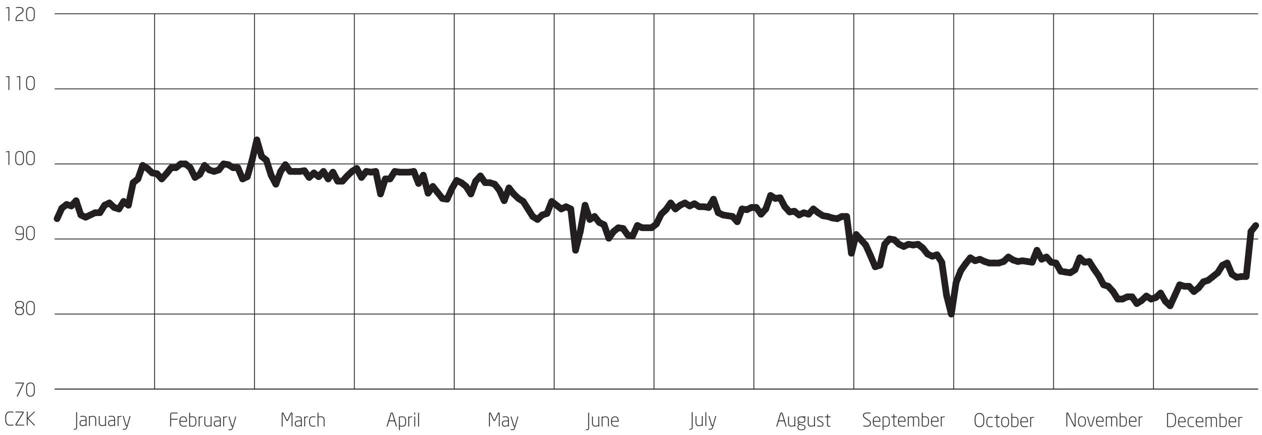
The shares are traded on the Prague Stock Exchange under ISIN NL0009604859 BAAFOREG and on the Warsaw Stock Exchange under FEG. The shares of FEG since 20 December 2010 have been part of the PX index, which covers the shares of all major issuers on the Prague Stock Exchange.

[4] 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 issued by the Company.

**Share Price Development and Trading Activity in 2012**[5]
In 2012, FEG shares were traded for a total value of CZK 799 million on the Prague Stock Exchange and for a total value of PLN 51.4 million on the Warsaw Stock Exchange. The lowest trading prices during the year were CZK 80 and PLN 13.1 and the highest were CZK 103 and PLN 17.7 on the Prague and Warsaw Stock Exchanges, respectively.

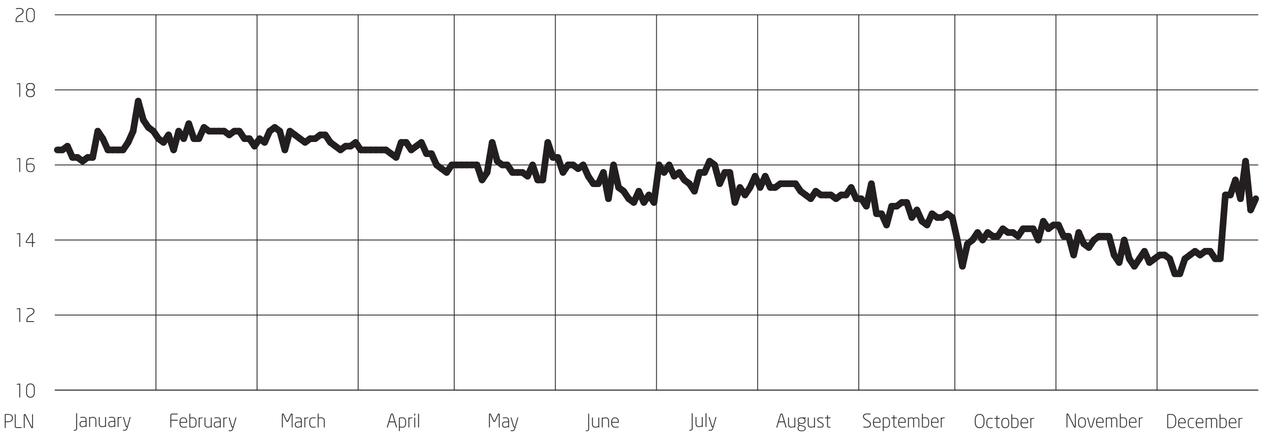
The closing prices on 31 December 2012 were CZK 85 on the Prague Stock Exchange and PLN 13.5 on the Warsaw Stock Exchange and the market capitalisation of FEG came to CZK 4.4 billion (based on the Prague Stock Exchange quote).

**1.1.2012 – 31.12.2012**
**Prague Stock Exchange Share Price Development**




Source: PSE

**1.1.2012 – 31.12.2012**
**Warsaw Stock Exchange Share Price**




Source: WSE

[5] Source: Bloomberg and PSE

**Changes in the Shareholder Structure in 2012**
During the financial year ending 31 December 2012, the Company did not receive any other notification from shareholders about an acquisition or change of a major holding in the share capital and the total voting rights attached to the shares issued by the Company.

The total stake held by the management of the Company as of 31 December 2012 was 0.015%.

**Dividend Policy**
The Annual General Meeting (AGM) of shareholders of Fortuna Entertainment Group N.V. (FEG), held on 25 May 2012 in Amsterdam, approved a Management Board proposal to effect a gross dividend of EUR 11.96 million which, based on a total number of shares of 52,000,000, equalled EUR 0.23 per share.

The dividend record date was 8 June 2012. The actual payment of the dividend occurred on 25 June 2012. The proposed dividend pay-out represented 90% of the net profit from the continuing operations (consolidated accounts) and it is in accordance with the communicated dividend policy – the dividend payout ratio is 70–100% of the net profit from the continuing operations (consolidated accounts).

The Company's long-term dividend policy is to pay out 70–100% of consolidated net profit. The exact dividend for the financial year 2012 will be proposed by the Management Board to shareholders at the AGM, which is expected to take place in May 2013.

**Fortuna's Investor Relations Commitment**
In the period since the IPO, Fortuna has focused on developing research coverage for the Company, developing relationships with analysts and setting up investor relations communications according to the best market standards. At present, the Company has 10 sell-side analysts, who publish research on the Company, and a number of other commenting analysts from both international investment banks and CEE-based financial institutions.

Fortuna is dedicated to open and proactive communication with its shareholders and has implemented a schedule of investor communications events, which is fully compliant with market standards for listed companies.

**Financial Results Calendar for 2013**

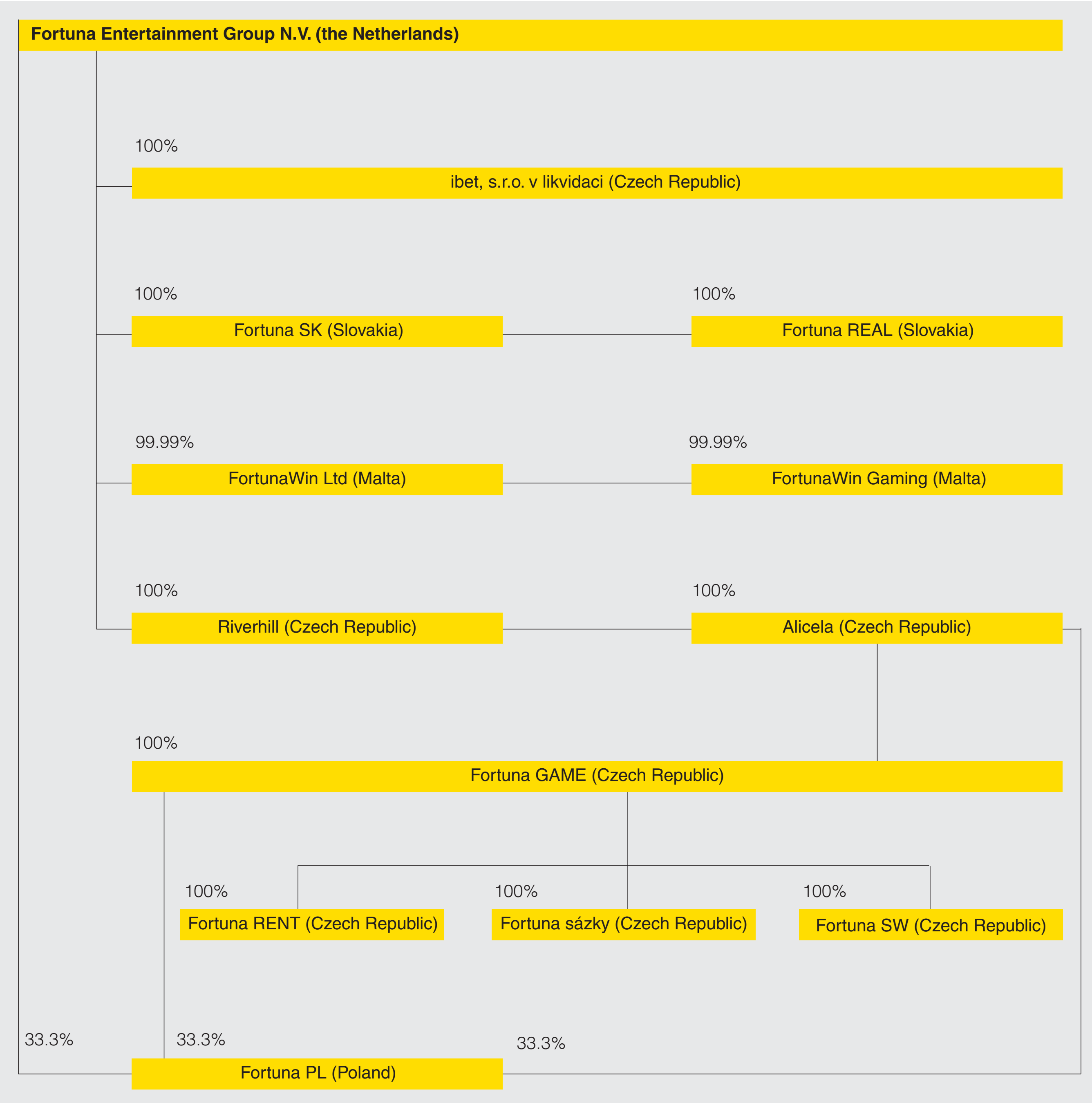
| | |
|---|---|
| 7 May 2013 | Interim Management Statement for the Period Starting 1 January 2013 |
| 29 August 2013 | Half Year Report 2013 incl. First Half 2013 Financial Results |
| 7 November 2013 | Interim Management Statement for the Period Starting 1 July 2013 |

In July 2012, during EURO 2012 football championship in Poland and Ukraine, Fortuna acquires over 9,000 new internet customers.


# 8 / Corporate Governance

## 8.1 Organisational Structure

The diagram below presents the current structure of the Group as of 31 December 2012:




Source: Company Data

Riverhill and Alicela are holding companies whose sole activity is holding interests in Czech operational companies. This structure results from Czech regulations that do not allow foreign entities or entities, the direct parent entity of which is a foreign entity, to hold interests in a Czech betting company. Similarly, a shareholder of a Polish betting company may not hold more than one-third of the share capital. Therefore, FEG, Fortuna GAME and Alicela hold shares in Fortuna PL. FORTUNA sázky a.s. is a dormant company, a 100%-owned subsidiary of Fortuna GAME.

In addition, Maltese law does not allow for the holding of the entire share capital in a limited liability company by a sole shareholder being a corporate entity. Therefore, with respect to both Maltese companies, one share is held by Jozef Janov – Chairman of the Supervisory Board of FEG.

**Changes to the Organisational Structure**
Effective 1 January 2012, Fortuna Loterie a.s., a provider of numerical and instant lottery games in the Czech Republic and FORTUNA GAME a.s., a fixed-odds betting provider in the Czech Republic, merged. FORTUNA GAME a.s. became the successor company.

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

**Information on significant subsidiaries**
FORTUNA GAME a.s. was incorporated on 3 October 1991 in Prague as a joint stock company under Czech law. In 2005, all shares in the company were acquired by ALICELA, a.s. In 2009, as a result of the transfer of part of the operations of FORTUNA sázková kancelář a.s., the company started to offer sports betting in accordance with a licence issued on 19 May 2009, valid until 2019. At the end of December 2011, assets and operations related to the sports betting business were transferred from FORTUNA sázková kancelář a.s. to FORTUNA GAME a.s. Effective 1 January 2012, Fortuna Loterie a.s. (previously carrying out its business as FORTUNA sázková kancelář a.s.) and FORTUNA GAME a.s. merged. FORTUNA GAME a.s. became the successor company. The merge was recorded in the Commercial Register on 31 December 2012 with the effective date 1 January 2012. Subsequently, 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 Loterie a.s. was incorporated under the name of FORTUNA, akciová společnost on 29 March 1990 in Prague as a joint stock company under Czech law by a group of private individuals. ALICELA, a.s. acquired shares in FORTUNA sázková kancelář a.s. (previously carrying out its business as FORTUNA, akciová společnost) in 2005. From its beginnings, the company was involved in the betting business. In 2011, FORTUNA sázková kancelář a.s. was split up and a part of its operation related to sports betting was transferred to FORTUNA GAME a.s. The rest of the company related to the numerical and instant lottery games was renamed Fortuna Loterie a.s., effective as of 4 January 2012. Fortuna Loterie a.s. ceased to exist, effective 31 December 2012, as a result of a merger with FORTUNA GAME a.s.

FORTUNA sázky a.s. was incorporated on 15 January 2009 in Prague as a joint stock company under Czech law as a 100% subsidiary of FORTUNA sázková kancelář a.s. As of 27 April 2012 it became a 100% subsidiary of FORTUNA GAME a.s. FORTUNA sázky a.s. was a dormant company until 31 December 2012. 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 SK was incorporated on 25 April 1991 in Bratislava as a joint stock company under Slovak law. It was established as Terno, a.s. by Fortuna SazKan and two private persons. In 2005, all the shares in Fortuna SK were acquired by Penta First Fund Limited. In the same year, all the shares were transferred on to Penta. In 2006, the company was renamed Fortuna SK. FEG acquired 100% of all shares in Fortuna SK in January 2010. Currently, Fortuna SK offers fixed-odd betting (both land and online) under a licence issued in 2005, valid until 2015.

Fortuna PL was founded in 1995 as a limited liability company under Polish law. In 2005, all shares were sold to Penta Investments Limited (an entity that subsequently changed its name to Penta First Fund Limited), Lunga Enterprises Limited and Massarosa Holdings Limited (the last two entities being special purpose vehicles in the Penta group). In 2006, the stake owned by Penta First Fund Limited was transferred on to Penta Investments Limited. In 2007, the name of the company was changed from Profesionał to Fortuna PL. From its beginnings, the company operated in the betting sector. The current operations are conducted in accordance with a number of betting permits issued for particular outlets in the years 2005–2009 that will expire in the years 2011–2015. In November 2009, Fortuna PL obtained permission for a virtual horse racing organization for six years. FEG acquired one-third (33.3%) of the shares in Fortuna PL in May 2010. The remaining shares were purchased by Fortuna SazKan, later Fortuna Loterie (33.3%) and Fortuna GAME (33.3%). A one-third interest in FORTUNA PL, which was originally owned by Fortuna Loterie a.s., was transferred to the company ALICELA, a.s.

FortunaWin Ltd. was founded in 2009 in Ta' Xbiex as a limited liability company under Maltese law. In 2010, it obtained three letters of intent (temporary licences), entitling it to organise betting and also to host and manage two Microgaming platforms. In June 2010, the company started its online operations. In 2011, after meeting necessary conditions, FortunaWin Ltd applied for a permanent betting and gaming licence in Malta. The licence was awarded, effective 25 May 2011, for a period of 5 years.

FortunaWin Gaming Ltd. was founded in 2009 in Ta' Xbiex as a limited liability company under Maltese law. In 2010, it obtained a letter of intent (a temporary licence), entitling it to organise betting. In June 2010, the company started its online operations. In 2011, after meeting necessary conditions, FortunaWin Gaming Ltd applied for a permanent betting and gaming licence in Malta. The licence was awarded, effective from 25 May 2011 for a period of 5 years.

ibet was founded in 2010 in Prague as a limited liability company under Czech law. The company provides support services such as a call centre in the Czech Republic. In July 2012 ibet, s.r.o. went to liquidation and its name was changed to ibet, s.r.o. v likvidaci.

Fortuna SW (formerly NAVI PRO, s.r.o.) was founded in 2004 in Prague as a limited liability company under Czech law. NAVI PRO, s.r.o. developed software, including betting software for Group Companies. In March 2010, the company was acquired by Fortuna GAME and in April 2010 it was renamed FORTUNA software s.r.o.

Fortuna RENT was founded in 2004 in Prague as a limited liability company under Czech law. At the beginning, Fortuna SazKan was the sole shareholder in the company. The main objective of the company is the management of the sites portfolio. Lease agreements with VAT charges regarding betting outlets operated by Fortuna SazKan and Fortuna GAME were transferred on to Fortuna RENT. In 2011, Fortuna GAME became the sole shareholder in Fortuna RENT.

Fortuna REAL was founded in 2006 in Bratislava as a limited liability company under Slovak law. The sole purpose of the company is the leasing of premises in Polus City Centre, a shopping and business centre in Bratislava.

## 8.2 The Management

FEG has a two-tier board structure consisting of the Management Board (raad van bestuur) and the Supervisory Board (raad van commissarissen).

**Management Board**
A member of the Management Board is appointed for a maximum period of four years and may be reappointed. The Articles of Association do not include any nomination rights in connection with the appointment of members of the Management Board. The General Meeting may suspend or dismiss Management Board members at any time. The Supervisory Board may also suspend Management Board members at any time, for a maximum period of up to three months. The suspension may be revoked at any time by a majority vote of the General Meeting.

Under the Articles of Association, all resolutions of the Management Board must be adopted with an absolute majority of the votes cast. The Supervisory Board may resolve that specific actions of the Management Board must be approved by the Supervisory Board. The actions of the Management Board that are subject to this veto right by the Supervisory Board must be clearly specified and communicated to the Management Board in writing.

As of 31 December 2012, the Management Board was composed of three members. The table below sets out the names, positions, election date, and terms of office of the current members of the Management Board:

| Name | Position | Office Term in 2012 | Expiration of the office term |
|---|---|---|---|
| Wilfred Thomas Walsh | Vice Chairman of the Management Board<br>Chairman of the Management Board | 1 January 2012 – 24 May 2012<br>25 May 2012 – 31 December 2012 | at the General Meeting held in 2014 |
| Janka Galáčová | Member of the Management Board | 1 January 2012 – 31 December 2012 | at the General Meeting held in 2014 |
| Richard van Bruchem | Member of the Management Board | 1 January 2012 – 31 December 2012 | at the General Meeting held in 2014 |

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.

Brief biographical and professional details concerning the Company's directors are set out below:

Wilfred Thomas Walsh

Wilfred Thomas Walsh became Vice Chairman of the Management Board in September 2010. He started his career in 1994 at HMV Group Limited, where he was managing director in Germany and operations director in the United Kingdom. From 2000–2007, he held managerial positions at Gala Coral Group, Bookmaker Afternoon Greyhound Services Limited (2002–2007) and Tote Direct Limited (2003–2005). Furthermore, in December 2009 he was appointed as a non-executive director at the British Horseracing Association (Racing For Change). Since April 2009, he has been a partner in Predict Performance Improvement Limited. He started to cooperate with the Group in 2009 as an external strategic advisor. After the resignation of Jiří Bunda from the positions of CEO and Chairman of the Management Board, Wilfred Walsh became the acting CEO of FEG. The General Meeting appointed Wilfred Walsh as Chairman of the Management Board of FEG as of 25 May 2012.

Wilfred Thomas Walsh has a university degree, gained at the Law Faculty of the University of Leeds in 1983. Subsequently, in 1985, he became a Chartered Fellow of the Institute of People Development at Thames Valley University.

Richard van Bruchem

Richard van Bruchem has been a member of FEG's Management Board since September 2010. He has experience in accounting and management gained through work in key positions in numerous companies from the late 1980s. Richard van Bruchem's recent track record includes work as a financial director at, inter alia, ING Management B.V., Orangefield Trust B.V. and, eventually, at Avis Financial Corporation, where he has been a member of the management committee and the managing director since 2008.

Richard van Bruchem holds bachelor degrees in Business Administration from Amsterdam's Hogeschool Markus Verbeek and Business Economics from Breda's Hogeschool Brabant and a master's degree in Accounting and Controlling from Nyenrode Business University in Breukelen. He has also obtained an Executive Programme in Strategic Management certificate from RSM Erasmus University of Rotterdam.

Janka Galáčová

Janka Galáčová was appointed to FEG's Management Board in September 2010. She has worked as an accountant for consulting companies, including the Dutch branches of Deloitte and Touche, Ernst & Young and Finsens. Between 2006 and 2010, Ms Galáčová was Senior Business Consultant at Atos Consulting in Utrecht. In February 2010 she founded her own company, ChanceOn Interim, based in Zwaag.

The following table sets out past and current directorships held by FEG's Management Board in the past five years:

| Wilfred Thomas Walsh | |
|---|---|
| Current directorships: | Predict Performance Improvement Limited – director (from 2009) |
| | Racecourse Enterprises Ltd – non-executive director (from 2010) |
| | Gala Coral Group – non-executive director of the board of directors (from 2010) |

| Richard van Bruchem | |
|---|---|
| Former directorships: | General Continental Properties B.V. – member of the management board (2007–2008) |
| | General Continental Netherlands B.V. – member of the management board (2007–2008) |
| | Canandaigua B.V. – member of the management board (2007–2008) |
| | PR Ventures B.V. – member of the management board (2007–2008) |
| | General Continental Netherlands II B.V. – member of the management board (2007–2008) |
| | Daiwa Securities SMBC Asia Holding B.V. – member of the management board (2007–2008) |
| | Protoned B.V. – member of the management board (2007–2008) |
| | Uralita Holding B.V. – member of the management board (2007–2008) |
| | Coöperatieve Peacefield UA – member of the management board (2007–2008) |
| | Peacefield Holdings N.V. – member of the management board (2007–2008) |
| | Afrosi Holdings B.V. – member of the management board (2007–2008) |
| | MBB Project 34 B.V. – member of the management board (2010–2011) |
| | Servadou Holding B.V. – member of the management board (2010–2011) |
| | R2a Holding B.V. – member of the management board (2010–2011) |
| | Trust Company Amsterdam B.V. – member of the management board (2010–2011) |
| | BPO Solutions B.V. – member of the management board (2008–2011) |
| | Panorama Equity Investments B.V. (formerly Avis Corporate Services B.V.) – member of the management board (2009–2011) |
| | R2 Holding B.V. – member of the management board (2008–2012) |
| | Avis Holding B.V. – member of the management board (2009–2012) |
| | Avis Trust Group B.V. – member of the management board (2009–2012) |
| Current directorships: | The Bookkeeper B.V. – member of the management board (from 2008) |
| | Stichting Kunstbezit's-Graveland – member of the management board (from 2008) |
| | Avis Accounting B.V. – member of the management board (from 2009) |

| Janka Galáčová |
|---|
| No other directorships. |

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 and as stipulated in this act also effect Fortuna Entertainment Group N.V. One of the rules introduced into limited liability company law pertains to the "balanced distribution" of men and women on management boards and supervisory boards. Fortuna, as the 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. At the balance sheet as of 31 December 2012 and after the balance sheet date, 1/3 (i.e. more than 30%) of seats of the Management Board of Fortuna Entertainment Group N.V. were held by a female (Janka Galačová) and 2/3 of the seats were held by male.

**Supervisory Board**
A member of the Supervisory Board is appointed for a maximum period of four years. After holding office for four years, supervisory board directors are eligible for re-election only twice for a full period of four years. The Articles of Association do not include any nomination rights in connection with the appointment of members of the Supervisory Board. The General Meeting may suspend or dismiss Supervisory Board members at any time.

The Supervisory Board must have at least three members. The exact number of members of the Supervisory Board is determined by the General Meeting. The Supervisory Board will appoint a Chairperson, and may appoint a Vice Chairperson, from amongst its members. The General Meeting may at any time suspend or dismiss Supervisory Board members. The Articles of Association provide that the terms of office of the Supervisory Board members will expire periodically in accordance with a rotation plan drawn up by the Supervisory Board. Under the Articles of Association, the Supervisory Board can only adopt resolutions with an absolute majority of the entire number of members of the Supervisory Board. Each member of the Supervisory Board is entitled to one vote.

As of 31 December 2012, the Supervisory Board was composed of four members. The table below sets out the names, positions, election date, and terms of office of the current members of the Supervisory Board:

| Name | Position | Office Term in 2012 | Expiration of the office term |
|---|---|---|---|
| Jozef Janov | Chairman of the Supervisory Board | 1 January 2012 – 31 December 2012 | at the General Meeting held in 2014 |
| Václav Brož | Member of the Supervisory Board | 1 January 2012 – 31 December 2012 | at the General Meeting held in 2014 |
| Michal Horáček | Member of the Supervisory Board | 1 January 2012 – 31 December 2012 | at the General Meeting held in 2014 |
| Marek Rendek | Member of the Supervisory Board | 1 January 2012 – 31 December 2012 | at the General Meeting held in 2015 |

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.

Jozef Janov

Jozef Janov (34) has been the chairman of the Supervisory Board since September 2010. He has been working for Penta group since 2003, starting as investment manager and then becoming investment director. Currently, as a managing partner in Poland, he coordinates Penta's investments in this market. In 2003, Jozef Janov graduated from the University of Economics in Bratislava and Martin-Luther University Halle-Wittenberg, majoring in international finance and banking. Jozef Janov is a Slovak national.

Václav Brož

Václav Brož (38) has been a member of the Supervisory Board since September 2010. In 2001, he commenced his professional activity at the Czech Securities Commission, where he worked until 2004. He has been with Penta group since 2004, previously as an investment analyst and later becoming an investment manager. Václav Brož has a university degree gained at the University of Economics, Prague, in 1999. Václav Brož is a Czech national.

Michal Horáček

Michal Horáček (60) has been a member of the Supervisory Board since September 2010. He started to cooperate with the Group as chairman of the FORTUNA sázková kancelář a.s. management board. He held this position from 1990 to 2004. Subsequently, he held various lecturing positions at Charles University in Prague and Masaryk University in Brno and regularly contributed to business daily newspaper Hospodářské noviny. He is an owner of KUDYKAM, s.r.o. and a member of the supervisory board of Knihovna Václava Havla, o.p.s. (Václav Havel Library). Michal Horáček holds a Ph.D. degree in social anthropology from the Faculty of Humanities, Charles University, Prague and he also graduated in American Studies at Macalester College, St Paul, Minnesota, USA. Michal Horáček is a Czech national.

Marek Rendek

Marek Rendek (35) has been a member of the Supervisory Board since May 2011. He has worked for Penta group since 2002, starting as a financial manager assistant, and becoming a senior treasurer. Currently, as Managing Director, Penta Investments Limited, Dutch Branch in Amsterdam, he is responsible for the day to day management of the branch and Penta holding companies allocated to the Netherlands. Marek Rendek graduated from the Technical University in Košice in 2001, majoring in banking, finance and investments. Marek Rendek is a Slovak national.

