

2010



FORTUNA

**ANNUAL REPORT
OF FORTUNA ENTERTAINMENT GROUP N.V.
FOR THE YEAR 2010**

EUR 384 million



Amounts Staked
accepted by
Fortuna
Entertainment
Group in 2010

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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 on-line and land network-based betting products, including pre-match betting on a range of sporting events, live betting for major televised matches and number games.

The founding company FORTUNA sázková kancelář a.s. ("FORTUNA Betting Office, joint-stock company" or "Fortuna SazKan") was established in 1990 in Prague. From its incorporation, Fortuna SazKan's primary business was sports fixed-odds betting. A year later, Terno, a. s. was established in Slovakia. In 2005, Penta Investments became the owner of both entities and in the same year it acquired Poland's betting office Profesjonal. Subsequently, all companies were rebranded under one brand: Fortuna.

Thanks to its 20 years of experience in the CEE market, Fortuna sets standards and trends in the betting sector. The Group is constantly investing in the development of new products and services; it has expanded its branch network as well as the quality of its distribution channels. As of 31 December 2010, Fortuna holds the number-one market position in Poland and the number-two market position in the Czech Republic and Slovakia based on total Amounts Staked. Fortuna operates almost 1,400 points of sales in three markets.

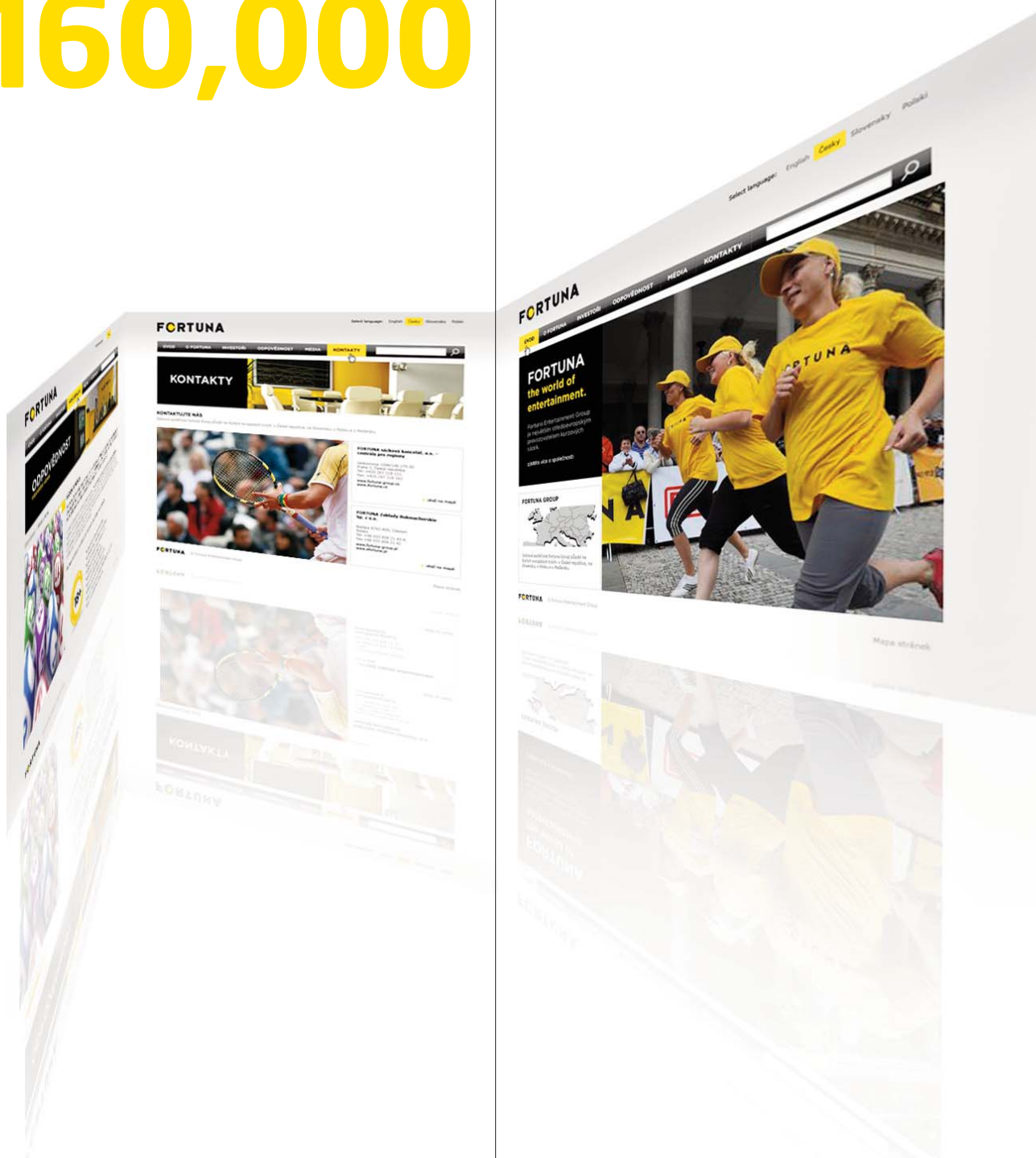
The Group has developed the on-line betting and gaming platform FortunaWin, through which it can offer products in new markets. FortunaWin has provided betting and gaming products to customers in Hungary since June 2010.

In October 2010, FEG went through a successful IPO on the stock exchanges in Prague and Warsaw. As at 31 December 2010, the Czechoslovak financial group Penta was Fortuna's majority shareholder with a 67.3% stake.

2. 2010 Financial Highlights

Financials (Euro thousands)	2010	2009
Amounts Staked	384,172	337,876
Gross Win	92,815	84,694
Revenues	81,195	74,624
EBITDA	25,083	23,536
Operating Profit	22,453	21,398
Net Profits for the Year from Continuing Operations	17,373	16,934
Number of Shares – End of Period ("EOP")	52,000,000	4,500
Total Assets	95,804	120,706
Total Equity	52,007	40,483
Total Borrowings	29,136	39,529
Net Debt/(Net Cash)	3,801	17,963
CAPEX	3,565	4,001
Ratios		
EBITDA Margin	30.9%	31.5%
Operating Profit Margin	27.7%	28.7%
Margin of Net Profits for the Year from Continuing Operations	21.4%	22.7%
CAPEX as % of Revenues	4.4%	5.4%
Operations		
Number of Points of Sales	1,393	1,320
Number of Employees – EOP	2,644	2,693

160,000



registered members
of Fortuna Klub
Plus loyalty
programme
in 2010

3. History of Fortuna – Key Milestones

- 1990** Fortuna SazKan Czech Republic founded by four private persons
- 1991** Sister company Terno, a.s. founded by SazKan and two Slovak private persons in Slovakia
- 1995** Electronic communications via modems implemented at all branches
- 2005** Penta Investments acquired SazKan and Terno and later, also the Polish betting office Profesional

All companies rebranded to Fortuna
- 2006** Real-time communication between branches and bookmakers
- 2007** On-line betting launched in Slovakia

Telephone betting launched in the Czech Republic
- 2009** On-line betting launched in the Czech Republic

Fortuna Entertainment Group N.V. established as a holding company
- 2010** FortunaWin platform started offering on-line betting in Hungary

Lottery licence obtained in the Czech Republic

IPO – Fortuna listed on the Prague and Warsaw stock exchanges

4. Letter from the Chief Executive Officer to Shareholders



Dear Shareholders,

For Fortuna Entertainment Group (Fortuna), 2010 was a very successful and also a turnaround year. On 22 October 2010, we entered the Prague Stock Exchange and on 28 October 2010 our shares started to trade on the Warsaw Stock Exchange as well. I consider the entire IPO process very successful. From a management perspective, I highly appreciate that we were able to get capital sources for new development projects which are expected to increase the value of Fortuna. Demand for the share subscription significantly exceeded the offering volume. High investor interest proved that Fortuna offers an attractive investment opportunity for a broad range of investors.

In 2010, Fortuna, the leading Central European fixed-odds betting operator present on the markets of Poland, the Czech Republic, Slovakia, Hungary and Malta, recorded total Amounts Staked of EUR 384 million, 14% more than in 2009. Amounts Staked were positively driven by market growth in the Czech Republic and Slovakia, primarily by the growing contribution of on-line betting. High volumes of sport betting in 2010 were another positive impact with important sport events drawing the attention of bettors – for example, the FIFA World Cup in South Africa. Gross Win came to EUR 93 million in 2010, an increase of 10% compared with 2009. Gross Win from on-line betting in 2010 increased to EUR 23 million, a substantial gain of 36% over 2009.

I am very pleased that we maintained our high growth momentum once more in 2010. Fortuna has confirmed its great performance in all key markets and continues with its strategy of organic growth and gaining additional market shares. Apart from achieving rapid growth in the on-line betting segment, we also managed to retain absolute levels of retail betting in all markets, which I consider to be very important. Our branch network serves not just as a distribution channel, but also provides service centres for on-line betting.

At the beginning of 2010, we rolled out what we called the growth strategy – focused primarily on revenue growth, but also taking into account the actual efficiency of growth. Our strategy for 2011–2012 is based on four pillars:

- Our business model is based on two key distribution channels – retail (through the branch network) and on-line. Points of sales serve not just as a distribution channel, but also as service and support desks for on-line betting.
- We are a betting company that strives to operate in a given country long term, in compliance with local legislation, based on a valid local licence; we are keen to pay taxes in the countries in which we have a presence. We would like to be a partner for national governments and assist them in the preparation of legislation and rules on responsible gaming.
- We would like to support not only on-line betting, which is currently a very popular part of the sports betting segment, via the acquisition of new customers and active customer care (CRM). Also, we would like to support our retail network, in particular by increasing the number of sales points through our partner shop model.
- Above all, we are seeking further opportunities in the markets where we currently operate – we view the launch of the lottery project in the Czech Republic and Internet betting in Poland as key development opportunities.

Our achievements in the last year confirm that our chosen strategy is right and in 2011 we will continue in meeting our goals. In 2011 we will focus on the sustainability of our growth momentum and the development of our strategic growth projects, i.e. our number lottery project in the Czech Republic and on-line betting expansion in Poland. Our key target remains growth, fulfilment of our promise to shareholders to pay out a high dividend in the range of 70–100% of net profit, and a rise in shareholder value via expansion projects.

To close, I would like to thank all employees of the group for their contribution to the excellent results in the last year, my colleagues on the Management Board and Supervisory Board for their sound work in 2010, and all shareholders for their support and trust, demonstrated by their investments in our company.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Bunda', with a stylized, flowing script.

Jiří Bunda

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

7 April 2011

5. Statement from the Chairman of the Supervisory Board



Dear Shareholders,

The year 2010 was a milestone year in Fortuna's history. The company achieved not only excellent financial and business results, but Fortuna also became the first bookmaker listed on the Warsaw and Prague stock exchanges. During the road show in the autumn 2010, the management had to present the company's investment story to investors. I am proud to announce now that Fortuna proved that its investment case was highly compelling, as the IPO attracted a number of new institutional and retail investors across Europe.

The transformation from a privately owned company to a publicly traded and regulated entity brings many challenges and requires the adoption of new internal processes, policies and corporate structures. For example, a publicly listed entity needs to have watertight corporate governance in place and place a high emphasis on supervision and transparency. Prior to, during and after the IPO we thus adopted a number of internal procedures and structures to comply with corporate governance standards and requirements. The Supervisory Board of Fortuna is committed to ensuring that the strategies and business initiatives adopted will be carried out effectively, to the highest ethical standards and with the clear goal to increase shareholder value.

I am thus very satisfied with Fortuna's financial and business performance in 2010, which proved to be a year of strong stability, growth and cash generation. We became the number-one market player in Poland and increased our existing market shares in both the Czech Republic and Slovakia. Throughout the year, Fortuna successfully developed its on-line betting platform FortunaWin, which had attracted 10,000 registered customers at the end of year.

Looking ahead, 2011 will be a year with many challenges. Apart from the continuous and permanent focus on organic growth and operational efficiency in existing markets, we need to make sure that Fortuna's key strategic projects will be delivered in line with the anticipated timetable and budget. This concerns mainly the lottery project in the Czech Republic and on-line betting in Poland. The Supervisory Board is committed to supporting the executive management of Fortuna in key decisions and activities with the ultimate aim of delivering value and wealth to all stakeholders.

Business is not only about figures, but also about the people in the background. In 2010, many new colleagues joined the top and middle management of Fortuna. They proved to be valuable members of the team and contributed significantly to the joint success of Fortuna.

On behalf of the Supervisory Board and as a representative of the majority shareholder, 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, namely the launch of the lottery in the Czech Republic and the liberalization of on-line betting in Poland during 2011.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jozef Janov', with a stylized, flowing script.

Jozef Janov

on behalf of the Supervisory Board
Chairman of the Supervisory Board
of Fortuna Entertainment Group N.V.

7 April 2011

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. The management also intends to enter into the lottery business in the Czech Republic in 2011. Betting is mainly focused on sporting events while gaming services include the following: on-line 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 on-line betting. Currently, legal frameworks for betting service providers in many European jurisdictions are under review. Some countries are contemplating the liberalization of the betting market, partly due to the inefficiency of various limitations and bans, 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 on-line services. This trend is supported by cooperation between various entities in the betting and gaming sector: landline operators are starting to cooperate with on-line service providers, while betting organizers are entering into agreements with gaming operators.

Fortuna operates in the Czech Republic, Slovakia, Poland and Hungary. Compared with 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 on-line betting industry, country operators have started to compete not only at a local level, but also with offshore on-line operators. In terms of retail operations, potential new market entrants encounter significant barriers to entry, including requirements to obtain local licences, 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, 2010)	10.5	10	38.2	5.4
GDP (EUR billions, 2010)	145.9E	98.5E	353.7E	65.9E
GDP per capita (EUR, 2010)	13,895	9,850	9,259	12,204
HICP (all items, annual average inflation rate, 2010)	1.2%	4.7%	2.7%	0.7%

Source: Eurostat

6.1.2 Czech Republic

The competitive landscape in the betting sector is composed primarily of five major bookmakers: Tipsport, Fortuna, Chance, Sazka and SynotTip. The leading position on the market in terms of the number of shops is held by Tipsport, with a significant area being “partner” shops in bars. Fortuna Sazka, together with Fortuna GAME, has a solid second position with an improving market share. The third largest operator is Chance, whose market position is continuously being eaten away by other operators. Alternative bookmakers are SynotTip and Sazka, the core activities of which are slot machines and lotteries.

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 shop network to Tipsport SK and continued to offer only on-line 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. These companies hold similar market shares and are followed by smaller operators such as Betako and Millenium. They constantly differentiate their services and distributing channels in order to be competitive.

6.1.5 Off-shore Online Market

Since the inception of on-line betting and gaming some 15 years ago, the vast majority of these operations have straddled international borders, creating headaches for governments. Initially, on-line betting and gaming developed in the Caribbean, targeting the North American market, then the European market and so on. The Internet provided the first entrepreneurs and then established operators with the means of targeting markets where regulation on 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, or in an increasing number of cases where they can obtain licences. Given these trends, the proportion of onshore on-line 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 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. FortunaWin.com had over 10,000 registered customers at the beginning of 2011.

6.2 Regulatory Environment

The part of the entertainment industry that includes betting, games of chance and gaming machines has not been subject to harmonization at 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 brought several times before the European Court of Justice. The ECJ has indicated that there is no intent 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 part 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 liberalization 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 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 recognized in the Czech Gambling Act, the Ministry of Finance issues licences for the operation of on-line fixed-odds betting on the basis of Section 50 (3) of the Czech Gambling Act in 2008.

An operator that intends to organize 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 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 (e.g. 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 minimal 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, 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. Moreover, the operator must ensure that the portion of the betting proceeds (all deposited amounts, including stakes as well as all accepted charges and fees, reduced by the amount of winnings, administration fee, local tax, state surveillance costs and operation costs directly connected with the operation of games and betting) will be used for the benefit of the public according to the requirements of the Czech Gambling Act. Particular portions of betting proceeds which must be used for the public benefit range from 6% to 20%, depending on the amount of proceeds.

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.

According to publicly available information, the Ministry of Finance, the Senate and individual political parties are working on draft amendments to the current Czech Gambling Act or, in some cases, on an entirely new lottery law. However, it is difficult to estimate when such an amendment or new law could come into the effect.

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 a so-called individual licence for the operation of betting games issued by the Slovak Ministry of Finance. Separate consent of the municipality has to be obtained for the operation of a betting shop in 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 case of legal entities with "foreign property participation", a betting licence may be issued only to legal entities with the "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 issue of on-line betting. However, in practice betting licences do contain authorization to operate on-line betting.

An application for a betting licence is subject to an administration fee charged by the Slovak Ministry of Finance. In 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 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 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% 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

Starting from 1 January 2010, a new gambling law entered into force. An entity that intends to organize 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 shops, which may be amended. After the expiry of that permission, an entity may apply for permission only once for six consecutive years. An entity organizing betting should be organized 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 betting permission is 2,000% of the base amount and 50% of the base amount for each betting shop. 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 2010, the base amount was 3,271.39 zloty, which makes the permission fee 65,428 zloty and around 1,636 zloty for each betting shop. 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 shops. The base amount is 40,000 zloty. The amount of collateral for 40 betting shops is six times the base amount and increases by one base amount for each further 10 betting shops (i.e. in case of 100 betting shops = 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 1.2% tax is imposed on sums paid for bets concerning the results of other events.

Currently, there are no regulations with regards to on-line betting. It may be assumed that since there is no possibility to obtain permission for on-line betting and betting as such is forbidden unless an organizer holds the respective permission, existing on-line betting services are illegal.

Furthermore, the Polish government has adopted a bill that would allow on-line betting for Polish companies. At the same time, any betting services provided in the territory of Poland on the Internet would be governed by Polish law, which would result in the penalization of foreign betting service providers, especially on-line betting organizers registered abroad. The ban would be enforced, inter alia, by blocking the websites of illegal betting services, tracking wire transfers to the prohibited websites, and prosecuting the customers of illegal betting organizers. The bill has yet to be adopted by the Polish parliament; this is currently expected to happen in summer 2011.

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 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 offers a variety of betting products to retail, on-line and telephone customers, including pre-match betting on an extensive range of sporting events, live betting for major televised matches and number games.

The Group's products 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. Each week the Group offers around 6,000 odds on approximately 500 different events in around 20 sports disciplines, subject to seasonal changes. 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 SazKan has been offering live bets to customers through their mobile phones. Live betting is becoming increasingly popular and accounted for more than 11% (based on the management accounts) of the Group's Amounts Staked in the financial year ended 31 December 2010.

Number games are offered in three options, 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 10% of the total Amounts Staked) and basketball (around 5% of the total Amounts Staked).

6.4 Distribution Channels

The Group delivers its betting products to customers through retail betting outlets, on-line and via telephone call centre. The Group offers retail betting through shops operating under its own brand name, counters and betting rooms installed at other retail outlets (such as sports bars, restaurants and pubs) as well as shops 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 shops	Available	Available	Available	Not available
"Partner" betting outlets	Available	Available	Available	Not available
On-line	Available	Available	Not 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 shops 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 on-line and telephone services are generally younger, better educated, users of social networking sites and the various functionalities of smart phones and mobile phones, who value their independence and expect immediate access to betting products regardless of the time of day. The remote services the Group offers also enable customers to place bets from locations where there are no betting shops.

Retail Betting Outlets

Retail betting outlets accounted for 75% of the Group's Gross Win in the year ended 31 December 2010.

The table below presents information on the Group's retail network for the years ended 31 December 2010 and 2009:

	Czech Republic	Slovakia	Poland	Total
Betting shops	419	259	386	1,066
"Partner" betting outlets	188	133	8	329
Total number in 2010	607	392	394	1,393

	Czech Republic	Slovakia	Poland	Total
Betting shops	450	270	364	1,084
"Partner" betting outlets	127	109	0	236
Total number in 2009	577	379	364	1,320

Source: the Company

The Group has betting shops in the Czech Republic, Poland and Slovakia. In general, Fortuna's betting shops 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 its 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" shop network is monitored continuously.

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

The Group introduced the "Partner" programme in Poland in June 2010 and by the end of 31 December 2010 it had already established 8 Fortunkas in Poland.

On-line Business

The Group started offering on-line betting to its customers in Slovakia in 2007, followed by the introduction of on-line 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 on-line products.

Management believes that on-line products form the most dynamic growth sector in the industry.

In anticipation of beneficial changes in Polish legislation, the Group is preparing to launch local on-line operations in Poland. In addition, the Group has recently launched an on-line betting and gaming platform under the FortunaWin brand offering a wide range of products, including sports betting, live virtual betting, number betting, lottery and on-line 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. The Group is considering targeting other countries in the region through the FortunaWin platform.

On-line betting accounted for 25% of the Group's Gross Win in the financial year ended 31 December 2010.

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 some 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.

Telephone betting in the Czech Republic (via direct voice contact with an operator) accounted for less than 1% of the Group's revenue in the year ended 31 December 2010.

Similarly, telephone betting in Slovakia (via SMS) accounted for less than 1% of the Group's revenue in the year ended 31 December 2010.

6.5 Customers

Most of Fortuna's customers are male. Only 9% of customers are women. In terms of age, customers are more diversified and over 70% of customers are between 18 and 45 years of age. As at 31 December 2010, Fortuna had 103,000 registered customers in the Czech Republic, 37,000 in Slovakia, and 27,000 in Poland; 10,000 were on-line customers of FortunaWin.

6.6 Marketing & Sponsorship

Management believes that the strength of its "Fortuna" brand in its core markets provides a competitive advantage in an industry where attracting and maintaining customers is crucial to developing the business. Over recent years, the Group has introduced a unified corporate design and branding for all of its products and services. The Group also promotes its brand through various initiatives. However, since there are varying regulations governing the marketing of betting and gaming services, the scale, form and content of the marketing of the Group's products vary from country to country in which the Group operates. Where regulations permit, the Group runs advertising campaigns in various media channels.

The Group sponsors several sports teams and sports events to gain maximum exposure of the "Fortuna" brand. Fortuna SK is a sponsor of the Slovak national football team, which participated in the FIFA World Cup 2010 in South Africa. The Group has formed partnerships with some of the leading sports teams in the countries in which it operates, such as AC Sparta Prague, FC Baník Ostrava, FC Slovan Liberec, Bohemians 1905, FK Mladá Boleslav, 1.FC Brno. Fortuna SazKan is also a sponsor of the Czech floorball league, Fortuna Extraliga, as well as a sponsor of the Czech floorball national team.

One of the Group's most effective marketing initiatives is the Fortuna Klub Plus loyalty programme. Members of Fortuna Klub Plus are entitled to discounts and additional services, to participate in competitions and prize draws, and to gain points based on the amounts they have staked and the frequency of their bets. The points can be exchanged for Fortuna's betting magazine, Fortuna-branded promotional merchandise or special offers. The programme allows members to use discounts on certain products and services. There are currently approximately 160,000 members of Fortuna Klub Plus. Management estimates that around 50% of revenues come from members of the programme.

6.7 Corporate Social Responsibility

Management believes that being a responsible member of the community can play a role in building customer loyalty and strengthening a 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 SazKan contributes financially to many local football clubs under the "Grant Project", which was organized to improve and cultivate the Czech football environment. Fortuna SazKan also supports handicapped sportsmen and other handicapped people to adapt and return to social life after suffering debilitating injuries. Fortuna SazKan also donates to selected child support programmes.

6.8 Risk Management

Risk management is a key to 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 stabilizes.

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 37 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 bets, or may accept bets 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 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 centralized system accessible by all 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 accounts 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 on-line 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 minimize any losses.

Information Technology Solutions

The Group's servers are managed by specialized 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 on-line software platform, which allows for the provision of on-line 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 shop which is designed to detect any fraudulent behaviour by the Group's betting shop employees. The Group's cash management policy helps to decrease the size of potential loss arising from any employee's misconduct.

6.9 Environment and Legal

Environmental Issues

Fortuna believes that environmental matters are not of material importance for 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.

Several legal proceedings were initiated by Fortuna SazKan, challenging the decisions of the Financial Directorate of Prague regarding payment assessments for value added tax issued by the Financial Authority of Prague 1, in an aggregate amount of approximately CZK 40 million (approximately EUR 1,596,000). Fortuna SazKan based its claim on its interpretation of Czech VAT legislation, which in Fortuna SazKan's view allows it to deduct certain input VAT. Although Fortuna SazKan has so far been unsuccessful at various stages of the court proceedings, it strongly believes that its claims are justifiable. However, the management believes that any negative final verdict would not adversely affect the financial results of Fortuna SazKan and the Group, due to the fact that the disputed VAT amount has been already paid by Fortuna SazKan and is fully provided for in the Consolidated Financial Statements.

There are no 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.

6.10 Research & Development

Intellectual Property

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

The Group has 55 trademarks, including 19 trademarks registered in the Czech Republic, 12 trademarks registered in the Slovak Republic, 20 trademarks registered in Poland and 4 international trademarks, protection of which is granted to Belarus, Spain and Croatia. In addition, one trademark is co-owned by Fortuna PL and Fortuna sp. z o.o., a company which is not a related party to Fortuna.

The Group has 106 registered Internet domains, including "ifortuna.sk", "efortuna.sk", "efortuna.pl", "ifortuna.cz", "ifortuna.eu" and "fortunawin.com". As the majority of Internet domains are owned by Fortuna SazKan, under some inter-group agreements Fortuna SazKan provides other Group Companies with the right to use certain of the Group's domain names.

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

6.11 Strategy

Growth Opportunities in On-line Betting

The Group's on-line 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 on-line businesses organically and maximize the potential offered by the increased acceptance of betting and gaming as a pastime and the growth of broadband Internet penetration.

Having already launched on-line betting operations in Slovakia in 2007, the Group was able to leverage its experience to quickly and successfully launch its on-line betting operations in the Czech Republic in 2009. In anticipation of beneficial changes in Polish legislation, the Group is preparing to launch local on-line operations as and when the new legislation comes into force.

In addition, the Group has recently finished building up its on-line betting and gaming platform, offering a wide range of products, including betting on sports and other events, live betting, number betting, a lottery and an on-line casino. To improve its competitiveness, the FortunaWin business is located in Malta. The on-line betting and gaming platform went live in June 2010 and currently covers Hungary.

Strengthening the Retail Network

The Group aims to maximize the cash generation from its core retail channel by growing Gross Win while carefully managing costs. To optimize the betting experience, the Group monitors its retail network and adjusts the number and location of retail betting shops 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 shops.

The Group plans to further increase the number of its betting shops in Poland, Slovakia and the Czech Republic. The Group also intends to increase the number of its "Partner" betting outlets in order to decrease its fixed costs. The Group opened 8 pilot "Partner" outlets in Poland as at 31 December 2010 and management is considering further development of a "Partner" system in Poland.

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

The Group seeks to expand and improve the betting opportunities available to customers while maintaining the integrity of its risk management system. The Group intends to offer live-streaming and virtual sports betting through machines, including horseracing, football, basketball and speedway in some of its betting shops. The management expects the diversification of the Group's product portfolio to create cross-selling opportunities, in particular in Slovakia and the Czech Republic, where web platforms will be used to introduce its customers to new on-line products.

Lottery Project in the Czech Republic

In July 2010, Fortuna SazKan obtained a licence to offer lottery products in the Czech Republic. The total costs of the lottery were EUR 51,700 in 2010.

Fortuna has set up its own management team for the lottery project and plans to enter the lottery segment with scratch tickets in the first half of this year. The launch of the lottery itself is anticipated in the second half of 2011. The strategy of Fortuna is to target not only the existing clients of lottery games, but primarily new customers. The aim is to create a market in the Czech Republic where the penetration in terms of the betting spend per capita is low compared with other countries (such as Slovakia or Hungary).

The Group executed a cooperation agreement with Intralot, the largest full service technology provider catering to all of the systems and support needs of the lottery project.

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 shops 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 shops and anticipates that this will be a key differentiator between the Group's retail shops 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 emphasize the entertaining and social nature of betting, thereby increasing the appeal of its brand to existing and potential customers.

Entering New Markets

The Group continuously monitors regulatory changes and market opportunities across the Central and Eastern European region. The Group has developed FortunaWin, an on-line betting and gaming platform, which provides the Group with an opportunity to offer its products in markets in new countries. Currently the new on-line 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 on-line betting services in the countries where it has land-based operations. The Group intends to utilize its experience and to offer on-line betting as and when new opportunities appear in Poland. As soon as new legislation is introduced, the Group intends to apply for a licence to provide on-line betting in Poland. The management believes that operating the business under a local licence in Poland will give the Group a competitive advantage over offshore betting organizations.

6.12 Human Resources

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

The table below provides information on the number of the Group's employees of particular categories in the total headcount of the Group as of 31 December 2010, 2009 and 2008:

	31 December 2010	31 December 2009	31 December 2008
Holding management	9	0	0
Headquarters	233	211	203
Betting shop staff	2,402	2,482	2,596
Total number of employees	2,644	2,693	2,799

Source: the Company

The table below provides a breakdown of persons employed in the Group by geographic location as of 31 December 2010, 2009 and 2008:

	31 December 2010	31 December 2009	31 December 2008
Czech Republic	1,061	1,086	1,193
Poland	847	857	848
Slovakia	732	750	758
Other (FortunaWin)	4	0	0

Source: the Company

The Group recognizes 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.

Shop employees' compensation is determined by a base salary and performance-linked incentive bonuses. The variable (motivation) component of the wage is derived from the turnover of a particular betting shop. Minimal revenues from betting that are to be reached in a month are specified for each betting shop (an accepted amount without commissions). Above the amount exceeding the specific limit a certain amount is paid as a performance bonus for a betting shop. This amount is proportionally divided among the employees according to the number of hours worked by them in a particular month. Recently the Group has introduced other bonuses based on the number of new members enlisted to 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 SazKan and Fortuna GAME have their representatives on the supervisory boards of these companies.

As at 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 set out in note 8.3.), do not hold any stock options or other rights to shares and do not participate in any other way in the capital of FEG. There are no arrangements relating to such participation. However Fortuna might put in place an incentive plan based on shares for its key employees.

6.13 Review of 2010

In 2010, Fortuna recorded a total Amounts Staked figure of EUR 384.2 million, 13.7% more than in 2009, according to the consolidated financial results. The Amounts Staked performance was positively driven by market growth in the Czech Republic and Slovakia, primarily by the growing contribution of on-line betting. High volumes of sport betting in 2010 were another positive impact with important sport events drawing the attention of bettors – for example, the FIFA World Cup in South Africa.

In 2010, Gross Win came to EUR 92.8 million, an increase of 9.6% compared with 2009. Gross Win from on-line betting in 2010 increased to EUR 22.9 million, a substantial gain of 35.5% over 2009. Gross Win from retail betting in 2010 amounted to EUR 69.9 million, 3.1% more than in the previous year. The decline in retail betting seen during 2009 was thus halted.

In 2010, gross profit from betting increased 10.5% yoy and came to EUR 73.5 million. The biggest annual increase in gross profit from betting came from on-line betting – by 39.6% to EUR 18.9 million. The share of on-line betting in gross profit from betting in 2010 amounted to 25.7%, compared to the 20.4% recorded in 2009. Gross profit from retail betting in 2010 increased by 3.0% yoy to EUR 54.6 million.

Fortuna also achieved positive results through the further development of "Live betting" (real-time bets placed while particular games or events are taking place), which currently represents more than 11% of the Group's Amounts Staked. To achieve the further enhancement of this distribution channel, Fortuna launched the next upgrade of live betting – live streaming. Fortuna's clients will be able to follow selected sport broadcasting live thanks to the streaming.

The gross profit margin from betting in 2010 was 19.1%, just 0.6 percentage points less than in 2009. The cause of the margin decline was the rising volume of live betting, which significantly contributed to the Amounts Staked increase but generated lower margins.

In 2010, the Company recorded total revenues in the amount of EUR 81.2 million, 8.8 % more than in the previous year.

Total operating costs in 2010 came to EUR 56.1 million, 9.8% more than in 2009. Staff costs increased 8.8% yoy to EUR 25.6 million due to new management hires for strategic projects (e.g. the lottery project and FortunaWin) and due to changes in the structure of the statutory bodies in connection with the IPO. In 2010 governmental taxes and levies amounted to EUR 6.8 million, 2.4% less than in the previous year. Other operating expenses (net) increased in 2010 by 15.1% to EUR 23.7 million due to the launch of the FortunaWin project and the retail network expansion in the Czech Republic and in Poland.

EBITDA of Fortuna increased in 2010 by 6.6% to EUR 25.1 million. In 2010, depreciation rose 23% to EUR 2.6 million. This stemmed from the reconstruction of the retail network equipment and on-line channel investments.

In 2010, operating profit (EBIT) amounted to EUR 22.5 million, 4.9% more than in the previous year. This result was impacted by recorded EBITDA and higher depreciation.

Net finance costs reached EUR 2.3 million in 2010 and increased by 12.8% yoy. Finance costs were impacted by EUR 0.4 million of one-off expenses related to bank debt refinancing in the first half of 2010.

Income tax equalled EUR 2.8 million in 2010, 14.7% more than in 2009.

In 2010 the Company recorded net profit from continued operations excluding Croatia of EUR 17.4 million, 2.6% more than in the previous year. The result achieved was influenced by the levels of EBIT, finance costs and income tax.

Total net profit including the Croatian operations amounted to EUR 20.3 million in 2010, 63.2% more than in 2009.

Cash and Indebtedness

The total amount of bank debt as of 31 December 2010 was EUR 29.1 million. Cash and cash equivalents as of 31 December 2010 amounted to EUR 25.3 million, 17.5% more than as of 31 December 2009. The total balance of those two items resulted in a Company net debt position of EUR 3.8 million as of 31 December 2010.

Breakdown of Revenues by Country

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

Selected financial results by country in 2010

(in EUR million*)	Czech Republic	Slovakia	Poland	Malta	Total
Total Amounts Staked	205.3	122.3	55.3	1.3	384.2
Paid out prizes	(162.5)	(92.0)	(35.7)	(1.2)	(291.4)
Gross Win from betting	42.8	30.2	19.7	0.1	92.8
– of which: online betting	12.5	10.3	0	0.1	22.9
– of which: retail betting	30.3	19.9	19.7	0	69.9
Withholding tax paid	0	(5.9)	(6.6)	0	(12.5)
Other revenues	0.3	0.2	0.4	0	0.9
Revenue	43.2	24.6	13.4	0.1	81.2
Taxation of earnings from betting	(6.8)	0	0	0	(6.8)
Gross profit from betting	36.0	24.4	13.0	0.1	73.5
– of which: online betting	10.8	8.1	0	0.1	19
– of which: retail betting	25.2	16.3	13.0	0	54.5
Gross profit margin – betting (%)	18%	20%	24%	5%	19%

* Financial results by country in EUR thousand are provided in the Notes to the Consolidated Financial statements (note 6. – Segment information)

The Czech Republic generated more than 53.4% of all Amounts Staked for the Company in 2010, an increase from 49.7% in 2009. Total Amounts Staked came to EUR 205.3 million, 22.2% more than in 2009. The Gross Win in the Czech Republic amounted to EUR 42.8 million in 2010, 4.6% more than in the previous year. This growth was driven primarily by the on-line expansion; the Gross Win from the on-line segment climbed by 53.4% yoy and amounted to EUR 12.5 million. On the contrary, the Gross Win from retail betting in the Czech Republic declined 7.6% yoy and totalled EUR 30.3 million. Gross profit from betting in the Czech Republic was EUR 36.0 million, 6% more than in 2009. This increase was driven by on-line gross profit, which went up 65% and amounted to EUR 10.8 million. Gross profit from retail in the Czech Republic decreased by 8.1% in 2010 to EUR 25.2 million. The gross profit margin from betting in the Czech Republic equalled 17.6% in 2010, 2.6% less than in 2009.

The share of Slovakia in regard to total Amounts Staked in 2010 came to 31.8%, hardly changing in comparison to 2009 (33.2%).

Total Amounts Staked came to EUR 122.3 million, 8.9% more than in 2009. The Gross Win in Slovakia amounted to EUR 30.2 million in 2010, 13.2% more than in the previous year. The Gross Win from on-line betting was EUR 10.3 million, 18.0% more than in 2009. Also, the Gross Win from retail betting in Slovakia increased by 10.9% yoy and totalled EUR 19.9 million. Gross profit from betting in Slovakia was EUR 24.4 million, 14.2% more than in 2009. This increase was driven almost equally by the on-line and retail betting segments. Gross profit from on-line betting in Slovakia went up by 14.9% in 2010 to EUR 8.1 million. Gross profit from retail betting in Slovakia went up by 13.9% in 2010 to EUR 16.3 million. The gross profit margin from betting in Slovakia equalled 19.9% in 2010, 0.9% more than in 2009.

Poland accounted for a 14.4% share of total Amounts Staked in 2010, compared with a 17% share in 2009. Total Amounts Staked in Poland came to EUR 55.3 million, 3.9% less than in 2009. The reason for the drop was a change in the tax rate on the Amounts Staked that was implemented in 2010 and the impossibility of operating some products, for example number games. On the contrary, the Gross Win from betting in Poland went up EUR 19.7 million in 2010, a rise of 15.5% yoy. Gross profit from betting in Poland was EUR 13.0 million, 16.2% more than in 2009. The gross profit margin from betting in Poland amounted to 23.5% in 2010, 4.0% more than in 2009 and the highest gross profit margin of all the markets.

Internet betting in Hungary carried out through FortunaWin based in Malta was established in mid-2010. Total Amounts Staked came to EUR 1.3 million, the Gross Win from betting was EUR 0.1 million and the gross profit from betting also equalled EUR 0.1 million. The gross profit margin from betting in Malta was 5.1% in 2010.

Products and Distribution Network

The rapid development of Internet betting is visible both in the Czech Republic and Slovakia. Through its subsidiary FortunaWin, which is licensed in Malta, in June last year Fortuna also introduced Internet betting in Hungary. Regulatory developments in Poland concerning on-line betting may soon also enable the launch of Internet betting in that country.

Although the Internet betting segment has been growing rapidly, the retail outlets network remains, in absolute terms, the primary distribution channel of Fortuna and contributes more than 75% of the Gross Win of the Company. Another important role of the retail outlets network is the support it provides to the on-line 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. As a result, the focus on the development and efficiency of the outlet network is an important feature of the Company's strategy in all three markets. For the additional expansion of the retail network, the Group will primarily use a partnership model with successful local businesses, such as sports bars.

Strategy and New Projects

Fortuna has set up its own management team for the lottery project and plans to enter the lottery segment with scratch tickets in the first half of this year. The launch of the lottery itself is anticipated in the second half of 2011. The strategy of Fortuna is to target not only the existing clients of lottery games, but primarily new customers. The aim is to create a market in the Czech Republic where the penetration in terms of the betting spend per capita is low compared with other countries (such as Slovakia or Hungary).

FortunaWin, the on-line betting platform of Fortuna operating in the Hungarian market, has registered more than 10,000 customers since its establishment in June 2010. A new development is that it has also launched a new betting application for mobile phones.

2011 Outlook

In 2011, Fortuna would like to continue with and develop key pillars of its current strategy – growth in its prime markets in sports betting, support and expansion of the on-line betting segment and revenue/market share retention in retail betting, including a focus on the efficiency of the retail network. In comparison with the strong 2010, when there was a high number of championships and sport events which attracted bettors, the odd year 2011 will be weaker given its sports event calendar.

Another expectation of the Company is the dynamic rollout of Internet betting in 2011 and an increase in its share of the total Gross Win from betting.

With respect to new projects and their expected contribution to financial performance in 2011, based on current assumptions the lottery project in the Czech Republic could become profitable in approximately 24 months, i.e. in 2012–2013. The launch of Internet betting in Poland this year should have a positive impact on the results of the Company. The actual evaluation of the expected contribution will depend on the on-line betting conditions, mainly with regard to taxation, registration conditions and the regulation of marketing activities. The Company will provide better estimates once the final draft of the law is approved.

6.14 Material Subsequent Events

Mr. Jan Štefanek has replaced Mr. Aleš Dobeš as chief executive officer of Poland since March 2011 and Mr. Milan Afakša has replaced Mr. Marek Biely as chief executive officer of Slovakia since April 2011.

FORTUNA sázková kancelář a.s. applied for licences for instant scratch tickets and concluded the agreement with SCIENTIFIC GAMES INTERNATIONAL LTD. for its producing.

"Stream" for online watching sports events was launched in January 2011 in the Czech Republic.

In January 2011 Fortuna Entertainment Group N.V. ("FEGNV") increased share capital in its subsidiary RIVERHILL a.s. by 1,025,000 thousands CZK (40,902 thousands EUR) by non-monetary contribution of receivable from ALICELA a.s. RIVERHILL a.s. increased share capital in its subsidiary ALICELA a.s. by 1,025,000 thousands CZK (40,902 thousands EUR) by setting-off receivable from ALICELA a.s. with its payable from share capital increase. All changes are recorded in the Commercial Register.

After meeting condition of 6 months of operations, FortunaWin Ltd and FortunaWin Gaming Ltd applied for permanent betting and gaming license. The regulatory system audit was carried out in February 2011 without findings and the companies expect issue of the full license in short period of time.

In the first months of 2011 the Czech entities began to offer inspired virtual gaming ("IVG") in its shops (graphically advanced virtual sports betting and gaming).

The Company announced last year that in 2011 it plans to pay out a dividend of 70%–100% of the 2010 net profit and confirmed this commitment in March 2011. The exact dividend amount will be proposed by the Management Board to shareholders at the AGM which is expected to take place in May 2011.

There have been following changes in members of Management and Supervisory Board in Poland since 31 December 2010:

Management Board

Konrad Łabudek	Chairman until 31 January 2011
Marzena Kiszło	Member until 31 January 2011
Jan Štefanek	Member until 31 January 2011
Jan Štefanek	Chairman since 1 February 2011
Marzena Kiszło	Deputy since 1 February 2011
Bretislav Sionko	Member since 1 February 2011

Supervisory Board

Marek Biely	Chairman until 28 February 2011
Michal Vepřek	Chairman since 1 March 2011

These changes have not been fully recorded in the Commercial Register yet.

There have been following changes in members of Management Board in Slovakia since 31 December 2010:

Management Board

Marek Biely	Chairman until 31 March 2011
Eva Lakomá	Member until 31 March 2011
Milan Alákša	Chairman since 31 March 2011
Jiří Bunda	Member since 31 March 2011

Supervisory Board

Marian Varga	Member until 21 February 2011
Aleš Dobeš	Member until 31 March 2011
Miroslav Štefunko	Member since 21 February 2011
Michal Vepřek	Member since 31 March 2011

The changes have not been recorded in the Commercial Register yet.

There have been following changes in members of Supervisory Board in FORTUNA GAME a.s. since 31 December 2010:

Supervisory Board

Petr Krafka	Member until 23 February 2011
Michal Vepřek	Member since 23 February 2011

The changes are recorded in the Commercial Register.

7. Investor Information

Fortuna's Shares and Share Capital

Shareholders as of 31 December 2010:

Penta Investments Limited	67.26%
BZ BWK AM	6.98%
Other free float	25.76%

Source: Company data

On 21 October 2010, Fortuna successfully completed the 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, Penta ended up with a final number of 34,975,330 shares; the rest was sold to institutional and retail investors. About 1% of the offering was allocated to retail. The share capital of FEG consists of 52,000,000 shares in total.

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

As at 31 December 2010, the issued and paid-up share capital of FEG amounted to EUR 520,000 and is divided into 52,000,000 shares with a nominal value of EUR 0.01 each. All of the shares are ordinary registered shares, are fully paid up and rank pari passu with each other and there is no other class of shares authorized. All shares have been or will be issued under Dutch law. All shares have one vote and carry equal dividend rights.

Shares of Fortuna Entertainment Group N.V. were listed on the Prague Stock Exchange on 27 October 2010 (conditional trading from 22 October) and on the Warsaw Stock Exchange on 28 October 2010.

The shares are traded on the Prague Stock Exchange under ISIN NL0009604859 BAAFOREG and on the Warsaw Stock Exchange under FEG. 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.

Share Price Development and Trading Activity in 2010 *

During 2010, FEG shares were traded for a total value of CZK 726.9 million on the Prague Stock Exchange and for a total value of PLN 16.4 million on the Warsaw Stock Exchange. The lowest trading price during the year was CZK 87 and PLN 14.0 and the highest CZK 107.5 and PLN 17.5 on the Prague and Warsaw Stock Exchanges respectively.