The following table sets out the past and current directorships held by FEG's Supervisory Board in the past five years:

| Jozef Janov | |
|---|---|
| Former directorships: | Žabka Polska S.A. – chairman of the supervisory board (2007–2011) |
| | Tesco Franchise Stores ČR a.s (formerly Žabka, a.s.) – chairman of the management board (2007–2010) |
| | Tesco Franchise Stores ČR a.s (formerly Žabka, a.s.) – chairman of the supervisory board (2010–2011) |
| | Iglotex S.A. – member of the supervisory board (2009–2012) |
| | Okna Rąbień S.A. – chairman of the supervisory board (2009–2011) |
| | Letiště Vodochody a.s. – chairman of the supervisory board (2007–2008) |
| | Oakfield a.s. – member of the management board (2005–2010) |
| | Mediclinic a.s. – chairman of the supervisory board (2007–2008) |
| Current directorships: | Penta Investments Polska Sp.z.o. – director (from 2007) |
| | Noves okná, a.s. – chairman of the supervisory board (from 2009) |
| | Keladone a.s. – chairman of the supervisory board (from 2010) |
| | Empik Media & Fashion – vice-chairman of the supervisory board (from 2011) |

| Václav Brož | |
|---|---|
| Former directorships: | HELATIA a.s. – member of the management board (2005–2009) |
| | MEDIRECO a.s. – member of the management board (2006–2008) |
| | Davonet Ltd – member of the management board (2007–2008) |
| | TES VSETÍN, s.r.o. – executive director (2008–2009) |
| | MobilKom, a.s. – member of the supervisory board (2006–2008) |
| | Steelco a.s. – member of the supervisory board (2005–2009) |
| | KELADONE a.s. – member of the supervisory board (2009–2010) |
| | ALICELA, a.s. – member of the management board (2005–2010) |
| | RIVERHILL a.s. – member of the supervisory board (2009–2010) |
| | MEZSERVIS spol s.r.o. – member of the supervisory board (2010) |
| | MEZSERVIS a.s. – member of the management board (2009–2011) |
| | TES Vsetín, a.s. – member of the management board (2008–2011) |
| | MobilKom, a.s. – member of the management board (2008–2011) |
| | Inovatel sp.z o.o. – member of the management board (2006–2011) |
| | Fortuna Loterie a.s. – member of the supervisory board (2011–2012) |
| Current directorships: | FORTUNA GAME a.s. – member of the supervisory board (from 2011) |
| | SCHNEIDER – GROUP, a.s. – member of the supervisory board (from 2012) |
| | P.S.TRANS a.s. – member of the supervisory board (from 2012) |

| Michal Horáček | |
|---|---|
| Current directorships: | SIAM PRAHA spol. s.r.o. – executive (from 1999) |
| | Knihovna Václava Havla, o.p.s. – member of the supervisory board (from 2006) |
| | KUDYKAM, s.r.o. – executive (from 2008) |

| Marek Rendek | |
|---|---|
| Current directorships: | SALORI HOLDING B.V. – director (from 2009) |
| | SANDWEDGE B.V. – director (from 2009) |
| | WEDGESAND B.V. – director (from 2009) |
| | DENDA BEHEER B.V. – director (from 2009) |
| | Dr.MAX HOLDING B.V. – director (from 2009) |
| | Equinox Investments B.V. – director (from 2009) |
| | PENTA INVESTMENTS LIMITED, DUTCH BRANCH – managing director (from 2009) |
| | VYSEHRAD HOLDING B.V. – director (from 2010) |
| | HODONIN B.V. – director (from 2011) |
| | PENTA INVESTMENTS B.V. – director (from 2011) |
| | KAUFSTEIN B.V. – director (from 2011) |
| | CARE UP B.V. – director (from 2011) |
| | Dr.MAX PHARMA LIMITED – director (from 2011) |
| | SALSTRONA HOLDINGS LIMITED – director (from 2012) |

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 and stipulated in this act also effect Fortuna Entertainment Group N.V. One of the rules introduced into limited liability company law pertains to the “balanced distribution” of men and women on management boards and supervisory boards. Fortuna, as the Dutch public limited liability company (NV) must ensure that at least 30% seats of its supervisory board is occupied by women and and at least 30% by men to the extent that those seats are occupied by natural persons. At the balance sheet as of 31 December 2012 and after the balance date, 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.

Václav Brož, Marek Rendek and Jozef Janov are associated with Penta Investments Limited and AIFELMONA HOLDINGS LIMITED. Jozef Janov, Václav Brož and Marek Rendek hold management posts within the organisational structure of Penta Investments Limited, have access to inside information related to Penta Investments Limited and are authorised to make decisions concerning the development of Penta Investments Limited. Jozef Janov is Chairman of the Supervisory Board of Fortuna Entertainment Group N.V., Václav Brož and Marek Rendek are members of the Supervisory Board of Fortuna Entertainment Group N.V. Jozef Janov, Václav Brož and Marek Rendek receive benefits from the operations of AIFELMONA HOLDINGS LIMITED or their interests are equivalent to the interests of AIFELMONA HOLDINGS LIMITED.

Therefore, due to the fact that the interests of the Group are not always in line with the interests of Penta, a conflict of interest may occur from time to time. Other members of the Management Board and the Supervisory Board have no conflicts of interests with respect to their duties to FEG and their private interests and/or other duties.

As of the date of this Annual Report, except as stated above, none of the members of the Management Board or Supervisory Board has in the previous five years (i) been convicted of any offences relating to fraud, (ii) held an executive function at any company at a time of or immediately preceding any bankruptcy, receivership or liquidation (iii) been subject to any official public penalties by any statutory or regulatory authority (including any designated professional body) or (iv) been the subject of any public prosecution or been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or performance of the affairs of any company.

All members of the Management Board and the Supervisory Board provide their services pursuant to letters of appointment/service agreements. These contracts are established for an initial period of 4 years but may be terminated earlier in accordance with provisions included therein and relevant regulations. The members of the Management Board have further agreed not to accept any appointment which might involve a conflict of interest without prior written consent of the Supervisory Board. For the term of their appointments, members of the Management Board have also agreed to refrain from undertaking, holding or accepting any appointments, sidelines or additional posts at other listed companies which are competitors to the FEG or the Group Companies without prior written consent of the Supervisory Board. The members of the Supervisory Board have further agreed not to accept any appointment which might involve a conflict of interest without prior written consent of the Supervisory Board and to refrain from undertaking or holding any sidelines or additional posts at other listed companies without prior written consent of FEG. They have also undertaken not to disclose any confidential information received in connection with, or related to, FEG or Group Companies, their business and affairs.

**Committees**

As of the date of this Annual Report, the Supervisory Board has established from among its members the Audit Committee. The role and responsibilities of the Audit Committee, as well as its composition and the manner in which it operates and discharges its duties, are set out in regulations for the Audit Committee, as drawn up by the Supervisory Board. The members of the Audit Committee are currently Michal Horáček and Jozef Janov. Jozef Janov, Chairman of the Supervisory Board, currently acts as Chairman of the Audit Committee. The Company believes that it is in the best interest of the Company and the Group to maintain Jozef Janov as Chairman of the Audit Committee due to his extensive financial knowledge of the Group. The Company believes that Jozef Janov meets the description of a financial expert as referred to in the Dutch Corporate Governance Code and the Dutch Act on the Supervision of Audit Organisations.

The Audit Committee meets as often as one or more members of the Audit Committee deems necessary, but in any event meets at least once a year with FEG's external auditor, without the Management Board being present.

The governance structure of FEG is currently being developed and the Company does not exclude the establishment of additional committees.

**General Meeting**

FEG, as a Dutch company, must hold at least one Annual General Meeting of shareholders, to be held in the Netherlands not later than 6 months after the end of the financial year. The Annual General Meeting is, among other things, entitled to discuss the annual report of the Management Board with respect to the general state of affairs of FEG, approve the financial statements for the previous financial year, vote whether to grant a discharge to members of FEG's corporate bodies, and/or appoint members to fill any vacancies on any of the corporate bodies. Notices of shareholders meetings must be published on Fortuna's website and also in accordance with applicable regulations in the Czech Republic and in Poland – at least forty two (42) days before the day of the meeting. The Management Board, acting with the approval of the Supervisory Board, determines the items on the agenda for the General Meeting. In addition, any shareholders holding more than 1% of issued and outstanding shares or who hold shares having a value of EUR 50 million or more may submit proposals for inclusion on the agenda of any General Meeting. The proposal must be included on the agenda provided that FEG receives such proposals no later than 60 days before the General Meeting.

An Extraordinary General Meeting may be convened, whenever FEG's interests so require, by the Management or Supervisory Board. A single shareholder or those representing in aggregate at least 10% of issued and outstanding share capital may also call an Extraordinary General Meeting with an agenda to be determined by the shareholders calling the meeting. Under Dutch law, valid shareholders' resolutions may be taken in a meeting outside the Netherlands, provided that the entire issued share capital is represented at such a meeting.

Shareholders may participate in the General Meeting and exercise their voting rights personally or by proxy. Each share in the capital of FEG confers the right to cast one vote, subject to the relevant provisions of the Articles of Association, subject to and with due observance of the relevant provisions of the Articles of Association regarding the acquisition of own shares. Every holder of shares and every other party entitled to attend the General Meeting who derives his rights from such shares, is entitled to attend the General Meeting in person, or to be represented by a person holding a written proxy, to address the General Meeting and, in as far as he has voting rights, to vote at the meeting, if he has lodged documentary evidence of his voting rights. For this purpose, Dutch law prescribes a mandatory record date to establish which shareholders are entitled to attend and vote at the General Meeting. Such a record date is fixed at the 28th day before the said General Meeting. The convocation to the General Meeting shall state the record date, the place where the General Meeting shall be held and the manner in which registration shall take place.

Unless provided otherwise in the Articles of Association or the law, all resolutions are adopted with an absolute majority of votes. FEG must record the voting results for each resolution adopted at the General Meeting. These results must be posted on Fortuna's website no later than on the 15th day following the day of the General Meeting and should be available on the website for at least one year. Detailed information regarding participation and voting at General Meetings will be included in the notice of the General Meeting published in accordance with relevant regulations in the Netherlands, Poland and the Czech Republic.

**Annual General Meeting of 25 May 2012**

The General Meeting of shareholders of Fortuna Entertainment Group N.V. was held on 25 May 2012 in Amsterdam. It was attended by shareholders who together hold 67.91% of the share capital and voting rights and therefore the General Meeting 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 General Meeting of Fortuna Entertainment Group N.V. adopted the annual accounts for the financial year 2011 as drawn up by the Management Board and as approved by the Supervisory Board. The annual accounts for the 2011 financial year 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 Accountants LLP, the Company's external auditor.

The General Meeting approved to effect gross dividend payments of EUR 0.23 in cash per share with a nominal value of one eurocent (EUR 0.01) for the financial year 2011. The dividend record date was set at 8 June 2012. The actual payment of the dividend was set to occur on 25 June 2012. The dividend proposal was in accordance with the communicated dividend policy – the dividend pay-out ratio is 70–100% of the net profit from the continuing operations (consolidated accounts). The dividend pay-out for 2011 represented approximately 90% of the net profit from the continuing operations (consolidated accounts).

In accordance with the advice of the Audit Committee, the Annual General Meeting appointed Ernst & Young Accountants LLP as the external auditor of the Company for the financial year 2012.

The General Meeting granted full discharge to each member of the Management Board for the performance of their management during the 2011 financial year. The General Meeting granted full discharge to each of the members of the Supervisory Board for the performance of their supervision during the 2011 financial year.

The General Meeting approved the annual remuneration (starting from the beginning of 2012) of each member of the Supervisory Board as follows:

| | |
|---|---|
| Jozef Janov | EUR 1,200 |
| Václav Brož | EUR 1,200 |
| Michal Horáček | EUR 20,000 |
| Marek Rendek | EUR 20,000 |

The Supervisory Directors have decided to refrain (except for Marek Rendek) from a remuneration.

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. Wilf Walsh as a new Chairman of the Management Board in accordance with the articles of association of the Company. This appointment was effective as at 25 May 2012.

It was announced to the General Meeting that Mr. Václav Brož, a member of the Supervisory Board of the Company, was a member of the Supervisory Board of MobilKom, a.s., a company incorporated under the laws of the Czech Republic, which went bankrupt. The General Meeting confirmed Mr. Václav Brož as a member of the Supervisory Board of the Company.

The General Meeting authorised the Management Board, subject to the approval of the Supervisory Board, for a period of eighteen months as of 25 May 2012, 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 25 May 2012, for purposes of stock option plans and other general corporate purposes. The aforesaid authorisation 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.

**Amendment of Articles of Association**
The General Meeting may resolve to amend the Articles of Association upon a proposal of the board of managing directors, if the proposal has been approved by the Supervisory Board. Such a resolution shall be taken by an absolute majority of votes cast. If a proposal to amend the Articles of Association is to be submitted to the General Meeting, the convening notice must state this fact. At the same time, if the proposal is for an amendment to the Articles of Association, a copy of the motion containing a verbatim text of the proposed amendment must be deposited at the Company's office for inspection by the shareholders and depositary receipt holders until the meeting is adjourned.

## 8.3 Remuneration

**Remuneration of the Management Board**
The remuneration of the members of the Management Board is determined by the Supervisory Board, in accordance with the remuneration policy adopted by the General Meeting. The members of the Management Board are not granted any pensions, retirement or similar benefits by FEG or the Group Companies.

**Remuneration of the Supervisory Board**
The remuneration of the members of the Supervisory Board is determined by the General Meeting, in accordance with the remuneration policy. The members of the Supervisory Board are not granted any pensions, retirement or similar benefits by FEG or the Group Companies.

**Remuneration of Senior Management**
The remuneration of Senior Management is paid by Group Companies. It is divided into a fixed component and a variable component (bonus). A specific business plan is determined for each region and/or for Fortuna Group (as a whole or any part thereof) before the respective financial year and includes revenues, gross profit and EBITDA or gross win. The variable part is a percentage of the total remuneration and is due when the business plan is fulfilled to the proportion of at least 80% or 90%. Bonuses are paid in cash after the confirmation of the annual results by the auditor. The members of Senior Management are not granted any pensions, retirement or similar benefits by FEG or the Group Companies.

The table below presents total remuneration for the financial year ending 31 December 2012:

| (in EUR thousand) | | Remuneration (2012) | | | | TOTAL |
|---|---|---|---|---|---|---|
| | | Fortuna Entertainment Group N.V. | | Other Group Companies | | |
| | | Pecuniary Income | Received in kind | Pecuniary Income | Received in kind | |
| Members of the Management Board | Board Remuneration | 43 | – | – | – | 43 |
| | Salaries and other similar income | – | – | – | – | – |
| | Management Bonus | – | – | – | – | – |
| | Other (compensation) | – | – | – | – | – |
| | TOTAL | 43 | – | – | – | 43 |
| Members of the Supervisory Board | Board Remuneration | 20 | – | – | – | 20 |
| | Salaries and other similar income | – | – | – | – | – |
| | Management Bonus | – | – | – | – | – |
| | TOTAL | 20 | – | – | – | 20 |
| Management of the Group Companies * | Salaries and other similar income | – | – | 570 | – | 570 |
| | Management Bonus | – | – | 370 | – | 370 |
| | Board Remuneration (incl. Supervisory board) | – | – | – | – | – |
| | TOTAL | – | – | 940 | – | 940 |
| TOTAL | | 63 | – | 940 | – | 1,003 |

* In compliance with the definition of "persons discharging managerial responsibilities within an issuer" according to Directive 2003/6/EC of the European Parliament and of the Council of 28 January 2003 on insider dealing and market manipulation (market abuse) and Commission Directive 2004/72/EC of 29 April 2004 implementing Directive 2003/6/EC.

The management of the Group Companies is allowed to use a company car for personal purposes.

**Stock Option Plan**

The General Meeting of Fortuna Entertainment Group N.V. held in Amsterdam on 25 May 2011 authorised the Management Board, subject to approval by the Supervisory Board, to purchase over a period of 18 months from 25 May 2011, the fully paid-up shares of the company's own capital on the stock exchange or elsewhere for payment within the period of 18 months, beginning 25 May, and to transfer the shares from the company's own capital that were purchased prior to or after 25 May 2011 for purposes of stock option plans and other general corporate purposes. Following authorisation by the General Meeting, the Company adopted the stock option plan (hereinafter referred to as the "Plan") based on the principles stipulated below. The Plan will be implemented and administered by the Management Board and the Remuneration Committee established by the Supervisory Board. The Plan is valid from 30 June 2011 and the granting of options to eligible employees is subject to consent by signature. Total number of options granted as of 31 December 2012 was 352,500.

**Eligibility**

Employees in the betting divisions of the main subsidiaries of Fortuna Entertainment Group N.V. (i.e. Fortuna Entertainment Group N.V., Fortuna sázková kancelář a.s., Fortuna GAME Fortuna zakłady bukmacherskie Sp. z o.o., Fortuna SK a.s. and FortunaWin Ltd., Fortuna software s.r.o), employed by the company on or before 31 December 2010 are eligible to participate in the Plan.

**Granting of Options and Exercise Price**

Participants in the Plan are granted the option (right) to acquire shares at the exercise price of CZK 115 per share. The number of options granted will be equal to the total number of employees participating in the stock option plan. Each option document contains information regarding the amount of common shares that can be acquired by the eligible employee at the exercise price; the number of shares that can be acquired depends on the employee's position. The option value may be adjusted following a definite variation in the share capital of the company, for example, following capitalisation, a capital increase, a new share or rights issue, or a consolidation or division of the company.

**Exercising of Options**
Options granted in 2011 vested as of 1 March 2012 provided that the option holder remains an employee of the company and is not serving a notice period. Option holders who cease to be employed prior to 1 March 2012 due to reasons other than resignation or redundancy may exercise their option based on predetermined conditions. Options granted in 2011 could have been exercised at any time for a period of one year, i.e. until 28 February 2013.

At the exercise date, the option holder is entitled to remuneration from the company which is calculated as the difference between the closing prices of shares on the Prague Stock Exchange or on the Warsaw Stock Exchange at the exercise date, and the exercise price. The option holder may decide to acquire physical shares. In such a case, the company will purchase shares on behalf of the option holder and transfer them to the respective holder.

**Change in Control**
In the event of a change in control, all options will be vested and must be exercised until the date of the ownership change of the majority shareholding. In this case, employees are only entitled to financial remuneration; they may not request a share transfer.

Except for the information above there were no other transactions between the Group and its Directors, members of the Supervisory Board and insiders.

**Information on Shares Held by the Management**
As of 31 December 2012, Directors and Members of the Management Board did not hold any shares or stock options issued by the Company.

As of 31 December 2012, the following Directors and Members of the Supervisory Board held shares or stock options issued by the Company:

| Name | Position | Type of Security | Type of Transaction | No. of Securities | % of the total capital |
|---|---|---|---|---|---|
| Marek Rendek | Member of the Supervisory Board of Fortuna Entertainment Group N.V. | Common Shares | Acquisition | 5,253 | 0.01% |

As of 31 December 2012, persons discharging managerial responsibilities within an issuer held 2,755 shares in FEG representing 0.005% of the aggregate voting rights and 49,000 stock options issued under the Stock Option Plan described earlier in this document.

Apart from the information provided above, no other member of the Management Board or the Supervisory Board or the Senior Management owns any shares or stock options in FEG.

During January and February 2013, Michal Vepřek, CFO of Fortuna Entertainment Group N.V., acquired 4,000 shares issued by the Company through transactions at the Prague Stock Exchange.

**Indemnity agreements**
Antonín Laš entered into an Indemnification Agreement, dated 1 February 2010, with FEG, pursuant to which FEG will be obliged to indemnify Antonín Laš for his actions or failure to act in connection with his work for FortunaWin under the conditions described in the Indemnification Agreement.

**Non-compete compensation and employment termination compensation**
After the termination of his employment relationship with Fortuna GAME, Michal Hanák is obligated to maintain his non-compete duty for 12 months following the termination of his employment relationship. He is entitled to non-compete compensation in an amount equal to 100% of his monthly average salary for each month of non-compete compliance. Michal Hanák is entitled to an extraordinary bonus payable to him by Fortuna GAME if Fortuna GAME is sold to a third party during his employment or in the period of 3 months following the termination of his employment with Fortuna GAME, i.e. if: (i) a person outside of Penta Group becomes a controlling entity of Fortuna GAME; or (ii) a person outside of Penta Group acquires a majority of Fortuna GAME's assets; or (iii) a person outside of Penta Group becomes a controlling entity of a person owning a majority of Fortuna GAME's assets. Michal Hanák is entitled to a severance payment payable to him by Fortuna GAME if his employment relationship with Fortuna GAME terminates prior to 31 July 2013 for reasons other than misconduct or breach of obligations by Michal Hanák or a termination by Michal Hanák. The severance payment is calculated as a multiple of the monthly wage of Michal Hanák and the number of full calendar months in the period between the date of the termination of his employment relationship with Fortuna GAME and 31 July 2013. Michal Hanák's employment terminated as of 31 December 2012.

After the termination of his employment relationship with Fortuna GAME, Martin Todt is obligated to maintain his non-compete duty for 12 months following the termination of his employment relationship. He is entitled to non-compete compensation in an amount equal to 100% of his monthly average salary for each month of non-competition compliance. Martin Todt is entitled to an extraordinary bonus payable to him by Fortuna GAME if Fortuna GAME is sold to a third party during his employment or in the period of 3 months following the termination of his employment (for reasons other than: a) misconduct or breach of obligations by Martin Todt or b) a termination by Martin Todt) with Fortuna GAME, i.e. if: (i) a person outside of Penta Group becomes a controlling entity of Fortuna GAME; or (ii) a person outside of Penta Group acquires a majority of Fortuna GAME's assets; or (iii) a person outside of Penta Group becomes a controlling entity of a person owning a majority of Fortuna GAME's assets. Martin Todt is entitled to a severance payment payable to him by Fortuna GAME if his employment relationship with Fortuna GAME terminates prior to 31 July 2013 for reasons other than: a) misconduct or breach of obligations by Martin Todt or b) a termination by Martin Todt. The severance payment is calculated as a multiple of the monthly wage of Martin Todt and the number of full calendar months in the period between the date of the termination of his employment relationship with Fortuna GAME and 31 July 2013.

Apart from the above referenced cases, the service contracts, employment agreements or other similar agreements entered into between FEG or the Group Companies and the members of the Management Board, the Supervisory Board, as well as Senior Management, do not provide for benefits in the case of dismissal or the termination of such persons' service, employment contract or other similar agreement.

## 8.4 Corporate Governance Code

**Corporate Governance Standards**
Fortuna is required to state in its Annual Report whether it complies or will comply with the principles and best practice provisions of the Dutch Corporate Governance Code (dated 1 January 2009) and, if it does not comply, to explain the reasons for non-compliance.

FEG has implemented its internal corporate governance rules in order to comply to the extent possible with the Dutch Corporate Governance Code. More specific information regarding the Dutch Corporate Governance Code can be found at: www.commissiecorporategovernance.nl/Corporate_Governance_Code.

The Company acknowledges the importance of good corporate governance and intends to comply with Czech, Polish and Dutch corporate governance codes as widely as this is practicable. Over the year 2012, the Company did not comply with a limited number of best practice provisions described below:

a) Dutch Corporate Governance Code:
Best Practice Provision III.2.1 according to which all supervisory board members, with the exception of not more than one person, shall be independent. Currently, there is only one independent member on the Supervisory Board. However, the Company does not exclude that the number of independent members will increase further to a new shareholder decision. It is rather unlikely that this rule will be complied with as long as Penta Investments Limited is entitled to a majority of votes.

Principle II.3 and III.6 relating to conflicts of interest of the Management Board and the Supervisory Board members. The Company acknowledges that members of the Supervisory Board related to Penta Investments Limited may be conflicted from time to time. To the extent possible, the Company shall apply these principles regarding conflict of interest as set forth in the Code, unless the participation of conflicted Supervisory Board members is deemed crucial for the decision-making process of the Company. If such a situation occurs, the Company shall provide for proper disclosures as set forth in best practice provisions II.3.4 or II.6.3.

Principle III.5 according to which, if the Supervisory Board consists of more than four members, it shall appoint from its members an audit committee, a remuneration committee and a selection and appointment committee. The Company decided to establish only an audit committee. In the future, new shareholders may decide to establish additional committees.

Best Practice Provision III.5.6 The audit committee may not be chaired by the chairman of the supervisory board or by a former member of the management board of the company. Jozef Janov, Chairman of the Supervisory Board, currently acts as Chairman of the audit committee; the Company believes, however, that it is in the best interest of the Company and the Group to maintain Jozef Janov as Chairman of the audit committee due to his extensive financial knowledge of the Group.

Best Practice Provision III.5.7 according to which at least one member of the audit Committee shall be a financial expert within the meaning of best practice provision III.3.2. Jozef Janov meets the description of a financial expert as referred to in the Dutch Corporate Governance Code and the Dutch Act on the Supervision of Audit Organisations.

b) Prague Stock Exchange Corporate Governance Code:
Chapter IV comment 15 according to which at least the majority of members of the audit committee should be independent. The current composition of the audit committee is not in compliance with this rule, since there is only one independent member of the Supervisory Board who is a member of the audit committee. However, the composition of the audit committee may change and an independent member appointed by new shareholders will be asked to become the chairman of the committee.

Chapter VI comment 18 according to which the Company should establish three separate committees responsible for the independent audit, the remuneration and nomination of directors and key executives and the majority of members of these committees should be independent persons. The Company decided to establish only the audit committee. In the future, new shareholders may decide to establish additional committees.

Annex 3 according to which the Supervisory Board should contain a proportion of suitable independent members with a minimum of three or twenty five per cent of the total for larger companies and two or one-quarter of the total for smaller companies. Currently, there is only one independent member on the Supervisory Board. However, the Company does not exclude that the number of independent members will increase further following a new shareholder decision in the future.

c) Warsaw Stock Exchange Corporate Governance Code:
Rule I.9, according to which a balanced proportion of women and men should be ensured in management and supervisory functions in a company. Currently, there is only one woman within the governing bodies of the Company, Janka Galáčová, a member of the Management Board. However, the majority shareholder entirely supports this rule and does not exclude the possibility that such a recommendation will be implemented in the future.

Rule I.12, according to which a company should enable its shareholders to participate in a General Meeting using electronic communication means through: 1) a real-life broadcast of General Meetings; 2) real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting; 3) exercise their right to vote during a General Meeting either in person or through a plenipotentiary. The Company has not enabled a participation in its General Meeting as stipulated under 1) and 2). However, this is a recommendation only and should not be applied before 1 January 2013. The Company does not exclude that in the future an electronic General Meeting will be established.

Rule II.6, according to which at least two members of the Supervisory Board shall be independent. Currently, there is only one independent member on the Supervisory Board. However, the Company does not exclude that in the future the number of independent members will increase further following a new shareholder decision.

**Corporate Governance Standards Poland**
Pursuant to the Warsaw Stock Exchange By-laws, and in connection with the listing of the Company's shares on the Warsaw Stock Exchange, the Company is required to declare which of the Polish principles of corporate governance contained in the WSE Corporate Governance Rules it intends to comply with, as well as to enumerate the principles which it does not intend to comply with and to state the reasons for the non-compliance.