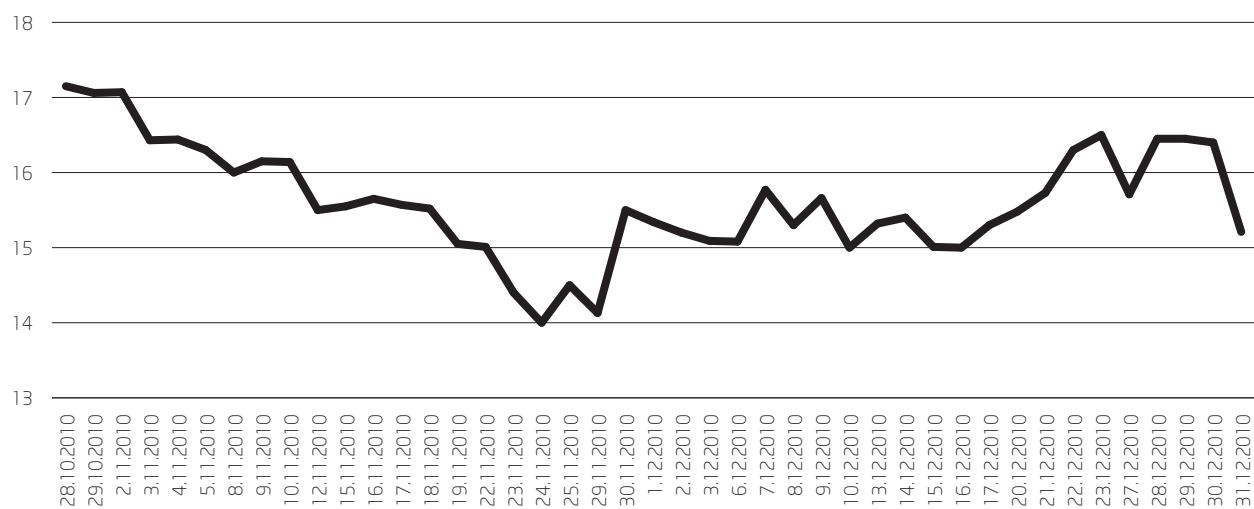
The closing price on 31 December 2010 was CZK 103.7 on the Prague Stock Exchange and PLN 14.7 on the Warsaw Stock Exchange and the market capitalization of FEG came to CZK 5.4 billion (based on the Prague Stock Exchange quote).

* Source: Bloomberg and PSE

PSE trading - in CZK



WSE trading - in PLN



Changes in the Shareholders' Structure in 2010

After the IPO and the exercise of the over-allotment option, as of 31 December 2010 Penta Investments Limited held 34,975,330 shares, representing 67.26% of the share capital and of the total voting rights attached to the shares issued by the Company.

After the IPO, the Company received notification that clients and investment funds managed by BZ WBK AIB Asset Management S.A. were, as of 26 October 2010, jointly holding 3,632,047 shares in the Company, constituting 6.98% of the share capital and of the total voting rights attached to the shares issued by the Company.

Dividend Policy

The Company announced last year that in 2011 it plans to pay out a dividend of 70–100% of the 2010 net profit and would like to confirm this commitment. The exact dividend amount will be proposed by the Management Board to shareholders at the AGM, which is expected take place in May 2011.

Fortuna's Investor Relations Commitment

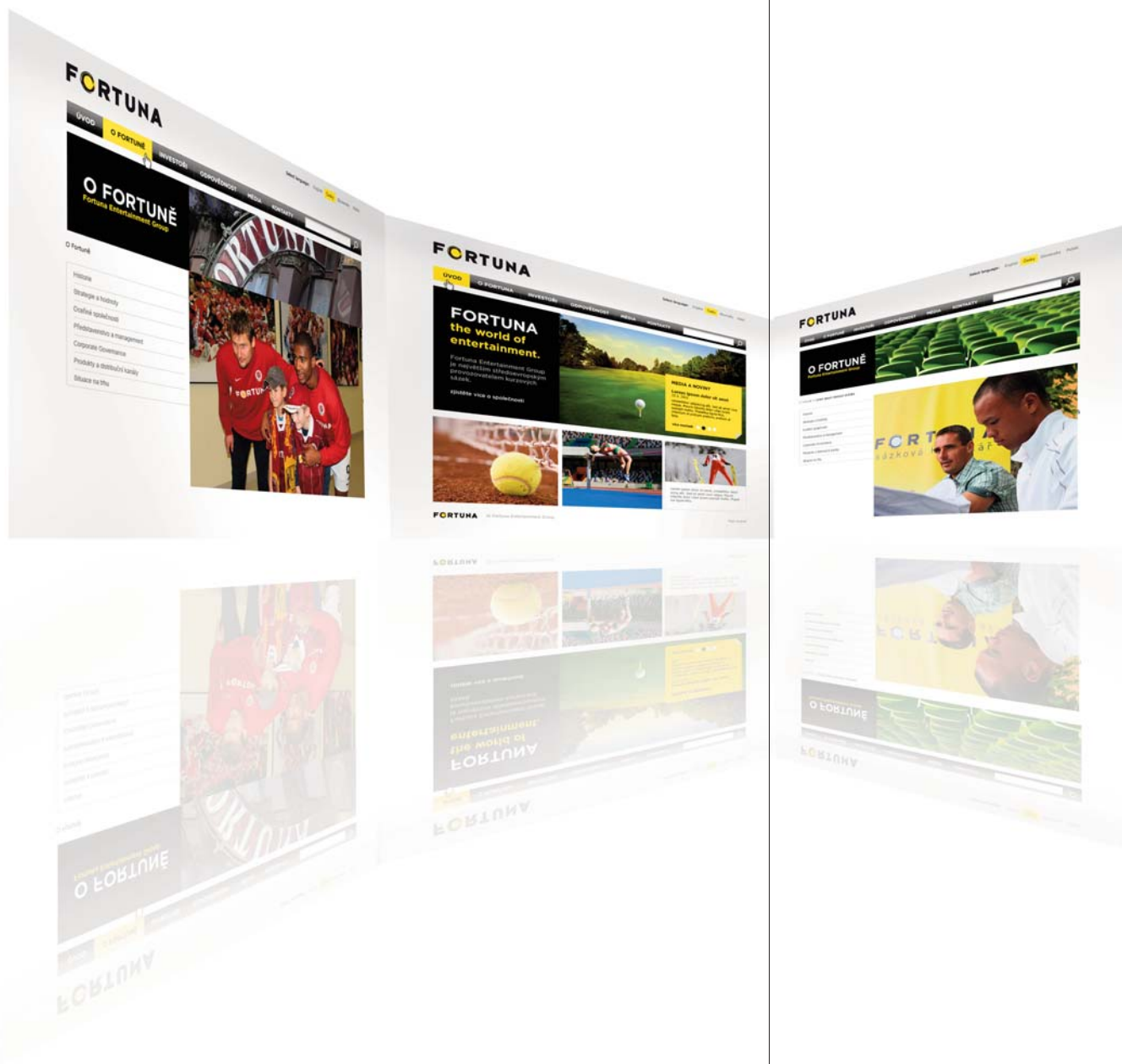
In the period since the IPO, Fortuna has focused on developing research coverage for the Company, developing relationships with analysts and setting up investor relations communications according to the best market standards. At present, the Company has nine sell-side analysts, who publish research on 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 pro-active 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 2011

5 May 2011	Interim Management Statement for the Period Starting 1 January 2011
25 August 2011	Half Year Report 2011 incl. First Half 2011 Financial Results
3 November 2011	Interim Management Statement for the Period Starting 1 July 2011

1,393

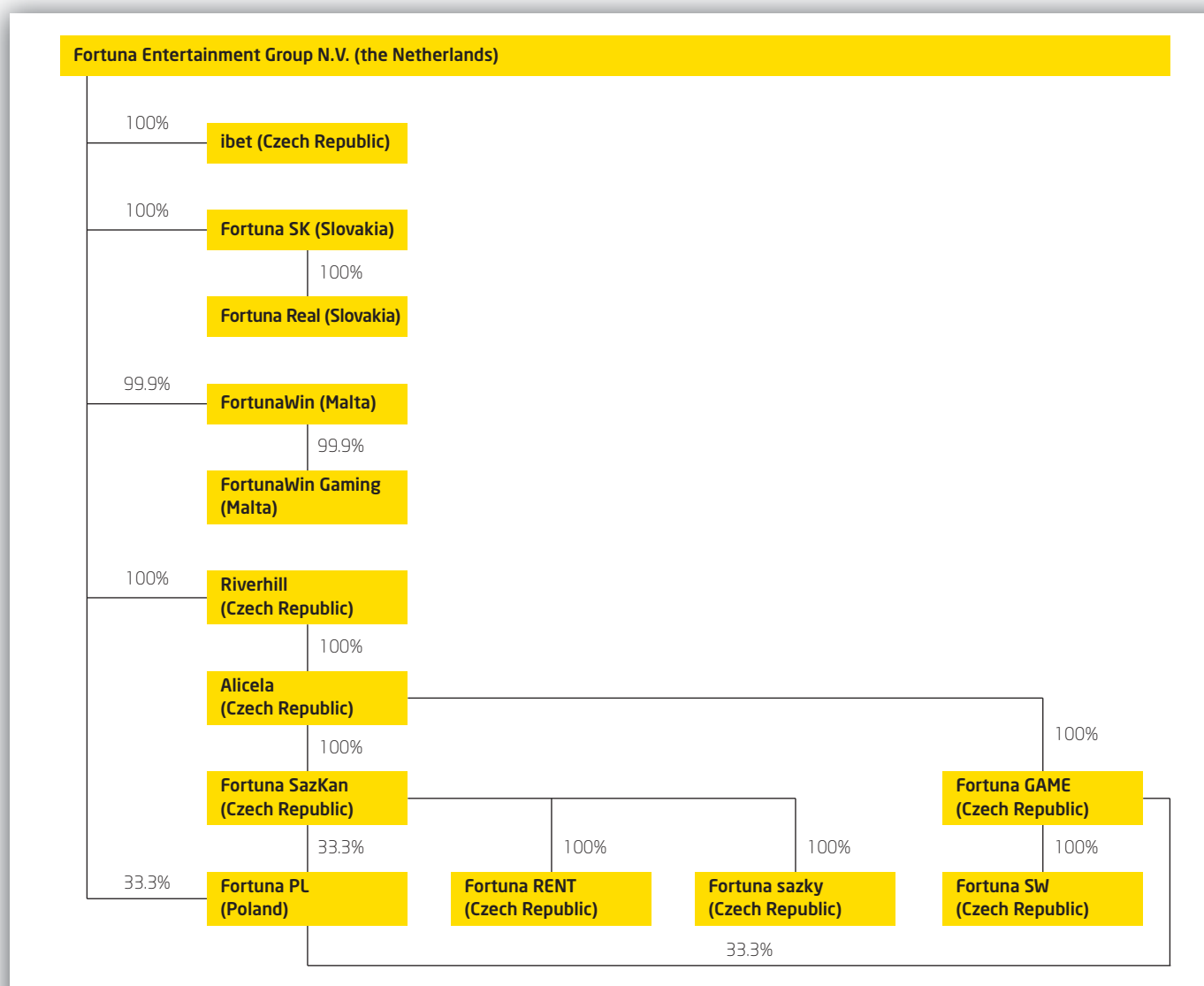


branches of
Fortuna
Entertainment
Group at the end
of 2010

8. Corporate Governance

8.1 Organizational Structure

The diagram below presents the current structure of the Group as at 31 December 2010:



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 Fortuna SazKan hold shares in Fortuna PL. Fortuna sazký a.s. is a dormant company, a 100% owned subsidiary of Fortuna SazKan.

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.

In the last months of 2009 and in the beginning of 2010, FEG became an owner of the following companies:

- in December 2009, FEG acquired a 100% shareholding interest in Riverhill,
- in January 2010, FEG acquired a 100% shareholding interest in Fortuna SK including its subsidiary Fortuna Real, and
- in May 2010, FEG acquired a 33.33% shareholding interest in Fortuna PL, while the remaining 33.33% and 33.33% shareholding interests were acquired by Fortuna SazKan and Fortuna Game.

These companies were portfolio companies of Penta Investment Group, acquired in the years 2005–2008, that did not constitute a legal group previously; however their operations were intertwined and common solutions were used.

In December 2009, FEG acquired Fortuna HR, an operating company in Croatia, but the company was sold on 26 March 2010.

In February 2010, FEG incorporated ibet, a company that provides call centre services, customer support, and HW/SW solutions.

In March 2010, Fortuna GAME entered into an Agreement on the Transfer of a Participation Interest with Mr D. Motycka, Mr M. Cerny and Mr M. Hruby (each of them owning 1/3 of the shareholding interest in Fortuna SW) related to the shareholding interest in Fortuna SW. In accordance with this agreement, Mr D. Motycka, Mr M. Cerny and Mr M. Hruby transferred to Fortuna GAME a 100% shareholding interest in Fortuna SW. The total purchase price was CZK 12 million (EUR 453,000), where CZK 6 million (EUR 226,000) was paid in equal portions to the sellers upon signature of the Agreement on the Transfer of a Participation Interest and the rest of the CZK 6 million (EUR 226,000) will be paid to the sellers in 25 instalments each month starting March 2010 in the amount of CZK 80,000 (EUR 3,000) per month.

Information on Significant Subsidiaries

Fortuna SazKan was incorporated on 29 March 1990 in Prague as a joint stock company under Czech law by a group of private individuals. Alicela acquired shares in Fortuna SazKan in 2005. From its beginnings, the company was involved in the betting business. The company's first betting office in the Czech Republic was opened on 1 May 1990. The current licence was issued in November 2008 and is valid until 2018. In 2007 Fortuna SazKan started to operate fixed-odds betting via telephone (Telekonto) and in 2008 obtained a licence to operate fixed-odds betting via the Internet, valid until December 2018. In July 2010 the company obtained a licence for the operation of a lottery game, valid until 8 July 2013.

Fortuna GAME 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. In the beginning, Fortuna GAME owned a warehouse in Brandýs nad Labem that was rented to Fortuna SazKan. In 2009, as a result of the transfer of part of the operations of Fortuna SazKan, the company started to offer sports betting in accordance with a licence issued on 19 May 2009, valid until 2019.

Fortuna SK was incorporated on 25 April 1991 in Bratislava as a joint stock company under Slovak law. It was established as T E R N O, a.s. by Fortuna SazKan and 2 private persons. In 2005, all the shares in Fortuna SK were acquired by Penta First Fund Limited. In the same year, all 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 on-line) 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 Found Limited), Lunga Enterprises Limited and Massarosa Holdings Limited (the last two being special purpose vehicles in the Penta group). In 2006, the stake owned by Penta First Found Limited was transferred on to Penta Investments Limited. In 2007 the name of the company was changed from Profesional 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 permissions issued for particular shops in the years 2005–2009 that will expire in the years 2011–2015. In November 2009, Fortuna PL obtained permission for virtual horseracing organization for six years. FEG acquired 1/3 (33.3%) of shares in Fortuna PL in May 2010. The remaining shares were purchased by Fortuna SazKan (33.3%) and Fortuna GAME (33.3%).

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 organize betting as well as to host and manage two Microgaming platforms. In June 2010, the company started its on-line operations.

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 organize betting. In June 2010, the company started its on-line operations.

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.

Fortuna SW 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. From the beginning, Fortuna SazKan was the sole shareholder of the company. The main objective of the company is the management of the sites portfolio. Lease agreements with VAT charges regarding betting shops operated by Fortuna SazKan and Fortuna Game were transferred on to 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.

Call Option for Fortuna HR

In January 2008, Equinox Investments B.V., Penta's subsidiary, acquired shares in Fortuna HR. In 2009 and 2010, FEG entered into several transactions in which it acquired operating companies, including, among others, Fortuna HR, and ancillary companies that were under the common control of Penta. However, due to the pending restructuring of Fortuna HR and the regulator's delay in the introduction of on-line betting in Croatia, there was uncertainty about if and when Fortuna HR's profitability would be restored. Therefore, FEG decided on the subsequent exclusion of Fortuna HR from the Group and all shares in Fortuna HR held by FEG, constituting 90% of share capital in Fortuna HR, were sold back to Equinox Investments B.V. in March 2010 for consideration of EUR 1.

In September 2010, FEG entered into an agreement with Equinox Investments B.V. under which it has a call option for all shares in Fortuna HR held by Equinox Investments B.V., which as of 31 December 2010 constituted 90% of the share capital in Fortuna HR. The option may be exercised within the three-year period starting from 1 July 2011, provided that Fortuna HR reports positive recurring EBITDA for three consecutive quarters. The purchase price is 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 has 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 will expire with respect to the shares sold to the third party. The call option and the right of first refusal shall automatically expire on 1 July 2014 provided that it is not exercised on or before such date. Moreover, the option will expire if the minority shareholder of Fortuna HR, Mr Velimir Čerkez, exercises the "buy-you-buy-me option".

Fortuna HR was incorporated in June 2001 in Zagreb as Favorit d.o.o. The founders were Messrs Jure Kvesić, Jakov Pinjuh and Velimir Čerkez. In 2008 it became part of the Penta Group. Currently, 90% of shares are held by Equinox Investments B.V., Penta's subsidiary, and 10% of shares are held by Mr Velimir Čerkez. Mr Velimir Čerkez, as minority shareholder, has the right to sell his entire shareholding interest in the Fortuna HR to the same purchaser on the same terms and conditions exercisable if and when Equinox Investments B.V. decides to sell its shares to a purchaser outside the Penta group. Moreover, under the "buy-you-buy-me option" he is entitled – subject to the condition precedent that Fortuna HR has achieved a profit in the preceding financial year – to deliver a notice to Equinox Investments B.V., in which he shall stipulate the price for the shares and Equinox Investments B.V. may then choose to request Mr Velimir Čerkez to sell his entire shareholding interest in Fortuna HR under the same conditions or instead he shall purchase the entire Equinox Investments B.V. stake in Fortuna HR.

Since June 2010, Fortuna HR has been offering on-line betting. There are six major betting operators in Croatia with one (SuperSport) maintaining a significant part of the market. Only Fortuna HR, Hrvatska Lotria and SuperSport offer on-line betting based on a local licence in Croatia.

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 by 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 at 31 December 2010, the Management Board was composed of four members. The table below sets forth the names, positions, election date, and terms of office of the current members of the Management Board:

Name	Position	Office Term in 2010	Expiration of the office term
Jiří Bunda	Chairman of the Management Board	9 September 2010 – 31 December 2010	at the General Meeting held in 2014
Wilfred Thomas Walsh	Vice chairman of the Management Board	9 September 2010 – 31 December 2010	at the General Meeting held in 2014
Janka Galáčová	Member of the Management Board	9 September 2010 – 31 December 2010	at the General Meeting held in 2014
Richard van Bruchem	Member of the Management Board	9 September 2010 – 31 December 2010	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 forth below:

Jiří Bunda

Jiří Bunda has held the position of the chairman of FEG's Management Board since September 2010. In the years 1997–2002, he was employed at GE Capital Czech Republic and Slovakia as sales finance manager. Furthermore, in the years 2006–2009, Jiří Bunda was associated with Zepter International, where he held the post of general manager in both the Czech Republic and Slovakia and then in Russia. To increase his professional qualifications, Jiří Bunda took part in numerous training and professional courses, including the courses Six Sigma – Black Belt (2000), Project Management Process and Leadership organized by Team Technologies and numerous training courses for top management in the years 2007–2009 by Business Success.

Wilfred Thomas Walsh

Wilfred Thomas Walsh has been vice-chairman of the Management Board since September 2010. He started his career in 1994 at HMV Group Limited, where he was a managing director in Germany and operations director in the United Kingdom. In 2000–2007, he held managerial positions at Gala Coral Group, Bookmaker Afternoon Greyhound Services Limited (2002–2007) and Tote Direct Limited (2003–2005). Moreover, 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.

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 at 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 also obtained a certificate of Executive Programme in Strategic Management from RSM Erasmus University of Rotterdam.

Janka Galáčová

Janka Galáčová was appointed to FEG's Management Board in September 2010. She worked as an accountant for consulting companies, including 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 ChanceOn Interim company based in Zwaag.

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

Jiří Bunda

Former directorships:

ZEPTER INTERNATIONAL s.r.o. – executive (2006–2010)

ZEPTER FINANCE s.r.o. – executive (2007)

Current directorships:

FORTUNA sázková kancelář a.s. – member of the management board (from 2010)

FORTUNA sázky a.s. – member of the management board (from 2010)

FORTUNA GAME a.s. – member of the management board (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)

Current directorships:

MBB Project 34 B.V. – member of the management board (from 2010)

Servadou Holding B.V. – member of the management board (from 2010)

R2a Holding B.V. – member of the management board (from 2010)

Trust Company Amsterdam B.V. – member of the management board (from 2010)

BV Investerings Sinds 1391 – member of the management board (from 2008)

R2 Holding B.V. – member of the management board (from 2008)

BPO Solutions B.V. – member of the management board (from 2008)

Avis Holding B.V. – member of the management board (from 2009)

Avis Trust Group B.V. – member of the management board (from 2009)

Avis Accounting B.V. – member of the management board (from 2009)

Avis Corporate Services B.V. – member of the management board (from 2009)

Stichting Kunstbezit's-Graveland – member of the management board (from 2008)

Wilfred Thomas Walsh

Current directorships:

Racecourse Enterprises Ltd – non-executive director (from 2010)

Gala Coral Group – non-executive director of the board of directors (from 2010)

Supervisory Board

A member of the Supervisory Board is appointed for a maximum period of four years. After holding office for four years, supervisory 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 by 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 at 31 December 2010, the Supervisory Board is composed of four members. The table below sets forth the names, positions, election date, and terms of office of the current members of the Supervisory Board:

Name	Position	Office Term in 2010	Expiration of the office term
Jozef Janov	Chairman of the Supervisory Board	27 September 2010 – 31 December 2010	at the General Meeting held in 2014
Václav Brož	Member of the Supervisory Board	27 September 2010 – 31 December 2010	at the General Meeting held in 2014
Michal Horáček	Member of the Supervisory Board	27 September 2010 – 31 December 2010	at the General Meeting held in 2014
Martin Kúšik	Member of the Supervisory Board	27 September 2010 – 31 December 2010	at the General Meeting held in 2014

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 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 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.

Václav Brož

Václav Brož has been a member of the Supervisory Board since September 2010. In 2001, he commenced his professional activity in Komise pro cenné papíry, where he worked until 2004. He has been with Penta group since 2004, previously as an investment analyst and then investment manager. Václav Brož has a university degree gained at the University of Economics, Prague, in 1999.

Michal Horáček

Michal Horáček 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. He is an owner of KUDYKAM, s.r.o. and a member of the supervisory board of Knihovna Václava Havla, o.p.s. Michal Horáček graduated from Charles University, Prague, Faculty of Humanities, and from Macalester College, St Paul, Minnesota, USA (American Studies). Currently, he is a doctoral student in anthropology at the Faculty of Humanities, Charles University, Prague.