The Company has decided to observe the majority of the WSE Corporate Governance Rules as stated in detail below.

**STATEMENT ON WARSAW STOCK EXCHANGE CORPORATE GOVERNANCE RULES (effective from 1 January 2012)**

| I. Recommendations for Best Practice for Listed Companies | |
|---|---|
| 1 | A company should pursue a transparent and effective information policy using both traditional methods and modern technologies and latest communication tools ensuring fast, secure and effective access to information.<br>Using such methods to the broadest extent possible, a company should in particular:<br>– maintain a company website whose scope and method of presentation should be based on the model investor relations service available at http://naszmodel.gpw.pl/;<br>– ensure adequate communication with investors and analysts, and use to this purpose also modern methods of Internet communication;<br>– enable online broadcasts of General Meetings over the Internet, record General Meetings, and publish the recordings on the company website. |
| 2 | /deleted/ |
| 3 | A company should make every effort to ensure that any cancellation of a General Meeting or change of its date should not prevent or restrict the exercise of the shareholders' right to participate in a General Meeting. |
| 4 | Where securities issued by a company are traded in different countries (or in different markets) and in different legal systems, the company should strive to ensure that corporate events related to the acquisition of rights by shareholders take place on the same dates in all the countries where such securities are traded. |
| 5 | A company should have a remuneration policy and rules of defining the policy. The remuneration policy should in particular determine the form, structure, and level of remuneration of members of supervisory and management bodies. Commission Recommendation of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC) and Commission Recommendation of 30 April 2009 complementing that Recommendation (2009/385/EC) should apply in defining the remuneration policy for members of supervisory and management bodies of the company. |
| 6 | A member of the Supervisory Board should have appropriate expertise and experience and be able to devote the time necessary to perform his or her duties. A member of the Supervisory Board should take relevant action to ensure that the Supervisory Board is informed about issues significant to the company. |
| 7 | Each member of the Supervisory Board should act in the interests of the company and form independent decisions and judgments, and in particular:<br>– refuse to accept unreasonable benefits which could have a negative impact on the independence of his or her opinions and judgments;<br>– raise explicit objections and separate opinions in any case when he or she deems that the decision of the Supervisory Board is contrary to the interest of the company. |
| 8 | No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related entities. |
| 9 | The WSE recommends to public companies and their shareholders that they ensure a balanced proportion of women and men in management and supervisory functions in companies, thus reinforcing the creativity and innovation of the companies' economic business. |
| 10 | If a company supports different forms or artistic and cultural expression, sport activities, educational or scientific activities, and considers its activity in this area to be a part of its business mission and development strategy, impacting the innovativeness and competitiveness of the enterprise, it is good practice to publish, in a mode adopted by the company, the rules of its activity in this area. |
| 11 | As part of a listed company's due care for the adequate quality of reporting practice, the company should take a position, expressed in a communication published on its website, unless the company considers other measures to be more adequate, wherever with regard to the company:<br>– published information is untrue or partly untrue from the beginning or at a later time;<br>– publicly expressed opinions are not based on material objective grounds from the beginning or as a result of later circumstances.<br>This rule concerns opinions and information expressed publicly by company representatives in the broad sense or by other persons whose statements may have an opinion-making effect, whether such information or opinions contain suggestions that are advantageous or disadvantageous to the company. |
| 12 | A company should enable its shareholders to participate in a General Meeting using electronic communication means through:<br>1) real-life broadcast of General Meetings;<br>2) real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting;<br>3) exercising their right to vote during a General Meeting either in person or through a plenipotentiary. |

II. Best Practice for Management Boards of Listed Companies

| No | Rule | YES / NO | Comment of Fortuna |
|---|---|---|---|
| 1 | A company should operate a corporate website and publish: | | |
| | 1) basic corporate regulations, in particular the statutes and internal regulations of its governing bodies; | YES | |
| | 2) professional CVs of the members of its governing bodies; | YES | |
| | 2a) on an annual basis, in the fourth quarter – information about the participation of women and men respectively in the Management Board and in the Supervisory Board of the company in the last two years; | NO | Partially complying with the rule. The Company publishes such information on annual basis, typically as a part of the annual report. |
| | 3) current and periodic reports; | YES | |
| | 4) /deleted/ | | |
| | 5) where members of the company's governing body are elected by the General Meeting – the basis for proposed candidates for the company's Management Board and Supervisory Board available to the company, together with the professional CVs of the candidates within a timeframe enabling a review of the documents and an informed decision on a resolution; | YES | |
| | 6) annual reports on the activity of the Supervisory Board taking account of the work of its committees together with the evaluation of the work of the Supervisory Board and of the internal control system and the significant risk management system submitted by the Supervisory Board; | YES | |
| | 7) shareholders' questions on issues on the agenda submitted before and during a General Meeting together with answers to those questions; | YES | |
| | 8) information about the reasons for cancellation of a General Meeting, change of its date or agenda together with grounds; | YES | |
| | 9) information about breaks in a General Meeting and the grounds for those breaks; | YES | |
| | 10) information on corporate events such as payment of the dividend, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles of such operations. Such information should be published within a timeframe enabling investors to make investment decisions; | YES | |
| | 11) information known to the Management Board based on a statement by a member of the Supervisory Board on any relationship of a member of the Supervisory Board with a shareholder who holds shares representing not less than 5% of all votes at the company's General Meeting; | YES | |
| | 12) where the company has introduced an employee incentive scheme based on shares or similar instruments – information about the projected cost to be incurred by the company from its introduction; | YES | |
| | 13) a statement on compliance with the corporate governance rules contained in the last published annual report, as well as the report referred to in § 29.5 of the Exchange Rules, if published; | YES | |
| | 14) information about the content of the company's internal rule for changing the company authorised to audit financial statements or information about the absence of such rule. | YES | According to the Articles of Association, the external auditor is appointed by the General Meeting of Shareholders based on the nomination of the Supervisory Board. |

| No | Rule | YES / NO | Comment of Fortuna |
|---|---|---|---|
| 2 | A company should publish its website in English, at least to the extent described in section II.1. | YES | |
| 3 | Before a company executes a significant agreement with a related entity, its Management Board shall request the approval of the transaction/agreement by the Supervisory Board. This condition does not apply to typical transactions made on market terms within the operating business by the company with a subsidiary where the company holds a majority stake. | YES | |
| 4 | A member of the Management Board should provide notification of any conflicts of interest which have arisen or may arise to the Management Board and should refrain from taking part in the discussion and from voting on the adoption of a resolution on the issue which gives rise to such a conflict of interest. | YES | |
| 5 | /deleted/ | | |
| 6 | A General Meeting should be attended by members of the Management Board who can answer questions submitted at the General Meeting. | YES | |
| 7 | A company shall set the place and date of a General Meeting so as to enable the participation of the highest possible number of shareholders. | YES | |
| 8 | If a company's Management Board is informed that a General Meeting has been summoned pursuant to Article 399 § 2–4 of the Code of Commercial Partnerships and Companies, the company's Management Board shall immediately perform the actions it is required to undertake in connection with organising and conducting a General Meeting. This rule shall also apply if a General Meeting is summoned on the basis of authorisation given by the registration court pursuant to Article 400 § 3 of the Code of Commercial Partnerships and Companies. | NO | Not relevant for Fortuna Entertainment Group N.V. incorporated under the Dutch law. |

III. Best Practices of Supervisory Boards

| No | Rule | YES / NO | Comment of Fortuna |
|---|---|---|---|
| 1 | In addition to its responsibilities laid down in legal provisions the Supervisory Board should: | | |
| | 1) once a year prepare and present to the Ordinary General Meeting a brief assessment of the company's standing including an evaluation of the internal control system and the significant risk management system; | YES | |
| | 2) /deleted/ | | |
| | 3) review and present opinions on issues subject to resolutions of the General Meeting. | YES | |
| 2 | A member of the Supervisory Board should submit to the company's Management Board information on any relationship with a shareholder who holds shares representing not less than 5% of all votes at the General Meeting. This obligation concerns financial, family, and other relationships which may affect the position of the member of the Supervisory Board on issues decided by the Supervisory Board. | YES | |
| 3 | A General Meeting should be attended by members of the Supervisory Board who can answer questions submitted at the General Meeting. | YES | |
| 4 | A member of the Supervisory Board should give notification of any conflicts of interest which have arisen or may arise to the Supervisory Board and should refrain from taking part in the discussion and from voting on the adoption of a resolution on the issue which gives rise to such a conflict of interest. | NO | The Company acknowledges that members of the Supervisory Board related to Penta Investments Limited and AIFELMONA HOLDINGS LIMITED may be conflicted from time to time. To the extent possible, the Company shall apply these principles regarding conflict of interest as set forth in the Code, unless the participation of conflicted Supervisory Board members is deemed crucial for the decision-making process of the Company. If such a situation occurs, the Company shall provide for proper disclosures as set forth in best practice provisions II.3.4 or II.6.3. |
| 5 | A member of the Supervisory Board should not resign from his function if this action could have a negative impact on the Supervisory Board's capacity to act, including the adoption of resolutions by the Supervisory Board. | YES | |
| 6 | At least two members of the Supervisory Board should meet the criteria of being independent from the company and entities with significant connections to the company. The independence criteria should be applied under Annex II to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. Irrespective of the provisions of point (b) of the said Annex, a person who is an employee of the company or an associated company cannot be deemed to meet the independence criteria described in the Annex. In addition, a relationship with a shareholder precluding the independence of a member of the Supervisory Board as understood in this rule is an actual and significant relationship with any shareholder who has the right to exercise at least 5% of all votes at the General Meeting. | NO | Currently, there is only one independent member on the Supervisory Board. However, the Company does not exclude that in the future the number of independent members will increase further due to a new shareholder decision. |
| 7 | /deleted/ | | |
| 8 | Annex I to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors should apply to the tasks and the operation of the committees of the Supervisory Board. | YES | |
| 9 | Execution by the company of an agreement/transaction with a related entity which meets the conditions of section II.3 requires the approval of the Supervisory Board. | YES | |

IV. Best Practices of Shareholders

| No | Rule | YES / NO | Comment of Fortuna |
|---|---|---|---|
| 1 | Presence of representatives of the media should be allowed at General Meetings. | YES | |
| 2 | The rules of General Meetings should not restrict the participation of shareholders in General Meetings and the exercising of their rights. Amendments of the rules should take effect at the earliest as of the next General Meeting. | YES | |
| 3 | /deleted/ | | |
| 4 | A resolution of the General Meeting concerning an issue of shares with subscription rights should specify the issue price or the mechanism of setting it or obligate the competent body to set it before the date of subscription rights within a timeframe enabling an investment decision. | YES | |
| 5 | Resolutions of the General Meeting should allow for a sufficient period of time between decisions causing specific corporate events and the date of setting the rights of shareholders pursuant to such events. | YES | |
| 6 | The date of setting the right to a dividend and the date of the dividend payment should be set so to ensure the shortest possible period between them, in each case not longer than 15 business days. A longer period between these dates requires detailed grounds. | YES | |
| 7 | A resolution of the General Meeting concerning a conditional dividend payment may only contain such conditions whose potential fulfilment must take place before the date of setting the right to a dividend. | YES | |
| 8 | /deleted/ | | |
| 9 | A resolution of the General Meeting to split the nominal value of shares should not set the new nominal value of the shares at a level which could result in a very low unit market value of the shares, which could consequently pose a threat to the correct and reliable valuation of the company listed on the Exchange. | YES | |
| 10 | A company should enable its shareholders to participate in a General Meeting using electronic communication means through: | | |
| | 1) real-life broadcast of General Meetings; | NO | This rule should be applied not later than 1 January 2013. |
| | 2) real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting; | NO | This rule should be applied not later than 1 January 2013. |
| | 3) exercise their right to vote during a General Meeting either in person or through a plenipotentiary. | NO | This rule should be applied not later than 1 January 2013. |

**Management Statement**
The Company's members of the Management Board hereby declare in accordance with Financial Supervision Act Section 2, sub c, 5.25c that, to the best of their knowledge:
1. the financial statements for the financial year 2012 included in this Annual Report give a true and fair view of the assets, liabilities, financial position, and profit and loss of the Company and its consolidated entities;
2. the Directors' Report gives a true and fair view of the company and its related entities whose financial information has been consolidated in the financial statements as of the balance sheet date 31 December 2012 and the state of affairs during the financial year 2012; and
3. the Annual Report describes the material risks that the Company faces.

## 8.5 Supervisory Board Report

The Supervisory Board has reviewed the Annual Report of Fortuna Entertainment Group N.V. ("FEG" or "the Company") for the financial year 2012, as prepared by the Management Board.

**General**
The Supervisory Board supervises and advises the Management Board in performing its management tasks and setting FEG's strategy.

The Company has a two-tier board structure with one independent, non-executive member serving on the Supervisory Board. Currently, there is only one independent member on the Supervisory Board. However, the Company does not exclude that the number of independent members will increase. It is rather unlikely that the recommendation that the majority of Supervisory Board members should be independent will be complied with as long as Penta Investments Limited or one of its subsidiaries is entitled to a majority of votes.

The Company acknowledges that members of the Supervisory Board related to Penta Investments Limited or one of its subsidiaries may be conflicted from time to time. To the extent possible, the Company shall apply the principles regarding conflict of interest as set forth in the Code, unless the participation of conflicted Supervisory Board members is deemed crucial for the decision-making process of the Company. If such a situation occurs, the Company shall provide for proper disclosures as set forth in best practice provisions II.3.4 or II.6.3.

The Supervisory Board, acting in the interests of FEG, its business and shareholders, supervises and advises the Management Board. Major management decisions, such as FEG's strategy, major investments and budget, require the approval of the Supervisory Board. The Supervisory Board also supervises the structure and management of systems, including the internal control and risk management systems, and the financial reporting process. The Supervisory Board selects and appoints new Management Board members, prepares the remuneration policy for the Management Board, and decides on the remuneration for the individual members of the Management Board. In addition, the Supervisory Board is the body that nominates new Supervisory Board candidates for appointment to the Annual General Meeting of Shareholders (AGM), and submits proposals for the remuneration of the Supervisory Board members.

The Supervisory Board closely follows the developments in the area of corporate governance and the application of the relevant corporate governance rules within the Company. In 2011, the Supervisory Board adopted an internal corporate governance rule in order to comply to the extent possible with the Dutch Corporate Governance Code. For a more detailed description on corporate governance, please refer to Corporate Governance, Chapter 8 of the Annual Report.

**Meetings and activities of the Supervisory Board**
The Supervisory Board held four meetings in 2012. Supervisory Board members attended all the meetings held in 2012. Some of the meetings of the Supervisory Board were attended by members of the Management Board. Also, the Supervisory Board audit committee regularly meets without the members of the Management Board.

During the various meetings, the Supervisory Board discussed FEG's strategy, expansion plans, financial situation, business risks, investor relations, budget and corporate targets, among other matters. In addition to the scheduled meetings and conference calls, members of the Supervisory Board interacted intensively with the Management Board, with its individual members and members of executive senior management, through one-on-one meetings, telephone calls and regular reports. Also, several informal meetings and telephone calls took place among Supervisory Board members for consultations with each other with respect to various topics.

In 2012, the Supervisory Board spent a considerable period of time discussing FEG's corporate and market strategy, particularly development of online business in Poland and lottery project in the Czech Republic.

As is common practice each year, an evaluation was performed in 2012 with respect to the functioning of the Supervisory Board, its committee, and individual members. Several suggestions resulting from that evaluation were implemented, such as more in-depth and more extensive discussions on important topics for FEG and, as a result thereof, extended Supervisory Board meetings.

**Changes in the Composition of the Supervisory Board**
Jozef Janov served as Chairman of the Supervisory Board of FEG from 1 January 2012 till 31 December 2012 and his office term will also expire at the AGM to be held in 2014. Václav Brož and Michal Horáček served as Members of the Supervisory Board of FEG from 1 January 2012 till 31 December 2012 and their office term will also expire at the AGM to be held in 2014. Marek Rendek served as a Member of the Supervisory Board of FEG from 1 January 2012 till 31 December 2012 and his office term will expire at the AGM to be held in 2015.

For further details on the activities and responsibilities of the Supervisory Board, see the Corporate Governance Chapter 8 of this Annual Report.

**Supervisory Board Committee**
While retaining overall responsibility, the Supervisory Board assigns certain of its tasks to its audit committee. Members of this committee are appointed from among the Supervisory Board members.

The Company decided to establish only an audit committee. In the future, the Supervisory Board may decide to establish additional committees.

Decisions and recommendations of the audit committee meetings are reviewed in plenary meetings of the Supervisory Board. In general, the audit committee evaluates its composition and functioning annually. The annual evaluations ensure a continuous focus on the quality of the activities of the committee, its composition and its functioning.

For a further description of the activities and responsibilities of the Supervisory Board audit committee, refer to Corporate Governance, Chapter 8 of this report.

**Audit Committee**
The current members of FEG's audit committee are Michal Horáček and Jozef Janov. Jozef Janov, Chairman of the Supervisory Board, currently acts as Chairman of the audit committee. The Company believes that it is in the best interest of the Company and FEG to maintain Jozef Janov as Chairman of the audit committee[6] due to his extensive financial knowledge of the Group. The Company believes that he meets the description of a financial expert as referred to in the Dutch Corporate Governance Code and the Dutch Act on the Supervision of Audit Organizations.

In 2012, the audit committee met once for the purpose of the discussion of the annual financial results. External auditors of the Company participated in the meeting.

The audit committee focuses strongly on the review of FEG's interim and annual results and announcements. It also continuously monitors the activities of FEG's internal controls and risk management systems, including the internal controls over financial reporting. Other activities of the audit committee were: discussion and approval of the internal and external audit plan and related external audit fees; review of i) the audit and non-audit fees paid to the Company's external auditor; ii) the audit activities of the Company's internal and external auditor; and iii) the external auditor's letter.

[6] In March 2013, Jozef Janov was replaced by Václav Brož in the audit committee.

**Remuneration of the Supervisory Board**
The General Meeting of Shareholders determines the remuneration of the members of the Supervisory Board. The AGM held in 2012 approved the annual remuneration of each member of the Supervisory Board – Jozef Janov, Václav Brož, Michal Horáček and Marek Rendek. The 2012 remuneration amounts are in accordance with the respective service agreements of the relevant members of the Supervisory Board. The Supervisory Board remuneration is not dependent on the financial results of the Company. No member of the Supervisory Board personally maintains a business relationship with the Company other than as a member of the Supervisory Board apart from the relationship with Penta Investments Limited and its subsidiaries as described above in this report.

As at 31 December 2012, Marek Rendek held 5,253 shares in the Company constituting 5,253 voting rights at the AGM. None of the other members of the Supervisory Board owned shares or options on shares of the Company.

The Company has not granted any loans to, nor has it granted any guarantees in favour of, any of the members of the Supervisory Board.

**Composition of the Management Board**
For further details and a biography of the members of the Management Board, see Chapter 8 of the Annual Report.

**Remuneration of the Management Board**

General
The Supervisory Board reviews and proposes the general compensation and benefit programmes for the Management Board, as well as the remuneration for the individual members of the Management Board.

Amount and Composition
The current compensation and benefits levels are benchmarked against relevant companies. External compensation survey data and, where necessary, external personnel and remuneration consultants are used to benchmark our remuneration levels and structures.

The Supervisory Board further evaluates the performance of members of the Management Board in view of these goals and objectives, and makes recommendations on the compensation levels of the members of the Management Board based on this evaluation.

**Outline 2012 remuneration report**
The outline of the remuneration report of the Supervisory Board for the financial year 2012 concerning the remuneration policy of the Company is as follows:

Members of the Management Board received a fixed annual fee for the performance of their duties which is not part of any incentive or performance-based remuneration.

The remuneration of the members of the Management Board and Senior Management is described in Section 8.3 of the Annual Report. The remuneration of the Management Board in the year 2012 was in accordance with the Remuneration Policy adopted by the General Meeting of Shareholders.

**Gratitude to FEG employees**
The Supervisory Board would like to thank and recognise all FEG employees who have been able to achieve so much this past challenging year, with many new projects. The Supervisory Board wishes to express its gratitude to the members of the Management Board and senior management and all FEG employees for their dedication and contributions to the results in 2012.

## 8.6 Risk Factors

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

**8.6.1 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 on fixed-odds betting was increased from 5% to 5.5%, effective 1 September 2011. In 2011, the Czech parliament approved amendments to the Czech Gambling Act No. 300/ 2011 Coll. Effective 1 January 2012, the proceeds used for the benefit of the public as described in the previous paragraph will be replaced by a unified 20% withholding tax on Gross Win and a 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 organisers 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 organise 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 organisation, 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 licence(s). 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 organised 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 organised 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 year ending 31 December 2012.

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 results 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 off-line 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 organisers 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 realise 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 horse racing 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.

### 8.6.2 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 euro. The Group also has expenses, assets and liabilities denominated in currencies other than euro 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 euro 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 its 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.

Fortuna SK, Fortuna sázková kancelář and Fortuna GAME have entered into three 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 Loan Facility Agreements between Fortuna sázková kancelář, Fortuna GAME, Fortuna SK, and Česká spořitelna, a.s.), Česká spořitelna, a.s. may foreclose on the pledged shares, as a result of which Fortuna may cease to own Fortuna sázková kancelář, Fortuna GAME, Fortuna SK, 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.

The combined trademark "Fortuna Sázková kancelář" registered in the Czech Republic with the Czech Industrial Property Office is pledged in favour of Česká spořitelna, a.s. to secure its receivables from the Loan Facility Agreements with Fortuna sázková kancelář and Fortuna GAME. If Česká spořitelna, a.s. forecloses on the aforementioned trademark further to a default event, Fortuna sázková kancelář and Fortuna GAME may cease to own such trademark and may not be able to use such trademark 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 AIFELMONA 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.

Amsterdam, 11 April 2013

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

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

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

Jozef Janov
Chairman of the Supervisory Board
of Fortuna Entertainment Group N.V.

Marek Rendek
Member of the Supervisory Board
of Fortuna Entertainment Group N.V.

Václav Brož
Member of the Supervisory Board
of Fortuna Entertainment Group N.V.

Michal Horáček
Member of the Supervisory Board
of Fortuna Entertainment Group N.V.

# 9 / Independent Auditor's Report

**To: The shareholders of Fortuna Entertainment Group N.V.**

**Report on the financial statements**

We have audited the accompanying financial statements for the year ended 31 December 2012 of Fortuna Entertainment Group N.V., Amsterdam, which comprise the consolidated and company statements of financial position as at 31 December 2012, the consolidated and company statements of income, the consolidated statement of comprehensive income, the consolidated and company statements of cash flows and changes in equity for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements 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, and for the preparation of the management board report in accordance with Part 9 of Rook 2 of the Dutch Civil Code Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the financial statements
In our opinion, the financial statements give a true and fair view of the financial position of Fortuna Entertainment Group N.V. as at 31 December 2012 and of its result and its cash flows for the year then ended 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.

**Report on other legal and regulatory requirements**
Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 11 April 2013

Ernst & Young Accountants LLP

Signed by S.D.J. Overbeek-Goeseije

## Live betting is becoming increasingly popular and accounted for 26.8% of the Group Amounts Staked in December 2012.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# Consolidated Financial Statements of Fortuna Entertainment Group N.V. as at 31 December 2012

**CONTENTS**

# Consolidated Statement of Financial Position as at 31 December 2012

| € 000 | Notes | 31 December 2012 | 31 December 2011 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill | 14 | 50,634 | 49,339 |
| Intangible assets | 15 | 8,308 | 7,789 |
| Property, plant and equipment | 16 | 5,937 | 5,976 |
| Deferred tax assets | 12 | 708 | 699 |
| Restricted cash | 19 | 7,512 | 6,913 |
| Other non-current assets | 18 | 1,757 | 933 |
| **Total non-current assets** | | **74,856** | **71,649** |
| **Current assets** | | | |
| Current receivables | 17 | 2,030 | 2,613 |
| Income tax receivable | | 268 | 112 |
| Other current assets | 18 | 2,406 | 1,948 |
| Cash and cash equivalents | 20 | 15,480 | 17,533 |
| **Total current assets** | | **20,184** | **22,206** |
| **TOTAL ASSETS** | | **95,040** | **93,855** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| Share capital | 22 | 520 | 520 |
| Share premium | 22 | 25,942 | 25,942 |
| Statutory reserve | 22 | 5,021 | 3,502 |
| Foreign currency translation reserve | 22 | 468 | (1,358) |
| Hedge reserve | | (367) | (433) |
| Retained earnings | | 17,369 | 18,529 |
| **Total Equity** | | **48,953** | **46,702** |
| **Non-current liabilities** | | | |
| Provisions | 25 | 400 | 524 |
| Long-term bank loans | 26 | 13,697 | 22,573 |
| Deferred tax liabilities | 12 | – | 5 |
| Other non-current liabilities | | 30 | – |
| **Total non-current liabilities** | | **14,127** | **23,102** |
| **Current liabilities** | | | |
| Trade and other payables | 28 | 17,140 | 15,650 |
| Income tax payable | | 838 | 183 |
| Provisions | 25 | 487 | 488 |
| Current portion of long-term bank loans | 26 | 11,947 | 5,928 |
| Derivatives | 21 | 701 | 935 |
| Other current liabilities | | 847 | 867 |
| **Total current liabilities** | | **31,960** | **24,051** |
| **EQUITY AND LIABILITIES** | | **95,040** | **93,855** |

# Consolidated Statement of Income for the Year Ended 31 December 2012

| € 000 | Notes | The year ended 31 December 2012 | The year ended 31 December 2011 |
|---|---|---|---|
| Amounts staked | 6 | 467,881 | 409,344 |
| **Revenue** | | **96,238** | **89,844** |
| Governmental taxes and levies | 6 | (10,821) | (7,156) |
| License fees | 6 | (175) | (2,229) |
| Personnel expenses | 7 | (26,777) | (26,923) |
| Depreciation and amortisation | 6 | (3,660) | (3,132) |
| Other operating income | 8 | 740 | 746 |
| Other operating expenses | 9 | (37,122) | (34,319) |
| **Operating profit** | | **18,423** | **16,831** |
| Finance income | 10 | 1,499 | 2,636 |
| Finance cost | 10 | (3,760) | (3,576) |
| **Profit before tax from continuing operations** | | **16,162** | **15,891** |
| Income tax expense | 12 | (3,843) | (2,571) |
| **Net profits for the year from continuing operations** | | **12,319** | **13,320** |
| **Net profits for the year** | | **12,319** | **13,320** |
| **Attributable to:** | | | |
| Owners of the parent | | 12,319 | 13,320 |

| € | | 2012 | 2011 |
|---|---|---|---|
| **Earnings per share** | **13** | | |
| Weighted average number of ordinary shares for basic and diluted earnings per share | | 52,000,000 | 52,000,000 |
| Basic and diluted, profits for the year attributable to ordinary equity holders of the parent | | 0.237 | 0.256 |
| Basic and diluted for continuing operations, profits for the year attributable to ordinary equity holders of the parent | | 0.237 | 0.256 |

# Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2012

| € 000 | Notes | The year ended 31 December 2012 | The year ended 31 December 2011 |
|---|---|---|---|
| **Profits for the year** | | **12,319** | **13,320** |
| Net gain (loss) on revaluation of cash flow hedges | 11 | 81 | (24) |
| Income tax | 11 | (15) | 4 |
| | | **66** | **(20)** |
| Exchange differences on translation of foreign operations | | 1,826 | (3,005) |
| **Other comprehensive income for the year, net of tax** | | **1,892** | **(3,025)** |
| **Total comprehensive income for the year, net of tax** | | **14,211** | **10,295** |
| **Attributable to:** | | | |
| Owners of the parent | | 14,211 | 10,295 |

# Consolidated Statement of Cash Flows for the Year Ended 31 December 2012

| € 000 | Notes | 31 December 2012 | 31 December 2011 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax from continuing operations | | 16,162 | 15,891 |
| **Profit before tax** | | **16,162** | **15,891** |
| Adjustments for: | | | |
| Depreciation and amortisation | 6 | 3,660 | 3,132 |
| Changes in provisions | | (125) | 751 |
| (Gain) / Loss on disposal of property, plant and equipment | 8,9 | (18) | (32) |
| Interest paid and received | | 1,529 | 1,401 |
| Change in fair value of derivatives | | (162) | 3 |
| Operating profit before working capital changes | | 21,046 | 21,146 |
| (Increase) / Decrease in other current assets | | (368) | (1,127) |
| (Increase) / Decrease in receivables | | 254 | (2,328) |
| (Decrease) / Increase in payables and other liabilities | | 535 | 4,712 |
| (Increase) / Decrease in restricted cash | | (437) | (3,417) |
| Cash generated from operating activities | | 21,030 | 18,986 |
| Corporate income tax paid | | (3,359) | (3,221) |
| **Net cash flows provided by / (used in) operating activities** | | **17,671** | **15,765** |
| **Cash flows from investing activities** | | | |
| Interest received | | 151 | 202 |
| Repayment of liabilities for purchase of subsidiary | | (29) | (117) |
| Purchase of buildings, equipment and intangible assets | | (4,095) | (4,613) |
| Proceeds from sale of buildings and equipment | | 39 | 55 |
| **Net cash flows provided by / (used in) investing activities** | | **(3,934)** | **(4,473)** |
| **Cash flows from financing activities:** | | | |
| Net proceeds from / (Repayments of) long term borrowings | | (3,350) | (1,032) |
| Net proceeds from / (Repayments of) short-term borrowings | | (54) | 1,045 |
| Dividends paid | 23 | (11,960) | (15,600) |
| Interest paid | | (1,680) | (1,603) |
| **Net cash flows provided by / (used in) financing activities** | | **(17,044)** | **(17,190)** |
| Net effect of currency translation in cash | | 1,254 | (1,904) |
| Net increase / (decrease) in cash and cash equivalents | | (2,053) | (7,802) |
| Cash and cash equivalents at the beginning of the year | | 17,533 | 25,335 |
| **Cash and cash equivalents at the end of the year** | **20** | **15,480** | **17,533** |

# Consolidated Statement of Changes in Equity for the Year Ended 31 December 2012

| € 000 | Notes | Share capital | Share premium | Statutory reserves | Retained earnings | Hedge reserve | Foreign currency translation reserve | Total |
|---|---|---|---|---|---|---|---|---|
| **1 January 2012** | | **520** | **25,942** | **3,502** | **18,529** | **(433)** | **(1,358)** | **46,702** |
| Profits for the year | | – | – | – | 12,319 | – | – | 12,319 |
| Other comprehensive income | | – | – | – | – | 66 | 1,826 | 1,892 |
| **Total comprehensive income** | | **–** | **–** | **–** | **12,319** | **66** | **1,826** | **14,211** |
| Dividend 2011 paid-out to shareholders | 23 | – | – | – | (11,960) | – | – | (11,960) |
| Allocation of profit | | – | – | 1,519 | (1,519) | – | – | – |
| **31 December 2012** | | **520** | **25,942** | **5,021** | **17,369** | **(367)** | **468** | **48,953** |

# Consolidated Statement of Changes in Equity for the Year Ended 31 December 2011

| € 000 | Notes | Share capital | Share premium | Statutory reserves | Retained earnings | Hedge reserve | Foreign currency translation reserve | Total |
|---|---|---|---|---|---|---|---|---|
| **1 January 2011** | | **520** | **25,942** | **3,004** | **21,307** | **(413)** | **1,647** | **52,007** |
| Profits for the year | | – | – | – | 13,320 | – | – | 13,320 |
| Other comprehensive income | | – | – | – | – | (20) | (3,005) | (3,025) |
| **Total comprehensive income** | | **–** | **–** | **–** | **13,320** | **(20)** | **(3,005)** | **10,295** |
| Dividend 2010 paid-out to shareholders | 23 | – | – | – | (15,600) | – | – | (15,600) |
| Allocation of profit | | – | – | 498 | (498) | – | – | – |
| **31 December 2011** | | **520** | **25,942** | **3,502** | **18,529** | **(433)** | **(1,358)** | **46,702** |

# Notes to the Consolidated Financial Statements as at 31 December 2012

## 1. CORPORATE INFORMATION

The consolidated financial statements for the year ended 31 December 2012 of Fortuna Entertainment Group N.V. ("FEGNV" or "the Parent Company"), comprise the consolidated statements of financial position as at 31 December 2012 and 31 December 2011, the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended 31 December 2012 and 31 December 2011, and a summary of significant accounting policies and other explanatory notes.

The consolidated financial statements of FEGNV for the year ended 31 December 2012 were authorized for issue in accordance with a resolution of the directors on 11 April 2013. The Annual General Meeting to approve the financial statements will take place on 28 May 2013.

The Parent Company has its registered office at Strawinskylaan 809, Amsterdam, the Netherlands. 67.26% of the shares of the Company are held by AIFELMONA HOLDINGS LIMITED having its registered office at Kyriakou Matsi, 16, EAGLE HOUSE, 10th floor, 1082, Nicosia, Cyprus. The previous shareholder of 67.26% of the shares was Penta Investments Limited ("Penta") having its registered office at Agias Fylaxeos & Polygnostou, 212, C&I Center, 2nd floor, 3082 Limassol, Cyprus. On 29 November 2011 Penta contributed its block of shares of FEGNV to its direct subsidiary AIFELMONA HOLDINGS LIMITED. 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 ("Fortuna Group") operates in the betting industry under local licenses in the 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 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 Fortuna Group started with commercial sale of scratch tickets and in July 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 31 December 2012:

| Management Board | |
|---|---|
| Chairman: | Wilfred Walsh |
| Member: | Richard van Bruchem |
| Member: | Janka Galáčová |

| Supervisory Board | |
|---|---|
| Chairman: | Jozef Janov |
| Member: | Marek Rendek |
| Member: | Václav Brož |
| Member: | Michal Horáček |

Wilfred Walsh acted as Vice Chairman of the Management Board until 24 May 2012 and effective 25 May 2012 he became Chairman of the Management Board.

Effective 1 July 2012 Radim Haluza became CEO of Fortuna Entertainment Group, however he is not a member of the Management Board.

## 2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and in accordance with Title 9 of Book 2 Dutch Civil Code. IFRS as adopted by European Union comprise standards and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

FEGNV was incorporated on 4 November 2009 with the purpose to transfer all subsidiaries of Penta 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 consolidated financial statements have been prepared on a historical cost basis unless disclosed otherwise.

The 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 consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2012.

As stated in note 2 'Basis of Preparation' FEGNV was incorporated by Penta Investments Limited, with the purpose to transfer all subsidiaries of Penta, forming the betting business, to FEGNV.

Transactions that occur between entities under common control are commonly referred to as 'common control transactions'. IFRS 3 Business Combinations (revised 2008) specifically scopes out common control transactions and is therefore not prescriptive as to what method should be used in business combinations between entities under common control. Accordingly, an entity may choose the pooling of interest or purchase method in accounting for business combinations involving entities under common control.

FEGNV selected the accounting policy under which the legal restructuring is accounted for using the pooling of interest method. The pooling of interest method consists in aggregating individual items of assets and liabilities and revenues and costs of the consolidated entities, after bringing their values to uniform measurement methods and after making appropriate eliminations. All intra-group balances and transactions are also excluded.

Entities externally acquired by the controlling shareholder during one of the periods presented form part of the consolidated financial statements as of the date they were under common control, and are accounted for using the purchase method and continue to be consolidated until the date control ceases to exist.

At the date of these consolidated financial statements, FEGNV is legal parent of legal entities operating in betting and lottery industry which are ultimately owned by Penta. The consolidated financial statements were prepared by FEGNV, as reporting entity, as at 31 December 2012 and include the following entities (together "Fortuna Group"):

Fortuna Entertainment Group N.V.
RIVERHILL a.s.
ALICELA a.s.
FORTUNA GAME a.s. (1)
FORTUNA RENT s.r.o.
FORTUNA sázky a.s. (2)
FortunaWin Ltd.
FortunaWin Gaming Ltd.
FORTUNA SK, a.s.
FORTUNA REAL, s.r.o.
FORTUNA zaklady bukmacherskie Sp. z o.o.
FORTUNA software s.r.o.
ibet, s.r.o. v likvidaci

(1) Effective January 1, 2012, Fortuna Loterie, a.s. merged with Fortuna GAME, a.s.
(2) Effective January 1, 2013, part of business of Fortuna GAME, a.s. relating to the lottery was transferred to Fortuna sázky, a.s.

On January 1, 2012, Fortuna Loterie a.s., provider of numerical and instant lottery games in the Czech Republic and FORTUNA GAME a.s., a fixed-odds betting provider in the Czech Republic, merged. FORTUNA GAME a.s. became the successor company. The merge was recorded in the Commercial register on December 31, 2012 with the effective date January 1, 2012.

In December 2012, 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 company ALICELA a.s.

All entities are 100% owned by FEGNV, either directly or indirectly, except for FortunaWin Ltd., which is 99.99% owned by FEGNV.

In these consolidated financial statements, any common control business combinations are accounted for as described above.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in preparing the consolidated financial statements for the years ended 31 December 2012 and 2011 are set out below.

### 3.1. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

### 3.2. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost and those acquired as part of a business combination are recognised separately from goodwill if the fair value can be measured reliably on initial recognition. The costs relating to internally generated intangible assets, principally software costs, are capitalised if the criteria for recognition as assets are met. Other internally generated intangible assets are not capitalised and expenditure is reflected in the statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Following initial recognition, intangible assets with finite useful lives are carried at cost less any accumulated amortisation and accumulated impairment losses. Where amortisation is charged on assets with finite lives, this expense is taken to the statement of income through the 'depreciation and amortisation' line item. Useful lives are reviewed on an annual basis.

A summary of the policies applied to Fortuna Group's intangible assets is as follows:

The straight-line amortisation method is used.

| | Useful life |
|---|---|
| Software | 3 years |

Intangible assets with indefinite useful lives (brand names) are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Annual impairment tests are performed also for the intangible assets not yet in use.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

**3.3. Property, plant and equipment**

Land is stated at cost less any impairment in value. Buildings, plant and equipment and other fixed assets are stated at cost less accumulated depreciation and any impairment in value. Assets not yet in use are carried at cost and not depreciated. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is calculated on a straight-line basis over the estimated useful life of an asset as follows:

| | Useful life |
|---|---|
| Buildings | 15 years |
| Plant and equipment | 2–6 years |
| Cars | 4–6 years |

The buildings also include leasehold improvements.

Impairment is recognized when the carrying amount of an item of property, plant, or equipment exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

**3.4. Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date.

Leases, which transfer to Fortuna Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessee does not obtain substantially all the benefits and risks of ownership of the asset are classified as operating leases. Operating lease payments, other than contingent rentals, are recognised as an expense in the statement of income on a straight-line basis over the lease term.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

**3.5. Recoverable amount of non-current assets**
The carrying values of non-current assets with finite lives are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

For goodwill, and intangible assets that have indefinite useful lives, the recoverable amount is estimated at each balance sheet date.

The recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Impairment losses are recognised in the statement of income in the depreciation and amortisation line item. Assets and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

**3.6. Cash and cash equivalents**
Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short term deposits as defined above.

**3.7. Financial assets**
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Fortuna Group determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss comprise derivative financial instruments. These are measured initially at fair value with transaction costs taken directly to the statement of income. Subsequently, the fair values are re-measured and gains or losses from changes therein are recognised in the statement of income.

Trade receivables are generally accounted for at amortised cost. Fortuna Group reviews indicators of impairment on an ongoing basis and where indicators exist, Fortuna Group makes an estimate of the assets' recoverable amounts.

**3.8. Financial liabilities**
Financial liabilities comprise interest bearing loans and borrowings and derivative financial instruments. On initial recognition, financial liabilities are measured at fair value less transaction costs where they are not categorised as financial liabilities at fair value through profit or loss. Except for derivative financial instruments, Fortuna Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are measured initially at fair value, with transaction costs taken directly to the statement of income. Subsequently, the fair values are re-measured and gains and losses from changes therein are recognised in the statement of income.

**3.9. Derecognition of financial assets and liabilities**
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when

- The rights to receive cash flows from the asset have expired
- Fortuna Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) Fortuna Group has transferred substantially all the risks and rewards of the asset, or (b) Fortuna Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When Fortuna Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of Fortuna Group's continuing involvement in the asset. In that case, Fortuna Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Fortuna Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that Fortuna Group could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of income.

**3.10. Derivative financial instruments and hedge accounting**
Fortuna Group uses derivative financial instruments such as interest rate swaps, to hedge its risks associated with interest rate.

Derivative financial instruments are recognised initially at fair value and are subsequently re-measured at fair value. The gains or losses on re-measurement are taken to the statement of income except where the derivative is designated as a cash flow hedge or a net investment hedge. Fair values of over-the-counter derivatives are obtained using valuation techniques, including discounted cash flow models and option pricing models.

Derivative financial instruments are classified as assets when their fair value is positive, or as liabilities when their fair value is negative. Derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right of offset exists and the parties intend to settle the cash flows on a net basis.

Derivative financial instruments taken out as hedges are designated and documented as hedges on the date that the relevant derivative contract was committed to, as one of the following:
– a hedge of the fair value of an asset and liability (fair value hedge);
– a hedge of the income/cost of a highly probable forecast transaction or commitment (cash flow hedge);
– or a hedge of a net investment in a foreign entity (net investment hedge).

Fortuna is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situation.

In relation to fair value hedges that meet the conditions for hedge accounting, any gain or loss from re-measuring the hedging instrument at fair value is recognised immediately in the statement of income. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the statement of income. As the hedged item is variable interest rate associated with bank loans, items recognized in the statement of income are included in finance cost as "interest on bank loans".

In relation to cash flow hedges that meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income and presented within equity in hedge reserve. The ineffective portion is recognised in the statement of income. For all other cash flow hedges, the gains or losses that are recognised in other comprehensive income are transferred to the statement of income in the same period in which the hedged cash flow affects the statement of income. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument presented in hedge reserve is kept in hedge reserve until the forecasted transaction affects profit or loss.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss is transferred from hedge reserve to the statement of income for the period. In relation to net investment hedges, the post-tax gains or losses on the translation at the spot exchange rate of the hedged instrument are recognised in other comprehensive income. The portion of the post-tax gains or losses on the hedging instrument that is determined to be an effective hedge is recognised through other comprehensive income and presented within equity in hedge reserve. The ineffective portion is recognised in the statement of income. The interest element of the fair value of the hedged item is recognised in the statement of income.

For derivative financial instruments that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the statement of income for the year.

### 3.11. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.

EIR amortisation is included in finance income in the statement of income. The losses arising from impairment are recognised in the statement of income in finance costs.

### 3.12. Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the statement of income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the statement of income.

### 3.13. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 3.14. Provisions

Provisions are recognised when Fortuna Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

### 3.15. Foreign currency translation

The presentation currency of Fortuna Group is EUR ("€"). The functional currency of FEGNV is EUR, and of its subsidiaries Czech crowns ("CZK"), Polish zlotys ("PLN") and EUR.

Transactions in foreign currencies are initially recorded in the functional currency at the foreign currency rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign currency rate of exchange ruling at the balance sheet date. All differences are taken to the statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

In the consolidated financial statements the assets and liabilities of the consolidated entities are translated into the presentation currency of Fortuna Group at the rate of exchange ruling at the balance sheet date with the statement of income items translated at the weighted average exchange rates for the period. The exchange differences arising on the transaction are taken directly to a separate component of equity recorded via other comprehensive income.

Goodwill arising on the acquisition of a foreign operation is treated as an asset of the foreign operation and translated at the closing rate.

### 3.16. Taxation

3.16.1. Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Fortuna Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

In 2011, the Czech parliament approved amendments to the Czech Gambling Act No. 300/2011 Coll. Effective January 1, 2012 all revenues and expenses connected with the betting business are subject to 19% corporate income tax (in the year 2011 all revenues and expenses connected with the betting business in the Czech Republic were not subject to corporate income tax).

3.16.2. Deferred tax
Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and corresponding tax bases used in the computation of taxable profits and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and Fortuna Group intends to settle its current tax assets and liabilities on a net basis.

3.16.3. Taxes on betting
Czech Republic
According to Czech legislation, in 2011, the Company was obliged to pay for publicly beneficial purposes 6% to 20% of the difference between amounts staked, including any manipulation fees and wins paid to the betters, administration fees, local fees and expenses of state supervision. The amount was recognised in "Governmental taxes and levies". Also, the Czech gaming industry was subject to license and other fees ("license fees"). License fees paid were timely apportioned and released to expenses ("license fee") proportionally to revenues.

Since 2012, license fees have been cancelled and a unified 20% tax rate is applied on Gross Win of the Company. The amount of tax is recognised in "Government taxes and levies". The amount recognised in "license fees" presents license fees paid in 2011 which relate to revenues realized in 2012.

Slovakia
According to Slovak regulations, the Company is obliged to pay gaming tax of 5.5% of total amounts staked (prior to 1 September 2011 the tax was 5%), of which 0.5% is paid to municipalities. Revenues are stated net of this tax.

Poland
According to Polish regulations the Company is obliged to pay gaming tax of 12% of amounts staked. The amount paid by customers is deducted by 12% and only the remaining 88% of ticket amounts is used to calculate the potential winning prize (the potential winning prize = 88% of ticket (paid) amount * betting rate). Revenues are stated net of the amount of this tax.

### 3.17. Employee benefit plan

Pension plan
In the normal course of business, the companies within Fortuna Group pay statutory social insurance on behalf of their employees in accordance with legal requirements of the respective countries. Fortuna Group does not operate any other pension plan or post-retirement benefit plan, and, consequently, has no legal or constructive obligation in this respect.

Bonus plans
A liability for employee benefits in the form of bonus plans is recognised under provisions; the bonus is paid following the performance evaluation in the year concerned.

Liabilities for bonus plans are measured at the amounts expected to be paid when they are settled.

### 3.18. Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

### 3.19. Revenue
Revenue is recognised to the extent that it is probable that the economic benefits will flow to Fortuna Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### 3.19.1. Fixed odds betting revenue
Amounts staked comprises of the gross takings received from customers in respect of the betting activities and does not represent Fortuna Group's revenue.

Revenue is recognized as the net win or loss on an event, net of tax. The amounts bet on an event are recognised as a liability until the outcome of the event is determined, at which time the revenue is accounted for. Open betting positions, which are accounted for as derivative financial instruments, are carried at fair value and gains and losses arising on these positions are recognised in revenue.

#### 3.19.2. Customer loyalty programme and client bonuses
Fortuna Group operates a loyalty programme enabling customers to accumulate award credits for gaming spend. A portion of the gaming spend, equal to the fair value of the award credits earned is treated as deferred revenue. Revenue from the award credits is recognised when the award is redeemed. The credits expire at the end of the financial year and are not redeemable afterwards.

Fortuna Group provides its clients with acquisition and retention bonuses if they meet certain conditions based on Fortuna regulations. These bonuses are timely apportioned and recognized in statement of income as decrease of revenues.

#### 3.19.3. Interest income / expense
For all financial instruments measured at amortised cost, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts based on the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income / or expense is included in finance income / costs in the statement of income.

### 3.20. Segment Disclosure
For management purposes Fortuna Group is divided into operating segments based on geographical areas and revenue streams (sports betting or lottery). Fortuna Group follows criteria set by IFRS 8 Operating Segments to determine number and type of reportable segments. At the level of the accounting unit as a whole, Fortuna Group discloses information on revenues to external customers for major products and services respectively groups of similar products and services, and on non-current assets by geographical segment locations.

### 3.21. Contingencies
Contingent assets are not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable. Contingent liabilities are not recognised in the consolidated financial statements but disclosed in the notes unless the possibility of an outflow of economic resources is remote.

### 3.22. Share-based payment transaction
Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for option (right) to acquire shares at exercise price. At the exercise date, the option holder is entitled to remuneration from the company which is calculated as the difference between the closing price of shares in the Prague Stock Exchange or in the Warsaw Stock Exchange at the exercise date, and the exercise price. The option holder may decide to acquire physical shares. In such a case, the company will purchase shares on behalf of the option holder and transfer them to the respective.

The share-based payment transactions do not affect the computation of diluted earnings per share as the company will purchase the existing shares and hence no new shares will be issued.

As the counterparty has the choice of whether the Company settles the transaction in cash or by equity instruments, the Company accounts for that transaction as a cash-settled share-based payment transaction.

#### Cash-settled transactions
The cost of cash-settled transactions is measured initially at fair value at the grant date using a binomial model, further details of which are given in Note 27. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense (Note 7).

### 3.23. New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2012:

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012 and had no effect on the Group's financial position, performance or its disclosures.

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Group does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

### 3.24. Future accounting developments

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued that Fortuna Group reasonably expects to be applicable at a future date. Fortuna Group intends to adopt these standards when they become effective.

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

The amendments to IAS 1 change the 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 (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings) would be presented separately from items that will never be reclassified (for example, 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). The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 19 Employee Benefits (Revised)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amended standard will impact the net benefit expense as the expected return on plan assets will be calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off 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 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

### IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

### IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation —Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group.

This standard becomes effective for annual periods beginning on or after 1 January 2013.

### IFRS 11 Joint Arrangements

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 must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after 1 January 2013, and is to be applied retrospectively for joint arrangements held at the date of initial application. IFRS 11 is not expected to have any impact on the currently held investments of the Group.

### IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but has no impact on the Group's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

### 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 Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

### Annual Improvements May 2012

These improvements will not have an impact on the Group, but include:

### IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

### IAS 16 Property Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

### IAS 32 Financial Instruments, Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim Financial Reporting
The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013.

## 4. USE OF ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

**Judgements**
The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying FEGNV's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

**Recognition of gross versus net revenues**
FEGNV is subject to various governmental taxes and levies. The regulations differ significantly from one country to another. Revenue includes only the gross inflows of economic benefits received and receivable by the entity on its own account. Amounts collected on behalf of third parties such as sales taxes, goods and services taxes and value added taxes are not economic benefits which flow to the entity and do not result in increases in equity. Therefore, they should be excluded from revenue. The management makes its own judgment as to whether the entity is acting as principal or agent in collecting the tax based on various indicators as well as changing circumstances in each of the countries were FEGNV operates. Further details are given in notes 3.16.3 and 6.

**Estimates**
The key assumptions concerning future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

**Indefinite life intangible assets and goodwill**
Fortuna Group determines whether indefinite life intangible assets are impaired at least on an annual basis. This requires an estimate of an asset's recoverable amount which is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 3.1, 3.2, 14 and 15.

**Betting transactions**
Betting transactions are measured at the fair value of the consideration received or paid. This is usually the nominal amount of the consideration; however in relation to unresolved bets the fair value is estimated in accordance with IAS 39 using valuation and probability techniques, taking into account the probability of the future win. Further details are given in notes 3.19.1 and 6.

**Deferred tax**
Deferred tax assets are recognised for deductible temporary differences, unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and the level of future taxable profits together with future tax planning strategies. Further details on taxes are disclosed in notes 3.16 and 12.

**Recoverable amount of receivables**
Where there are indicators that any receivable is impaired at a balance sheet date, management makes an estimate of the asset's recoverable amount. Further details are given in note 3.7 and 17.

**Provisions**
Provisions take into account an expected expense, showing it as a liability on the balance sheet. Created provisions represent the best management estimate of future outflow of the economic benefits. Further details are given in note 3.14 and 25.

**Share-based payment transactions**
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 27.

## 5. BUSINESS COMBINATIONS

The Group did not acquire any business during the year 2012 and 2011.

## 6. SEGMENT INFORMATION

For management purposes, in 2010 Fortuna Group was organized into business units based on geographical areas, with the following four reportable operating segments being distinguished:

Czech Republic
Slovakia
Poland
Other countries

In the first half of 2011 Fortuna started with commercial sale of scratch tickets in the territory of the Czech Republic and in July 2011 also started numerical lottery games. The segment of the Czech Republic is divided into two operating segments being sports betting and lottery.

The parent company, FEGNV, does not report any significant results, assets and liabilities other than its interest in subsidiaries and equity and therefore does not qualify as a separate operating segment. The information of FEGNV and other immaterial locations is included in the “Other countries” column.

Management monitors the operating results of its business units 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 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.

Transfer prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties. The items included in transfer pricing comprise bookmaking services, general management services, software development services and cash deposit services which are primarily borne by Czech entities FORTUNA GAME a.s. and FORTUNA software s.r.o.

The following tables present revenue and profit information regarding Fortuna Group's operating segments for the years 2012 and 2011 respectively:

| Year ended 31 December 2012<br>€ 000 | Czech Republic sports betting | Czech Republic lottery | Czech Republic total | Slovakia | Poland | Other countries | TOTAL Continuing operations |
|---|---|---|---|---|---|---|---|
| Revenue | 44,633 | 10,013 | **54,646** | 24,875 | 16,621 | 96 | **96,238** |
| Governmental taxes and levies | 8,873 | 1,948 | **10,821** | – | – | – | **10,821** |
| License fees | (38) | 213 | **175** | – | – | – | **175** |
| Depreciation and amortisation | 1,796 | 552 | **2,348** | 404 | 708 | 200 | **3,660** |
| Segment result | 9,767 | (4,349) | **5,418** | 11,332 | 3,149 | (1,476) | **18,423** |
| Capital expenditure | 2,902 | 272 | **3,174** | 505 | 416 | 0 | **4,095** |
| Non-current assets | 12,038 | | **12,038** | 973 | 1,070 | 164 | **14,245** |
| Operating segment assets | 36,482 | | **36,482** | 9,431 | 6,425 | 661 | **52,999** |
| Operating segment liabilities | 21,861 | | **21,861** | 3,082 | 2,778 | 464 | **28,185** |

| Year ended 31 December 2011<br>€ 000 | Czech Republic sports betting | Czech Republic lottery | Czech Republic total | Slovakia | Poland | Other countries | TOTAL Continuing operations |
|---|---|---|---|---|---|---|---|
| Revenue | 44,847 | 5,086 | **49,933** | 26,189 | 13,547 | 175 | **89,844** |
| Governmental taxes and levies | 6,373 | 783 | **7,156** | – | – | – | **7,156** |
| License fees | 1,668 | 561 | **2,229** | – | – | – | **2,229** |
| Depreciation and amortisation | 1,563 | 349 | **1,912** | 424 | 628 | 168 | **3,132** |
| Segment result | 11,981 | (7,042) | **4,939** | 12,474 | 1,414 | (1,996) | **16,831** |
| Capital expenditure | 1,901 | 1,770 | **3,671** | 352 | 504 | 86 | **4,613** |
| Non-current assets | 11,222 | | **11,222** | 873 | 1,305 | 365 | **13,765** |
| Operating segment assets | 26,262 | | **26,262** | 12,828 | 4,631 | 795 | **44,516** |
| Operating segment liabilities | 12,275 | | **12,275** | 2,938 | 1,927 | 577 | **17,717** |

Segment results for each operating segment excludes net finance costs of € 2,261 thousand and € 940 thousand for 2012 and 2011 and income tax expense of € 3,843 thousand and € 2,571 thousand for 2012 and 2011.