Martin Kúšik

Martin Kúšik was appointed to the Supervisory Board in September 2010. He is one of the founders of Penta group and since 1999 he has been responsible for different projects. Currently, he holds a position in the management boards of PFSE, a.s. and WFSE, a.s., as well as in the supervisory board of Penta Reality, a.s. He is also a shareholder of Penta Holding Limited and Belet Holdings Limited. In 1992 Martin Kúšik graduated from the Law Faculty of Charles University, Prague, and in 1995 he gained a PhD in law.

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

Jozef Janov**Former directorships:**

Fortuna SK, a.s. – member of the supervisory board (2005–2006)

Fortuna zakłady bukmacherskie Sp. z o.o. – member of the management board (2005–2007)

Žabka, a.s. – chairman of the management board (2007–2010)

Severomoravské vodovody a kanalizace Ostrava a.s. – member of the management board (2004–2006)

Novoker, a.s. – chairman of the management board (2005–2007)

Mediclinic a.s. – chairman of the supervisory board (2007–2008)

Letiště Vodochody a.s. – chairman of the supervisory board (2007–2008)

Oakfield a.s. – member of the management board (2005–2010)

Current directorships:

Žabka Polska S.A. – chairman of the supervisory board (from 2007)

Žabka, a.s. – chairman of the supervisory board (from 2010)

Okna Rąbień S.A. – chairman of the supervisory board (from 2009)

Noves okná, a.s. – chairman of the supervisory board (from 2009)

Keladone a.s. – chairman of the supervisory board (from 2010)

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)

Current directorships:

TES VSETÍN, a.s. – member of the management board (from 2008)
MobilKom, a.s. – member of the management board (from 2008)
MEZSERVIS a.s. – member of the management board (from 2009)
Inovatel sp.z o.o. – member of the management board (from 2006)

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)

Martin Kúšik

Former directorships:

ELBAN, a.s. – chairman of the supervisory board (2002–2006)
MEDIRECO a.s. – chairman of the supervisory board (2005–2008)

Current directorships:

PFSE, a.s. – member of the management board (from 2003)
WFSE, a.s. – member of the management board (from 2002)
SALVIS REAL ESTATE a.s. – member of the supervisory board (from 2005)
Penta REALITY, a.s. – chairman of the supervisory board (from 2007)

Václav Brož, Martin Kúšik and Jozef Janov are associated with Penta Investments Limited. Therefore, due to the fact that 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, the Supervisory Board and Senior Management have no conflicts of interests with respect to their duties to FEG and their private interests and/or other duties.

At the date of this Annual Report, except as stated above, none of the members of the Management Board, Supervisory Board or Senior Management 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. During 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 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 at the date of this Annual Report, the Supervisory Board has established from among its members an 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. None of the current members of the Audit Committee are considered to be a financial expert as referred to in the Dutch Corporate Governance Code and the Dutch Act on Supervision on Audit Organizations. A new member of the Supervisory Board being such a financial expert will be proposed to the new shareholders in the future. 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 accountant, 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. As the Supervisory board and the Audit Committee were only established in late 2010, no meetings were held during 2010.

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 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 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 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 record date is fixed at the 28th day before 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 by 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 1 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.

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 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 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 and 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 at least at 80% or 90%. Bonuses are paid in cash after 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 2010:

		Remuneration (2010)				TOTAL
		Fortuna Entertainment Group N.V. Pecuniary Income	Received in kind	Other Group Companies Pecuniary Income	Received in kind	
Members of the Management Board	Board Remuneration	17	-	-	-	17
	Salaries and other similar income	-	-	149	-	149
	Management Bonus	-	-	63	-	63
	Other (compensation)	-	-	-	-	-
	TOTAL	17	-	212	-	229
Members of the Supervisory Board	Board Remuneration	-	-	-	-	-
	Salaries and other similar income	-	-	-	-	-
	Management Bonus	-	-	-	-	-
	TOTAL	-	-	-	-	-
Management of the Group Companies *	Salaries and other similar income	-	-	370	-	370
	Management Bonus	-	-	144	-	144
	Board Remuneration (incl. Supervisory board)	-	-	13	-	13
	TOTAL	-	-	527	-	527
TOTAL		17	-	739	-	756

* 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.

Information on Shares Held by the Management

Members of the Management Board and Supervisory Board of Fortuna Entertainment Group N.V. do not hold any shares of FEG.

Martin Kúšik indirectly, through Penta Investments Limited and Penta Holding Limited, holds shares in FEG. His shareholding in Penta Holding Limited includes 26,393 shares held directly and representing 26.39% of its share capital and 30 shares held indirectly and representing 0.03% of its share capital. The transfer of Mr Kúšik's shares in Penta Holding Limited is restricted by the memorandum and articles of association of Penta Holding Limited.

Persons discharging managerial responsibilities within an issuer held 5,800 shares in FEG as of 31 December 2010, 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 Senior Management owns any shares or stock options in FEG.

Indemnity Agreements

Aleš Dobeš entered into an Indemnification Agreement, dated 2 May 2007, with Penta, pursuant to which Penta will be obliged to indemnify Aleš Dobeš for his actions or failure to act in connection with his work for the Fortuna PL under the conditions described in the Indemnification Agreement.

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

Non-compete Compensation and Employment Termination Compensation

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

After termination of his employment relationship with Fortuna SazKan, Martin Todt is obligated to maintain his non-competition duty for 12 months following termination of his employment relationship. He is entitled to non-competition 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 SazKan if Fortuna SazKan is sold to a third party during his employment or in the period of 3 months following termination of his employment (for reasons other than: a) misconduct or breach of obligations by Martin Todt or b) termination by Martin Todt) with Fortuna SazKan, i.e. if: (i) a person outside Penta Group becomes a controlling entity of Fortuna SazKan; or (ii) a person outside Penta Group acquires a majority of Fortuna SazKan's assets; or (iii) a person outside Penta Group becomes a controlling entity of a person owning a majority of Fortuna SazKan's assets. Martin Todt is entitled to a severance payment payable to him by Fortuna SazKan if his employment relationship with Fortuna SazKan terminates prior to 31 July 2013 for reasons other than: a) misconduct or breach of obligations by Martin Todt or b) 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 termination of his employment relationship with Fortuna SazKan and 31 July 2013.

Jiří Bunda is entitled to extraordinary bonus payable to him by Fortuna SazKan if Fortuna SazKan is sold to a third party during his employment or in the period of 3 months following termination of his employment (for reasons other than: a) misconduct or breach of obligations by Jiří Bunda or b) termination by Jiří Bunda) with Fortuna SazKan, i.e. if: (i) a person outside Penta Group becomes a controlling entity of Fortuna SazKan; or (ii) a person outside Penta Group acquires a majority of Fortuna SazKan's assets; or (iii) a person outside Penta Group becomes a controlling entity of a person owning a majority of Fortuna SazKan's assets.

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 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 2010, 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 in 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.

Best Practice Provision II.2.8 states that severance payments may not exceed the annual salary. Employment contracts of the members of the Management Board, which were entered into before the Code was developed, provide for severance payments that exceed the annual salary. The employment contracts are considered to be in line with standard company policy and the Supervisory Board intends to honour this contractual commitment and is of the view that a deviation from the Code is justified.

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. Since the remuneration and appointment of current directors and key executives is typical for private-owned companies, the establishment of two additional committees was pointless before the IPO. 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. Mr 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 Mr 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. In 2010, none of the members of the audit committee was considered a financial expert with relevant experience with listed companies; the Company believes that Mr Janov now 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.

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.

Since the remuneration and nomination of current directors and key executives are typical for privately-owned companies, the establishment of two additional committees was pointless before the IPO. 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 in the Supervisory Board. However, the Company does not exclude that the number of independent members will increase further to 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 in the governing bodies of the Company, Janka Galáčová, a member of the Management Board. However, a majority shareholder, Penta Investments Limited, entirely supports this rule and does not exclude the possibility that such a recommendation will be implemented in the future.

Rule II.6, according to which at least two members of the Supervisory Board shall be independent. Currently, there is only one independent member in the Supervisory Board. However, the Company does not exclude that in the future the number of independent members will increase further to 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 as Amended as of 1 January 2008

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 ensuring fast, secure and broad access to information. Using such communication methods to the broadest extent possible, a company should ensure adequate communication with investors and analysts, enable on-line broadcasts of General Meetings over the Internet, record General Meetings, and publish the recordings on the company website.
2. A company should ensure effective access to information necessary to assess the company's situation and outlook as well as its operations.
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. Remuneration of members of the company's governing bodies should correspond to the scope of tasks and responsibilities of the exercised function and be proportionate to the size of the company's business and reasonable in relation to its financial results.
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:
 - refuse to accept unreasonable benefits which could have a negative impact on the independence of his or her opinions and judgments;
 - 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 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.

No	Rule	Yes / No	Comment of Fortuna
Best Practice for Management Boards of Listed Companies			
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	
	3) current and periodic reports;	YES	
	4) the date and place of a General Meeting, its agenda and draft resolutions together with their legal basis as well as other available materials related to the company's General Meetings, at least 14 days before the set date of the General Meeting;	YES	
	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 of 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 report on compliance with the corporate governance rules contained in this document.	YES	
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	Draft resolutions of a General Meeting should have grounds attached, with the exception of resolutions on points of order and typical resolutions adopted in the course of an Ordinary General Meeting. In view of the foregoing, the Management Board should present grounds or request the person motioning for the inclusion of an issue on the agenda of a General Meeting to provide grounds.	YES	

No	Rule	Yes / No	Comment of Fortuna
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	
Best Practices of Supervisory Boards			
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; 2) once a year prepare and present to the Ordinary General Meeting an evaluation of its work; 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 notify 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 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 this 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 with 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 in the Supervisory Board. However, the Company does not exclude that in the future the number of independent members will increase further to a new shareholder decision.
7	The Supervisory Board should establish at least an audit committee. The committee should include at least one member independent of the company and entities with significant connections with the company, who has qualifications in accounting and finance. In companies where the Supervisory Board consists of the minimum number of members required by law, the tasks of the committee may be performed by the Supervisory Board.	YES	

No	Rule	Yes / No	Comment of Fortuna
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	
Best Practices of Shareholders			
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	Any shareholder who motions for the inclusion of an issue on the agenda of the General Meeting, including a motion to take an issue off the agenda, should provide grounds enabling an informed decision on the resolution.	YES	
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 dividend and the date of 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 dividend.	YES	
8	The General Meeting or the Supervisory Board should ensure that the company authorized to audit financial statements changes at least once every seven financial years.	YES	

Management Statement

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

- the financial statements for the financial year 2010 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;
- 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 at the balance sheet date 31 December 2010 and the state of affairs during the financial year 2010; and
- the Annual Report describes the material risks that the Company faces.

8.5 Risk Factors

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

8.5.1 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 of 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 on-line 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. 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 has been increased from 10% to 12%. Amendments to taxation on sports betting are also under discussion in the Czech Republic. 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 on-line betting and gaming organizers that do not comply with local regulations and therefore will not be affected by changes in taxation. Consequently, such changes may have a material adverse impact on the Group's revenues and financial results.

Dependence on Licences

The Group conducts activities that are highly regulated. Licences or permissions are required to organize sports betting or to provide gaming products. Regulations in each of the countries in which the Group operates stipulate, among other things, various conditions concerning services organization, marketing, employees, and premises in which products are sold. Furthermore, the introduction of new products may result in a necessity to obtain new licences or to widen the scope of current licences and to make respective adjustments to conducted operations. The Group makes all reasonable efforts to comply with the terms and conditions of its licences and to renew licences that are due to expire. Any failure to comply with any applicable regulations or the terms and conditions of its licences, or any unfavourable change of law may lead to the Group losing one or more of its licences or to an inability to renew its licences. In addition, the Group's operating companies may be unable to fulfil all of the requirements, terms and conditions that are necessary to obtain licences or to widen the scope of licences for new products. Loss of licences or 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 relevant applicable laws. Such restrictions may have the effect of reducing the Group's potential to attract new customers, launch new products, implements common marketing strategy or expand its market share in affected markets and may lead to loss of licences. In addition, the Group's advertisements may be accessed via the Internet by customers in countries where such activities may be illegal and the Group may face criminal or civil proceedings as a result.

Crime, Fraud & Security

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

The continued activities of organized or other crime, fraud, new criminal challenges or activity to which the Group is not accustomed or claims that the Group may have been involved in official corruption may, in the future, bring negative publicity, could disrupt the Group's ability to conduct its business effectively and 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 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 2010.

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 payout of prizes. The risk management is based on experienced employees of bookmaking department with a proper knowledge, experience and expertise and supported by tailored software. Any failure in the Group's risk management system could materially adversely affect the Group's business, financial condition, results of operations or prospects.

Single Event Losses and Sporting Schedules

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

Due to the fact that the Group accepts bets related to sports events, its business and financial result are partially related to schedules in sports events. Therefore factors such as weather conditions, terrorist acts, wars and outbreaks of pestilence and infectious diseases, which may result in cancellation 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 on-line 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 on-line betting companies, each competing for the same customers. Moreover, the Group may face difficulties in competing with some betting and gaming organizers that offer their products without local licences since these entities are usually subject to lower taxation than the Group Companies in the countries where they have their registered seat and do not pay taxes in countries in which the Group locally operates.

In Slovakia, Poland and the Czech Republic, 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 it 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 FEG level or within a local management team, could have a material adverse effect on the business, financial condition or results of operations of the Group.

Acquisitions

The Group may consider growing through acquisitions in the near future. The Group's ability to realize the expected benefits from future acquisitions will depend, in large part, on its ability to integrate new operations with existing operations in a timely and effective manner and to manage a greater number of portfolio assets. In addition, the Group's potential acquisition plans involve numerous risks, including the following: the Group's acquisitions may not be profitable or generate anticipated cash flows, the Group may fail to expand its corporate infrastructure to facilitate the integration of its operations with those of acquired assets, the Group may face difficulties entering into markets and geographic 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 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 possibility that the failure of the Group's acquisition strategy could 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. Furthermore, the Group plans to start a new business line in the Czech Republic, a lottery. If the Group fails to roll out the lottery, this may have a material adverse impact on the Group's financial standing and prospects. Moreover, in order to widen the range of products that it offers, the Group wants to introduce virtual horseracing and other gaming products. The introduction of particular products requires additional spending and marketing efforts. However, there is no guarantee that new products will meet customers' expectations. Therefore, the growth of the Group's revenues may not be sustained or may be lower than expected, which may adversely affect the Group's financial standing and the valuation of shares.

Although some of the Group's operating companies have successfully introduced on-line services next to their off-line operations in Slovakia and the Czech Republic, the Group's products are still only offered through the Group's traditional land network of betting shops and betting points in Poland. As a result, some of the Group's products cannot be offered in Poland. Although the Group may use its Czech and Slovak experience, introduction of on-line services in Poland may face some difficulties, especially in the fields of marketing, risk management and ongoing management, resulting from traditional models of operations. Consequently, the Group's financial results and prospects may be adversely affected.

8.5.2 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, provision of services to the clients with an appropriate creditworthy history, hedging transactions related to interest rates and 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 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 cost controlling 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 the 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 translation. 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 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.

Valuation of the Call Option for Shares in Fortuna HR

On 7 September 2010, FEG entered into an agreement with Equinox Investments B.V., under which it has a call option for all shares in Fortuna HR held by Equinox Investments B.V. The option needs to be included on Fortuna's statement of financial position against fair value. The option will be revalued on a quarterly basis; hence the volatility of FEG's earnings may be impacted by movements of the option value. Potential movements in the fair value of the option will flow through the statement of income of FEG. Negative revaluation of the option may have a material adverse impact on Fortuna's results recorded in the statement of income.

Pledge in Favour of Česká spořitelna, a.s.

Fortuna SK, Fortuna SazKan and Fortuna GAME have entered into three financing agreements with Česká spořitelna, a.s. Upon occurrence of an event of default, certain actions can be taken by Česká spořitelna, a.s. on the basis of the financing agreements, including acceleration of the outstanding loans and foreclosure of security. In accordance with Share Pledge Agreements (concluded in connection with Loan Facility Agreements between Fortuna SazKan, 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 SazKan, Fortuna GAME, Fortuna SK, Riverhill and Alicela, which may result in permanent or temporary inability of the Group to conduct business in the Czech Republic and/or the Slovak Republic.

The combined trademark "Fortuna Sazkova Kancelar" 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 SazKan and Fortuna GAME. If Česká spořitelna, a.s. forecloses on the aforementioned trademark further to a default event, Fortuna SazKan 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

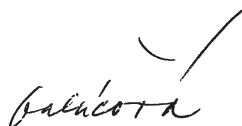
With its 67.26% of FEG's outstanding shares, Penta Investments Limited will be in a position to exert significant influence over the outcome of matters submitted to a vote of the FEG's shareholders, including matters such as approval of the annual financial statements, declarations of dividends, the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

Amsterdam, 7 April 2011



Jiří Bunda

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



Janka Galáčová

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



Wilfred Thomas Walsh

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.



Martin Kúšik

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.

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 2010 of Fortuna Entertainment Group N.V., Amsterdam, which comprise the consolidated and company statement of financial position as at 31 December 2010, the consolidated and company statements of income, the statements of comprehensive income, changes in equity and cash flows 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 Book 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 December 31, 2010 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, 7 April 2011

Ernst & Young Accountants LLP

Signed by S.D.J. Overbeek-Goeseije

By **35.5%**



grew Fortuna
Entertainment
Group's Gross Win
of on-line betting
in 2010

10. CONSOLIDATED FINANCIAL STATEMENTS OF FORTUNA ENTERTAINMENT GROUP N.V.

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED
BY THE EUROPEAN UNION
AS AT 31 DECEMBER 2010

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Consolidated Statement of Financial Position as at 31 December 2010

€ 000	Notes	31 December 2010	31 December 2009
ASSETS			
Non-current assets			
Goodwill	14	50,796	50,426
Intangible assets	15	7,953	7,272
Property, plant and equipment	16	4,919	5,567
Deferred tax assets	11	272	776
Related party loans	29	-	28,257
Restricted cash	19	3,743	3,584
Other non-current assets	18	628	546
Total non-current assets		68,311	96,428
Current assets			
Current receivables	17	1,007	802
Income tax receivable		239	202
Other current assets	18	912	953
Bank deposits		-	755
Cash and cash equivalents	20	25,335	21,566
Total current assets		27,493	24,278
TOTAL ASSETS		95,804	120,706
EQUITY AND LIABILITIES			
Share capital	22	520	45
Share premium	22	25,942	21,779
Statutory reserve	22	3,004	2,144
Net assets attributable to combined entities' shareholder		-	16,611
Foreign currency translation reserve	22	1,647	324
Retained earnings		20,894	(420)
Total Equity		52,007	40,483
Non-current liabilities			
Provisions	25	53	438
Long-term bank loans	26	24,115	18,848
Deferred tax liabilities	11	5	-
Related party loans	29	-	7,550
Other non-current liabilities	28	29	2,578
Total non-current liabilities		24,202	29,414
Current liabilities			
Trade and other payables	27	12,223	27,507
Income tax payable		499	408
Provisions	25	208	94
Related party loans	29	-	617
Current portion of long-term bank loans	26	5,021	20,681
Derivatives	21	919	746
Other current liabilities		725	756
Total current liabilities		19,595	50,809
EQUITY AND LIABILITIES		95,804	120,706

Consolidated Statement of Income for the Year Ended 31 December 2010

€ 000	Notes	31 December 2010	31 December 2009
Amounts stated	6	384,172	337,876
Revenue		81,195	74,624
Governmental taxes and levies	6	(6,799)	(6,965)
Personnel expenses	7	(25,576)	(23,499)
Depreciation and amortisation	6	(2,630)	(2,138)
Other operating income	8	649	910
Other operating expenses	9	(24,386)	(21,534)
Operating profit		22,453	21,398
Finance income	10	2,230	2,593
Finance cost	10	(4,541)	(4,642)
Profit before tax from continuing operations		20,142	19,349
Income tax expense	11	(2,769)	(2,415)
Net profits for the year from continuing operations		17,373	16,934
Discontinued operations			
Loss after tax for the year from discontinued operations	12	(1,286)	(4,525)
Profit on disposal of discontinued operations		4,171	-
Net profits for the year from discontinued operations		2,885	(4,525)
Net profits for the year		20,258	12,409
Attributable to:			
Owners of the parent		20,258	12,409
Earnings per share	13		
Weighted average number of ordinary shares for basic earnings per share (adjusted)		50,350,685	50,000,000
Basic and diluted, profits for the year attributable to ordinary equity holders of the parent		0.402	0.248
Basic and diluted for continuing operations, profits for the year attributable to ordinary equity holders of the parent		0.345	0.339

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2010

€ 000	31 December 2010	31 December 2009
Profits for the year	20,258	12,409
Net loss on revaluation of cash flow hedges	(144)	(365)
Income tax	27	69
	(117)	(296)
Exchange differences on translation of foreign operations	1,323	383
Other comprehensive income for the year, net of tax	1,206	87
Total comprehensive income for the year, net of tax	21,464	12,496
Attributable to:		
Owners of the parent	21,464	12,496

Consolidated Statement of Cash Flows for the Year Ended 31 December 2010

€ 000	31 December 2010	31 December 2009
Cash flows from operating activities		
Profit before tax from continuing operations	20,142	19,349
Loss before tax from discontinued operations	(1,301)	(4,518)
Profit before tax	18,841	14,831
Adjustments for:		
Depreciation and amortisation	2,765	2,589
Changes in provisions	264	(575)
(Gain) / Loss on disposal of property, plant and equipment	30	(1)
Interest paid and received	1,331	2,355
Change in fair value of derivatives	8	381
Operating profit before working capital changes	23,239	19,580
(Increase) / Decrease in other current assets	(144)	(298)
(Increase) / Decrease in receivables	(138)	1,160
(Decrease) / Increase in payables and other liabilities	(3,655)	2,103
(Increase) / Decrease in restricted cash	-	(568)
Cash generated from operating activities	19,302	21,977
Corporate income tax paid	(2,701)	(4,091)
Net cash flows provided by / (used in) operating activities	16,601	17,886
Cash flows from investing activities		
Interest received	526	2,315
Related party loans receivable (granted)/repaid	28,257	(1,931)
Acquisition of a subsidiary, net of cash acquired	(320)	-
Derecognition / (Acquisition) of other financial assets	757	-
Repayment of liabilities for purchase of subsidiary	(13,957)	(9,109)
Proceeds / (Acquisition) of other financial assets	-	374
Purchase of buildings, equipment and intangible assets	(3,394)	(4,778)
Net outflow from sale of a subsidiary, net of cash disposed	(1,770)	-
Proceeds from sale of buildings and equipment	20	546
Net cash flows provided by / (used in) investing activities	10,119	(12,583)
Cash flows from financing activities		
Net proceeds from / (Repayments of) long term borrowings	5,127	(17,816)
Net proceeds from / (Repayments of) short-term borrowings	(16,485)	15,071
Related party loans received / (repaid)	197	5,293
Cash contribution by shareholder to acquire subsidiary companies	81,884	64,599
Payment to acquire subsidiary companies	(79,201)	(64,599)
Return of capital	(19,000)	-
Proceeds from IPO	8,386	-
Incurred transaction costs capitalized	(2,009)	-
Dividends paid	-	(410)
Interest paid	(1,857)	(4,670)
Net cash flows provided by / (used in) financing activities	(22,958)	(2,532)
Net effect of currency translation in cash	7	991
Net increase in cash and cash equivalents	3,769	3,762
Cash and cash equivalents at the beginning of the year	21,566	17,804
Cash and cash equivalents at the end of the year	25,335	21,566

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2010

€ 000	Share capital	Share premium	Net assets attributable to combined entities' shareholder	Statutory reserves	Retained earnings	Foreign exchange translation reserve	Total
1 January 2010	45	21,779	16,611	2,144	(420)	324	40,483
Profits for the year	-	-	-	-	20,258	-	20,258
Other comprehensive income	-	-	-	-	(117)	1,323	1,206
Total comprehensive income	-	-	-	-	20,141	1,323	21,464
Capital paid in and funding for acquisitions (note 22)	-	81,884	-	-	-	-	81,884
Return of capital to shareholder	-	(19,000)	-	-	-	-	(19,000)
Acquisition of FORTUNA SK, a.s., FORTUNA REAL, s.r.o. and FORTUNA zakłady bukmakerskie Sp. z o.o. accounted for using pooling of interest method	-	(64,623)	(16,611)	66	1,967	-	(79,201)
Allocation of profit	-	-	-	794	(794)	-	-
Increase share capital on 27 September 2010 (note 22)	455	(455)	-	-	-	-	-
Increase share capital on 28 October 2010 (note 22)	20	8,366	-	-	-	-	8,386
Capitalisation of IPO expenses (note 22)	-	(2,009)	-	-	-	-	(2,009)
31 December 2010	520	25,942	-	3,004	20,894	1,647	52,007

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2009

€ 000	Share capital	Share premium	Net assets attributable to combined entities' shareholder	Statutory reserves	Retained earnings	Foreign exchange translation reserve	Total
1 January 2009	-	-	28,167	-	-	(59)	28,108
Profits for the year	-	-	12,829	-	(420)	-	12,409
Other comprehensive income	-	-	(296)	-	-	383	87
Total comprehensive income	-	-	12,533	-	(420)	383	12,496
Dividend paid to the combined entities' shareholder	-	-	(410)	-	-	-	(410)
Share issue and cash contribution by shareholder	45	64,599	-	-	-	-	64,644
Acquisition of FORTUNA Czech and FORTUNA Croatia accounted for using pooling of interest method	-	(42,820)	(23,679)	2,144	-	-	(64,355)
31 December 2009	45	21,779	16,611	2,144	(420)	324	40,483

Notes to the Consolidated Financial Statements as at 31 December 2010

1. Corporate Information

The consolidated financial statements for the year ended 31 December 2010 of Fortuna Entertainment Group N.V. ("FEGNV"), comprise the consolidated statements of financial position as at 31 December 2010 and 31 December 2009, 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 2010 and 31 December 2009, and a summary of significant accounting policies and other explanatory notes.

The consolidated financial statements of FEGNV for the year ended 31 December 2010 were authorized for issue in accordance with a resolution of the directors on 7 April 2011. The Annual General Meeting to approve the financial statements is expected to take place in May 2011.

FEGNV has its registered office at Strawinskylaan 809, Amsterdam, the Netherlands. 67% of the shares of the Company are held by Penta Investments Limited ("Penta") having its registered office at Agias Fylaxeos & Polygnostou, 212, C&I Center, 2nd floor, 3803 Limassol, Cyprus; the remaining 33% of shares are publically traded at the Polish stock exchange in Warsaw and the Czech stock exchange in Prague.

Description of Business

Fortuna Entertainment Group N.V. operates in the betting industry under local licences in Czech Republic, Slovakia and in Poland and via an online platform based in Malta targeting the market in Hungary. 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, which included almost 1,400 shops in total in 2010, and via online web sites in the Czech Republic, Slovakia and Hungary.

In the first months of 2010 the Croatian entities were disposed of. For details, reference is made to note 12.

In July 2010, the Ministry of Finance issued a lottery licence to FORTUNA sázková kancelář a.s. for operations in the territory of the Czech Republic. The company plans to start operations of the lottery segment in 2011.

FEGNV has the following members of Management and Supervisory Board as at 31 December 2010:

Management Board	
Chairman:	Jiří Bunda
Vice Chairman:	Wilf Walsh
Member:	Richard van Bruchem
Member:	Janka Galáčová
Supervisory Board	
Chairman:	Jozef Janov
Member:	Martin Kúšik
Member:	Václav Brož
Member:	Michal Horáček

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. IFRS as adopted by European Union comprise standards and interpretations approved 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 w 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 bukmacherskie 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.

Since the transfer of all the subsidiaries was not completed as of 31 December 2009 FEGNV did not have control over those entities as at 31 December 2009 and was not allowed under IAS 27, Consolidated and Separate Financial Statements, to present consolidated financial statements including the entities not yet transferred as of that date. Therefore management decided to prepare combined financial statements as at 31 December 2009, as it concluded that FEGNV qualified as a reporting entity, representing the entire Fortuna group. These combined financial statements included FEGNV, its legal subsidiaries and Fortuna SK, a.s. with its subsidiary Fortuan Real, s.r.o. and Fortuna zakłady bukmacherskie Sp. z o.o., which were transferred to FEGNV in 2010. These combined financial statements for the year ended 31 December 2009 were the first financial statements of FEGNV that complied with the International Financial Reporting Standards as adopted within the EU ("IFRS") in which FEGNV had applied IFRS 1 First-time Adoption of IFRS in preparing the opening statement of financial position at the date of transition to IFRS.

Management concluded that through the application of the pooling of interest method for the common control transactions that these 2010 consolidated financial statements are effectively the continuation of the 2009 combined financial statements and as a result IFRS 1 First time adoption of International Financial Reporting Standards does not apply.

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 2010.

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. The transfer of these entities was completed on May 12, 2010.

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 combining entities, after bringing their values to uniform measurement methods and after making appropriate eliminations. All intra-group balances and transactions are also excluded.

The comparatives reflect the combination of entities as if the acquisitions had occurred from the beginning of the earliest period presented in the financial statements, except for entities externally acquired by the controlling shareholder during one of the periods presented. These entities 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.

The consolidated financial statements comprise the financial statements of FEGNV and its subsidiaries as at 31 December 2010 and include following entities (together "Fortuna Group"):

Fortuna Entertainment Group N.V.
RIVERHILL a.s.
ALICELA a.s.
FORTUNA sázková kancelář a.s.
FORTUNA GAME a.s.
FORTUNA RENT s.r.o.
FORTUNA sázky a.s.
FortunaWin Ltd.
FortunaWin Gaming Ltd.
FORTUNA SK, a.s. – acquired in January 2010
FORTUNA REAL, s.r.o. – acquired in January 2010
FORTUNA zaklady bukmacherskie Sp. z o.o. – acquired in May 2010
FORTUNA software s.r.o. – acquired in March 2010
ibet, s.r.o. – established in March 2010
FORTUNA SPORTSKA KLADIONICA, d.o.o. – disposed in March 2010

All entities are 100% owned by FEGNV, either directly or indirectly, except for Fortunawin Ltd., which is 99.99% owned by FEGNV. Fortuna Sportska Kladionica d.o.o., disposed in March 2010, was 90% 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 2009 and 2010 are set out below. In 2010, except for the accounting for business combinations, there was no change in the applied accounting policies in comparison to prior year, accounting policies have been consistently applied in all material respects to all the periods presented.

3.1. Business Combinations

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 should not be remeasured until it is finally settled within equity.

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.

Fortuna Group applies the revised standards from 1 January 2010. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gains or losses. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The changes by IFRS 3 (Revised) and IAS 27 (Amended) affects future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

The change in accounting policy was applied prospectively and had no material impact on earnings per share.

3.2. Goodwill

Goodwill is initially measured at cost being the excess of the consideration transferred over Fortuna Group's net share in identifiable assets acquired and liabilities and contingent 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 of cash generating units which together form a geographical segment. Where goodwill forms part of the group of cash-generating units 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 group of cash-generating units retained.

3.3. 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.

Following initial recognition, intangible assets with finite useful lives are carried at cost less any accumulated amortisation and any 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 lives
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 the use.

3.4. 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 the asset as follows:

	Useful lives
Buildings	15 years
Plant and equipment	2-6 years
Cars	4-6 years

The buildings also include leasehold improvements.

Impairment is recognized when 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.

3.5. 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.

3.6. 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.

3.7. 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.

3.8. 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 on 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.

3.9. 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.

3.10. 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.

3.11. 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).

Entity 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 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 year 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 recognised in other comprehensive income is kept in other comprehensive income until the forecasted transaction affects profit or loss.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the statement of income for the year. 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 equity. The portion of the post-tax gains or losses on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and 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.

3.12. 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.

3.13. 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.

3.14. 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.

3.15. 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 the 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.

3.16. 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. The functional currency of Croatian entity disposed in 2010 was Croatian Kunas ("HRK").

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.

3.17. Taxation

3.17.1. 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.

According to the Czech tax legislation, all revenues and expenses connected with the betting business are not subject to CIT.

3.17.2. 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 equity, 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.

3.17.3. Taxes on Betting

Czech Republic

According to Czech legislation, the Company is 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 of tax is recognised in "Government taxes and levies".

Slovakia

According to Slovakian regulations, the Company is obliged to pay gaming tax of 5% of total amounts staked, of which 0.5% is paid to municipalities. Revenues are stated net of the amount of this tax.

Poland

According to Polish regulations the Company is obliged to pay gaming tax of 12% of amounts staked (prior 1 June 2010 the tax was 10%). 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.

Croatia

According to Croatian regulations, a monthly fee of 5% of the amounts staked, including the manipulation fee, is charged to the operator. Revenues are stated net of the amount of this tax.

3.18. Employee Benefit Plan

Pension plan

In the normal course of business, the companies within Fortuna Group pays 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.

3.19. Equity Instruments

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

3.20. 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:

3.20.1. 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 market value and gains and losses arising on these positions are recognised in revenue.

3.20.2. Customer Loyalty Programme

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.

3.20.3. 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.

3.21. Segment Disclosure

For management purposes Fortuna Group is divided into geographical operating segments. 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.

3.22. 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 unless they are acquired in a business combination. They are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote.

3.23. 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, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

IAS 12 Income Taxes

The amended standard is effective for annual periods beginning on or after 1 January 2012. The amendment provides a practical solution to the difficult and subjective assessment whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property, by introducing a presumption that recovery of the carrying amount will, normally be, be through sale. The Group does not expect any impact on its financial position or performance.

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Group does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard. The Group does not expect any impact on its financial position or performance.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Group after initial application.

IFRS 7 Financial Instruments: Disclosures

The amendments to IFRS 7 are effective for annual periods beginning on or after 1 July 2011 and will improve the understanding of transfer transactions of financial assets including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of reporting period. The Group does not expect any impact on its financial position or performance.

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 as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. The standard is not yet endorsed by the European Union. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Group.

Improvements to IFRSs (issued in May 2010)

The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. With the exception of IFRS 3 Business Combinations (revised), which was adopted as of 1 January 2010, the amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The amendments are listed below:

- IFRS1 First-Time Adoption of IFRS
- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 27 Consolidated and Separate Financial Statements
- IAS 34 Interim Financial Reporting
- IFRIC 13 Customer Loyalty Programmes

It is anticipated that these changes will have no material effect on Fortuna Group's financial statements.

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 a subject of 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 where FEGNV operates. Further details are given in notes 3.17.3 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 3.3.

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.

Deferred Tax

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses 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 3.17. and 11.

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 3.8.

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 3.15.

5. Business Combinations

FORTUNA software s.r.o.

NaviPro is a betting software used by FEGNV operating subsidiaries over the past five years. The software is unique and has been tailored the needs of a group. The software is used for organizing and managing the betting process, including the placement of bets, the administration of bets, rate management, and on-line and telephone betting.

In March 2010 FEGNV acquired the provider of NaviPro software. Decision on acquisition of the external provider emerged from high business risk perceived given the importance of the NaviPro software for continuity of the company's operations. The acquired company has been renamed to FORTUNA Software s.r.o.

The total purchase price was CZK 12 million (€ 471 thousands), out of which CZK 6 million (€ 236 thousands) being paid in equal portions to the sellers upon signature of the share purchase agreement and the remainder of the CZK 6 million being paid to the sellers in 25 monthly instalments of CZK 80 thousands (€ 3 thousands) starting March 2010.

At the acquisition date, total assets of the Company amounted to CZK 665 thousand (€ 26 thousand) and were largely represented by trade receivables from Fortuna Group.

At the acquisition date the carrying amounts and fair value of the separately identifiable assets and liabilities of NAVI PRO s.r.o. and goodwill on acquisition were as follows:

€ 000	Carrying amount	Fair value
Property, plant and equipment	2	2
Current receivables	30	30
Receivables from the group	(24)	(24)
Cash and cash equivalents	12	12
Income tax receivable	3	3
Trade and other payables	(21)	(21)
Net identifiable assets and liabilities	2	2
Share of net assets acquired		100%
Goodwill		445
Purchase consideration		447
Net cash outflow arising on acquisition:		
Receivables from the group		(24)
Total purchase consideration		(447)
Cash consideration paid		(471)
Cash and cash equivalents acquired		12
Net cash outflow		(459)

From the date of acquisition, Fortuna software s.r.o. has contributed € 12 thousand to the net profit before tax of the Group. If the combination had taken place at the beginning of the year, the profit from continuing operations for the Group would have been higher by € 9 thousand, totalling € 17,382 thousand. As Fortuna software s.r.o. is not an operating company, it does not contribute to the revenues of the Group.

FortunaWin Ltd and FortunaWin Gaming Ltd

FortunaWin Ltd with its subsidiary FortunaWin Gaming Ltd were founded by FEGNV at the end of year 2009, the operating activity of both companies started in 2010 only. The companies are registered in Malta and nature of their activity is providing online betting and online gaming services.

ibet, s.r.o.

In 2010 FEGNV founded ibet, s.r.o., which is a Czech limited liability company incorporated as a service organisation to FortunaWin Ltd and third party betting operators. The 100% owner of ibet, s.r.o. is Fortuna Entertainment Group N.V. The core activity of ibet is providing support in bookmaking, customer support, and HW/SW solutions.

FORTUNA zakłady bukmacherskie Sp. z o.o., FORTUNA SK, a.s. and FORTUNA REAL, s.r.o.

FORTUNA SK, a.s., with its subsidiary FORTUNA REAL, s.r.o., and FORTUNA zakłady bukmacherskie Sp. z o.o. were only acquired on 27 January 2010 and 12 May 2010, respectively. Combined financial statements as at 31 December 2009 already include these entities on a basis of application of the "reporting entity" interpretation. For more details refer to note 2.1.

6. Segment Information

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

Czech Republic
Slovakia
Poland
Other countries

The Croatia segment was disposed of in March 2010 and has also been reclassified in the comparative disclosures and is included in the column Discontinued operations. Detailed information regarding this discontinued operation is included in note 12.

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. Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

The following tables present revenue and profit information regarding Fortuna Group's operating segments for years 2010 and 2009 respectively:

Year ended 31 December 2010	Czech Republic	Slovakia	Poland	Other countries	TOTAL Continuing operations	Discontinued operations
€ 000						
Revenue	43,175	24,568	13,388	64	81,195	1,423
Taxation of earnings from betting	(6,799)	-	-	-	(6,799)	-
Depreciation and amortisation	(1,236)	(588)	(674)	(132)	(2,630)	(135)
Segment result	10,465	11,804	1,210	(1,026)	22,453	(1,054)
Capital expenditure	1,823	487	677	578	3,565	60
Non-current assets	9,864	945	1,615	448	12,872	-
Operating segment assets	21,780	11,875	3,361	7,992	45,008	-
Operating segment liabilities	8,263	2,964	1,800	715	13,742	-

Year ended 31 December 2009	Czech Republic	Slovakia	Poland	Other countries	TOTAL Continuing operations	Discontinued operations
€ 000						
Revenue	41,449	21,350	11,825		74,624	5,724
Taxation of earnings from betting	(6,965)	-	-		(6,965)	-
Depreciation and amortisation	(996)	(783)	(358)		(2,137)	(452)
Segment result	11,045	8,609	2,160	(416)	21,398	(4,033)
Capital expenditure	1,989	1,242	770		4,001	778
Non-current assets	9,073	1,049	1,577		11,699	1,140
Operating segment assets	25,018	10,054	3,432	269	38,773	3,250
Operating segment liabilities	24,448	2,934	1,909	399	29,690	2,091

Segment results for each operating segment excludes net finance costs of € 2,311 thousand and € 2,049 thousand for 2010 and 2009, profit on disposal of subsidiaries of € 4,171 thousand and € 0 thousand for 2010 and 2009, and income tax expense of € 2,769 thousand and € 2,415 thousand for 2010 and 2009.

Segment assets exclude loans to related parties of € 0 thousand and € 28,257 thousand as at 31 December 2010 and 31 December 2009, respectively, and goodwill of € 50,796 thousand and € 50,426 thousand as at 31 December 2010 and 31 December 2009, respectively, as these assets are managed on a group basis.

Segment liabilities excludes bank loans of € 29,136 thousand and € 39,529 thousand as at 31 December 2010 and 31 December 2009, respectively, related party loans of € 0 thousand and € 8,167 thousand as at 31 December 2010 and 31 December 2009, respectively, and derivatives of € 919 thousand and € 746 thousand as at 31 December 2010 and 31 December 2009, respectively, as these liabilities are managed on a group basis.

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

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

Information about Product and Services

An analysis of 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 2010 € 000	Czech Republic	Slovakia	Poland	Malta	TOTAL
Total amounts staked	205,293	122,266	55,348	1,265	384,172
-of which: Bets	196,189	117,151	48,705	1,265	363,310
-of which: Commissions	9,104	5,115	6,643	-	20,862
Paid out prizes	(162,453)	(92,022)	(35,681)	(1,201)	(291,357)
Gross win from betting	42,840	30,244	19,667	64	92,815
-of which: online betting	12,555	10,307	-	64	22,926
-of which: retail betting	30,285	19,937	19,667	-	69,889
Withholding tax paid	-	(5,855)	(6,643)	-	(12,498)
Other revenues	335	179	364	-	878
Revenue	43,175	24,568	13,388	64	81,195
Taxation of earnings from betting	(6,799)	-	-	-	(6,799)
Gross profit from betting	36,041	24,389	13,024	64	73,518
-of which: online betting	10,831	8,054	-	64	18,949
-of which: retail betting	25,210	16,335	13,024	-	54,569
Gross profit margin – betting (%)	18%	20%	24%	5%	19%

Year ended 31 December 2009 € 000	Czech Republic	Slovakia	Poland	TOTAL
Total amounts staked	168,050	112,234	57,592	337,875
– of which: Bets	158,569	107,163	51,770	317,502
– of which: Commissions	9,480	5,071	5,822	20,373
Paid out prizes	(127,090)	(85,525)	(40,567)	(253,182)
Gross win from betting	40,960	26,709	17,025	84,694
– of which: online betting	8,183	8,733	–	16,916
– of which: retail betting	32,777	17,976	17,025	67,778
Withholding tax paid	–	(5,359)	(5,821)	(11,180)
Other revenues	489	–	621	1,110
Revenue	41,449	21,350	11,825	74,624
Taxation of earnings from betting	(6,965)	–	–	(6,965)
Gross profit from betting	33,995	21,350	11,204	66,549
– of which: online betting	6,564	7,012	–	13,576
– of which: retail betting	27,431	14,338	11,204	52,973
Gross profit margin – betting (%)	20%	19%	19%	20%

7. Personnel Expenses

€ 000	31 December 2010		31 December 2009	
	Continuing	Discontinued	Continuing	Discontinued
Wages and salaries	(19,143)	(905)	(17,237)	(3,734)
Social security costs	(5,473)	(154)	(5,428)	(620)
Directors' remuneration	(220)	–	(483)	(148)
Other payroll costs	(740)	(57)	(351)	–
	(25,576)	(1,116)	(23,499)	(4,502)
Number of employees in the period				
Average number of employees	2,699	582	2,885	608
Managers	7	–	11	–
Staff	2,692	582	2,874	608
Remuneration of key management personnel of Fortuna Group				
Wages and salaries	(616)	–	(694)	–
Social security costs	(125)	–	(100)	–
Total remuneration	(741)	–	(794)	–

8. Other Operating Income

€ 000	31 December 2010		31 December 2009	
	Continuing	Discontinued	Continuing	Discontinued
Gain on sale of fixed assets	5	–	1	–
Revenues from rental of real estate	99	1	452	–
Reversal of accruals and provisions	319	–	–	101
Other income	226	16	457	23
	649	17	910	124

9. Other Operating Expenses

€ 000	31 December 2010		31 December 2009	
	Continuing	Discontinued	Continuing	Discontinued
Operating lease expense (Note 30)	(9,902)	(445)	(9,037)	(1,795)
Materials and office supplies	(1,610)	(95)	(2,338)	(315)
Marketing and advertising	(3,705)	(243)	(2,840)	(1,212)
Telecommunication costs	(1,320)	(82)	(1,214)	(347)
Energy and utilities	(1,560)	(118)	(1,090)	-
Repairs and maintenance	(845)	(23)	(770)	(129)
Taxes and fees to authorities	(634)	(8)	(436)	(54)
Bad debt expense	(1,437)	-	(1,201)	(1)
Loss on sale of fixed assets	(35)	(6)	(9)	(25)
Others	(3,338)	(223)	(2,599)	(1,049)
	(24,386)	(1,243)	(21,534)	(4,927)

Bad debt expense in 2010 and 2009 relates to doubtful VAT receivable from financial authorities in the Czech Republic and to doubtful receivables from former employees for cash desk shortages and thefts.