Segment assets exclude goodwill of € 50,634 thousand and € 49,339 thousand as at 31 December 2012 and 31 December 2011, respectively, as these assets are managed on a group basis.

Segment liabilities excludes bank loans of € 25,644 thousand and € 28,501 thousand as at 31 December 2012 and 31 December 2011, respectively, and derivatives of € 701 thousand and € 935 thousand as at 31 December 2012 and 31 December 2011, 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 products and services**
An analysis of Fortuna Group's betting revenue for the period is as follows. Amounts staked do not represent Fortuna Group's revenue and comprises the total amount staked by customers on betting activities.

| Year ended 31 December 2012<br>€ 000 | Czech Republic sports betting | Czech Republic lottery | Czech Republic total | Slovakia | Poland | Malta | TOTAL |
|---|---|---|---|---|---|---|---|
| Total amounts staked | 243,320 | 19,590 | **262,910** | 131,471 | 68,877 | 4,623 | **467,881** |
| – of which: Sports betting – Bets | 235,533 | – | **235,533** | 124,057 | 60,886 | 4,623 | **425,099** |
| – of which: Sports betting – Commissions | 7,787 | – | **7,787** | 7,414 | 7,991 | – | **23,192** |
| – of which: Lottery – Scratch tickets – Bets | – | 6,470 | **6,470** | – | – | – | **6,470** |
| – of which: Lottery – Numerical games – Bets | – | 13,120 | **13,120** | – | – | – | **13,120** |
| Paid out prizes | (198,824) | (9,629) | **(208,453)** | (100,042) | (44,039) | (4,497) | **(357,031)** |
| Gross win | 44,496 | 9,961 | **54,457** | 31,429 | 24,838 | 126 | **110,850** |
| – of which: Sports betting – Online | 20,915 | – | **20,915** | 13,192 | 3,520 | 126 | **37,753** |
| – of which: Sports betting – Retail | 23,581 | – | **23,581** | 18,237 | 21,318 | – | **63,136** |
| – of which: Lottery – Scratch tickets | – | 2,904 | **2,904** | – | – | – | **2,904** |
| – of which: Lottery – Numerical games | – | 7,057 | **7,057** | – | – | – | **7,057** |
| Withholding tax paid | – | – | **–** | (6,817) | (8,265) | (29) | **(15,111)** |
| Other revenues | 137 | 52 | **189** | 263 | 47 | – | **499** |
| **Revenue** | **44,633** | **10,013** | **54,646** | **24,875** | **16,620** | **97** | **96,238** |
| Governmental taxes and levies | (8,873) | (1,948) | **(10,821)** | – | – | – | **(10,821)** |
| License fees | 38 | (213) | **(175)** | – | – | – | **(175)** |
| | | | | | | | |
| Gross profit from betting | 35,661 | 7,800 | **43,461** | 24,612 | 16,573 | 97 | **84,743** |
| – of which: Sports betting – Online | 16,674 | – | **16,674** | 9,899 | 1,819 | 97 | **28,489** |
| – of which: Sports betting – Retail | 18,987 | – | **18,987** | 14,713 | 14,754 | – | **48,454** |
| – of which: Lottery – Scratch tickets | – | 2,117 | **2,117** | – | – | – | **2,117** |
| – of which: Lottery – Numerical games | – | 5,683 | **5,683** | – | – | – | **5,683** |
| Gross profit margin – Sports betting (%) | 15% | – | **15%** | 19% | 24% | 2% | **17%** |
| Gross profit margin – Lottery (%) | – | 40% | **40%** | – | – | – | **40%** |

| Year ended 31 December 2011<br>€ 000 | Czech Republic sports betting | Czech Republic lottery | Czech Republic total | Slovakia | Poland | Malta | TOTAL |
|---|---|---|---|---|---|---|---|
| Total amounts staked | 214,968 | 9,889 | **224,857** | 131,298 | 49,370 | 3,819 | **409,344** |
| – of which: Sports betting – Bets | 205,706 | – | **205,706** | 125,261 | 43,443 | 3,819 | **378,229** |
| – of which: Sports betting – Commissions | 9,262 | – | **9,262** | 6,037 | 5,927 | – | **21,226** |
| – of which: Lottery – Scratch tickets – Bets | – | 3,391 | **3,391** | – | – | – | **3,391** |
| – of which: Lottery – Numerical games – Bets | – | 6,498 | **6,498** | – | – | – | **6,498** |
| Paid out prizes | (170,333) | (4,790) | **(175,123)** | (98,857) | (29,941) | (3,619) | **(307,540)** |
| Gross win | 44,635 | 5,099 | **49,734** | 32,441 | 19,429 | 200 | **101,804** |
| – of which: Sports betting – Online | 16,786 | – | **16,786** | 12,535 | – | 200 | **29,521** |
| – of which: Sports betting – Retail | 27,849 | – | **27,849** | 19,906 | 19,429 | – | **67,184** |
| – of which: Lottery – Scratch tickets | – | 1,590 | **1,590** | – | – | – | **1,590** |
| – of which: Lottery – Numerical games | – | 3,509 | **3,509** | – | – | – | **3,509** |
| Withholding tax paid | – | – | **–** | (6,467) | (5,927) | (25) | **(12,419)** |
| Other revenues | 212 | (13) | **199** | 215 | 45 | – | **459** |
| **Revenue** | **44,847** | **5,086** | **49,933** | **26,189** | **13,547** | **175** | **89,844** |
| Governmental taxes and levies | (6,373) | (783) | **(7,156)** | – | – | – | **(7,156)** |
| License fees | (1,668) | (561) | **(2,229)** | – | – | – | **(2,229)** |
| | | | | | | | |
| Gross profit from betting | 36,594 | 3,755 | **40,349** | 25,974 | 13,502 | 175 | **80,000** |
| – of which: Sports betting – Online | 13,780 | – | **13,780** | 9,614 | – | 175 | **23,569** |
| – of which: Sports betting – Retail | 22,814 | – | **22,814** | 16,360 | 13,502 | – | **52,676** |
| – of which: Lottery – Scratch tickets | – | 1,208 | **1,208** | – | – | – | **1,208** |
| – of which: Lottery – Numerical games | – | 2,547 | **2,547** | – | – | – | **2,547** |
| Gross profit margin – Sports betting (%) | 17% | – | **17%** | 20% | 27% | 5% | **19%** |
| Gross profit margin – Lottery (%) | – | 38% | **38%** | – | – | – | **38%** |

## 7. PERSONNEL EXPENSES

| € 000 | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Wages and salaries | (19,941) | (20,051) |
| Social security costs | (5,906) | (5,916) |
| Directors' remuneration | (238) | (244) |
| Other payroll costs | (692) | (712) |
| Share-based payment transaction expense (note 27) | – | – |
| | **(26,777)** | **(26,923)** |
| | | |
| **Number of employees in the period:** | | |
| Average number of employees | 2,596 | 2,618 |
| Managers | 8 | 8 |
| Staff | 2,588 | 2,610 |
| | | |
| **Remuneration of key management personnel of Fortuna Group** | | |
| Wages and salaries | (491) | (840) |
| Social security costs | (79) | (158) |
| Share-based payment transaction expense (note 27) | – | – |
| **Total remuneration** | **(570)** | **(998)** |

## 8. OTHER OPERATING INCOME

| € 000 | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Gain on sale of fixed assets | 18 | 32 |
| Revenues from rental of real estate | 426 | 420 |
| Reversal of accruals and provisions | 46 | 24 |
| Other income | 250 | 270 |
| | **740** | **746** |

## 9. OTHER OPERATING EXPENSES

| € 000 | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Operating lease expense (Note 30) | (11,893) | (11,644) |
| Materials and office supplies | (2,141) | (2,486) |
| Marketing and advertising | (7,948) | (8,144) |
| Telecommunication costs | (2,526) | (1,992) |
| Energy and utilities | (1,579) | (1,669) |
| Repairs and maintenance | (740) | (705) |
| Taxes and fees to authorities | (713) | (547) |
| Bad debt expense | (357) | (195) |
| IT services | (2,594) | (1,641) |
| Third party services (legal, professional etc.) | (2,461) | (1,974) |
| Travelling and entertainment cost | (365) | (412) |
| Others | (3,805) | (2,910) |
| | **(37,122)** | **(34,319)** |

Expenses of the Czech companies are charged to the statement of income including VAT.

Bad debt expense in 2012 relates to doubtful receivables from former employees for cash desk shortages and thefts and to the receivable of € 180 thousand from former subsidiary in Croatia.

## 10. FINANCE COSTS AND INCOME

| € 000 | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Interest on bank loans and other finance costs | (2,124) | (1,969) |
| Interest on other debts and borrowings | (62) | (88) |
| Finance charges payable under finance lease and hire purchase contracts | (28) | (27) |
| Financial assets and liabilities at FV through P&L | – | (283) |
| Foreign exchange losses | (1,546) | (1,209) |
| | | |
| **Total finance costs** | **(3,760)** | **(3,576)** |
| Interest on bank deposits | 122 | 174 |
| Interest income on other loans and receivables | 36 | 32 |
| Foreign exchange gains | 1,341 | 2,430 |
| | | |
| **Total finance income** | **1,499** | **2,636** |
| **Total finance costs, net** | **(2,261)** | **(940)** |

## 11. COMPONENTS OF OTHER COMPREHENSIVE INCOME

| € 000 | 31.12.2012 | 31.12.2011 |
|---|---|---|
| **Movements of other comprehensive income before tax** | | |
| | | |
| **Cash flow hedges** | | |
| Gains / (losses) arising during the year | | |
| Interest rate swap contracts | 81 | (24) |
| **Total effect on other comprehensive income resulting from cash flow hedges (before tax)** | **81** | **(24)** |
| | | |
| **Tax effect of components of other comprehensive income** | | |
| | | |
| **Cash flow hedges** | | |
| Gains / (losses) arising during the year | | |
| Interest rate swap contracts | (15) | 4 |
| **Total tax effect on other comprehensive income resulting from cash flow hedges** | **(15)** | **4** |

## 12. INCOME TAX

The major components of income tax expense are:

| € 000 | 31.12.2012 | 31.12.2011 |
|---|---|---|
| **Current income tax:** | | |
| Current income tax charge | 3,853 | 3,021 |
| Prior year adjustments | – | (3) |
| **Deferred tax:** | | |
| Relating to origination and reversal of temporary differences | (10) | (447) |
| **Income tax expense reported in the statement of income** | **3,843** | **2,571** |

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at Fortuna Group's effective income tax rate for the years ended 31 December 2012 and 2011 is as follows:

| € 000 | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Accounting profit before tax from continuing operations | 16,162 | 15,891 |
| **Accounting profit before income tax** | **16,162** | **15,891** |
| At Dutch statutory income tax rate of 25% (2011: 25%) | 4,041 | 3,973 |
| | | |
| Effect on permanent and other differences | 224 | (81) |
| Unrecognised tax asset from the tax losses incurred | 164 | 350 |
| Non-deductible tax expenses | 549 | 9,380 |
| Non-taxable betting revenues | (11) | (9,896) |
| Non-taxable other income | (7) | – |
| Goodwill impairment | – | – |
| Adjustments in respect to current income tax of previous years | (50) | (3) |
| Utilisation of previously unrecognised tax losses | (5) | (23) |
| Effect of higher/lower tax rates in other countries | (1,062) | (1,129) |
| | | |
| **At the effective income tax rate of 24% (2011: 16%)** | **3,843** | **2,571** |
| Income tax expense reported in the consolidated income statement | 3,843 | 2,571 |
| | **3,843** | **2,571** |

The effective income tax rate increased from 16% to 24%. This increase is a result in current income tax caused mainly by the legislative change of taxation in the Czech Republic. For more details see note 3.16.1.

In 2011 Non-taxable betting revenues consist of revenues from betting in the Czech Republic which were not subject to corporate income tax.

**Deferred tax**

Deferred tax relates to the following:

| | Consolidated statement of financial position | | | Consolidated statement of income | |
|---|---|---|---|---|---|
| € 000 | 2012 | 2011 | As at 1 January 2011 | 2012 | 2011 |
| Difference between carrying amounts of property, plant and equipment for accounting and tax purposes | 5 | 37 | (20) | (34) | 60 |
| Impairment adjustments and provisions | 429 | 398 | 165 | 14 | 254 |
| Tax losses carried forward | 162 | 133 | – | 29 | 133 |
| Other | 112 | 126 | 122 | 1 | – |
| **Deferred tax income / (expense)** | | | | **10** | **447** |
| **Deferred tax asset / (liability)** | **708** | **694** | **267** | | |
| Reflected in the statement of financial position as follows: | | | | | |
| Deferred tax asset – continuing operations | 708 | 699 | 272 | | |
| Deferred tax liability – continuing operations | – | (5) | (5) | | |
| **Deferred tax asset, net** | **708** | **694** | **267** | | |

Reconciliation of deferred tax asset:

| € 000 | 2012 | 2011 |
|---|---|---|
| Opening balance as at 1 January | 699 | 272 |
| Tax income (expense) during the period recognised in profit or loss | 5 | 447 |
| Tax income (expense) during the period recognised in other comprehensive income | (15) | 4 |
| Currency translation | 19 | (24) |
| **Closing balance 31 December** | **708** | **699** |

Reconciliation of deferred tax liability:

| € 000 | 2012 | 2011 |
|---|---|---|
| Opening balance as at 1 January | (5) | (5) |
| Tax income (expense) during the period recognised in profit or loss | 5 | – |
| **Closing balance 31 December** | **–** | **(5)** |

## 13. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit for the year attributable to the shareholders by the weighted average number of ordinary shares in FEGNV outstanding during the year.

There were no dilutive potential ordinary shares at 31 December 2012 and 2011. Basic and diluted earnings per share were the same. The following reflects the income and share data used in the basic and diluted earnings per share computations:

| € 000 | 2012 | 2011 |
|---|---|---|
| Net profit attributable to ordinary equity holders of the parent from continuing operations | 12,319 | 13,320 |
| **Net profit attributable to ordinary equity holders of the parent for earnings per share calculation** | **12,319** | **13,320** |
| Weighted average number of ordinary shares for earnings per share calculation | 52,000,000 | 52,000,000 |

**Statement of income**

| € | 2012 | 2011 |
|---|---|---|
| Earnings per share from continuing operations | 0.237 | 0.256 |
| | 0.237 | 0.256 |

No other transactions involving ordinary shares or potential ordinary shares took place between the reporting date and the date of completion of these consolidated financial statements.

## 14. GOODWILL

| € 000 | Goodwill |
|---|---|
| **At 1 January 2011** | **50,796** |
| Reduction in goodwill | – |
| Additions arising on acquisition of subsidiaries | – |
| Disposal of subsidiaries | – |
| Currency translation | (1,457) |
| **At 31 December 2011** | **49,339** |
| Impairment of goodwill: | |
| At 1 January 2011 | 0 |
| Impairment for the year | – |
| Impairment on acquisition of subsidiaries | – |
| Disposal of subsidiaries | – |
| Currency translation | – |
| **At 31 December 2011** | **0** |
| **Carrying amount at 31 December 2011** | **49,339** |
| **At 1 January 2012** | **49,339** |
| Reduction in goodwill | – |
| Additions arising on acquisition of subsidiaries | – |
| Disposal of subsidiaries | – |
| Currency translation | 1,295 |
| **At 31 December 2012** | **50,634** |
| Impairment of goodwill: | |
| At 1 January 2012 | 0 |
| Impairment for the year | – |
| Impairment on acquisition of subsidiaries | – |
| **Disposal of subsidiaries** | **–** |
| **Currency translation** | **–** |
| **At 31 December 2012** | **0** |
| **Carrying amount at 31 December 2012** | **50,634** |

Goodwill arising from a business combination is allocated upon acquisition to each of Fortuna Group's cash generating units (CGUs) that are expected to benefit from the synergies of the business combination.

The recoverable amounts of the CGUs are determined from higher value in use calculations and fair values of the related CGUs. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes in revenue per branch and direct costs incurred during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs.

The current goodwill relates only to acquisitions of Czech companies operating in the sports betting industry.

The cash flow projection covers a period of three years (2011: four years) and are discounted using the pre-tax discount rate of 10.39% (2010: 13.56%) for the Czech Republic. The valuation model used average annual operating cash-flow growth rate of 12% for the next three years and growth of 2% per annum in subsequent years, which is currently the estimated growth for the betting business. In the year 2011 the valuation model used an annual operating cash-flow decrease of 28.8% for the year 2012 due to changes in the tax legislation in the Czech Republic, then average annual operating cash-flow growth rate of 10.6% for the next three years and growth of 2% per annum in subsequent years.

The carrying amount of goodwill has been allocated as follows:

**Carrying amount of goodwill allocated to segments**

| € 000 | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Czech Republic – sports betting | 50,634 | 49,339 |
| | **50,634** | **49,339** |

Fortuna Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

Sensitivity to changes in assumptions
With regard to the assessment of value-in-use management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount of goodwill to materially exceed its recoverable amount.

## 15. INTANGIBLE ASSETS

| € 000 | Software | Brand name | Other intangible fixed assets | Total |
|---|---|---|---|---|
| Cost: | | | | |
| **At 1 January 2011** | **2,518** | **6,526** | **24** | **9,068** |
| Additions | 677 | – | 133 | 810 |
| Disposals | – | – | – | – |
| Additions arising on acquisition of subsidiaries | – | – | – | – |
| Disposals arising on disposal of subsidiaries | – | – | – | – |
| Transfers | – | – | – | – |
| Currency translation | (97) | (187) | (6) | (290) |
| **At 31 December 2011** | **3,098** | **6,339** | **151** | **9,588** |
| Accumulated amortisation: | | | | |
| **At 1 January 2011** | **1,095** | **–** | **20** | **1,115** |
| Amortisation for the year | 700 | – | 47 | 747 |
| Disposals | – | – | – | – |
| Transfers | – | – | – | – |
| Additions arising on acquisition of subsidiaries | – | – | – | – |
| Disposals arising on disposal of subsidiaries | – | – | – | – |
| Currency translation | (61) | – | (2) | (63) |
| **At 31 December 2011** | **1,734** | **–** | **65** | **1,799** |
| **Carrying amount at 31 December 2011** | **1,364** | **6,339** | **86** | **7,789** |
| **Carrying amount at 1 January 2011** | **1,423** | **6,526** | **4** | **7,953** |

| € 000 | Software | Brand name | Other intangible fixed assets | Total |
|---|---|---|---|---|
| Cost: | | | | |
| **At 1 January 2012** | **3,098** | **6,339** | **151** | **9,588** |
| Additions | 1,286 | – | 5 | 1,291 |
| Disposals | – | – | – | – |
| Additions arising on acquisition of subsidiaries | – | – | – | – |
| Disposals arising on disposal of subsidiaries | – | – | – | – |
| Transfers | – | – | – | – |
| Currency translation | 71 | 166 | 3 | 240 |
| **At 31 December 2012** | **4,455** | **6,505** | **159** | **11,119** |
| Accumulated amortisation: | | | | |
| **At 1 January 2012** | **1,734** | **–** | **65** | **1,799** |
| Amortisation for the year | 921 | – | 48 | 969 |
| Disposals | – | – | – | – |
| Transfers | – | – | – | – |
| Additions arising on acquisition of subsidiaries | – | – | – | – |
| Disposals arising on disposal of subsidiaries | – | – | – | – |
| Currency translation | 43 | – | – | 43 |
| **At 31 December 2012** | **2,698** | **–** | **113** | **2,811** |
| **Carrying amount at 31 December 2012** | **1,757** | **6,505** | **46** | **8,308** |
| **Carrying amount at 1 January 2012** | **1,364** | **6,339** | **86** | **7,789** |

Upon acquisition of the subsidiary FORTUNA sázková kancelář a.s. (merged with Fortuna GAME, a.s. effective 1. 1. 2012), the Consolidated Group recognised an intangible brand name "FORTUNA" which was assessed as having an indefinite useful life, as there is no foreseeable limit to the period over which it is expected to generate net cash inflows, given the strength and durability of the brand and the level of marketing support. The brand has been in the market in the Czech Republic since 1990. The intangible is not amortised and is tested for impairment at year end. The carrying amount of the intangible asset was € 6,505 thousand as at 31 December 2012 (2011: € 6,339 thousand). The movement in the carrying amount represents foreign exchange gain due to the appreciation of the Czech crown against the euro. The brand name was pledged as a security for bank loans (note 26).

The intangible asset does not generate largely independent cash inflows and is allocated to the Czech operations as the lowest level of cash generating unit. The Czech operation was tested for impairment by applying discounted cash flow technique and using projected financial results.

The cash flow projection covers period of three years (2011: four years) and are discounted using the pre-tax discount rate of 10.39% (2010: 13.56%) for the Czech Republic. The valuation model used average annual operating cash-flow growth rate of 12% for the next three years and growth of 2% per annum in subsequent years, which is currently the estimated growth for the betting business. In the year 2011 the valuation model used an annual operating cash-flow decrease of 28.8% for the year 2012 due to changes in the tax legislation in the Czech Republic, then average annual operating cash-flow growth rate of 10.6% for the next three years and growth of 2% per annum in subsequent years.

### Sensitivity to changes in assumptions

With regard to the assessment of value-in-use management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount of the unit to materially exceed its recoverable amount.

## 16. PROPERTY, PLANT AND EQUIPMENT

| € 000 | Land and buildings | Plant and equipment | Other assets | Assets not yet in use | Total |
|---|---|---|---|---|---|
| Cost: | | | | | |
| **At 1 January 2011** | **2,176** | **11,937** | **15** | **440** | **14,568** |
| Additions | 87 | 2,964 | – | 752 | 3,803 |
| Disposals | (60) | (818) | – | (30) | (908) |
| Additions arising on acquisition of subsidiaries | – | – | – | – | – |
| Disposals arising on disposal of subsidiaries | – | – | – | – | – |
| Transfers | – | 300 | – | (300) | – |
| Currency translation | (87) | (688) | – | (39) | (814) |
| **At 31 December 2011** | **2,116** | **13,695** | **15** | **823** | **16,649** |
| Accumulated depreciation: | | | | | |
| **At 1 January 2011** | **1,131** | **8,518** | **–** | **–** | **9,649** |
| Depreciation charge for the year | 170 | 2,215 | – | – | 2,385 |
| Disposals | (60) | (789) | – | – | (849) |
| Transfers | – | – | – | – | – |
| Additions arising on acquisition of subsidiaries | – | – | – | – | – |
| Disposals arising on disposal of subsidiaries | – | – | – | – | – |
| Currency translation | (41) | (471) | – | – | (512) |
| **At 31 December 2011** | **1,200** | **9,473** | **–** | **–** | **10,673** |
| **Carrying amount at 31 December 2011** | **916** | **4,222** | **15** | **823** | **5,976** |
| **Carrying amount at 1 January 2011** | **1,045** | **3,419** | **15** | **440** | **4,919** |
| Cost: | | | | | |
| **At 1 January 2012** | **2,116** | **13,695** | **15** | **823** | **16,649** |
| Additions | 149 | 1,556 | – | 900 | 2,605 |
| Disposals | (62) | (1,294) | (15) | (68) | (1,439) |
| Additions arising on acquisition of subsidiaries | – | – | – | – | – |
| Disposals arising on disposal of subsidiaries | – | – | – | – | – |
| Transfers | 32 | 914 | – | (946) | – |
| Currency translation | 89 | 541 | – | 11 | 641 |
| **At 31 December 2012** | **2,324** | **15,412** | **–** | **720** | **18,456** |
| Accumulated depreciation: | | | | | |
| **At 1 January 2012** | **1,200** | **9,473** | **–** | **–** | **10,673** |
| Depreciation charge for the year | 191 | 2,500 | – | – | 2,691 |
| Disposals | (62) | (1,224) | – | – | (1,286) |
| Transfers | – | – | – | – | – |
| Additions arising on acquisition of subsidiaries | – | – | – | – | – |
| Disposals arising on disposal of subsidiaries | – | – | – | – | – |
| Currency translation | 35 | 406 | – | – | 441 |
| **At 31 December 2012** | **1,364** | **11,155** | **–** | **–** | **12,519** |
| **Carrying amount at 31 December 2012** | **960** | **4,257** | **–** | **720** | **5,937** |
| **Carrying amount at 1 January 2012** | **916** | **4,222** | **15** | **823** | **5,976** |

## 17. CURRENT RECEIVABLES

| Current receivables<br>€ 000 | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Receivables from related parties | 25 | 53 |
| Advance payments and deposits | 486 | 351 |
| Other receivables (current) | 1,519 | 2,209 |
| | **2,030** | **2,613** |

For terms and conditions relating to related party receivables, refer to note 29.

Other receivables also include receivables from cash shortages from former or current employees in the Czech Republic which are stated net of a provision of € 718 thousand in 2012 (2011: € 678 thousand).

As at 31 December 2012, the provision for impairment of current receivables (excluded receivables from employees mentioned above) amounted to € 53 thousand (2011: € 59 thousand). See the table below for the movements in the provision for impairment of receivables.

| Movement in the provision for impairment of receivable<br>€ 000 | Individually impaired |
|---|---|
| **At 1 January 2011** | **60** |
| Amount written off during the year | (5) |
| Amounts recovered during the year | 6 |
| Charge for the year | – |
| Currency translation | (2) |
| **At 31 December 2011** | **59** |
| | |
| **At 1 January 2012** | **59** |
| Amount written off during the year | (37) |
| Amounts recovered during the year | (15) |
| Charge for the year | 45 |
| Currency translation | 1 |
| **At 31 December 2012** | **53** |

The following table relates to ageing of current receivables. As at 31 December 2012 and 2011 most of the receivables were neither past due nor impaired.

| | | Past due but not impaired | | | | | |
|---|---|---|---|---|---|---|---|
| € 000 | Neither past due nor impaired | <30 days | 31–60 days | 61–90 days | 91–180 days | >181 days | Total |
| 31 December 2012 | 1,431 | 270 | 38 | 5 | 162 | 124 | 2,030 |
| 31 December 2011 | 1,873 | 330 | 1 | 7 | 30 | 372 | 2,613 |

In the consolidated statement of the financial position of the Company there are no other financial assets that are past due but not impaired.

## 18. OTHER ASSETS

Other non-current assets

| € 000 | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Receivables from related parties | 56 | 35 |
| Advance payments and security deposits | 1,423 | 793 |
| Other | 278 | 105 |
| | **1,757** | **933** |

Advance payments and security deposits consist mostly of rental deposits paid for rent of Fortuna branches.