10. Finance Costs and Income

€ 000	31 December 2010		31 December 2009	
	Continuing	Discontinued	Continuing	Discontinued
Interest on bank loans and other finance costs	(1,882)	-	(2,479)	(15)
Interest on other debts and borrowings	(842)	(32)	(1,682)	(52)
Finance charges payable under finance lease and hire purchase contracts	(2)	-	-	-
Financial assets and liabilities at FV through P&L	(301)	-	(442)	-
Foreign exchange losses	(1,514)	(225)	(39)	(141)
Total finance costs	(4,541)	(257)	(4,642)	(208)
Interest on bank deposits	94	10	145	40
Interest income on other loans and receivables	432	-	2,448	(318)
Foreign exchange gains	1,704	-	-	-
Total finance income	2,230	10	2,593	(278)
Total finance costs, net	(2,311)	(247)	(2,049)	(486)

11. Income Tax

The major components of income tax expense are:

€ 000	31 December 2010		31 December 2009	
	Continuing	Discontinued	Continuing	Discontinued
Current income tax				
Current income tax charge	2,694	-	2,220	-
Prior year adjustments	-	-	-	-
Deferred tax				
Relating to origination and reversal of temporary differences	75	(15)	195	7
Income tax expense reported in the statement of income	2,769	(15)	2,415	7

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 2010 and 2009 is as follows:

€ 000	2010	2009
Accounting profit before tax from continuing operations	20,142	19,349
Loss before tax from a discontinued operation	(1,301)	(4,518)
Profit on disposal of discontinued operation	4,171	-
Accounting profit before income tax	23,012	14,831
At Dutch statutory income tax rate of 25.5%	5,868	3,782
Effect on permanent and other differences	(20)	40
Effect of previously unrecognised and unused tax losses and tax offsets now recognised deferred tax assets	-	-
Unrecognised tax asset from the tax losses incurred	702	746
Non deductible tax expenses	6,742	6,919
Non taxable betting revenues	(8,140)	(8,125)
Non taxable other income	(1,064)	-
Goodwill impairment	-	-
Adjustments in respect to current income tax of previous years	4	-
Utilisation of previously unrecognised tax losses	(19)	(9)
Effect of higher/lower tax rates in other countries	(1,319)	(931)
At the effective income tax rate of 12% (2009: 16%)	2,754	2,422
Income tax expense reported in the consolidated income statement	2,769	2,415
Income tax attributable to a discontinued operation	(15)	7
	2,754	2,422

Non taxable betting revenues consist of revenues from betting in the Czech Republic. According to Czech legislation, betting revenues are not subject to income tax but are subject to payments on publicly beneficial purposes. For more details see note 3.17.3.

The effective income tax rate decreased from 16% to 12%. This decrease is a result of disposal of subsidiary in Croatia – FORTUNA SPORTSKA KLADIONICA, d.o.o. (note 12).

Deferred Tax

Deferred tax relates to the following:

	Consolidated statement of financial position			Consolidated statement of income	
	2010	2009	As at 1 January 2009	2010	2009
€ 000					
Difference between carrying amounts of property, plant and equipment for accounting and tax purposes	(20)	(48)	(45)	28	(5)
Impairment adjustments and provisions	165	272	331	(4)	(55)
Tax losses carried forward	-	430	541	15	(113)
Other	122	122	85	(99)	(29)
Deferred tax income / (expense)				(60)	(202)
Deferred tax asset / (liability)	267	776	912		
Reflected in the statement of financial position as follows:					
Deferred tax asset – continuing operations	272	242	419		
Deferred tax asset – discontinued operation	-	534	538		
Deferred tax liability – continuing operations	(5)	-	(45)		
Deferred tax asset, net	267	776	912		

Reconciliation of deferred tax asset:

€ 000	2010	2009
Opening balance as at 1 January	776	912
Tax income/expense during the period recognised in profit or loss	(55)	(202)
Tax income/expense during the period recognised in equity	28	69
Deferred tax changes – discontinued operation	(554)	-
Currency translation	77	(3)
Closing balance 31 December	272	776

Reconciliation of deferred tax liability:

€ 000	2010	2009
Opening balance as at 1 January	-	-
Tax income/expense during the period recognised in profit or loss	(5)	-
Closing balance 31 December	(5)	-

12. Discontinued Operations

On 18 March 2010, management decided to dispose of FORTUNA SPORTSKA KLADIONICA, d.o.o. ("the Croatian subsidiary" or "Fortuna HR") to protect shareholders against the losses of the Croatian operations. On 26 March 2010, the Group completed the sale of its share in the Croatian subsidiary to Equinox Investment B.V. (related party) for € 1 in cash, resulting in a pre-tax gain of € 4,171 thousand.

The results for Croatia are as follows:

Statement of Income

€ 000	2010	2009
Amounts staked	11,507	41,583
Revenue	1,423	5,724
Taxation of earnings from betting	-	-
Personnel expenses	(1,116)	(4,502)
Depreciation and amortisation	(135)	(451)
Other operating income	17	124
Other operating expenses	(1,243)	(4,927)
Operating profit	(1,054)	(4,032)
Finance income	10	(278)
Finance costs	(257)	(208)
Loss before tax from discontinued operations	(1,301)	(4,518)
Attributable tax expense	15	(7)
Loss after tax for the period from discontinued operations	(1,286)	(4,525)

Statement of Financial Position

The major classes of assets and liabilities of the Croatian subsidiary as of the disposal date were as follows:

€ 000	26 March 2010
Assets	
Intangible Assets	180
Property, plant and equipment	887
Deferred tax assets	554
Cash and cash equivalents	1,770
Other assets	330
Total assets	3,721
Liabilities	
Provisions	(542)
Trade and other payables	(1,247)
Other liabilities	(8,858)
Total liabilities	(10,647)
Net assets	(6,926)
Cash outflow on sale	
Consideration received	-
Net cash disposed of with the discontinued operation	1,770
Net cash outflow	1,770

The net cash flows incurred by in 2010 and 2009 are as follows:

	31 December 2010	31 December 2009
Operating	(1,050)	(2,219)
Investing	708	(1,082)
Financing	1,640	2,918
Net cash inflow / (outflow)	1,298	(383)
Loss per share:		
Basic, from discontinued operations	(0.03)	(0.09)
Diluted, from discontinued operations	(0.03)	(0.09)

Management decided to dispose of the Croatian subsidiary in March 2010. As such it was not reflected as discontinued operations in the combined financial statements for the year ended 2009. The comparative figures have been re-presented in this respect.

In September 2010 FEG entered into an agreement with Equinox Investments B.V. under which it has a call option for all shares in Fortuna HR held by Equinox Investments B.V., which as 31 December 2010 constituted 90% of share capital in Fortuna HR. The option may be exercised within the three-year period starting from 1 July 2011 provided that Fortuna HR reports positive recurring EBITDA for three consecutive quarters. The Company has a right of first refusal which entitles it to purchase the shares in Fortuna HR for the amount offered by a third party wishing to acquire shares in Fortuna HR. In case FEGNV 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 will expire with respect to the shares sold to the third party. The call option and the right of first refusal shall automatically expire on 1 July 2014 provided that it will not be exercised on or before such date. Moreover, the option will expire if the minority shareholder of Fortuna HR, Mr. Velimir Čerkez exercises "buy-you-buy-me option". Per end of the year 2010, nil value has been allocated to the call option in the consolidated financial statements of FEGNV as the Croatian entity continues to generate negative results.

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 2010 and 2009. 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	2010	2009
Net profit attributable to ordinary equity holders of the parent from continuing operations	17,373	16,934
Loss attributable to ordinary equity holders of the parent from a discontinued operation	(1,286)	(4,525)
Profit attributable to ordinary equity holders of the parent from disposal of discontinued operation	4,171	-
Net profit attributable to ordinary equity holders of the parent for basic earnings	20,258	12,409
Weighted average number of ordinary shares for basic earnings per share (adjusted)	50,350,685	50,000,000
Statement of income		
Earnings per share from continuing operations	0.345	0.339
Earnings per share from a discontinued operation	0.057	(0.091)
	0.402	0.248

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 2009	53,969
Reduction in goodwill	–
Additions arising on acquisition of subsidiaries	–
Currency translation	823
At 31 December 2009	54,792
Impairment of goodwill:	
At 1 January 2009	(4,366)
Impairment for the year	–
Impairment on acquisition of subsidiaries	–
Currency translation	–
At 31 December 2009	(4,366)
Carrying amount at 31 December 2009	50,426
At 1 January 2010	54,792
Reduction in goodwill	–
Additions arising on acquisition of subsidiaries	445
Disposal of subsidiaries	(7,121)
Currency translation	2,680
At 31 December 2010	50,796
Impairment of goodwill:	
At 1 January 2010	(4,366)
Impairment for the year	–
Impairment on acquisition of subsidiaries	–
Disposal of subsidiaries	4,366
Currency translation	–
At 31 December 2010	0
Carrying amount at 31 December 2010	50,796

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. Details of goodwill arising during the periods are shown in note 5.

The recoverable amounts of the CGUs are determined from 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 cash flow projections cover period of three years (2009: four years) and are discounted using the pre-tax discount rate of 13.56% (2009: 13.56%) for the Czech Republic and 15.1% for Croatia in 2009. The valuation model used average annual operating cash-flow growth rate of 9.6% (3.5%) for the next three years (2009: four years) and growth of 2% (2009: 2%) per annum in subsequent years, which is currently the estimated growth for the betting business.

The carrying amount of goodwill has been allocated as follows:

Carrying Amount of Goodwill Allocated to Segments

€ 000	31 December 2010	31 December 2009
Czech Republic	50,796	47,671
Croatia	-	2,755
	50,796	50,426

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 2009	767	6,074	19	6,860
Additions	830	-	4	834
Disposals	(4)	-	-	(4)
Additions arising on acquisition of subsidiaries	-	-	-	-
Currency translation	13	108	-	121
At 31 December 2009	1,606	6,182	23	7,811
Accumulated amortisation:				
At 1 January 2009	255	-	11	266
Amortisation for the year	265	-	7	272
Disposals	(4)	-	-	(4)
Transfers	-	-	-	-
Currency translation	5	-	-	5
At 31 December 2009	521	-	18	539
Carrying amount at 31 December 2009	1,085	6,182	5	7,272
Carrying amount at 1 January 2009	512	6,074	8	6,594
Cost:				
At 1 January 2010	1,606	6,182	23	7,811
Additions	1,072	-	5	1,077
Disposals	(17)	-	(4)	(21)
Additions arising on acquisition of subsidiaries	-	-	-	-
Disposals arising on disposal of subsidiaries	(215)	-	-	(215)
Transfers	-	-	-	-
Currency translation	72	344	-	416
At 31 December 2010	2,518	6,526	24	9,068
Accumulated amortisation:				
At 1 January 2010	521	-	18	539
Amortisation for the year	587	-	6	593
Disposals	(6)	-	(4)	(10)
Transfers	-	-	-	-
Additions arising on acquisition of subsidiaries	-	-	-	-
Disposals arising on disposal of subsidiaries	(34)	-	-	(34)
Currency translation	27	-	-	27
At 31 December 2010	1,095	-	20	1,115
Carrying amount at 31 December 2010	1,423	6,526	4	7,953
Carrying amount at 1 January 2010	1,085	6,182	5	7,272

Upon acquisition of the subsidiary FORTUNA sázková kancelář a.s., which operates in the Czech Republic, 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 was € 6,526 thousand as at 31 December 2010 (2009: € 6,182 thousand). The movement in the carrying amount represents foreign exchange gains 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 techniques and using projected financial results.

The cash flow projections cover period of three years (2009: four years) and are discounted using the pre-tax discount rate of 13.56% (2009: 13.56%) for the Czech Republic and 15.1% for Croatia in 2009. The valuation model used average annual operating cash-flow growth rate of 9.6% (3.5%) for the next three years (2009: four years) and growth of 2% (2009: 2%) per annum in subsequent years, which is currently the estimated growth for the betting business.

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 2009	1,823	10,258	14	521	12,616
Additions	89	1,940	-	1,916	3,945
Disposals	(57)	(254)	-	(479)	(790)
Additions arising on acquisition of subsidiaries	-	-	-	-	-
Transfers	138	940	-	(1,078)	-
Currency translation	26	134	-	29	189
At 31 December 2009	2,019	13,018	14	909	15,960
Accumulated depreciation:					
At 1 January 2009	784	7,431	-	-	8,215
Depreciation charge for the year	184	2,133	-	-	2,317
Disposals	(57)	(188)	-	-	(245)
Transfers	-	-	-	-	-
Currency translation	12	94	-	-	106
At 31 December 2009	923	9,470	-	-	10,393
Carrying amount at 31 December 2009	1,096	3,548	14	909	5,567
Carrying amount at 1 January 2009	1,039	2,827	14	521	4,401
Cost:					
At 1 January 2010	2,019	13,018	14	909	15,960
Additions	70	1,755	-	721	2,546
Disposals	(3)	(1,665)	-	(230)	(1,898)
Additions arising on acquisition of subsidiaries	-	2	-	-	2
Disposals arising on disposal of subsidiaries	-	(2,550)	-	(5)	(2,555)
Transfers	-	991	-	(991)	-
Currency translation	90	386	1	36	513
At 31 December 2010	2,176	11,937	15	440	14,568
Accumulated depreciation:					
At 1 January 2010	923	9,470	-	-	10,393
Depreciation charge for the year	166	2,006	-	-	2,172
Disposals	(3)	(1,578)	-	-	(1,581)
Transfers	-	-	-	-	-
Additions arising on acquisition of subsidiaries	-	-	-	-	-
Disposals arising on disposal of subsidiaries	-	(1,668)	-	-	(1,668)
Currency translation	45	288	-	-	333
At 31 December 2010	1,131	8,518	-	-	9,649
Carrying amount at 31 December 2010	1,045	3,419	15	440	4,919
Carrying amount at 1 January 2010	1,096	3,548	14	909	5,567

17. Current Receivables

€ 000	31 December 2010	31 December 2009
Current receivables		
Receivables from related parties	238	127
Advance payments and deposits	420	282
Other receivables (current)	349	393
	1,007	802

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

Other receivables also include receivables from former or current employees in the Czech Republic which are stated net of a provision of € 639 thousand in 2010 (2009: € 391 thousand).

As at 31 December 2010, the provision for impairment of current receivables (excluded receivables from employees mentioned above) amounted to € 60 thousand (2009: € 207 thousand). See the table below for the movements in the provision for impairment of receivables.

Movement in the provision for impairment of receivables € 000	Individually impaired
At 1 January 2009	186
Amount written off during the year	-
Amounts recovered during the year	(3)
Charge for the year	21
Currency translation	3
At 31 December 2009	207
At 1 January 2010	207
Amount written off during the year	(139)
Amounts recovered during the year	(16)
Charge for the year	-
Currency translation	8
At 31 December 2010	60

The following table relates to ageing of current receivables. As at 31 December 2010 and 2009 most of the receivables were neither past due nor impaired.

€ 000	Neither past due nor impaired	<30 days	31-60 days	Past due but not impaired		>181 days	Total
				61-90 days	91-180 days		
31 December 2010	1,002	-	-	-	1	4	1,007
31 December 2009	775	23	2	2	-	-	802

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 December 2010	31 December 2009
Advance payments and security deposits	616	546
Other	12	–
	628	546

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 € 22 thousand in 2010 (2009: € 14 thousand).

Other current assets € 000	31 December 2010	31 December 2009
Marketing materials	94	–
Merchandise inventory	1	38
Office materials and others	12	172
Prepayments	805	743
	912	953

19. Restricted Cash

€ 000	31 December 2010	31 December 2009
Restricted cash	3,743	3,584

Fortuna Group has limited access to cash deposits made with banks. The funds are blocked in accordance with the Gaming regulations of Slovak 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 December 2010	31 December 2009
Cash at bank	23,140	19,512
Short-term deposits	–	10
Cash in hand and in transit	2,195	2,044
Cash and cash equivalents	25,335	21,566

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. Short-term deposits in 2009 were made for varying periods of between one day and three months, depending on the immediate cash requirements of Fortuna Group, and bore interest at the respective short-term deposit rates.

At 31 December 2010, Fortuna Group had undrawn committed borrowing facilities of € 6,214 thousand (2009: € 6,807 thousand) for which all conditions set had been met.

Fortuna Group has pledged € 5,408 thousand of its cash in bank deposits as security for bank loans (2009: € 757 thousand).

21. Derivatives

As of 31 December 2010, Fortuna Group held interest rate swaps with a notional amount of € 33,519 thousand (2009: € 39,249 thousand). These swaps fix the 3-month PRIBOR/EURIBOR variable interest rates. Part of the interest rate swaps is designated as a cash flow hedge.

Interest Rate Swaps

€ 000	31 December 2010 Liabilities	31 December 2009 Liabilities
Cash flow hedge	(509)	(365)
Held for trading	(410)	(381)
Total cash flow hedges	(919)	(746)

Bank Loans

At 31 December 2010 Fortuna Group was in compliance with bank loan covenants.

22. Issued Capital and Reserves

Authorised Shares

	2010 # of shares thousands	2009 # of shares thousands
Ordinary shares of € 10 each	–	22.5
Ordinary shares of € 0,01 each	250,000	–
	250,000	22.5

On 27 September 2010 the Articles of Association of FEGNV were amended. The number of authorized ordinary shares was increased from 22,500 shares to 250,000,000 and the nominal value of authorized shares was decreased from € 10 per share to € 0.01 per share.

Ordinary Shares Issued and Fully Paid

	# of shares in thousands	Par value per share €	Share capital € 000
At 31 December 2009	4.5	10	45
27 September 2010 – decrease of the nominal value of existing shares from € 10 per share to € 0.01 per share	4,500	0.01	45
27 September 2010 – issue of ordinary bearer shares	45,500	0.01	455
28 October 2010 – issue of ordinary bearer shares	2,000	0.01	20
At 31 December 2010	52,000	0.01	520

On 27 September 2010 the Articles of Association of FEGNV were amended. The nominal value per share was decreased from € 10 per share to € 0.01 per share. At the same time FEGNV issued 45,500,000 additional bearer shares which were all acquired by Penta Investments Ltd.

On 28 October 2010 FEGNV issued an additional 2,000,000 ordinary bearer shares, which were floated at the Polish stock exchange at Warsaw.

Share Premium

During the year 2010 FEGNV's shareholder contributed cash in the amount of € 81,884 thousand of which € 70,000 thousand was used to fund the acquisition of the Slovak entity and € 9,201 thousand to fund the acquisition of the Polish entity. As these entities were under common control, FEGNV applied the pooling of interest method for these transactions (reference is made to note 2.1 "Basis of consolidation"). As a result the difference between the purchase price and the net book value is deducted from share premium.

Resulting from the resolution of the shareholder on 29 April, 2010, excess capital contribution of € 19,000 thousand was returned to the shareholder during the year 2010.

Based on the shareholder's decision on 27 September 2010 to issue 45,500 thousand shares with a nominal value of 0.01 per share, share premium was decreased by € 455 thousand and the share capital was increased accordingly.

The 2,000 thousand shares additionally issued on 28 October 2010 were floated at the Polish stock exchange at Warsaw. Net inflow of funds (after deduction of fees) of € 8,386 thousand is reflected in the statement of changes in equity in share capital (€ 20 thousand) and in share premium (€ 8,366 thousand).

During the year 2010, Fortuna incurred various legal and audit costs which are directly related to the initial public offering of FEGNV's shares on the Warsaw and Prague stock exchange. These costs, with a total amount of € 2,009 thousand were deducted from share premium at the time the listing was executed.

Statutory Reserve

In accordance with the commercial law in Czech Republic and Slovak Republic, 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.

Net Assets Attributable To Combined Entities' Shareholder

In 2009, net assets attributable to the combined entities' shareholder represented total equity of the entities which were included in the combined financial statements as at 31 December 2009 but were not legally owned by FEGNV. The restructuring of the FEG group was completed on 12 May 2010, as at 31 December 2010 all included entities were legally owned by FEGNV. For more details refer to note 2.1.

Net Unrealised Gains Reserve

The net loss on cash flow hedges during the year recognised in equity was € 509 thousand, net of tax effect of € 97 thousand, i.e. € 412 thousand (2009: € 365 thousand, net of tax effect of € 69 thousand, i.e. € 296 thousand). The item relates to FORTUNA SK, a.s., thus as at 31 December 2009 was presented under 'net assets attributable to combined entities' shareholder'. As at 31 December 2010 net unrealised gains reserve is presented under 'retained earnings'.

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

In 2009, the Company Fortuna zakłady bukmacherskie Sp. z o.o. paid a total dividend of € 410 thousand to its shareholders Penta Investments Limited, LUNGA ENTERPRISES LIMITED and MASSAROSA HOLDINGS LIMITED.

Declared and paid during the year	2010	2009
€ 000		
Dividend for 2008 paid in 2009	-	410
Dividend for 2009 paid in 2010	-	-
Total	-	410

Distributable funds are based on the company only financial statements of the individual companies.

24. Fair Values

Fair Value Hierarchy

As at 31 December 2010, Fortuna Group had derivative contracts measured at fair value of EUR 919 thousand.

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 2010, the Group held the following financial instruments measured at fair value:

Financial instruments € 000	31 December 2010	Level 1	Level 2	Level 3
Interest rate swaps	(919)	–	(919)	–

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

Fortuna Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are interest rate swaps. The most frequently applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including the credit 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 2010 € 000	Carrying amount	Fair value
Assets		
Related party loans	–	–
Restricted cash	3,743	3,743
Other non-current assets	628	628
Current receivables	1,007	1,007
Cash and cash equivalents	25,335	25,335
Liabilities		
Long-term bank loans	24,115	24,115
Related party loans	–	–
Other non-current liabilities	29	29
Trade and other payables	12,223	12,223
Derivatives	919	919
Short-term bank loans and overdrafts	–	–
Current portion of long-term bank loans	5,021	5,021

31 December 2009		
€ 000	Carrying amount	Fair value
Assets		
Related party loans	28,257	28,257
Restricted cash	3,584	3,584
Other non-current assets	546	546
Current receivables	802	802
Cash and cash equivalents	21,566	21,566
Liabilities		
Long-term bank loans	18,848	18,848
Related party loans	7,550	7,550
Other non-current liabilities	2,578	2,578
Trade and other payables	27,507	27,507
Derivatives	746	746
Short-term bank loans and overdrafts	-	-
Current portion of long-term bank loans	20,681	20,681

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 2010, 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.

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.