Other non-current assets include advance payments in Slovakia which are stated net of a provision of € 8 thousand in 2012 (2011: € 12 thousand).

Other current assets

| € 000 | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Marketing materials | 79 | 143 |
| Goods for sale | 3 | 488 |
| Office materials and others | 117 | 61 |
| Prepayments | 2,207 | 1,256 |
| | **2,406** | **1,948** |

## 19. RESTRICTED CASH

| € 000 | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Restricted cash | 7,512 | 6,913 |

Fortuna Group has limited access to cash deposits made with banks. The funds are blocked in accordance with the Gaming regulations of Slovakia and the Czech Republic. According to Czech and Slovak legislation a betting company has to deposit certain amounts of cash as security for potential liabilities to state and betters to a special bank account. The Company can only withdraw the security upon approval from the state authorities once the gaming activity terminates.

## 20. CASH AND CASH EQUIVALENTS

| € 000 | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Cash at bank | 13,172 | 15,220 |
| Cash in hand and in transit | 2,308 | 2,313 |
| **Cash and cash equivalents** | **15,480** | **17,533** |

Cash at banks bears interest at floating rates based on daily bank deposit rates.

Short-term deposits are classified as a cash equivalent only if they have terms to maturity of three months or less.

Fortuna Group has pledged € 2,383 thousand of its cash in bank deposits as security for bank loans (2011: € 287 thousand).

## 21. DERIVATIVES

As of 31 December 2012, Fortuna Group held interest rate swaps with a notional amount of € 19,740 thousand (2011: € 26,491 thousand). These swaps fix the 3-month PRIBOR/EURIBOR variable interest rates. The interest rate swap in FORTUNA SK, a.s. is designated as a cash flow hedge.

| Interest rate swaps<br>€ 000 | 31.12.2012<br>Liabilities | 31.12.2011<br>Liabilities |
|---|---|---|
| Cash flow hedge | 451 | 533 |
| Held for trading | 250 | 402 |
| **Total cash flow hedges** | **701** | **935** |

## 22. ISSUED CAPITAL AND RESERVES

### Authorised shares

| | 2012<br># of shares<br>thousands | 2011<br># of shares<br>thousands |
|---|---|---|
| Ordinary shares of € 0,01 each | 250,000 | 250,000 |
| | **250,000** | **250,000** |

### Ordinary shares issued and fully paid

| | # of shares<br>thousands | Par value<br>per share<br>€ | Share<br>capital<br>€ 000 |
|---|---|---|---|
| **At 31 December 2011** | **52,000** | **0.01** | **520** |
| **At 31 December 2012** | **52,000** | **0.01** | **520** |

### Share premium

There were no movements in share premium during the year 2012.

### Statutory reserve

In accordance with the commercial law in the Czech Republic and Slovakia, companies are required to form an undistributable statutory reserve for contingencies against possible future losses and other events.

In the Czech Republic, contributions must be at least 20% of after-tax profit in the first year in which profits are made and 5% of after-tax profit for each subsequent year, until the fund reaches at least 20% of share capital. The fund can only be used to offset losses.

In Slovakia, contributions must be at least 10% of the share capital upon foundation of the company and at least 10% of after-tax profit for each subsequent year, until the fund reaches at least 20% of share capital. The fund can only be used to offset losses.

The reserve represents the amount of these undistributable funds, which cannot be transferred to the parent company in the form of dividends. Dividend capacity of FEGNV is not affected as the distribution to FEGNV shareholders is determined only by corporate equity of FEGNV.

### Hedge reserve

The net loss on cash flow hedges recognised in equity was € 453 thousand, net of tax effect of € 86 thousand, i.e. € 367 thousand (2011: € 534 thousand, net of tax effect of € 101 thousand, i.e. € 433 thousand). The item relates to FORTUNA SK, a.s.

### Nature and purpose of reserves

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial information of foreign subsidiaries.

## 23. DIVIDENDS PAID AND PROPOSED

The Annual General Meeting (AGM) of shareholders of Fortuna Entertainment Group N.V. held on 25 May 2012 in Amsterdam approved a Management Board's proposal to pay-out a gross dividend of € 0.23 in cash per share for the financial year 2011.

Actual payment of dividend occurred on 25 June 2012. The dividend pay-out for 2011 represented approximately 90% of the net profit from the continuing operations (consolidated accounts) and it was in accordance with the communicated dividend policy – the dividend payout ratio is 70–100% of the net profit from the continuing operations (consolidated accounts).

| Declared and paid during the year<br>€ 000 | 2012 | 2011 |
|---|---|---|
| Dividend for 2010 paid in 2011 | – | 15,600 |
| Dividend for 2011 paid in 2012 | 11,960 | – |
| **Total** | **11,960** | **15,600** |

Distributable funds are based on the corporate financial statements of FEGNV.

## 24. FAIR VALUES

**Fair value hierarchy**
As at 31 December 2012, Fortuna Group had derivative contracts measured at fair value of € 701 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 31 December 2012, the Group held the following financial instruments measured at fair value:

| Financial instruments<br>€ 000 | 31 December 2012 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Interest rate swaps | (701) | – | (701) | – |

There is no change in the classification of the interest rate swaps occurring since the previous 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 duality of counterparties and interest rate curves.

Set out below is a comparison by class between the carrying amounts and fair values of Fortuna Group's financial instruments as disclosed in the financial statements.

| 31 December 2012<br>€ 000 | Carrying amount | Fair value |
|---|---|---|
| **Assets** | | |
| Restricted cash | 7,512 | 7,512 |
| Other non-current assets | 1,757 | 1,757 |
| Current receivables | 2,030 | 2,030 |
| Cash and cash equivalents | 15,480 | 15,480 |
| **Liabilities** | | |
| Long-term bank loans | 13,697 | 13,697 |
| Other non-current liabilities | 30 | 30 |
| Trade and other payables | 17,140 | 17,140 |
| Derivatives | 701 | 701 |
| Short-term bank loans and overdrafts | – | – |
| Current portion of long-term bank loans | 11,947 | 11,947 |

| 31 December 2011<br>€ 000 | Carrying amount | Fair value |
|---|---|---|
| **Assets** | | |
| Restricted cash | 6,913 | 6,913 |
| Other non-current assets | 933 | 933 |
| Current receivables | 2,613 | 2,613 |
| Cash and cash equivalents | 17,533 | 17,533 |
| **Liabilities** | | |
| Long-term bank loans | 22,573 | 22,573 |
| Trade and other payables | 15,650 | 15,650 |
| Derivatives | 935 | 935 |
| Current portion of long-term bank loans | 5,928 | 5,928 |

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

Cash and short-term deposits, current receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Long-term fixed-rate and variable-rate receivables and borrowings are evaluated by Fortuna Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of customers and risk characteristics of the financed project. Based on this evaluation, provisions are formed for the expected losses of these receivables. As at 31 December 2012, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

The fair value of loans from banks and other financial liabilities, obligations under finance leases as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

## 25. PROVISIONS

| € 000 | Employee bonuses | Jackpot | Other provisions | Total |
|---|---|---|---|---|
| **At 1 January 2012** | **520** | **471** | **21** | **1,012** |
| Arising during the year | 488 | 562 | 10 | 1,060 |
| Utilised | (503) | (700) | (19) | (1,222) |
| Discount rate adjustment | – | – | – | – |
| Acquisition of a subsidiary | – | – | – | – |
| Disposal of a subsidiary | – | – | – | – |
| Currency translation | 25 | 12 | – | 37 |
| **At 31 December 2012** | **530** | **345** | **12** | **887** |
| Short-term part of the provision | 485 | – | 2 | 487 |
| Long-term part of the provision | 45 | 345 | 10 | 400 |
| **At 31 December 2012** | **530** | **345** | **12** | **887** |
| **At 1 January 2011** | **257** | **–** | **4** | **261** |
| Arising during the year | 486 | 494 | 18 | 998 |
| Utilised | (210) | – | (1) | (211) |
| Discount rate adjustment | – | – | – | – |
| Acquisition of a subsidiary | – | – | – | – |
| Disposal of a subsidiary | – | – | – | – |
| Currency translation | (13) | (23) | – | (36) |
| **At 31 December 2011** | **520** | **471** | **21** | **1,012** |
| Short-term part of the provision | 467 | – | 21 | 488 |
| Long-term part of the provision | 53 | 471 | – | 524 |
| **At 31 December 2011** | **520** | **471** | **21** | **1,012** |

**Employee bonuses**

The Company has formed a provision for employee bonuses. The amount recorded representing managements best estimate.

**Provision for Jackpot**

Jackpot provision is accounted for at fair value as derivative. As this financial instrument is not quoted on an active market and no observable data is available, the fair value of this financial instrument is not determined by reference to published price quotations nor estimated by using a valuation technique based on assumptions supported by prices from observable current market transactions.

## 26. BANK LOANS

The summary of the actual structure of the loans from Česká Spořitelna, a.s. is provided below:

| Long-term bank loans € 000 | Currency | Effective interest rate | Security | Maturity | 2012 | 2011 |
|---|---|---|---|---|---|---|
| Loan A – Tranche I | CZK | 3M PRIBOR + 2.85% | shares of the Czech subsidiary companies; pledge on bank accounts; brand name FORTUNA; bill of exchange; letter of comfort issued by Penta Holding Limited | 2015 | 1,499 | 2,105 |
| Loan A – Tranche II | CZK | 3M PRIBOR + 3.35% | shares of the Czech subsidiary companies; pledge on bank accounts; brand name FORTUNA; bill of exchange; letter of comfort issued by Penta Holding Limited | 2015 | 1,053 | 1,024 |
| Loan A – Tranche III | EUR | 3M EURIBOR + 2.85% | shares of the Czech subsidiary companies; pledge on bank accounts; brand name FORTUNA; bill of exchange; letter of comfort issued by Penta Holding Limited | 2015 | 1,838 | 2,651 |
| Loan A – Tranche IV | EUR | 3M EURIBOR + 3.35% | shares of the Czech subsidiary companies; pledge on bank accounts; brand name FORTUNA; bill of exchange; letter of comfort issued by Penta Holding Limited | 2015 | 1,299 | 1,296 |
| Loan A – Tranche V | CZK | 1M PRIBOR + 1.65% | shares of the Czech subsidiary companies; pledge on bank accounts; brand name FORTUNA; bill of exchange; letter of comfort issued by Penta Holding Limited | 2013 | 5,965 | 3,180 |
| Loan A – Tranche VIII | CZK | 3M PRIBOR + 2.35% | shares of the Czech subsidiary companies; pledge on bank accounts; brand name FORTUNA; bill of exchange; letter of comfort issued by Penta Holding Limited | 2014 | 1,198 | 1,946 |
| Loan B – Tranche I | CZK | 3M PRIBOR + 2.85% | shares of the Czech subsidiary companies; pledge on bank accounts; brand name FORTUNA; bill of exchange; letter of comfort issued by Penta Holding Limited | 2015 | 1,784 | 2,506 |
| Loan B – Tranche II | CZK | 3M PRIBOR + 3.35% | shares of the Czech subsidiary companies; pledge on bank accounts; brand name FORTUNA; bill of exchange; letter of comfort issued by Penta Holding Limited | 2015 | 1,311 | 1,275 |
| Loan B – Tranche III | EUR | 3M EURIBOR + 2.85% | shares of the Czech subsidiary companies; pledge on bank accounts; brand name FORTUNA; bill of exchange; letter of comfort issued by Penta Holding Limited | 2015 | 2,152 | 3,103 |
| Loan B – Tranche IV | EUR | 3M EURIBOR + 3.35% | shares of the Czech subsidiary companies; pledge on bank accounts; brand name FORTUNA; bill of exchange; letter of comfort issued by Penta Holding Limited | 2015 | 1,598 | 1,595 |
| Loan C – Tranche I | EUR | 6M EURIBOR + 2.75% | shares of FORTUNA SK, a.s.; pledge on bank account; bill of exchange; letter of comfort issued by Penta Holding Limited | 2013 | 1,253 | 2,565 |
| Loan C – Tranche II | EUR | 6M EURIBOR + 2.95% | shares of FORTUNA SK, a.s.; pledge on bank account; bill of exchange; letter of comfort issued by Penta Holding Limited | 2014 | 1,328 | 1,835 |
| Loan C – Tranche III | EUR | 6M EURIBOR + 3.35% | shares of FORTUNA SK, a.s.; pledge on bank account; bill of exchange; letter of comfort issued by Penta Holding Limited | 2014 | 3,228 | 3,232 |
| Finance lease | CZK | | | | 138 | 187 |
| Finance lease | PLN | | | | 0 | 1 |
| | | | | | 25,644 | 28,501 |
| of which current portion | | | | | 11,947 | 5,928 |
| **Total long-term loans** | | | | | **13,697** | **22,573** |

At 31 December 2012, Fortuna Group had undrawn committed borrowing facilities of € 1,817 thousand (2011: € 3,556 thousand) for which all conditions set had been met.

At 31 December 2012 Fortuna Group was in compliance with bank loan covenants.

## 27. SHARE-BASED PAYMENT PLANS

The General Meeting of Fortuna Entertainment Group N.V. held in Amsterdam on 25 May 2011 authorized the Company to adopt the stock option plan (hereinafter referred to as the “Plan”).The Plan is valid from 30 June 2011 and grants the option (right) to acquire shares at the exercise price of CZK 115 per share for employees in the betting divisions of the main subsidiaries of Fortuna Entertainment Group NV (i.e. Fortuna Entertainment Group NV, Fortuna sázková kancelář a.s., Fortuna Zaklady Bukmacherskie sp z o.o., Fortuna SK a.s. and FortunaWin Ltd., Fortuna software s.r.o), which were employed by the company on or before 31 December 2010. Options granted in 2011 vested as of 1 March 2012. Options granted in 2011 could have been exercised at anytime for a period of one year, i.e. until 28 February 2013. At the exercise date, the option holder is entitled to remuneration from the company which is calculated as the difference between the closing price of shares in the Prague Stock Exchange or in the Warsaw Stock Exchange at the exercise date, and the exercise price (cash-settled transaction). The option holder may decide to acquire physical shares. In such a case, the company will purchase shares on behalf of the option holder and transfer them to the respective holder (equity-settled transaction). However the company did not expect equity settlement for these options.

The fair value of the share options at the grant date was measured using a binomial model. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense. As the fair value of options granted was nil as at 31 December 2012, there is not recognised any expense or liability from share option plan.

**Movements in the year**

The following table illustrates the number and exercise price of, and movements in, share options during the year:

| | 2012 Number | 2012 Exercise price in CZK | 2011 Number | 2011 Exercise price in CZK |
|---|---|---|---|---|
| **Outstanding at 1 January** | **395,500** | **115** | **–** | **115** |
| Granted during the year | – | 115 | 395,500 | 115 |
| Forfeited during the year | (43,000) | 115 | – | 115 |
| **Outstanding at 31 December** | **352,500** | **115** | **395,500** | **115** |
| Exercisable at 31 December | – | | – | |

The remaining contractual life for the share options outstanding as at 31 December 2012 is 0.17 year.

The weighted average fair value of options granted during the year was € 0.

The exercise price for options outstanding at the end of the year was CZK 115.

The following table list the inputs to binomial model used for share option plan for the years ended 31 December 2012 and 2011, respectively:

| | 2012 | 2011 |
|---|---|---|
| Current share price (CZK) | 85.00 | 91.75 |
| Strike share price (CZK) | 115 | 115 |
| Dividend yield (%) | 7 | 8 |
| Expected volatility (%) | 5 | 9 |
| Risk-free interest rate (%) | 1.96 | 1.04 |
| Expected life of share options (years) | 0.17 | 1.17 |

The expected life of the share options is based on termination of vested period. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

## 28. TRADE AND OTHER PAYABLES (CURRENT)

| € 000 | 31.12.2012 | 31.12.2011 |
|---|---|---|
| **Trade and other payables (current)** | | |
| Trade accounts and notes payable | (2,043) | (2,111) |
| Payables to related parties | (37) | (36) |
| Liability arising from acquisition of subsidiary | – | (28) |
| Wages and salaries payable | (1,426) | (1,523) |
| Social security and health contributions payable | (742) | (723) |
| Taxation on earning from betting and others | (5,061) | (5,604) |
| Unpaid wins | (2,902) | (2,228) |
| Other deferred income and accrued expenses | (2,618) | (2,794) |
| Received deposits | (9) | (3) |
| Other payables and estimated accounts payable | (2,302) | (600) |
| | **(17,140)** | **(15,650)** |

Unpaid wins are accounted for at fair value as derivatives. As these financial instruments are not quoted on an active market and no observable data is available, the fair value of these financial instruments are not determined by reference to published price quotations nor estimated by using a valuation technique based on assumptions supported by prices from observable current market transactions. Open bets and unpaid wins are paid out within a short time frame after year end and as a result the difference between the fair value of these financial instruments as of year-end and the fair value as of the actual pay out date is deemed immaterial. Therefore the Company determined the fair value on the actual consideration on the pay-out date. For that reason no reconciliation of beginning and ending balance disclosing the changes to the period is presented. Open bets at year end are included in deferred income.

In 2011 the liability arising from acquisition of subsidiary represents the short-term portion of the unpaid purchase price of NAVI PRO s.r.o.

## 29. RELATED PARTY DISCLOSURES

The consolidated financial statements include the following companies:

| 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 | Dormant company |
| FORTUNA SPORTSKA KLADIONICA, d.o.o. * | Croatia | Sports betting |
| FORTUNA 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 |
| ibet, s.r.o. v likvidaci **** | Czech Republic | Call centre support |
| FortunaWin Ltd. | Malta | Online betting |
| FortunaWin Gaming Ltd. | Malta | Online gaming |

* Sold in March 2010 to related party. Till March 2010 included in the consolidated group, from April 2010 included in related parties. In August 2011 sold to third party and is not included in related parties anymore.
** Acquired in May 2010
*** Acquired in January 2010
**** in liquidation since July 2012

The following table lists the total amounts relating to transactions entered into with related parties for the relevant financial year:

| Consolidated statement of financial position<br>€ 000 | 31.12.2012 | 31.12.2011 |
|---|---|---|
| **Receivables from related parties** | | |
| AERO Vodochody, a.s. | – | 1 |
| Privatbanka, a.s. | – | 6 |
| Digital Park Einsteinova, a.s. | 81 | 81 |
| **Total receivables from related parties** | **81** | **88** |
| **Payables to related parties** | | |
| DÔVERA zdravotná poisťovňa, a.s. | 17 | 15 |
| AB Facility, s.r.o. | 1 | 1 |
| Avis Accounting BV | 4 | 4 |
| Penta Investments Limited, Cyprus | 15 | 16 |
| **Total payables to related parties** | **37** | **36** |
| **Cash in related parties** | | |
| Privatbanka, a.s. | 2,465 | 6,659 |
| **Total cash in related parties** | **2,465** | **6,659** |

The payables to DÔVERA zdravotná poisťovňa, a.s. relate to health insurance payments.

| Consolidated statement of income<br>€ 000 | 1.1.2012–31.12.2012 | 1.1.2011–31.12.2011 |
|---|---|---|
| **Sales to related parties** | | |
| FORTUNA SPORTSKA KLADIONICA, d.o.o. | – | 27 |
| **Total sales to related parties** | **–** | **27** |
| **Financial income from related parties** | | |
| Privatbanka, a.s. | 28 | 26 |
| **Total financial income from related parties** | **28** | **26** |
| **Financial expense from related parties** | | |
| Privatbanka, a.s. | 2 | 1 |
| **Total financial expense from related parties** | **2** | **1** |
| **Purchases from related parties** | | |
| DÔVERA zdravotná poisťovňa, a.s. | 149 | 122 |
| Digital Park Einsteinova, a.s. | 147 | 178 |
| AB Facility, s.r.o. | 7 | 2 |
| Avis Accounting BV | 20 | 21 |
| AERO Vodochody, a.s. | – | 1 |
| Predict Performance Improvement Ltd. | 293 | 73 |
| MobilKom, a.s. | – | 1 |
| **Total purchases from related parties** | **616** | **398** |

The sales to and purchases from related parties are conducted at normal market prices. Outstanding balances at year end are unsecured, interest free, with settlement being in cash. No guarantees have been provided or received for any related party receivables or payables. For the years ended 31 December 2012 and 2011, Fortuna Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is made each financial year by examining the financial position of the related party and the market in which the related party operates.

Financial income and expense from Privatbanka a.s. relates to bank fees and interest on bank account balances.

Purchases from DÔVERA zdravotná poisťovňa, a.s. represent health insurance payments. Purchases from Digital Park Einsteinova, a.s. relate to rent of office premises.

**Shares Held by the Management**
As of 31 December 2012 key management held 2,755 shares of FEGNV, representing 0.005% of aggregate voting rights and 49,000 stock options issued under Stock Option Plan described in note 27 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.

## 30. COMMITMENTS AND CONTINGENCIES

**Operating lease commitments – Group as lessee**
Operating leases mainly relate to buildings with lease terms of between three to ten years. All operating lease contracts contain market review clauses in the event that Fortuna Group exercises its option to renew. The Company does not have an option to purchase the leased assets at expiry of the lease period.

Fortuna Group has also entered into lease agreements on certain motor vehicles and items of machinery. These leases have a useful life of three years with no renewal option included in the contracts. No restrictions have been placed upon Fortuna Group when entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

| € 000 | 2012 | 2011 |
|---|---|---|
| Instalments due within one year | 6,089 | 4,854 |
| Instalments due between two and five years | 8,245 | 7,378 |
| Instalments due after more than five years | 1,312 | 2,343 |
| Operating lease expense (note 9) | (11,894) | (11,644) |

Some of the contracts include also variable payments dependent on amounts staked. These payments were not included in the table above as they cannot be reliably estimated.

**Finance lease and hire purchase commitments**
Fortuna Group has entered into finance leases and hire purchase contracts for various items of machinery and vehicle. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease. Future minimum lease payments under finance leases and hire purchase contracts including the present value of the net minimum lease payments can be broken down as follows:

| € 000 | 2012 | 2011 |
|---|---|---|
| Within one year | 103 | 94 |
| After one year but not more than five years | 51 | 134 |
| More than five years | – | – |
| **Total minimum lease payments** | **154** | **228** |
| Future finance charges on finance leases | (16) | (40) |
| **Present value of finance lease payments** | **138** | **188** |
| **Carrying amount of assets under finance leases** | **138** | **207** |

**Other contingencies**
Fortuna zakłady bukmacherskie sp. z o.o. ("Fortuna Poland") applied for VAT overpayment of € 2.2 million for the period 2005–2008. The Polish tax authorities refused to refund the full amount. In July and September 2012 the Administrative Court in Gliwice ruled that Fortuna Poland is entitled to full refund. However, the Polish tax authorities appealed against this decision to the Main Administrative Court in Warsaw. The hearings are estimated to take place in late 2013 or early 2014. In case the Main Administrative Court confirms the previous ruling of the Administrative Court, the Polish tax authorities will have to refund the company with € 2.2 million plus interest. The contingent asset hasn't been recognized in the consolidated financial statement of position yet.

## 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Fortuna Group's principal financial instruments, other than derivatives, comprise bank loans, overdrafts, cash and short-term deposits. The main purpose of these financial instruments is to raise funds for Fortuna Group's operations. Fortuna Group has various other financial instruments such as current receivables, trade and other payables that arise directly from its operations.

Fortuna Group also enters into derivative transactions, such as interest rate swaps. The purpose of these transactions is to assist in the management of Fortuna Group's financial risk and to generate the desired effective interest rate profile.

Fortuna Group is exposed to market risk, credit risk and liquidity risk.

**Market risk**
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. Financial instruments affected by market risk include loans and borrowings, cash and cash equivalents, deposits and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 December 2012 and 2011.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2012 and 2011.

The following assumptions have been made in calculating the sensitivity analyses:
– The statement of financial position sensitivity relates to derivatives.
– The sensitivity of the relevant statement of income item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2012 and 2011 including the effect of hedge accounting.

It is, and has been throughout the year under review, Fortuna Group's policy that no trading in financial instruments shall be undertaken other than betting and gaming transactions.

**Interest rate risk**
Fortuna Group is exposed to interest rate risk on interest bearing loans and borrowings and on cash and cash equivalents.

Fortuna Group manages the interest rate risk by having a balanced portfolio of fixed and variable rate loans. Fortuna Group's policy for the year ended 31 December 2012 and 2011 was to maintain a minimum of 25% of its borrowings at fixed interest rates. To manage this Fortuna Group enters into interest rate swaps, in which Fortuna Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2012, after taking into account the effect of the interest rate swaps eligible for hedge accounting, approximately 23% (2011: 27%) of Fortuna Group's borrowings are at a fixed rate of interest.

**Foreign currency risk**
Fortuna Group carries out operations through a number of foreign enterprises. The day to day transactions of foreign subsidiaries are carried out in local currencies. Fortuna Group's exposure to currency risk at a transactional level is monitored and reviewed regularly.

Fortuna Group seeks to mitigate the effect of its structural currency exposure arising from the translation of foreign currency assets through bank loan drawings in the same currencies. However there are bank loans drawn in euro in the Czech entities (note 26) which constitute currency exposure.

The exchange risk is kept at an acceptable level since the majority of operations is carried out within operating companies and hence any movement of currency rates of their functional currencies against each other and the euro (e.g Czech Korunas, Polish Zloty) do not give rise to significant exchange risk.

**Credit risk**
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to Fortuna Group. Credit risk arises from cash and cash equivalents, trade receivables and loans.

From its core business substance, Fortuna Group's exposure to credit risk is limited since the vast majority of sales is carried out on the basis of prepayments made by customers. The marginal part of the pre-payments is executed by credit cards, where management adopts monitoring and credit control policy which minimise any credit risk exposure.

With respect to trade receivables related to other sales, Fortuna Group ensures that products and services are provided to customers with an appropriate creditworthy history. Risk control assesses the credit quality of customers taking into account financial position, past experience and other factors.

Fortuna Group's exposure to credit risk through the loans granted is limited since there are only intra-group loans and any third party lending is very rare.

**Liquidity risk**
Fortuna Group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings with a range of maturities.

Fortuna Group's policy on liquidity is to ensure that there are sufficient medium-term and long-term committed borrowing facilities to meet the medium-term funding requirements. At 31 December 2012, there were undrawn committed borrowing facilities of € 1,817 thousand (2011: € 3,556 thousand). Total committed facilities had an average maturity of 2 years in 2012 (2011: 3 years).

Prudent liquidity risk management implies maintaining sufficient cash and other liquid assets, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Company's treasury maintains flexibility in funding.

The Company monitors the level of cash on a daily basis and draws cash from the bank when and if needed.