25. Provisions

€ 000	Employee bonuses	Provision for tax risks	Other provisions	Total
At 1 January 2010	35	383	114	532
Arising during the year	217	10	58	285
Utilised	-	-	(23)	(23)
Discount rate adjustment	2	-	-	2
Acquisition of a subsidiary	-	-	-	-
Disposal of a subsidiary	-	(397)	(146)	(543)
Currency translation	3	4	1	8
At 31 December 2010	257	-	4	261
Short-term part of the provision	204	-	4	208
Long-term part of the provision	53	-	-	53
At 31 December 2010	257	-	4	261
At 1 January 2009	484	481	133	1,098
Arising during the year	2	-	59	61
Utilised	(457)	(141)	(77)	(675)
Discount rate adjustment	-	40	-	40
Acquisition of a subsidiary	-	-	-	-
Currency translation	6	3	(1)	8
At 31 December 2009	35	383	114	532
Short-term part of the provision	35	-	59	94
Long-term part of the provision	-	383	55	438
At 31 December 2009	35	383	114	532

Employee Bonuses

The Company has formed a provision for employee bonuses. The exact amount is uncertain as it is subject to management approval after the balance sheet date.

Provision For Tax Risks

In 2009, the provision for tax risks related to the Croatian entity, which had several tax issues concerning value added tax, personal income tax and contributions and corporate income tax, with possible liabilities resulting from expected cash settlements with uncertain timing. The amount provided for was a best estimate of the amount which should be paid in the future, taking into account Croatian tax legislation. Resulting from a disposal of Croatian entity in March 2010 the reason for creation of a provision lapsed.

26. Bank Loans

On 17 March 2010 FORTUNA sázková kancelář a.s., FORTUNA GAME a.s. and FORTUNA SK, a.s. entered into refinancing agreements with Česká Spořitelna, a.s., which replaced all outstanding facilities with new bank loans.

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

Long-term bank loans € 000	Currency	Effective interest rate	Security	Maturity	2010
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	2,830
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	1,051
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	3,459
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	1,292
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	806
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	3,369
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	1,310
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	4,050
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	1,590
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	3,864
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	2,170
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	3,219
Finance lease	CZK				109
Finance lease	PLN				17
					29,136
of which current portion					5,021
Total long-term loans					24,115

As at 31 December 2009 the bank loans were as follow:

Long-term bank loans € 000	Currency	Effective interest rate	Security	Maturity	2009
Syndicated bank loan A	CZK	3M PRIBOR + 2.45% *	shares of FORTUNA sázková kancelář a.s.; pledge on bank account	2012	6,766
Syndicated bank loan B – facility A	CZK	3M PRIBOR + 2.85% *	shares of FORTUNA sázková kancelář a.s.; pledge on bank account	2013	5,015
Syndicated bank loan B – facility B	CZK	3M PRIBOR + 3.15% *	shares of FORTUNA sázková kancelář a.s.; pledge on bank account	2014	5,642
Bank loan – facility A	EUR	3M EURIBOR + 2.75%	shares, receivables from intercompany transactions, bank accounts and bill of exchange	2013	9,822
Bank loan – facility B	EUR	3M EURIBOR + 2.95%	shares, receivables from intercompany transactions, bank accounts and bill of exchange	2014	5,144
Bank loan – facility C	EUR	3M EURIBOR + 3.35%	shares, receivables from intercompany transactions, bank accounts and bill of exchange	2014	6,859
Finance lease	PLN				62
Finance lease	HKR				38
Finance lease	CZK				181
					39,529
of which current portion					20,681
Total long-term loans					18,848

* Fortuna Group was not in compliance with credit contract covenants related to the syndicated bank loans as at 31 December 2009, with the loans being classified as current as a result. The covenant relates to a minimum cash balance for FORTUNA sázková kancelář a.s. which amounted to CZK 200 million (€ 7,557 thousand).

27. Trade and Other Payables (Current)

€ 000	31 December 2010	31 December 2009
Trade and other payables (current)		
Trade accounts and notes payable	(1,623)	(2,547)
Payables to related parties	(23)	(17)
Liability arising from acquisition of subsidiary	(115)	(14,072)
Wages and salaries payable	(1,604)	(1,746)
Social security and health contributions payable	(830)	(661)
Taxation on earning from betting and others	(4,143)	(4,350)
Unpaid wins	(2,330)	(1,577)
Other deferred income and accrued expenses	(1,235)	(1,894)
Received deposits	(3)	(63)
Other payables and estimated accounts payable	(317)	(580)
	(12,223)	(27,507)

Unpaid wins and open bets 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.

The liability arising from the acquisition of a subsidiary in 2009 represented the short-term portion of the unpaid purchase price of the Company FORTUNA sázková kancelář a.s. (see note 28). This liability was discounted using the effective interest rate method. This interest rate was determined at 5.56% per annum at the time the liability arose. Liability was fully repaid during the year 2010.

In 2010 liability arising from acquisition of subsidiary represents the short-term portion of the unpaid purchase price of NAVI PRO s.r.o. (see note 5).

28. Other Non-Current Liabilities

Other non-current liabilities € 000	31 December 2010	31 December 2009
Liability arising from acquisition of subsidiary	(29)	-
Loan from former shareholder of FORTUNA sázková kancelář a.s.	-	(2,578)
	(29)	(2,578)

Loan from former shareholder of FORTUNA sázková kancelář a.s. was fully repaid during the year 2010.

Liability arising from acquisition of subsidiary represents the long-term portion of the unpaid purchase price of NAVI PRO s.r.o. (see note 5).

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 sázková kancelář a.s.	Czech Republic	Sports betting
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
NAVI PRO s.r.o.****	Czech Republic	Software company
ibet, s.r.o.*****	Czech Republic	Call centre support
FortunaWin Ltd.	Malta	Online betting
FortunaWin Gaming Ltd	Malta	Online gaming

- * Sold in March 2010. Till March included in intercompany companies, from April included in related companies
- ** Acquired in May 2010
- *** Acquired in January 2010
- **** Acquired in March 2010 and subsequently renamed to FORTUNA software s.r.o.
- ***** Established in 2010

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 € 000	31 December 2010	31 December 2009
Receivables from related parties		
FORTUNA PARK spol. s r.o.	–	127
AERO Vodochody, a.s.	1	–
FORTUNA SPORTSKA KLADIONICA, d.o.o.	237	–
Total receivables from related parties	238	127
Payables to related parties		
DŮVERA zdravotná poisťovňa, a.s.	16	14
AERO Vodochody, a.s.	6	–
Penta Investments Limited, Cyprus	1	3
Total payables to related parties	23	17
Cash in related parties		
Privatbanka, a.s.	4,937	29
Total cash in related parties	4,937	29

The receivable from FORTUNA SPORTSKA KLADIONICA, d.o.o. relates to re-invoicing of IT related services. In 2009, the receivable from FORTUNA PARK spol. s r.o. related to rental services.

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

Consolidated statement of income	1 January 2010-31 December 2010	1 January 2009-31 December 2009
€ 000		
Sales to related parties		
FORTUNA PARK spol. s r.o.	-	2
FORTUNA SPORTSKA KLADIONICA, d.o.o.	15	-
Total sales to related parties	15	2
Financial income from related parties		
Penta Investments Limited, Cyprus	422	2,077
Equinox Investments B.V.	-	70
Privatbanka, a.s.	9	-
Total financial income from related parties	431	2,147
Financial expense from related parties		
Penta Investments Limited, Cyprus	135	393
Slovenské investičné družstvo	-	6
Equinox Investments B.V.	31	51
Privatbanka, a.s.	5	-
Total financial expense from related parties	171	450
Purchases from related parties		
Penta Investments Limited, Cyprus	2	22
DÔVERA zdravotná poisťovňa, a.s.	110	108
Digital Park Einsteinova, a.s.	88	-
AERO Vodochody, a.s.	13	-
FORTUNA PARK spol. s r.o.	2	-
MobilKom, a.s.	1	-
Total purchases from related parties	205	130

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 2009 and 2010, 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.

With the exception of Privatbanka a.s., financial income and expense from related parties represents interests on loans which were all repaid during the year 2010. Financial income and expense from Privatbanka a.s. relates to bank fees and interest on bank account balances. The financial expense to Equinox represents costs of Croatian entity until it was disposed from the Group in March 2010.

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

Related Party Loans - Receivable

Long-term related party loans € 000	Currency	Effective interest rate	Maturity	2010	2009
Penta Investments Limited, Cyprus	SKK	3M PRIBOR + 3.5%	2014	-	28,257
					28,257
of which current portion				-	-
Total long-term related party loans				-	28,257

Related Party Loans - Payable

€ 000	Currency	Effective interest rate	Maturity	2010	2009
Long-term related party loans					
Penta Investments Limited, Cyprus	CZK	12M PRIBOR + 2.5%	2013	-	7,550
					7,550
of which current portion				-	-
Total long-term related party loans				-	7,550
Short-term related party loans					
Current portion of long-term loans				-	-
Equinox Investment B.V.	HRK	12M EURIBOR + 3.5%	2010	-	617
Total short-term related party loans				-	617

All related party loans were repaid during 2010.

Shares Held by the Management

As of 31 December 2010 members of the Persons discharging managerial responsibilities within an issuer held 5,800 shares of FEGNV, 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 Senior Management owns any shares or stock options 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	2010	2009
Instalments due within one year	5,533	4,457
Instalments due between two and five years	7,129	12,429
Instalments due after more than five years	564	16,568
Operating lease expense (Note 9)	(9,902)	(9,037)

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	2010	2009
Within one year	100	166
After one year but not more than five years	39	87
More than five years	–	–
Total minimum lease payments	139	253
Future finance charges on finance leases	(14)	(13)
Present value of finance lease payments	125	240
Carrying amount of assets under finance leases	144	238

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 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 and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 December 2010 and 2009.

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 2010 and 2009.

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 2010 and 2009 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 2010 and 2009 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 2010, after taking into account the effect of the interest rate swaps eligible for hedge accounting, approximately 32% (2009: 55%) 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.

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, Croatian Kuna) 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.

VAT receivable of Fortuna sázková kancelář a.s., arising from deduction of certain input VAT, has been challenged by the financial authority, followed by the several legal proceedings initiated by Fortuna sázková kancelář a.s. As the disputed VAT amount has been already paid by Fortuna sázková kancelář a.s. and is fully provided for in the Consolidated Financial Statements, it does not create credit risk exposure to the Group.

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 2010, there were undrawn committed borrowing facilities of € 6,214 thousand (2009: € 6,807 thousand). Total committed facilities had an average maturity of 4 years in 2010 (2009: 5,3 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 2009 and 2010 based on contractual undiscounted payments:

As at 31 December 2010 € 000	< 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
Trade and other payables	12,223	-	-	-	12,223
Bank loans and finance lease	6,208	12,551	13,938	-	32,697
Related party loans	-	-	-	-	-
Derivatives (swaps)	583	573	1,561	-	2,717
Other non-current liabilities	-	29	-	-	29
	19,014	13,153	15,499	-	47,666

As at 31 December 2009 € 000	< 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
Trade and other payables	27,821	-	-	-	27,821
Bank loans and finance lease	21,296	7,105	14,181	-	42,582
Related party loans	617	-	8,747	-	9,364
Derivatives (swaps)	757	949	1,675	-	3,381
Other non-current liabilities	-	-	3,451	-	3,451
	50,491	8,054	28,054	-	86,599

On 17 March 2010 the Consolidated Group entered into the refinancing agreements with Česká Spořitelna, a.s. (see Note 26) which stipulates repayment of all bank loans drawn as at 31 December 2009.

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
2010		
CZK	1%	94
EUR	1%	105
PLN	1%	–
		199
2009		
CZK	1%	76
PLN	1%	–
HRK	1%	6
		82

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 2010:

Increase in exchange rate by 1%	Effect on equity
€ 000	
CZK/EUR	127
HRK/EUR	–
PLN/EUR	35

As of 31 December 2009:

Increase in exchange rate by 1%	Effect on equity
€ 000	
CZK/EUR	267
SKK/EUR	142
HRK/EUR	(55)
PLN/EUR	24

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 December 2010	31 December 2009
Interest bearing loans and borrowings:		
Long-term loans	24,115	18,848
Current portion of long-term loans	5,021	20,681
Short-term loans	–	–
	29,136	39,529
Less cash and cash equivalents	25,335	21,566
Net debt	3,801	17,963

€ 000	2010	2009
Profit before taxation from continuing operations	20,142	19,349
Finance costs, net	2,311	2,049
Goodwill impairment	–	–
Depreciation and amortisation	2,630	2,138
EBITDA	25,083	23,536
Gearing ratio	0.15	0.76

32. Events after the Balance Sheet Date

Mr. Jan Štefanek has replaced Mr. Aleš Dobeš as chief executive officer of Poland since March 2011 and Mr. Milan Afakša has replaced Mr. Marek Biely as chief executive officer of Slovakia since April 2011.

FORTUNA sázková kancelář a.s. applied for licences for instant scratch tickets and concluded the agreement with SCIENTIFIC GAMES INTERNATIONAL LTD. for its producing.

“Stream” for online watching sports events was launched in January 2011 in the Czech Republic.

In January 2011 Fortuna Entertainment Group N.V. (“FEGNV”) increased share capital in its subsidiary RIVERHILL a.s. by 1,025,000 thousands CZK (40,902 thousands EUR) by non-monetary contribution of receivable from ALICEA a.s. RIVERHILL a.s. increased share capital in its subsidiary ALICEA a.s. by 1,025,000 thousands CZK (40,902 thousands EUR) by setting-off receivable from ALICEA a.s. with its payable from share capital increase. All changes are recorded in the Commercial Register.

After meeting condition of 6 months of operations, FortunaWin Ltd and FortunaWin Gaming Ltd applied for permanent betting and gaming license. The regulatory system audit was carried out in February 2011 without findings and the companies expect issue of the full license in short period of time.

In the first months of 2011 the Czech entities began to offer inspired virtual gaming (“IVG”) in its shops (graphically advanced virtual sports betting and gaming).

The Company announced last year that in 2011 it plans to pay out a dividend of 70%–100% of the 2010 net profit and confirmed this commitment in March 2011. The exact dividend amount will be proposed by the Management Board to shareholders at the AGM which is expected to take place in May 2011.

There have been following changes in members of Management and Supervisory Board in Poland since 31 December 2010:

Management Board

Konrad Łabudek	Chairman till January 31, 2011
Marzena Kiszło	Member till January 31, 2011
Jan Štefanek	Member till January 31, 2011
Jan Štefanek	Chairman since February 1, 2011
Marzena Kiszło	Deputy since February 1, 2011
Bretislav Sionko	Member since February 1, 2011

Supervisory Board

Marek Biely	Chairman till February 28, 2011
Michal Vepřek	Chairman since March 1, 2011

These changes have not been fully recorded in the Commercial Register yet.

There have been following changes in members of Management Board in Slovakia since 31 December 2010:

Management Board

Marek Biely	Chairman till March 31, 2011
Eva Lakomá	Member till March 31, 2011
Milan Alakša	Chairman since March 31, 2011
Jiří Bunda	Member since March 31, 2011

Supervisory Board

Marian Varga	Member till February 21, 2011
Aleš Dobeš	Member till March 31, 2011
Miroslav Štefunko	Member since February 21, 2011
Michal Vepřek	Member since March 31, 2011

The changes have not been recorded in the Commercial Register yet.

There have been following changes in members of Supervisory Board in FORTUNA GAME a.s. since 31 December 2010:

Supervisory Board

Petr Krafka

Member till February 23, 2011

Michal Vepřek

Member since February 23, 2011

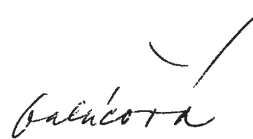
The changes are recorded in the Commercial Register.

Amsterdam, 7 April 2011



Jiří Bunda

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



Janka Galáčová

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



Wilfred Thomas Walsh

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.



Martin Kúšik

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.

11. CORPORATE FINANCIAL STATEMENTS OF FORTUNA ENTERTAINMENT GROUP N.V.

AS AT 31 DECEMBER 2010

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Statement of Financial Position as at 31 December 2010

€ 000	Notes	31 December 2010	31 December 2009
ASSETS			
Non-current assets			
Intangible assets	6	253	-
Property, plant and equipment	7	7	-
Investments in subsidiaries	8	138,517	64,459
Loans to group companies	9	41,344	-
Other fixed assets	10	27	-
Total non-current assets		180,148	64,459
Current assets			
Current assets			
Receivables from related parties	11	9,497	140
Prepayments and other current assets	12	90	5
Cash and cash equivalents	13	7,271	29
Total current assets		16,858	174
TOTAL ASSETS		197,006	64,633
EQUITY AND LIABILITIES			
Shareholders' equity			
	14		
Share capital		520	45
Share premium		133,385	64,599
Loss of the prior year		(455)	-
Profits for the year		22,369	(455)
Total Equity		155,819	64,189
Non-current liabilities			
	15		
Loans from group companies		40,619	-
Total non-current liabilities		40,619	-
Current liabilities			
Creditors	16	269	27
Payables to related parties	17	179	-
Accruals and other current liabilities	18	120	417
Total current liabilities		568	444
EQUITY AND LIABILITIES		197,006	64,633

Statement of Income for the Year Ended 31 December 2010

€ 000	Notes	31 December 2010	31 December 2009
Dividend income	19	23,639	-
Revenues		23,639	-
Personnel expenses	20	(37)	-
Depreciation and amortisation	6	(50)	-
Other operating income	21	324	-
Other operating expenses	22	(228)	(455)
Operating profit		23,648	(455)
Finance income	23	722	-
Finance cost	24	(2,001)	-
Profit before tax		22,369	(455)
Income tax expense		-	-
Net profits for the year		22,369	(455)

Statement of Cash Flows for the Year Ended 31 December 2010

€ 000	31 December 2010	31 December 2009
Cash flows from operating activities		
Profit before tax	22,369	(455)
Adjustments for:		
Depreciation and amortisation	50	-
Operating profit before working capital changes	22,419	(455)
(Increase) / Decrease in other current assets	(85)	(6)
(Increase) / Decrease in receivables	(9,358)	(140)
(Decrease) / Increase in payables and other liabilities	124	445
Cash generated from operating activities	13,100	(156)
Corporate income tax paid	-	-
Net cash flows provided by / (used in) operating activities	13,100	(156)
Cash flows from investing activities		
Related party loans receivable (granted)/repaid	(41,344)	-
Purchase of equipment and intangible fixed assets	(309)	-
Proceeds / (Acquisition) of other financial fixed assets	(27)	-
Net cash flows provided by / (used in) investing activities activities	(41,680)	-
Cash flows from financing activities		
Proceeds from long term borrowings	40,619	-
Cash contribution by shareholder to acquire subsidiary companies	81,884	64,644
Payment to acquire subsidiary companies	(74,058)	(64,459)
Return of capital	(19,000)	-
Proceeds from IPO	8,386	-
Incurred transaction cost capitalized	(2,009)	-
Net cash flows (used in)/provided by financing activities	35,822	185
Net increase / (decrease) in cash and cash equivalents	7,242	29
Cash and cash equivalents at the beginning of the year	29	-
Cash and cash equivalents at the end of the year	7,271	29

Statement of Changes in Equity for the Year Ended 31 December 2010

	Share capital	Share premium	Retained earnings	Total
At 4 November 2009				
Share issue and cash contribution by shareholder	45	64,599	–	64,644
Loss for the year	–	–	(455)	(455)
At 31 December 2009	45	64,599	(455)	64,189
Capital paid in and funding for acquisitions		81,884	–	81,884
Return of capital to shareholder	–	(19,000)	–	(19,000)
Increase share capital on 27 September 2010	455	(455)	–	–
Increase in share capital on 28 October 2010	20	8,366	–	8,386
Capitalisation of IPO expenses	–	(2,009)	–	(2,009)
Profits for the year	–	–	22,369	22,369
At 31 December 2010	520	133,385	21,914	155,819

Notes to the Financial Statements as at 31 December 2010

1. Corporate Information

The statutory financial statements for the year ended 31 December 2010 of Fortuna Entertainment Group N.V. ("FEGNV"), comprise the statements of financial position as at 31 December 2010 and 31 December 2009, the statements of income, statements of changes in equity and statements of cash flows for the years ended 31 December 2010 and 31 December 2009, and a summary of significant accounting policies and other explanatory notes.

The financial statements of FEGNV for the year ended 31 December 2010 were authorized for issue in accordance with a resolution of the directors on 7 April 2011. The Annual General Meeting to approve the financial statements is expected to take place in May 2011.

FEGNV has its registered office at Strawinskylaan 809, Amsterdam, the Netherlands. The 67% of the shares of the Company are held by Penta Investments Limited ("Penta") having its registered office at Agias Fylaxeos & Polygnostou, 212, C&I Center, 2nd floor, 3803 Limassol, Cyprus; remaining 33% of shares are publically traded at the Polish stock exchange in Warsaw and Czech stock exchange in Prague.

Description of business

FEGNV operates in the betting industry under local licences in the Czech Republic, Slovakia and in Poland and via online platform in the Hungarian market. 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 and Hungary.

FEGNV has the following members of Management and Supervisory Board as at 31 December 2010:

Management Board

Chairman:	Jiří Bunda
Vice Chairman:	Wilf Walsh
Member:	Richard van Bruchem
Member:	Janka Galáčová

Supervisory Board

Chairman:	Jozef Janov
Member:	Martin Kúšik
Member:	Václav Brož
Member:	Michal Horáček

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. 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. First Time Adoption IFRS

The corporate financial statements for the year ended 31 December 2010 are the first financial statements of FEGNV that comply with IFRS. FEGNV has prepared the corporate financial statements which comply with IFRS applicable for periods beginning on or after 1 January 2010 as described in the accounting policies in Note 4. The Group had applied IFRS 1 First-time Adoption of International Financial Reporting Standards in preparing the opening statement of financial position at the date of transition to IFRS.

IFRS 1 sets out the procedures that the Group must follow when it adopts IFRS for the first time as the basis for preparing its Corporate Financial Statements. The Group is required to establish its IFRS accounting policies as at 31 December 2010 and, in general, apply these retrospectively to determine the IFRS opening statement of financial position at its date of transition, 4 November 2009, its date of incorporation. As there were no material transactions until the end of the fiscal year 2009, the 31 December 2009 balances also reflect the opening balance of the Company.

Corporate financial statements were prepared under Dutch Generally Accepted Accounting Principles for 2009. There was no impact on the financial statements as a result of the IFRS adoption.

4. Summary of Significant Accounting Policies

The accounting policies used in preparing the statutory financial statements for the year ended 31 December 2010 are set out below.

4.1. 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.

Following initial recognition, intangible assets with finite useful lives are carried at cost less any accumulated amortisation and any 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 lives
Software	3 years

4.2. 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 the asset as follows:

	Useful lives
Office furniture and equipment	5 years

Impairment is recognized when 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.

4.3. 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.

4.4. Cash at Bank

Cash at Bank in the statement of financial position represents bank balances and is carried at face value.

4.5. Investments in Subsidiaries

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

4.6. 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.

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.