**Liquidity risk profile**

The table below summarises the maturity profile of Fortuna Group's financial liabilities at 31 December 2012 and 2011 based on contractual undiscounted payments:

| As at 31 December 2012<br>€ 000 | < 1 year | 1 to 3 years | 3 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|
| Trade and other payables | 17,140 | – | – | – | 17,140 |
| Bank loans and finance lease | 12,536 | 14,248 | – | – | 26,784 |
| Derivatives (swaps) | 619 | 325 | – | – | 944 |
| Other non-current liabilities | 30 | – | – | – | 30 |
| | **30,325** | **14,573** | **–** | **–** | **44,898** |

| As at 31 December 2011<br>€ 000 | < 1 year | 1 to 3 years | 3 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|
| Trade and other payables | 15,650 | – | – | – | 15,650 |
| Bank loans and finance lease | 7,077 | 17,931 | 6,198 | – | 31,206 |
| Derivatives (swaps) | 813 | 936 | – | – | 1,748 |
| Other non-current liabilities | – | – | – | – | – |
| | **23,540** | **18,867** | **6,198** | **–** | **48,604** |

**Interest rate sensitivity**

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of Fortuna Group's profit before tax and equity (through the impact on floating rate borrowings):

| € 000 | Increase in interest rate by | Effect on profit before tax |
|---|---|---|
| **2012** | | |
| CZK | 1% | 128 |
| EUR | 1% | 69 |
| PLN | 1% | – |
| | | **197** |
| **2011** | | |
| CZK | 1% | 121 |
| EUR | 1% | 87 |
| PLN | 1% | – |
| | | **208** |

**Foreign currency risk sensitivity**

The following table demonstrates the sensitivity to a change in the foreign exchange rates, with all other variables held constant, of Fortuna Group's equity arising from the translation of the foreign operations:

| As of 31 December 2012<br>Increase in exchange rate by 1%<br>€ 000 | Effect on equity |
|---|---|
| CZK/EUR | 141 |
| PLN/EUR | 32 |

| As of 31 December 2011<br>Increase in exchange rate by 1%<br>€ 000 | Effect on equity |
|---|---|
| CZK/EUR | 498 |
| PLN/EUR | 23 |

**Capital management**
Capital includes equity attributable to the equity holders of the parent.

The primary objective of Fortuna Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

Fortuna Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, Fortuna Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Fortuna Group monitors capital using a gearing ratio defined as net debt divided by EBITDA.

Fortuna Group includes interest bearing short-term and long-term loans and borrowings less cash and cash equivalents in net debt. The Company defines EBITDA as net profit after tax from continuing operations before non-controlling interest, income tax, net financial costs, depreciation and amortisation and goodwill impairment.

Fortuna Group's policy is to keep the gearing ratio at a maximum range of 1.5–2.0.

| € 000 | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Interest bearing loans and borrowings: | | |
| Long-term loans | 13,697 | 22,573 |
| Current portion of long-term loans | 11,947 | 5,928 |
| Short-term loans | – | – |
| | **25,644** | **28,501** |
| Less cash and cash equivalents | 15,480 | 17,533 |
| **Net debt** | **10,164** | **10,968** |

| € 000 | 1.1.2012–31.12.2012 | 1.1.2011–31.12.2011 |
|---|---|---|
| Profit before taxation from continuing operations | 16,162 | 15,891 |
| Finance costs, net | 2,261 | 940 |
| Goodwill impairment | – | – |
| Depreciation and amortisation | 3,660 | 3,132 |
| EBITDA | 22,083 | 19,963 |
| **Gearing ratio** | **0.46** | **0.55** |

## 32. EVENTS AFTER THE BALANCE SHEET DATE

In June 2012, Fortuna signed an Agreement on Future Agreement with Czech company E-INVEST on a sale of a 10% stake in Fortuna Loterie to E-INVEST. The transfer should be executed in the second quarter of 2013.

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

The Company announced in March 2013 that it plans to pay out a dividend of 100% of the 2012 net profit. The exact dividend amount will be proposed by the Management Board to shareholders at the AGM which is expected to take place in May 2013.

Effective March 1, 2013 ibet s.r.o. v likvidaci was removed from the Commercial Register.

Amsterdam, 11 April 2013

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

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

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

Jozef Janov
Chairman of the Supervisory Board
of Fortuna Entertainment Group N.V.

Marek Rendek
Member of the Supervisory Board
of Fortuna Entertainment Group N.V.

Václav Brož
Member of the Supervisory Board
of Fortuna Entertainment Group N.V.

Michal Horáček
Member of the Supervisory Board
of Fortuna Entertainment Group N.V.

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# Corporate Financial Statements of Fortuna Entertainment Group N.V. as at 31 December 2012

**CONTENTS**

# Statement of Financial Position as at 31 December 2012

| € 000 | Notes | 31 December 2012 | 31 December 2011 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 5 | 149 | 204 |
| Property, plant and equipment | 6 | 5 | 7 |
| Investments in subsidiaries | 7 | 182,152 | 181,992 |
| Other fixed assets | 9 | 15 | 21 |
| **Total non-current assets** | | **182,321** | **182,224** |
| **Current assets** | | | |
| Receivables from related parties | 10 | 7,953 | 7,447 |
| Prepayments and other current assets | 11 | 67 | 65 |
| Cash and cash equivalents | 12 | 75 | 46 |
| **Total current assets** | | **8,095** | **7,558** |
| **TOTAL ASSETS** | | **190,416** | **189,782** |
| **EQUITY AND LIABILITIES** | | | |
| **Shareholders' equity** | **13** | | |
| Share capital | | 520 | 520 |
| Share premium | | 133,385 | 133,385 |
| Retained earnings | | 10,349 | 6,314 |
| Profits for the year | | 15,440 | 15,995 |
| **Total Equity** | | **159,694** | **156,214** |
| **Non-current liabilities** | **14** | | |
| Loans from group companies | | 29,094 | 30,565 |
| **Total non-current liabilities** | | **29,094** | **30,565** |
| **Current liabilities** | | | |
| Creditors | 15 | 153 | 70 |
| Loans from group companies | 16 | 960 | 2,498 |
| Payables to related parties | 16 | 341 | 292 |
| Accruals and other current liabilities | 17 | 174 | 143 |
| **Total current liabilities** | | **1,628** | **3,003** |
| **EQUITY AND LIABILITIES** | | **190,416** | **189,782** |

# Statement of Income for the Year Ended 31 December 2012

| € 000 | Notes | The year ended 31 December 2012 | The year ended 31 December 2011 |
|---|---|---|---|
| Dividend income | 18 | 18,165 | 17,436 |
| Realised result subsidiary | | (199) | – |
| Net royalty income | | 2 | 2 |
| **Revenues** | | **17,968** | **17,438** |
| Personnel expenses | 19 | (67) | (160) |
| Depreciation and amortisation | 5,6 | (57) | (50) |
| Other operating expenses | 20 | (811) | (558) |
| **Operating profit** | | **17,033** | **16,670** |
| Finance income | 21 | 46 | 1,348 |
| Finance cost | 22 | (1,639) | (2,023) |
| **Profit before tax** | | **15,440** | **15,995** |
| Income tax expense | | – | – |
| **Net profits for the year** | | **15,440** | **15,995** |

# Statement of Cash Flows for the Year Ended 31 December 2012

| € 000 | 31 December 2012 | 31 December 2011 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before tax | 15,440 | 15,995 |
| Adjustments for: | | |
| Depreciation and amortisation | 57 | 50 |
| Operating profit before working capital changes | 15,497 | 16,045 |
| (Increase) / Decrease in other current assets | (508) | 25 |
| (Increase) / Decrease in receivables | – | 2,050 |
| (Decrease) / Increase in payables and other liabilities | (1,376) | 2,435 |
| Cash generated from operating activities | 13,613 | 20,555 |
| **Net cash flows provided by / (used in) operating activities** | **13,613** | **20,555** |
| **Cash flows from investing activities** | | |
| Related party loans receivable (granted)/repaid | – | 41,344 |
| Purchase of equipment and intangible fixed assets | – | (1) |
| Proceeds / (Acquisition) of other financial fixed assets | (154) | (43,469) |
| **Net cash flows provided by / (used in) investing activities** | **(154)** | **(2,126)** |
| **Cash flows from financing activities:** | | |
| Proceeds from borrowings / repayment from borrowings | (1,470) | (10,054) |
| Dividend paid | (11,960) | (15,600) |
| **Net cash flows (used in)/provided by financing activities** | **(13,430)** | **(25,654)** |
| Net increase / (decrease) in cash and cash equivalents | 29 | (7,225) |
| Cash and cash equivalents at the beginning of the year | 46 | 7,271 |
| **Cash and cash equivalents at the end of the year** | **75** | **46** |

# Statement of Changes in Equity for the Year Ended 31 December 2012

| € 000 | Share capital | Share premium | Retained earnings | Total |
|---|---|---|---|---|
| **At 31 December 2010** | **520** | **133,385** | **21,914** | **155,819** |
| Dividend paid | – | – | (15,600) | (15,600) |
| Profits for the year | – | – | 15,995 | 15,995 |
| **At 31 December 2011** | **520** | **133,385** | **22,309** | **156,214** |
| Dividend paid | – | – | (11,960) | (11,960) |
| Profits for the year | – | – | 15,440 | 15,440 |
| **At 31 December 2012** | **520** | **133,385** | **25,789** | **159,694** |

# Notes to the Financial Statements as at 31 December 2012

## 1. CORPORATE INFORMATION

The statutory financial statements for the year ended 31 December 2012 of Fortuna Entertainment Group N.V. ("FEGNV"), comprise the statements of financial position as at 31 December 2012 and 31 December 2011, the statements of income, statements of changes in equity and statements of cash flows for the years ended 31 December 2012 and 31 December 2011, and a summary of significant accounting policies and other explanatory notes.

The financial statements of FEGNV for the year ended 31 December 2012 were authorized for issue in accordance with a resolution of the directors on 11 April 2013. The Annual General Meeting to approve the financial statements will take place on 28 May 2013.

FEGNV has its registered office at Strawinskylaan 809, Amsterdam, the Netherlands. 67.26% of the shares of the Company are held by AIFELMONA HOLDINGS LIMITED having its registered office at Kyriakou Matsi, 16, EAGLE HOUSE, 10th floor, 1082, Nicosia, Cyprus. The previous shareholder of 67.26% of the shares was Penta Investments Limited ("Penta") having its registered office at Agias Fylaxeos & Polygnostou, 212, C&I Center, 2nd floor, 3082 Limassol, Cyprus. On 29 November 2011 Penta contributed its block of shares of FEGNV to its direct subsidiary AIFELMONA HOLDINGS LIMITED. 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 the 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 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.

FEGNV has the following members of Management and Supervisory Board as at 31 December 2012:

| Management Board | |
|---|---|
| Chairman: | Wilfred Walsh |
| Member: | Richard van Bruchem |
| Member: | Janka Galáčová |

| Supervisory Board | |
|---|---|
| Chairman: | Jozef Janov |
| Member: | Marek Rendek |
| Member: | Václav Brož |
| Member: | Michal Horáček |

Wilfred Walsh acted as Vice Chairman of the Management Board until 24 May 2012 and effective 25 May 2012 he became Chairman of the Management Board.

Effective 1 July 2012 Radim Haluza became CEO of Fortuna Entertainment Group, however he is not a member of the Management Board.

## 2. BASIS OF PREPARATION

These statutory financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and all applicable IFRS that have been adopted by the European Union and in accordance with Title 9 of Book 2 Dutch Civil Code. IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

The statutory financial statements have been prepared on a historical cost basis unless disclosed otherwise.

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

The corporate financial statements do not include a statement of comprehensive income as there are no other comprehensive income items and total comprehensive income equals total result for the year.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in preparing the statutory financial statements for the year ended 31 December 2012 are set out below.

**3.1. Intangible assets**
Intangible assets acquired separately are measured at cost and those acquired as part of a business combination are recognised separately from goodwill if the fair value can be measured reliably on initial recognition. The costs relating to internally generated intangible assets, principally software costs, are capitalised if the criteria for recognition as assets are met. Other internally generated intangible assets are not capitalised and expenditure is charged against profit in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. The straight-line amortisation method is used.

| | Useful life |
|---|---|
| Software | 5 years |

**3.2. Property, plant and equipment**
Property, plant and equipment and other fixed assets are stated at cost less accumulated depreciation and any impairment in value. Assets not yet in use are carried at cost and not depreciated. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is calculated on a straight-line basis over the estimated useful life of an asset as follows:

| | Useful life |
|---|---|
| Office furniture and equipment | 5 years |

Impairment is recognized when the carrying amount of an item of property, plant, or equipment exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

An item of property, plant and equipment and any significant part initially recognised is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

**3.3. Recoverable amount of non-current assets**
The carrying values of non-current assets with finite lives are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

For goodwill, and intangible assets that have indefinite useful lives, the recoverable amount is estimated at each balance sheet date.

The recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Impairment losses are recognised in the statement of income in the depreciation line item. Assets and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

**3.4. Cash at bank**
Cash and cash equivalents in the statement of financial position represents bank balances and is carried at face value.

**3.5. Investments in subsidiaries**
Investments in subsidiaries are stated at cost less a provision for impairment, if any.

**3.6. Financial assets**
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. FEGNV determines the classification of its financial assets on initial recognition.

Trade receivables are generally accounted for at amortised cost. Fortuna Group reviews indicators of impairment on an ongoing basis and where indicators exist, Fortuna Group makes an estimate of the assets' recoverable amounts.

**3.7. Financial liabilities**
Financial liabilities comprise interest bearing loans and borrowings. On initial recognition, financial liabilities are measured at fair value less transaction costs where they are not categorised as financial liabilities at fair value through profit or loss. Except for derivative financial instruments, Fortuna Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are measured initially at fair value, with transaction costs taken directly to the statement of income. Subsequently, the fair values are re-measured and gains and losses from changes therein are recognised in the statement of income.

**3.8. De-recognition of financial assets and liabilities**
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:
– The rights to receive cash flows from the asset have expired.
– Fortuna Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) Fortuna Group has transferred substantially all the risks and rewards of the asset, or (b) Fortuna Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When Fortuna Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of Fortuna Group's continuing involvement in the asset. In that case, Fortuna Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Fortuna Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that Fortuna Group could be required to repay.

**3.9. Loans and receivables**
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.

EIR amortisation is included in finance income in the statement of income. The losses arising from impairment are recognised in the statement of income in finance costs.

**3.10. Interest bearing loans and borrowings**
All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the statement of income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the statement of income.

**3.11. Foreign currency translation**
The presentation and functional currency of FEGNV is the Euro ("EUR" or "€").

Transactions in foreign currencies are initially recorded in the functional currency at the foreign currency rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign currency rate of exchange ruling at the balance sheet date. All differences are taken to the statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

**3.12. Expenses**
Costs and expenses are allocated to the year to which they relate. Losses are recognized in the year in which they are identified.

**3.13. Contingencies**
Contingent assets are not recognised in the financial statements but disclosed when an inflow of economic benefits is probable. Contingent liabilities are not recognised in the financial statements. They are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote.

**3.14. Future accounting developments**
Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued that Fortuna Group reasonably expects to be applicable at a future date. Fortuna Group intends to adopt these standards when they become effective.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
The amendments to IAS 1 change the 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 (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings) would be presented separately from items that will never be reclassified (for example, 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). The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 19 Employee Benefits (Revised)
The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amended standard will impact the net benefit expense as the expected return on plan assets will be calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

### IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013.

### IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

### IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off 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 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

### IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

### IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group.

This standard becomes effective for annual periods beginning on or after 1 January 2013.

### IFRS 11 Joint Arrangements

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 must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after 1 January 2013, and is to be applied retrospectively for joint arrangements held at the date of initial application. IFRS 11 is not expected to have any impact on the currently held investments of the Group.

### IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. Thesedisclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but has no impact on the Group's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

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 Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

Annual Improvements May 2012

These improvements will not have an impact on the Group, but include:

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim Financial Reporting

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013.

## 4. USE OF ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

**Judgements**

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**Estimates**

The key assumptions concerning future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

**Recoverable amount of receivables**

Where there are indicators that any receivable is impaired at a balance sheet date, management makes an estimate of the asset's recoverable amount.

## 5. INTANGIBLE ASSETS

| € 000 | Software | Intangible assets not yet in use | Total |
|---|---|---|---|
| Cost: | | | |
| **As at 1 January 2012** | **242** | **61** | **303** |
| Additions | 61 | – | 61 |
| Disposals | – | (61) | (61) |
| **As at 31 December 2012** | **303** | **–** | **303** |
| Accumulated amortisation: | | | |
| **As at 1 January 2012** | **99** | **–** | **99** |
| Additions | 55 | – | 55 |
| **As at 31 December 2012** | **154** | **–** | **154** |
| **Carrying amount at 31 December 2012** | **149** | **–** | **149** |
| **Carrying amount at 1 January 2012** | **143** | **61** | **204** |

The Company entered into a contract with Virtual Racing Systems Limited, the supplier of the software. The contract has an duration of 5 years, resulting in an amortisation rate of 20%. An amount of € 61 thousand relating to software licences was not yet in use as at 31 December 2011.

## 6. PROPERTY, PLANT AND EQUIPMENT

| € 000 | Plant and equipment | Other assets | Total |
|---|---|---|---|
| Cost: | | | |
| **As at 1 January 2012** | **–** | **9** | **9** |
| **As at 31 December 2012** | **–** | **9** | **9** |
| Accumulated amortisation: | | | |
| **As at 1 January 2012** | **–** | **2** | **2** |
| Additions | – | 2 | 2 |
| Disposals | – | – | – |
| **As at 31 December 2012** | **–** | **4** | **4** |
| **Carrying amount at 31 December 2012** | **–** | **5** | **5** |
| **Carrying amount at 1 January 2012** | **–** | **7** | **7** |

Amortization started in 2011 the amortization rate of office furniture and equipment is set to 20%.

## 7. INVESTMENTS IN SUBSIDIARIES

FEGNV held following subsidiaries as at 31 December 2012:

| Entity name<br>€ 000 | Country of incorporation | Percentage held 31.12.2012 | Principal Activity | Historic cost | Carrying amount 31.12.2012 |
|---|---|---|---|---|---|
| Cost: | | | | | |
| (ii) FortunaWin Ltd. | Malta | 99.99% | Entertainment | 3,145 | 3,145 |
| (iii) Riverhill a.s. | Czech Republic | 100% | Holding | 105,977 | 105,977 |
| (iv) Fortuna SK, a.s. | Slovak Republic | 100% | Entertainment | 70,000 | 70,000 |
| (v) Ibet, s.r.o. v likvidaci | Czech Republic | 100% | Entertainment | – | – |
| (vi) Fortuna Zaklady Bukmacherskie S.P. z.o.o. | Poland | 33% | Entertainment | 3,030 | 3,030 |
| | | | | **182,152** | **182,152** |

### Movements in investments in subsidiaries

| Movements 2012<br>€ 000 | As at 1.1.2012 | Acquisition share capital | Additions share premium | Disposals | Total |
|---|---|---|---|---|---|
| Cost: | | | | | |
| (ii) FortunaWin Ltd. | 2,485 | – | 660 | – | 3,145 |
| (iii) Riverhill a.s. | 105,977 | – | – | – | 105,977 |
| (iv) Fortuna SK, a.s. | 70,000 | – | – | – | 70,000 |
| (v) Ibet, s.r.o. v likvidaci | 500 | – | – | (500) | – |
| (vi) Fortuna Zaklady B. S.P. z.o.o. | 3,030 | – | – | – | 3,030 |
| **As at 31 December 2012** | **181,992** | **–** | **660** | **(500)** | **182,152** |

| Movements 2011<br>€ 000 | As at 1.1.2011 | Acquisition share capital | Additions share premium | Disposals | Total |
|---|---|---|---|---|---|
| Cost: | | | | | |
| (ii) FortunaWin Ltd. | 1,120 | – | 1,365 | – | 2,485 |
| (iii) Riverhill a.s. | 64,359 | 41,618 | – | – | 105,977 |
| (iv) Fortuna SK, a.s. | 70,000 | – | – | – | 70,000 |
| (v) Ibet, s.r.o. v likvidaci | 8 | – | 492 | – | 500 |
| (vi) Fortuna Zaklady B. S.P. z.o.o. | 3,030 | – | – | – | 3,030 |
| **As at 31 December 2011** | **138,517** | **41,618** | **1,857** | **–** | **181,992** |

(i) Fortuna Sportska Kladionica d.o.o.

On 17 December 2009 the Company acquired a 90% shareholding interest in Fortuna Sportska Kladionica d.o.o., with registered offices at Zagreb, Croatia from a related company Equinox Investments B.V., Amsterdam, the Netherlands for a consideration of € 1. The other 10% of the share capital is held by a third party.

At 31 December 2009 the shares were divided and held as follows:

| Shareholder | Nominal value % | Share in Kuna | In € |
|---|---|---|---|
| FEG N.V. | 90% | 2,700,000 HRK | 369,549 |
| Third party | 10% | 300,000 HRK | 41,061 |
| **Total** | **100%** | **3,000,000 HRK** | **410,610** |

In March 2010 Fortuna Sportska Kladionica d.o.o. was sold back to Equinox Investments B.V. for a consideration of € 1.

In September 2010, FEG entered into an agreement with Equinox Investments B.V., under which it had a call option for all shares in Fortuna HR held by Equinox Investments B.V. The option could be exercised within the three-year period starting from 1 July 2011, provided that Fortuna HR reported positive recurring EBITDA for three consecutive quarters. The purchase price was set at EUR 1 and the net debt (understood as interest bearing debts, including any shareholder loans, minus cash and cash equivalents, excluding restricted cash) at the date of transfer of the shares in Fortuna HR should not exceed EUR 12 million. In case the net debt exceeds EUR 12 million at the date of exercise of the option, Equinox Investments B.V. should capitalize Fortuna HR to decrease the net debt to the amount of EUR 12 million. In addition, FEG had a right of first refusal which entitles it to purchase shares in Fortuna HR for the amount offered by a third party wishing to acquire shares in Fortuna HR. In case FEG does not acquire shares in Fortuna HR for the indicated amount, Equinox Investments B.V. may sell the shares in Fortuna HR to such a third party and the call option expires with respect to the shares sold to the third party.

The fair value of option was nil and was included on Fortuna's statement of financial position. The option was revalued on a quarterly basis and potential movements in the fair value of the option flew through the statement of income of FEG.

On 3 August 2011, the Management Board of Fortuna Entertainment Group NV received a notice from Equinox Investments B.V. inviting FEG to exercise its right to purchase shares in Fortuna HR pursuant to offer from an unnamed third party. The Management Board of Fortuna Entertainment Group NV decided not to exercise the option and informed Equinox Investments B.V. accordingly. As a result of that, FEG is no longer entitled to purchase shares in Fortuna HR and the option ceased to be included on Fortuna's statements.

(ii) FortunaWin Limited

On 4 December 2009 the Company founded FortunaWin Ltd. based in Malta. FortunaWin Ltd. mainly act as a holding and finance company for other companies active in the field of the gaming industry.

At 31 December 2011 the shares are divided as follows:

| Shareholder | % held | # of shares | Nominal value € per share | Total € |
|---|---|---|---|---|
| FEG N.V. | 99.99% | 9,999 | 10 | 99,990 |
| Other party | 0.01% | 1 | 10 | 10 |
| **Total** | **100%** | **10,000** | | **100,000** |

The net asset value of FortunaWin Limited as at 31 December 2012 amounts to € 1,589 thousand.

(iii) Riverhill, a.s.

On 17 December 2009 the Company acquired 100% of the registered capital of Riverhill, a.s., based in Prague, Czech Republic (hereinafter "Riverhill") from a related party Gratio Holdings Ltd., based in Cyprus. The purchase price amounted to € 64,359 thousand and was in compliance with an evaluation made by an independent expert. Riverhill is active as a holding company for companies active in the betting industry.

In January 2011 Fortuna Entertainment Group N.V. ("FEGNV") increased share capital in its subsidiary RIVERHILL a.s. by 1,025,000 thousands CZK (41,618 thousands EUR) by non-monetary contribution of receivable from ALICELA a.s.

At 31 December 2012 the shares are divided as follows:

| Type of shares | Series | % held | # of shares | Nominal value per share CZK 000 | Total CZK 000 | Total € 000 |
|---|---|---|---|---|---|---|
| Certificated Bearer | Shares 1 | 100% | 10 | 200 | 2,000 | 76 |
| Ordinary cert. Bearer | Shares 2 | 100% | 25 | 10,000 | 250,000 | 9,446 |
| Ordinary cert. Bearer | Shares 3 | 100% | 102 | 10,000 | 1,020,000 | 39,978 |
| Ordinary cert. Bearer | Shares 3 | 100% | 1 | 4,500 | 4,500 | 176 |
| Ordinary cert. Bearer | Shares 3 | 100% | 1 | 500 | 500 | 20 |
| | | | 139 | | 1,277,000 | 49,696 |

All shares held by the Company are pledged to the Czech bank Česká Spořitelna, a.s.

The net asset value of Riverhill as at 31 December 2012 amounts to CZK 1.314.104 thousand (€ 52,118 thousand).

(iv) Fortuna SK, a.s.
On 27 January 2010 the Company acquired 100% of the registered capital of Fortuna SK, a.s., based in Bratislava, Slovak Republic (hereinafter “FSK”) from the principal shareholder Penta Investments Ltd., based in Cyprus. The purchase price amounted to € 70,000 thousand and was in compliance with an evaluation made by an independent expert. FSK is active as a company active in the gaming industry.

At 31 December 2012 the shares are divided as follows:

| Type of shares | Series | % held | # of shares | Nominal value per share € | Nominal value total € 000 | Acquisition price € 000 |
|---|---|---|---|---|---|---|
| Book-entered, common | A | 100% | 18 | 332 | 6 | 1,260 |
| Book-entered, common | B | 100% | 20 | 34 | 1 | 143 |
| Book-entered, common | C | 100% | 98 | 3,320 | 325 | 68,597 |
| | | | **136** | | **332** | **70,000** |

The net asset value of FSK as at 31 December 2012 amounts to € 8.948 thousand.

(v) Ibet, s.r.o. v likvidaci
ibet, s.r.o. was established on 17 February 2010 by FEGNV. The registered share capital amounts to CZK 200 thousand of which FEGNV holds 100%.

The net asset value of Ibet, s.r.o. as at 31 December 2012 amounts to CZK 0 thousand (€ 0 thousand). The subsidiary made a loss in 2012 of CZK 531 thousand (€ 21 thousand).

(vi) Fortuna Zaklady Bukmacherskie S.P. z.o.o.
Pursuant an Share Purchase Agreement dated 12 May 2010 between Penta Investment Limited, Massarosa Holdings Limited and Lunga Enterprises Limited (the “sellers”) and FEGNV and her subsidiaries Fortuna sázková kancelář a.s. and Fortuna GAME a.s. on the other hand (the “Buyers”), 100% of the outstanding shares in the Polish based company Fortuna Zaklady Bukmacherskie S.P. z.o.o. (hereinafter “FZB”) consisting of 26,400 ordinary shares with a nominal value of PLN 90 were acquired by the FEG Group. FEGNV acquired the shares held by Penta Investments Limited representing 33.3% of the shares in FZB. Together with Polish stamp duty of PLN 119,700 (€ 30,189) the total acquisition price of the FEGNV shares amounted to € 3,030,189.

At 31 December 2012 the shares are divided and held as follows:

| Company | Nominal value per share PLN | Total PLN | # of shares | % held |
|---|---|---|---|---|
| Fortuna Entertainment Group NV | 90 | 792,000 | 8,800 | 33% |
| Alicela, a. s. | 90 | 792,000 | 8,800 | 33% |
| Fortuna GAME a.s. | 90 | 792,000 | 8,800 | 33% |
| | | 2,376,000 | 26,400 | 100% |

The net asset value of FZB as at 31 December 2012 amounts to PLN 12.975 thousand (€ 3,168 thousand).