4.7. 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.

4.8. 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.

4.9. 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.

4.10. 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

4.11. 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.

4.12. Expenses

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

4.13. 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.

4.14. 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, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

IAS 12 Income Taxes

The amended standard is effective for annual periods beginning on or after 1 January 2012. The amendment provides a practical solution to the difficult and subjective assessment whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property, by introducing a presumption that recovery of the carrying amount will, normally be, be through sale. The Group does not expect any impact on its financial position or performance.

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Group does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard. The Group does not expect any impact on its financial position or performance.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Group after initial application.

IFRS 7 Financial Instruments: Disclosures

The amendments to IFRS 7 are effective for annual periods beginning on or after 1 July 2011 and will improve the understanding of transfer transactions of financial assets including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of reporting period. The Group does not expect any impact on its financial position or performance.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. The standard is not yet endorsed by the European Union. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Group.

Improvements to IFRSs (issued in May 2010)

The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. With the exception of IFRS 3 Business Combinations (revised), which was adopted as of 1 January 2010, the amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The amendments are listed below:

- IFRS1 First-Time Adoption of IFRS
- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 27 Consolidated and Separate Financial Statements
- IAS 34 Interim Financial Reporting
- IFRIC 13 Customer Loyalty Programmes

It is anticipated that these changes will have no material effect on FEGNV's financial statements.

5. 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.

6. Intangible Fixed Assets

€ 000	Software	Other intangible fixed assets	Intangible fixed assets not yet in use	Total
Cost:				
As at 1 January 2010	-	-	-	-
Additions	242	-	61	303
Disposals	-	-	-	-
As at 31 December 2010	242	-	61	303
Accumulated amortisation:				
As at 1 January 2010	-	-	-	-
Additions	50	-	-	50
Disposals	-	-	-	-
As at 31 December 2010	50	-	-	50
Carrying amount at 31 December 2010	192	-	61	253
Carrying amount at 1 January 2010	-	-	-	-

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 2010.

7. Property, Plant and Equipment

€ 000	Plant and equipment	Other assets	Total
Cost:			
As at 1 January 2010	-	-	-
Additions	-	7	7
Disposals	-	-	-
As at 31 December 2010	-	7	7
Accumulated amortisation:			
As at 1 January 2010	-	-	-
Additions	-	-	-
Disposals	-	-	-
As at 31 December 2010	-	-	-
Carrying amount at 31 December 2010	-	7	7
Carrying amount at 1 January 2010	-	-	-

The assets were purchased at the end of December 2010 and are not yet depreciated. Other assets concern office furniture and equipment.

Amortization will start in 2011, the amortization rate of office furniture and equipment is set to 20%.

8. Investments in Subsidiaries

FEGNV held following subsidiaries as at 31 December 2010:

Entity name	Country of incorporation	Percentage held 31 December 2010	Principal Activity	Historic cost	Carrying amount 31 December 2010
€ 000					
Cost:					
(ii) Fortunawin Ltd	Malta	99.99%	Entertainment	1,120	1,120
(iii) Riverhill a.s.	Czech Republic	100%	Holding	64,359	64,359
(iv) Fortuna SK, a.s.	Slovak Republic	100%	Entertainment	70,000	70,000
(v) ibet, s.r.o.	Czech Republic	100%	Entertainment	8	8
(vi) Fortuna Zaklady Bukmacherskie S.P. z.o.o.	Poland	33%	Entertainment	3,030	3,030
				138,517	138,517

Movements in Investments in Subsidiaries

Movements 2009	As at 4 November 2009	Acquisition share capital	Additions share premium	Disposals	Total
€ 000					
Cost:					
(i) Fortuna Sportska Kladionica d.o.o.	-	-	-	-	-
(ii) Fortunawin Ltd	-	100	-	-	100
(iii) Riverhill a.s.	-	64,359	-	-	64,359
(iv) Fortuna SK, a.s.	-	-	-	-	-
(v) ibet, s.r.o.	-	-	-	-	-
(vi) Fortuna Zaklady B. S.P. z.o.o.	-	-	-	-	-
As at 31 December 2009	-	64,459	-	-	64,459

Movements 2010	As at 1 January 2010	Acquisition share capital	Additions share premium	Disposals	Total
€ 000					
Cost:					
(i) Fortuna Sportska Kladionica d.o.o.	-	-	-	-	-
(ii) Fortunawin Ltd	100	-	1,020	-	1,120
(iii) Riverhill a.s.	64,359	-	-	-	64,359
(iv) Fortuna SK, a.s.	-	70,000	-	-	70,000
(v) ibet, s.r.o.	-	-	-	-	8
(vi) Fortuna Zaklady B. S.P. z.o.o.	-	3,030	-	-	3,030
As at 31 December 2010	64,459	73,038	1,020	-	138,517

(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.

(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 2010 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 2010 amounts to € 100 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.

At 31 December 2010 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
			35		252,000	9,522

All shares held by the Company are pledged to the Czech bank Ceska Sportelna, a.s.

The net asset value of Riverhill as at 31 December 2010 amounts to CZK 267,091 thousand (€ 10,680 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 2010 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 2010 amounts to € 9,195 thousand.

(v) ibet, s.r.o.

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 2010 amounts to negative CZK 1,080 thousand (- € 45 thousand). The subsidiary made a loss in 2010 of CZK 1,280 thousand (€ 51 thousand).

(vi) Fortuna Zakłady 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 Zakłady 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 2010 the shares are divided and held as follows:

Company	Nominal value		# of shares	% held
	Per share PLN	Total PLN		
Fortuna Entertainment Group NV	90	792,000	8,800	33%
Fortuna sázková kancelář a.s.	90	792,000	8,800	33%
Fortuna GAME a.s.	90	792,000	8,800	33%
		2,376,000	26,400	100%

9. Loans to Group Companies

Movements in the loans during the year:

€ 000	Alicela a.s.	ibet, s.r.o.	Total
As at 1 January 2010	-	-	-
Additions	40,232	432	40,664
Interest	36	24	60
Repayments	-	-	-
Currency translation	613	7	620
As at 31 December 2010	40,881	463	41,344

Movements in the loans during the year in originating currencies (CZK thousand):

CZK 000	Alicela a.s.	ibet, s.r.o.	Total
As at 1 January 2010	-	-	-
Additions	1,023,600	11,000	1,034,600
Interest	922	601	1,523
Repayments	-	-	-
Currency translation	-	-	-
As at 31 December 2010	1,024,522	11,601	1,036,123

Details of loans provided:

Company	Facility CZK 000	Starting date	Expiration 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%

* 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.

10. Other Fixed Assets

€ 000	2010	2009
As at 1 January	-	-
Guarantee fee office	3	-
Prepaid IPO insurance	24	-
As at 31 December 2010	27	-

FEGNV paid a premium for an insurance in the amount of € 30 thousand. This premium covers 5 years starting 1 December 2010 and is therefore amortised over a period of 5 years. The release in 2010 was € 500. From the remaining outstanding amount of € 6 thousand (12 x € 500) relates to the next twelve months and is accounted for under prepayments and other current assets.

11. Receivables from Related Parties

€ 000	Notes	2010	2009
Fortunawin Limited	(i)	–	140
Dividend receivable Riverhill, a.s.	(ii)	9,488	–
Receivable Fortuna HR	(iii)	9	–
As at 31 December 2010		9,497	140

(i) On 2 December 2009 the Company provided € 139,990 to Fortunawin Ltd, which in turn used the funds to obtain a 99.99% shareholding in Fortunawin Gaming Ltd. The receivable was converted into share premium at the beginning of the year 2010.

(ii) 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. Through a Resolution dated 10 December 2010 the accounts were approved and it was resolved to pay out a dividend over the financial year 2010 of CZK 237,738 thousand (€ 9,488 thousand). The dividend shall be payable no later than 30 June 2011.

(iii) This concerns an amount of € 9 thousand of licence fees recharged to Fortuna Sportska Kladionica d.o.o (Croatia) a related company.

12. Prepayments and Other Current Assets

These consist of the following:

€ 000	2010	2009
Prepayments to creditors	51	–
Czech VAT receivable	8	1
Dutch VAT receivable	18	4
Prepaid rent office	3	–
Prepaid IPO insurance	6	–
Deferred interest deposit ABN AMRO	3	–
Other	1	–
As at 31 December	90	5

13. Cash and Cash Equivalents

€ 000	2010	2009
Cash at banks	466	29
Short term deposits	6,805	–
As at 31 December 2010	7,271	29

In the total amount of cash at banks is included an amount of € 12 thousand (2009: € 29 thousand) outstanding at Privatbanka, a.s., a related company.

14. Shareholders' Equity

Authorized Shares

	2010 # of shares thousands	2009 # of shares thousands
Ordinary shares of € 10 each		22.5
Ordinary shares of € 0.01 each	250,000	
As at 31 December	250,000	22.5

On 27 September 2010 the Articles of Association of FEGNV were amended. The number of authorized ordinary shares was increased from 22,500 shares to 250,000,000 and the nominal value of authorized shares was decreased from € 10 per share to € 0.01 per share.

Ordinary Shares Issued and Fully Paid

	# of shares thousand	Par value per share €	Share capital € 000
As at 31 December 2009	4.5	10	45
27 September 2010 – decrease of the nominal value of existing shares from € 10 per share to € 0.01 per share	4,500	0.01	45
27 September 2010 – issue of ordinary bearer shares	45,500	0.01	455
28 October 2010 – issue of ordinary bearer shares	2,000	0.01	20
As at 31 December 2010	52,000	0.01	520

On 27 September 2010 the Articles of Association of FEGNV were amended. The nominal value per share was decreased from € 10 per share to € 0.01 per share. At the same time FEGNV issued 45,500,000 additional bearer shares which were all acquired by Penta Investments Ltd.

On 28 October 2010 FEGNV issued an additional 2,000,000 ordinary bearer shares, which were floated at the Polish stock exchange at Warsaw.

The movements in the Share Premium Contributions

	€ 000
Capital paid in and funding for acquisitions	81,884
Return of capital to shareholder	(19,000)
Increase share capital on 27 September 2010	(455)
Increase share capital on 28 October 2010	8,366
Capitalisation of IPO expenses	(2,009)
	68,786

During the year 2010 FEGNV's shareholder contributed cash in the amount of € 81,884 thousand of which € 70,000 thousand was used to fund the acquisition of the Slovak entity and € 3,000 thousand to fund the acquisition of the Polish entity (33%).

Resulting from the resolution of the shareholder on 29 April 2010, excess capital contribution of € 19,000 thousand was returned to the shareholder during the year 2010.

Based on shareholder decision on 27 September 2010 to issue 45,500 thousand shares with a nominal value of 0.01 per share, share premium was decreased by € 455 thousand and the share capital was increased accordingly.

The 2,000 thousand shares additionally issued on 28 October 2010 were floated at the Polish stock exchange at Warsaw. Net inflow of funds (after deduction of fees) of € 8,386 thousand is reflected in the statement of changes in equity in share capital (€ 20 thousand) and in share premium (€ 8,366 thousand).

During the year 2010, Fortuna incurred various legal and audit costs which are directly related to the initial public offering of FEGNV's shares on the Warsaw and Prague stock exchange. These costs, with a total amount of € 2,009 thousand were deducted from share premium at the time the listing was executed.

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 2010 are as follows:

€ 000	Share premium	Net assets attributable to combined entities' shareholder	Statutory reserves	Retained earnings	Foreign exchange translation reserve	Total
1 January 2010	42,820	(16,611)	(2,144)	(35)	(324)	23,706
Profits for the year	-	-	-	2,111	-	2,111
Other comprehensive income	-	-	-	117	(1,323)	(1,206)
Acquisition of Fortuna SK, a.s., Fortuna Real, s.r.o. and Fortuna zakłady bukmacherskie SP. Z.o.o. accounted for using pooling of interest method	64,623	16,611	(66)	(1,967)	-	79,201
Allocation of profit	-	-	(794)	794	-	0
31 December 2010	107,443	-	(3,004)	1,020	(1,647)	103,812

Difference in equity:

€ 000	
Equity according to consolidated financial statements	52,007
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)
Other comprehensive income	(1,377)
Net intragroup income of FEGNV eliminated in consolidated financial statements	22,155
Difference in equity attributable to continuing operations	103,812
Discontinued operations impact:	
Acquisition of Croatian entity by FEGNV in 2008	(7,631)
Loss of Croatian entity in 2008-2009, attributable to combined entities shareholder	10,379
Loss of Croatian entity in 1-3/2010 until disposed on 26 March 2010	1,286
Profit on disposal of Croatian entity	(4,171)
Other comprehensive income	137
Difference in equity attributable to discontinued operations	0
Equity according to corporate financial statements	155,819

Difference in profit:

€ 000	
Profit according to consolidated financial statements	20,258
Results from participants, continuing operations	(17,159)
Loss of Croatian entity in 1-3/2010 until disposed on 26 March 2010	1,286
Profit on disposal of Croatian entity	(4,171)
Net intragroup income of FEGNV eliminated in consolidated financial statements	22,155
Profit according to corporate financial statements	22,369

15. Non-Current Liabilities

FEGNV received loans from the following subsidiaries:

- Fortuna SK, a.s. (hereinafter "FSK")
- Fortuna Zakłady Bukmacherskie S.P. z.o.o. (hereinafter "FZB")
- FORTUNA sázková kancelár a.s. (hereinafter "FCZ")
- Fortuna Game, a.s. (hereinafter "FG")

The following facilities were obtained:

Company	Facility in € 000	Facility in PLN 000	Facility CZK 000	Starting date	Expiration date	Effective average interest %
FSK	10,000			22.Mar.10	30.Sep.15	7,00%
FZB		7,300		24.Mar.10	30.Sep.15	7,00%
FCZ	6,000			25.Mar.10	30.Sep.15	7,00%
FCZ			450,000	24.Mar.10	30.Sep.15	7,00%
FG	7,000			24.Mar.10	30.Sep.15	4,24% *
FG			150,000	24.Mar.10	30.Sep.15	4,77% **
Total facilities	23,000	7,300	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 the year:

€ 000	Fortuna SK	Fortuna ZB	Fortuna CZ	Fortuna Game	Total
As at 1 January 2010	-	-	-	-	-
Additions	9,649	1,871	15,471	11,831	38,822
Interest	527	98	554	413	1,592
Repayments	-	-	-	-	-
Currency translation	-	(33)	155	83	205
As at 31 December 2010	10,176	1,936	16,180	12,327	40,619

Movements in the loans during the year in originating currencies:

	Fortuna SK	Fortuna ZB	Fortuna CZ	Fortuna CZ	Fortuna Game	Fortuna Game
	€ 000	PLN 000	CZK 000	€ 000	CZK 000	€ 000
As at 1 January 2010	-	-	-	-	-	-
Additions	9,649	7,300	256,246	5,400	138,211	6,400
Interest	527	395	9,449	177	5,096	210
Repayments	-	-	-	-	-	-
Currency translation	-	-	-	-	-	-
As at 31 December 2010	10,176	7,695	265,695	5,577	143,307	6,610

16. Creditors

€ 000	2010	2009
Third party creditors	269	27
	269	27

As at 31 December 2010 the creditors were denominated in the following currencies:

	In local currency	Equivalent in € 000
Euro	146	146
Czech Kroner	1,176	47
British pounds	7	8
Polish zloty	269	68
		269

17. Payables to Related Parties

These consist of the following:

€ 000	2010	2009
Current account shareholder Penta Investments Limited	1	-
AERO Vodochody, a.s.	6	-
Fortuna Sazkova Kancelar, a.s. (Czech R.)	172	-
As at 31 December 2010	179	-

18. Accruals and Other Current Liabilities

These consist of the following

€ 000	2010	2009
Salary withholding taxes	7	-
Accrual mediation fees	-	38
Accrual audit expenses	77	215
Accrual other consultancy and administrative expenses	27	164
Net salaries payable	8	-
Vacation benefits	1	-
Other	-	-
As at 31 December 2010	120	417

19. Dividend Income

In 2010 FEGNV received the following dividends from subsidiaries:

Company	Resolution date	Relating to year/ period		Local currency amount	Total € 000
Fortuna SK, a.s.	12.03.10	2009	€	14,151	14,151
Riverhill a.s.	30.11.10	Jan-Sept. 2010	CZK	237,739	9,488
					23,639

20. Personnel Expenses

The personnel expenses in 2010 (2009: 0) were as follows:

€ 000	Staff	Directors	Total
Salaries/ wages	17	15	32
Social security charges	2	2	4
Other payroll costs	1	-	1
	20	17	37

In 2010 a full time equivalent of 1 person was employed by FEGNV (2009: 0). At 31 December 2010 the Company employed 4 part time directors.

21. Other Operating Income

These consist of the following:

€ 000	31 December 2010	31 December 2009
Revenue website development	191	-
Revenue licence fees	133	-
	324	-

Revenue related to website development and license fees consist of a cross charge to subsidiaries.

22. Other Operating Expenses

These consist of the following:

€ 000	31 December 2010	31 December 2009
Expenses website development	170	-
Expenses licence fees	130	-
Consultancy expenses	67	214
External auditor expenses	77	241
Other expenses	(216)	-
	228	455

23. Finance Income

These consist of the following:

€ 000	31 December 2010	31 December 2009
Interest income loans to subsidiaries	60	-
Exchange rate gains on CZK loans to subsidiaries	620	-
Exchange rate gains on PLN loan from subsidiary	33	-
Interest income banks and other	9	-
	722	-

24. Finance Cost

These consist of the following:

€ 000	31 December 2010	31 December 2009
Interest expenses loans from subsidiaries	1,592	-
Exchange rate loss on CZK loans from subsidiaries	238	-
Exchange rate losses banks and other	166	-
Banking expenses	5	-
Other	-	-
	2,001	-

25. Related Party Disclosures

As at 31 December 2010 the FEG Group consisted of the following entities, which are held as follows:

	Country	% held
Fortuna Entertainment Group N.V.	NL	
Fortuna SK, a.s.	SK	100.00
Fortuna Real, s.r.o.	SK	100.00
Fortuna zaklady bukmacherskie Sp. z o.o.	PL	33.33
Fortunawin Ltd	MT	99.99
FortunaWin Gaming Ltd	MT	99.99
ibet, s.r.o.	CZ	100.00
Riverhill a.s.	CZ	100.00
Alicela a.s.	CZ	100.00
Fortuna sázková kancelář a.s.	CZ	100.00
Fortuna RENT s.r.o.	CZ	100.00
Fortuna sázky a.s.	CZ	100.00
Fortuna zaklady bukmacherskie Sp. z o.o.	PL	33.33
Fortuna GAME a.s.	CZ	100.00
Fortuna software s.r.o.	CZ	100.00
Fortuna zaklady bukmacherskie Sp. z o.o.	PL	33.33

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 December 2010	31 December 2009
Receivables from related parties		
Fortunawin Limited	-	140
Riverhill a.s.	9,488	-
Fortuna Sportska Kladionica, d.o.o	9	-
	9,497	140
Loans to related parties		
Alicela a.s.	40,881	-
ibet, s.r.o.	463	-
	41,344	-
Cash in related parties		
Privatbanka, a.s.	12	29
	12	29
Share premium donations to related parties		
Fortunawin Limited	1,020	-
	1,020	-

€ 000	31 December 2010	31 December 2009
Acquisitions from related parties		
Gratio Holdings Ltd	-	64,359
Penta Investments Limited	73,000	-
	73,000	64,359
Payables to related parties		
Penta Investments Limited	1	-
AERO Vodochody, a.s.	6	-
Fortuna Sazkova Kancelar, a.s.	172	-
	179	-
Loans from related parties		
Fortuna SK, a.s.	10,176	-
Fortuna zaklady bukmacherskie Sp. z o.o.	1,936	-
Fortuna sázková kancelář a.s.	16,179	-
Fortuna Game a.s.	12,328	-
	40,619	-
Other income from related parties		
Fortuna Športska Kladionica d.o.o.	9	-
Fortuna sázková kancelář a.s.	124	-
Fortunawin Limited	191	-
	324	-
Interest from related parties		
Alicela a.s.	36	-
ibet, s.r.o.	24	-
Privatbanka, a.s.	5	-
	65	-
Dividend from related parties		
Fortuna SK, a.s.	14,151	-
RIVERHILL a.s.	9,488	-
	23,639	-

€ 000	31 December 2010	31 December 2009
Other expenses related parties		
AERO Vodochody, a.s.	11	-
Fortuna sázková kancelář a.s.	107	-
Privatbanka, a.s.	1	-
	119	-
Interest to related parties		
Fortuna SK, a.s.	527	-
Fortuna zakłady bukmacherskie Sp. z o.o.	98	-
Fortuna sázková kancelář a.s.	554	-
Fortuna Game a.s.	413	-
	1,592	-
Other financial expenses related parties		
Privatbanka, a.s.	4	-
	4	-

26. Expenses of Fortuna's Group Related to External Auditors's Services in year 2010

	Audit	Other	Total € 000
Fortuna Entertainment Group NV	125	-	125
Other companies within Fortuna Group	114	-	114
TOTAL	239	-	239

27. Contingent Liabilities

All shares of Riverhill, a.s. by held the Company are pledged to the Czech bank Ceska Sporitelna, a.s.

28. Financial Risk Management Objectives and Policies

FEGNV's principal financial instruments comprise cash and short-term deposits, receivables from group companies and loans granted and 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.

29. 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 shareholder's equity exceeds the issued part of the paid in share capital plus the legal reserves.

Post Balance Sheet Events

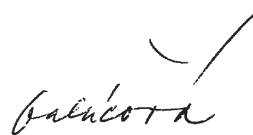
In January 2011 Fortuna Entertainment Group N.V. ("FEGNV") increased share capital in its subsidiary RIVERHILL a.s. by 1,025 thousands CZK (40,902 thousands EUR) by non-monetary contribution of receivable from ALICELA a.s. RIVERHILL a.s. increased share capital in its subsidiary ALICELA a.s. by 1,025 thousands CZK (40,902 thousands EUR) by setting off receivable from ALICELA a.s. with its payable from share capital increase. All changes are recorded in the Commercial Register.

Amsterdam, 7 April 2011



Jiří Bunda

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



Janka Galáčová

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



Wilfred Thomas Walsh

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.



Martin Kúšik

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

"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, Netherlands, and its registered offices at Strawinskylaan 809, 1077XX Amsterdam, Netherlands, and registered with the Trade Register of the Chamber of Commerce of Amsterdam, 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, 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, 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
"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 společnost), having its registered office at Digital park II, Einsteinova 23, 851 01, Bratislava 5, Slovak Republic, registered in 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, registered with the Registry of Companies Cyprus, Nicosia under number 158996