## 8. LOANS TO GROUP COMPANIES

Movements in the loans during 2012:

| € 000 | Fortuna S.K. | Total |
|---|---|---|
| **As at 1 January 2012** | | |
| Additions | 1,560 | 1,560 |
| Interest | 9 | 9 |
| Currency translation | 12 | 12 |
| Repayments | (1,581) | (1,581) |
| **As at 31 December 2012** | **–** | **–** |

Movements in the loans during 2011:

| € 000 | Alicela a.s. | Ibet, s.r.o. | Total |
|---|---|---|---|
| **As at 1 January 2011** | **40,881** | **463** | **41,344** |
| Interest | – | 13 | 13 |
| Currency translation | 716 | 15 | 731 |
| Repayments | (41,597) | (491) | (42,088) |
| **As at 31 December 2011** | **–** | **–** | **–** |

Movements in the loans during 2012 in originating currencies (CZK thousand):

| CZK 000 | Fortuna S.K. | Total |
|---|---|---|
| **As at 1 January 2012** | | |
| Additions | 40,000 | 40,000 |
| Interest | 226 | 226 |
| Repayments | (40,226) | (40,226) |
| **As at 31 December 2012** | **–** | **–** |

Movements in the loans during 2011 in originating currencies (CZK thousand):

| CZK 000 | Alicela a.s. | Ibet, s.r.o. | Total |
|---|---|---|---|
| **As at 1 January 2011** | **1,024,522** | **11,601** | **1,036,123** |
| Interest | 3 | 321 | 324 |
| Repayments | (1,024,525) | (11,922) | (1,036,447) |
| **As at 31 December 2011** | **–** | **–** | **–** |

Details of loans provided:

| Company | Facility | Starting date | Original Exp date | Effective average interest % |
|---|---|---|---|---|
| Alicela a.s. | CZK 1,025,000 | 24.Mar.10 | 30.Sep.15 | 0.010% |
| Ibet, s.r.o. | CZK 11,000 | 22.Mar.10 | 30.Sep.15 | 7.00% |
| Fortuna S.K. | CZK 40,000 | 21.June.12 | 31.Dec.12 | 7.00% |

The original interest rate of the loan to Alicela was set to 6,75%, but was shortly after reduced to 0,010% in the framework of the intended conversion of the loan into equity. In January 2011 Fortuna Entertainment Group N.V. ("FEGNV") increased share capital in its subsidiary RIVERHILL a.s. by CZK 1,024,522 thousand (EUR 40,902 thousand) by non-monetary contribution of receivable from ALICELA a.s. RIVERHILL a.s. increased share capital in its subsidiary ALICELA a.s. by CZK 1,024,522 thousand (EUR 40,902 thousand) by setting-off receivable from ALICELA a.s. with its payable from share capital increase. All changes are recorded in the Commercial register.

In May 2011 Fortuna Entertainment Group N.V. ("FEGNV") granted additional amount outside the registered capital of the company Ibet, s.r.o. (i.e. in addition to investment contribution the sole member made to the registered capital of the company Ibet, s.r.o.) in the amount of CZK 12,000,000.

## 9. OTHER FIXED ASSETS

| € 000 | 2012 | 2011 |
|---|---|---|
| **As at 1 January** | **21** | **27** |
| Guarantee fee office | – | – |
| Prepaid IPO insurance | (6) | (6) |
| **As at 31 December** | **15** | **21** |

FEGNV paid a premium for insurance in the amount of € 30 thousand. This premium covers 5 years starting December 1, 2010 and is therefore amortised over a period of 5 years. The release in 2012 was € 6,000. From the remaining outstanding amount € 6 thousand (12 x € 500) relates to the next twelve months and is accounted for under prepayments and other current assets.

## 10. RECEIVABLES FROM RELATED PARTIES

| € 000 | Notes | 2012 | 2011 |
|---|---|---|---|
| Dividend receivable Riverhill, a.s. | (i) | 7,637 | 7,447 |
| Liquidation proceeds, IBET s.r.o. | | 301 | – |
| Other receivable related parties | | 15 | – |
| **As at 31 December** | | **7,953** | **7,447** |

(i) In 2010 the Articles of Association of the subsidiary Riverhill, a.s. were changed. As a result the financial year of the subsidiary runs from 1 October to 30 September and ended on 30 September 2010. The dividend over the financial year 2012 of CZK 19,561 thousand (€ 7,637 thousand) shall be payable no later than 31 July 2013.

## 11. PREPAYMENTS AND OTHER CURRENT ASSETS

These consist of the following:

| € 000 | 2012 | 2011 |
|---|---|---|
| Debtor (Favorit Sportska Kladionica d.o.o) | 25 | 23 |
| Prepayments to creditors | – | 3 |
| Czech VAT receivable | 8 | 8 |
| Dutch VAT receivable | 22 | 2 |
| Prepaid rent office | 3 | 3 |
| Prepaid IPO insurance | 6 | 6 |
| Other | 3 | 20 |
| **As at 31 December** | **67** | **65** |

## 12. CASH AND CASH EQUIVALENTS

| € 000 | 2012 | 2011 |
|---|---|---|
| Cash at banks | 75 | 46 |
| **As at 31 December** | **75** | **46** |

In the total amount of cash at banks is included an amount of € 50 thousand (2011: € 26 thousand) outstanding at Privatbanka, a.s., a related company.

## 13. SHAREHOLDERS' EQUITY

### Authorized shares

| | 2012<br># of shares<br>thousands | 2011<br># of shares<br>thousands |
|---|---|---|
| Ordinary shares of € 0,01 each | 250,000 | 250,000 |
| **As at 31 December** | **250,000** | **250,000** |

**Ordinary shares issued and fully paid**

| | # of shares thousand | Per value per share | Share capital € 000 |
|---|---|---|---|
| **As at 31 December 2011** | **52,000** | **0.01** | **520** |
| **As at 31 December 2012** | **52,000** | **0.01** | **520** |

**Shareholders equity and current year results**
The difference between equity reported in the consolidated financial statements and equity reported in the corporate financial statements results from valuing the investments at costs in the corporate financial statements, whereas in the consolidated financial statements results of the subsidiaries are fully reflected. Below schedules provide an overview of the differences.

Movements in the difference between the corporate and the consolidated equity and profit in the financial year 2012 are as follows:

| € 000 | Share premium | Net assets attributable to combined entities' shareholder | Statutory reserves | Retained earnings | Hedge reserve | Foreign exchange translation reserve | Total |
|---|---|---|---|---|---|---|---|
| **1 January 2012** | **107,443** | **–** | **(3,502)** | **3,780** | **433** | **1,358** | **109,512** |
| Profits for the year | – | – | – | 3,121 | – | – | 3,121 |
| Other comprehensive income | – | – | – | – | (66) | (1,826) | (1,892) |
| Statutory reserve movement | – | – | (1,519) | 1,519 | – | – | – |
| **31 December 2012** | **107,443** | **–** | **(5,021)** | **8,420** | **367** | **(468)** | **110,741** |

Difference in equity:

| € 000 | |
|---|---|
| **Equity according to consolidated financial statements** | **48,953** |
| **Continuing operations impact:** | |
| Opening net assets of participants as at 1/1/2007 | 5,290 |
| Capital contribution into Riverhill in 2007 by Penta group (Slovenské investičné družstvo) | (9,003) |
| Dividend paid to Penta Investments Limited in 2008–2009 | 2,010 |
| Acquisition of subsidiaries by FEGNV | 143,556 |
| Results from participants in 2007–2009, attributable to combined entities shareholder | (41,660) |
| Results from participants in 2010 | (17,159) |
| Results from participants (continuing operations) including IFRS adjustments in 2011 included in consolidation | (12,942) |
| Results from participants (continuing operations) including IFRS adjustments in 2012 included in consolidation | (13,517) |
| Other comprehensive income | (244) |
| Net intragroup income of FEGNV eliminated in consolidated financial statements 2010 | 22,155 |
| Net intragroup income of FEGNV eliminated in consolidated financial statements 2011 | 15,617 |
| Net intragroup income of FEGNV eliminated in consolidated financial statements 2012 | 16,638 |
| | |
| **Difference in equity attributable to continuing operations** | **110,741** |
| **Equity according to corporate financial statements** | **159,694** |

Difference in profit:

| € 000 | |
|---|---|
| **Profit according to consolidated financial statements** | **12,319** |
| Results from participants, continuing operations | (13,517) |
| Net intragroup income of FEGNV eliminated in consolidated financial statements | 16,638 |
| **Profit according to corporate financial statements** | **15,440** |

## 14. NON-CURRENT LIABILITIES

FEGNV received loans from the following subsidiaries:

– Fortuna SK, a.s. (hereinafter "FSK")
– Fortuna Zaklady Bukmacherskie S.P. z.o.o. (hereinafter "FZB")
– Fortuna GAME a.s. (hereinafter "FCZ") (1)
– Fortuna GAME, a.s. (hereinafter "FG" and "FCZ"(1))

(1) Effective January 1, 2012, Fortuna Loterie, a.s. merged with Fortuna GAME, a.s.

The following facilities were obtained:

| Company | Facility in € 000 | Facility CZK 000 | Starting date | Expiration date | Effective average interest % |
|---|---|---|---|---|---|
| FSK | 10,000 | | 22.Mar.10 | 30.Sep.15 | 7,00% |
| FCZ | 6,000 | | 25.Mar.10 | 30.Sep.15 | 4,13%* |
| FCZ | | 450,000 | 24.Mar.10 | 30.Sep.15 | 4,47%** |
| FG | 7,000 | | 24.Mar.10 | 30.Sep.15 | 4,05%* |
| FG | | 150,000 | 24.Mar.10 | 30.Sep.15 | 4,43%** |
| FG | 10,000 | | 04.Oct.11 | 30.Apr.13 | 4,53%* |
| **Total facilities** | **33,000** | **600,000** | | | |

* The facility bears an interest of 3 month EURIBOR + 335 points.
** The facility bears an interest of 3 month PRIBOR + 335 points.

Movements in the loan facilities during 2012:

| € 000 | Fortuna SK | Fortuna CZ | Fortuna GAME | Fortuna ZB | Total |
|---|---|---|---|---|---|
| **As at 1 January 2012** | **8,800** | **8,663** | **13,102** | **–** | **30,565** |
| Additions | 1,250 | – | 2,256 | 974 | 4,480 |
| Interest | 596 | 354 | 476 | 3 | 1,429 |
| Repayments | (1,254) | – | (4,929) | (971) | (7,154) |
| To short term | – | – | (322) | – | (322) |
| Currency translation | – | 33 | 69 | (6) | 96 |
| **As at 31 December 2012** | **9,392** | **9,050** | **10,652** | **–** | **29,094** |

Movements in the loan facilities during 2011:

| € 000 | Fortuna SK | Fortuna ZB | Fortuna CZ | Fortuna GAME | Total |
|---|---|---|---|---|---|
| **As at 1 January 2011** | **10,176** | **1,936** | **16,180** | **12,327** | **40,619** |
| Additions | – | – | – | 320 | 320 |
| Interest | 624 | 48 | 523 | 566 | 1,761 |
| Repayments | (2,000) | (2,001) | (8,203) | – | (12,204) |
| Currency translation | – | 17 | 163 | (111) | 69 |
| **As at 31 December 2011** | **8,800** | **–** | **8,663** | **13,102** | **30,565** |

Movements in the loans during 2012 in originating currencies:

| | Fortuna SK € 000 | Fortuna CZ CZK 000 | Fortuna CZ € 000 | Fortuna GAME CZK 000 | Fortuna GAME € 000 | Fortuna ZB PLN 000 |
|---|---|---|---|---|---|---|
| **As at 1 January 2012** | **8,800** | **72,232** | **5,832** | **149,686** | **7,235** | **–** |
| Additions | 1,250 | – | – | 25,521 | 1,250 | 4,000 |
| Interest | 596 | 3,192 | 227 | 5,152 | 271 | 13 |
| Repayments | (1,254) | – | – | (92,921) | (1,250) | (4,013) |
| To short term | – | – | – | – | (322) | – |
| **As at 31 December 2012** | **9,392** | **75,424** | **6,059** | **87,438** | **7,184** | **–** |

Movements in the loans during 2011 in originating currencies:

| | Fortuna SK € 000 | Fortuna ZB CZK 000 | Fortuna CZ € 000 | Fortuna CZ CZK 000 | Fortuna GAME € 000 | Fortuna GAME PLN 000 |
|---|---|---|---|---|---|---|
| **As at 1 January 2011** | **10,176** | **7,695** | **265,695** | **5,577** | **143,307** | **6,610** |
| Additions | – | – | – | – | – | 320 |
| Interest | 624 | 190 | 6,537 | 255 | 6,379 | 305 |
| Repayments | (2,000) | (7,885) | (200,000) | – | – | – |
| **As at 31 December 2011** | **8,800** | **–** | **72,232** | **5,832** | **149,686** | **7,235** |

## 15. CREDITORS

| € 000 | 2012 | 2011 |
|---|---|---|
| Third party creditors | 153 | 70 |
| | **153** | **70** |

As at 31 December 2012 the creditors were denominated in the following currencies:

| | In local currency | Equivalent in € 000 |
|---|---|---|
| Euro | 145 | 145 |
| Czech Kroner | 98 | 4 |
| GBP | 4 | 3 |
| Polish zloty | 1 | 1 |
| | | **153** |

## 16. PAYABLES TO RELATED PARTIES

These consist of the following:

| € 000 | 2012 | 2011 |
|---|---|---|
| Loan Riverhill a.s. | – | 2,498 |
| Loan Fortuna GAME a.s. | 960 | – |
| Current account shareholder Penta Investments Limited | 15 | 16 |
| Fortuna GAME a.s. | 269 | 233 |
| Fortuna sázková kancelář a.s. | 39 | 39 |
| Fortuna Loterie a.s. | 18 | – |
| Other | – | 4 |
| **As at 31 December** | **1,301** | **2,790** |

## 17. ACCRUALS AND OTHER CURRENT LIABILITIES

These consist of the following:

| € 000 | 2012 | 2011 |
|---|---|---|
| Salary withholding taxes | 7 | 10 |
| Accrual audit expenses | 102 | 77 |
| Accrual other consultancy and administrative expenses | 64 | 30 |
| Salaries payable | – | 23 |
| Vacation benefits | 1 | 1 |
| Other | – | 2 |
| **As at 31 December** | **174** | **143** |

## 18. DIVIDEND INCOME

In 2011 FEGNV received the following dividends from subsidiaries:

| Company | Resolution date | Relating to year/ period | | Local currency amount € 000 | Total € 000 |
|---|---|---|---|---|---|
| Fortuna SK, a.s. | 10.05.2011 | 2010 | € | 9,312 | 9,312 |
| Furtuna Zaklady Bukmacherskie Sp. z.o.o. | 31.5.2011 | 2009, 2010 | PLN | 2,667 | 677 |
| Riverhill a.s. | 14.12.2011 | 2011 | CZK | 190,000 | 7,447 |
| | | | | | **17,436** |

In 2012 FEGNV received the following dividends from subsidiaries:

| Company | Resolution date | Relating to year/ period | | Local currency amount € 000 | Total € 000 |
|---|---|---|---|---|---|
| Fortuna SK, a.s. | 21.05.2012 | 2011 | € | 9,946 | 9,946 |
| Furtuna Zaklady Bukmacherskie Spzoo | 16.05.2012 | | PLN | 2,500 | 582 |
| Riverhill a.s. | | 2011/2012 | CZK | 192,561 | 7,637 |
| | | | | | **18,165** |

## 19. PERSONNEL EXPENSES

The personnel expenses in 2012 were as follows:

| € 000 | Staff | Directors | Total |
|---|---|---|---|
| Salaries/wages | 17 | 40 | 57 |
| Social security charges | 8 | 2 | 10 |
| | **25** | **42** | **67** |

The personnel expenses in 2011 were as follows:

| € 000 | Staff | Directors | Total |
|---|---|---|---|
| Salaries/wages | 15 | 80 | 95 |
| Social security charges | 2 | 10 | 12 |
| Other payroll costs, incl recharge | 53 | – | 53 |
| | **70** | **90** | **160** |

In 2012 and 2011 a full time equivalent of 1 person was employed by FEGNV. At 31 December 2012 the Company employed 3 part time managing directors (2011: 4) and 4 supervisory directors (2011: 4).

## 20. OTHER OPERATING EXPENSES

These consist of the following:

| € 000 | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Expenses licence fees | 36 | 36 |
| Consultancy expenses | 373 | 307 |
| External auditor expenses | 210 | 134 |
| Other expenses | 192 | 81 |
| | **811** | **558** |

## 21. FINANCE INCOME

These consist of the following:

| € 000 | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Interest income loans to subsidiaries | 9 | 13 |
| Exchange rate gains on CZK loans to subsidiaries | 6 | 1,033 |
| Exchange rate gains on PLN loan to subsidiary | 12 | – |
| Exchange rate gains on CZK loans from subsidiaries | – | 228 |
| Exchange rate gain other | 16 | – |
| Interest income banks and other | 3 | 74 |
| | **46** | **1,348** |

## 22. FINANCE COST

These consist of the following:

| € 000 | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Interest expenses loans from subsidiaries | 1,514 | 1,829 |
| Exchange rate loss on CZK loans from subsidiaries | 121 | 165 |
| Exchange rate loss on PLN loan from subsidiary | – | 17 |
| Exchange rate losses banks and other | 1 | 9 |
| Banking expenses | 3 | 3 |
| | **1,639** | **2,023** |

## 23. RELATED PARTY DISCLOSURES

As at 31 December 2012 the FEG Group consisted of the following entities, which are held as follows:

| | % held |
|---|---|
| Penta Investment Limited | 100 |
| Aifelmona Holdings Limited | 100 |
| Fortuna Entertainment Group N.V. | 67.26 |
| FORTUNA SK, a.s. | 100.00 |
| FORTUNA Real, s.r.o. | 100.00 |
| FORTUNA zakłady bukmacherskie Sp. z o.o. | 33.33 |
| FortunaWin Ltd. | 99.99 |
| FortunaWin Gaming Ltd. | 99.99 |
| ibet, s.r.o. v likvidaci | 100.00 |
| Riverhill a.s. | 100.00 |
| ALICELA a.s. | 100.00 |
| FORTUNA GAME a.s. | 100.00 |
| FORTUNA RENT s.r.o. | 100.00 |
| FORTUNA sázky a.s. | 100.00 |
| FORTUNA soft ware s.r.o. | 100.00 |
| FORTUNA zakłady bukmacherskie Sp. z o.o. | 33.33 |
| FORTUNA zakłady bukmacherskie Sp. z o.o. | 33.33 |

Effective January 1, 2012, Fortuna Loterie a.s., provider of numerical and instant lottery games in the Czech Republic and FORTUNA GAME a.s., fixed-odds betting provider in the Czech Republic, merged. FORTUNA GAME a.s. became the successor company.

In July 2012 ibet, s.r.o. entered into liquidation and its name was changed to ibet s.r.o. v likvidaci.

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 company ALICELA a.s.

The following table lists the total amounts relating to transaction entered into with Group companies and other related parties for the relevant financial year:

| € 000 | 31.12.2012 | 31.12.2011 |
|---|---|---|
| **Receivables from related parties** | | |
| Riverhill a.s. | 7,637 | 7,447 |
| Ibet s.r.o. v likvidaci | 301 | – |
| Other | 15 | – |
| | **7,953** | **7,477** |
| | | |
| **Cash in related parties** | | |
| Privatbanka, a.s. | 50 | 26 |
| | **50** | **26** |
| | | |
| **Share premium donations to related parties** | | |
| FortunaWin Limited | 660 | 1,365 |
| Ibet s.r.o. v likvidaci | – | 492 |
| | **660** | **1,857** |
| | | |
| **Payables to related parties** | | |
| Loan Riverhill a.s. | – | 2,498 |
| Loan Fortuna GAME a.s. | 960 | – |
| Penta Investments Limited | 15 | 16 |
| Other | – | 4 |
| Fortuna GAME a.s. | 269 | 233 |
| Fortuna Loterie a.s. | 18 | – |
| Fortuna sázková kancelář, a.s. | 39 | 39 |
| | **1,301** | **2,790** |

| € 000 | 31.12.2012 | 31.12.2011 |
|---|---|---|
| **Loans from related parties** | | |
| Fortuna SK, a.s. | 9,392 | 8,800 |
| Fortuna sázková kancelář a.s. | 9,050 | 8,663 |
| Fortuna GAME a.s. | 10,652 | 13,102 |
| | **29,094** | **30,565** |
| | | |
| **Other income from related parties** | | |
| Fortuna sázková kancelář a.s., royalty income | 20 | – |
| Fortuna Loterie a.s., royalty income | 14 | – |
| | **34** | **–** |
| | | |
| **Interest from related parties** | | |
| Ibet, s.r.o. v likvidaci | – | 13 |
| Privatbanka, a.s. | 1 | 4 |
| | **1** | **17** |
| | | |
| **Dividend from related parties** | | |
| Fortuna SK, a.s. | 9,946 | 9,312 |
| Fortuna Zaklady Bukmacherskie Sp z.o.o. | 582 | 677 |
| Riverhill a.s. | 7,637 | 7,447 |
| | **18,165** | **17,436** |
| | | |
| **Other expenses related parties** | | |
| Fortuna sázková kancelář a.s. | – | 63 |
| Predict Perfomance Improvement Ltd. | 294 | 73 |
| Avis Accounting B.V. | 20 | 21 |
| Privatbanka, a.s. | 1 | 1 |
| | **315** | **158** |
| | | |
| **Interest to related parties** | | |
| Fortuna SK, a.s. | 596 | 624 |
| Fortuna zakłady bukmacherskie Sp. z o.o. | 3 | 48 |
| Riverhill a.s. | 47 | 69 |
| Fortuna sázková kancelář a.s. | – | 523 |
| Fortuna Loterie a.s. | 354 | – |
| Fortuna GAME a.s. | 514 | 565 |
| | **1,514** | **1,829** |

**Remuneration**

| Management Board<br>€ 000 | Board remuneration | Salaries and other similar income | Management Bonus | TOTAL |
|---|---|---|---|---|
| Wilfred Thomas Walsh | | | | |
| 2012 | 20 | 294 | – | **314** |
| 2011 | 23 | – | – | **23** |
| Richard van Bruchem | | | | |
| 2012 | 16 | – | – | **16** |
| 2011 | 18 | – | – | **18** |
| Janka Galáčová | | | | |
| 2012 | 7 | – | – | **7** |
| 2011 | 8 | 17 | – | **25** |
| Jiří Bunda | | | | |
| 2012 | – | – | – | **–** |
| 2011 | 1 | – | – | **1** |
| **TOTAL 2012** | **43** | **294** | **–** | **337** |
| **TOTAL 2011** | **50** | **17** | **–** | **67** |

| Supervisory Board<br>€ 000 | Board remuneration | Salaries and other similar income | Management Bonus | TOTAL |
|---|---|---|---|---|
| Jozef Janov | | | | |
| 2012 | – | – | – | **–** |
| 2011 | 2 | – | – | **2** |
| Václav Brož | | | | |
| 2012 | – | – | – | **–** |
| 2011 | 2 | – | – | **2** |
| Michal Horáček | | | | |
| 2012 | – | – | – | **–** |
| 2011 | 20 | – | – | **20** |
| Marek Rendek | | | | |
| 2012 | 20 | – | – | **20** |
| 2011 | 15 | – | – | **15** |
| Martin Kúšik | | | | |
| 2012 | – | – | – | **–** |
| 2011 | 1 | – | – | **1** |
| **TOTAL 2012** | **20** | **–** | **–** | **20** |
| **TOTAL 2011** | **40** | **–** | **–** | **40** |

Expenses of Fortuna's group related to external auditor s services in year 2012:

| € 000 | Audit | Other | TOTAL |
|---|---|---|---|
| Fortuna Entertainment Group NV | 130 | – | 130 |
| Other companies within Fortuna Group | 120 | – | 120 |
| **TOTAL** | **250** | **–** | **250** |

## 24. CONTINGENT LIABILITIES

All shares of Riverhill, a.s. by held the Company are pledged to the Czech bank Česká Spořitelna, a.s.

## 25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

FEGNV's principal financial instruments comprise cash, receivables from group companies and loans drawn from group companies.

FEGNV is exposed to market risk, credit risk and liquidity risk.

**Market risk**
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. Financial instruments affected by market risk include loans and borrowings, deposits.

**Credit risk**
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to FEGNV. Credit risk arises from cash and cash equivalents, trade receivables and loans.

FEGNV exposure to credit risk through the trade receivables and loans granted is limited since there are only intra-group loans and any third party lending is very rare.

**Liquidity risk**
As FEGNV is a holding company and does not generate autonomous income, the primary source of liquidity will continue to be cash generated from its operating entities as well as existing cash.

**Capital management**
The primary objective of FEGNV capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

FEGNV manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, Fortuna Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

## 26. OTHER INFORMATION

**Appropriation of result according to the articles of association**
The profit of the year is at the disposal of the General Meeting of Shareholders. The profit is available for distribution as far as the shareholders equity exceeds the issued part of the paid in share capital plus the legal reserves.

**Post balance sheet events**
In June 2012, Fortuna signed the Agreement on Future Agreement with Czech company E-INVEST on a sale of 10% stake in Fortuna Loterie to E-INVEST. The transfer should be executed in the second quarter of 2013.

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

The Company announced in March 2013 that it plans to pay out a dividend of 100% of the 2012 net profit. The exact dividend amount will be proposed by the Management Board to shareholders at the AGM which is expected to take place in May 2013.

Effective March 1, 2013 ibet s.r.o. v likvidaci was removed from the Commercial Register.

Amsterdam, 11 April 2013

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

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

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

Jozef Janov
Chairman of the Supervisory Board
of Fortuna Entertainment Group N.V.

Marek Rendek
Member of the Supervisory Board
of Fortuna Entertainment Group N.V.

Václav Brož
Member of the Supervisory Board
of Fortuna Entertainment Group N.V.

Michal Horáček
Member of the Supervisory Board
of Fortuna Entertainment Group N.V.

# 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., 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 |
| **"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 HR"** | FORTUNA SPORTSKA KLADIONICA d.o.o., a limited liability company (društvo s ograničenom odgovornošću), having its registered office at Grada Vukovara 271 Street, Zagreb, Croatia, and registered with the Commercial Court in Zagreb in the register of companies under number 080396593 |
| **"Fortuna PL"** | Fortuna 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 SazKan”** | FORTUNA sázková kancelář a.s., a joint stock company (akciová společnost), having its registered office at Praha 1, Vodičkova 30, 110 00, Czech Republic, and registered with the Commercial Register maintained by the Municipal Court in Prague, Section B under number 60. As of 4 January 2012, FORTUNA sázková kancelář, a.s. changed its name to Fortuna Loterie a.s. |
| **“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 Cyprus with its registered office at Agias Fylaxeos & Polygnostou 212 C&I, 2nd floor, 3803 Limassol, Cyprus, and registered with the Cyprus Registry of Companies, Nicosia under number 158996 |

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FORTUNA