

Interim Management Statement of Fortuna Entertainment Group N.V. for the period from January 1, 2011 to May 5, 2011

## Fortuna's operating profitability (EBITDA) increased by 44% yoy in the first quarter 2011

AMSTERDAM/Prague/Warsaw - Fortuna, the leading Central European fixed-odds betting operator present on the markets of Poland, the Czech Republic, Slovakia and Hungary, recorded a **total Amounts Staked figure for the first three months of 2011 of EUR 114.16 million, a 16.5% increase yoy**, according to the preliminary unaudited financial results. Financial results of the Company in the first quarter of 2011 confirmed strong growth dynamics already achieved in the previous period. Key drivers of the growth were the Czech and Slovak markets and the on-line segment.

*„We continue to report highly positive operating results in all our markets and a rapid growth of the online betting segment. Solid results were also achieved by the retail betting network which we gradually optimize and expand by the partner shops. Our excellent results show that chosen strategy of two main distribution channels, where retail shops serve not just as sales points but also provide online betting support, it the right way.“* said Fortuna Entertainment Group CEO Jiří Bunda.

**In the first quarter of 2011 Gross Win reached EUR 26.5 million, an increase of 19.5% compared with the first quarter of 2010. EBITDA increased in the first three months of 2011 by 43.9% to EUR 8.4 million.** The EBITDA increase over the first quarter 2010 was based, apart from the outstanding operating results, also on lower operating costs, primarily in the retail management area. The retail costs decreased in the Czech Republic, remained unchanged in Slovakia and slightly increased in Poland due to rising number of sales points.

The recorded results were driven in particular by the increasing revenues of the online betting business. Gross Win from online betting in the first three months of 2011 rose 54.4% yoy to EUR 8.2 million.

Gross Win from retail betting in the first three months of 2011 was EUR 18.3 million, up 8.5% yoy. The key reason of the retail growth is higher margin achieved due to more prudent risk management which is one of the competitive advantages of Fortuna.

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Although the internet betting has recorded double-digit growth, the retail outlets network remains the backbone distribution channel of Fortuna and contributes almost to 70% of the Gross Win of the Company. Therefore, the focus on the development and efficiency of the outlet network in a combination with online betting is an important feature of the Company's strategy in all three markets in which it operates. For the additional expansion of the retail network, the Group will primarily use a partnership model with successful local businesses.

*Selected financial indicators by countries January – March 2011*

(in mm EUR)	CZ	yoy change	Slovakia	yoy change	Poland	yoy change	Malta*
<b>Total Amounts Staked</b>	<b>60.8</b>	<b>21.3%</b>	<b>39.2</b>	<b>21.3%</b>	<b>13.6</b>	<b>(12.9%)</b>	<b>0.6</b>
<b>Paid out Prizes</b>	(49.0)	22.0%	(29.8)	20.0%	(8.2)	(23.6%)	(0.5)
<b>Gross Win</b>	<b>11.8</b>	<b>18.5%</b>	<b>9.3</b>	<b>25.9%</b>	<b>5.4</b>	<b>10.9%</b>	<b>0.04</b>
- of which: online	4.4	55.9%	3.7	51.1%	0	na	0.04
- of which: retail	7.4	3.7%	5.6	13.1%	5.4	10.9%	0

\* recorded results by the subsidiary in Malta cannot be compared on annual basis as the company started its operations in the second half of 2010

The Czech Republic generated more than 53% of all amounts staked for the Company in the first quarter of 2011, an increase from 51% in the first quarter of 2010. **Total Amounts Staked reached EUR 60.8 million, 21.3% more than in the same period in 2010. Gross Win in the Czech Republic amounted to EUR 11.8 million in the first quarter of 2011, 18.5% more than in the previous year.** This growth was driven primarily by the on-line expansion; Gross Win from the on-line segment climbed by **55.9 % yoy and amounted to EUR 4.4 million.** Also, Gross Win from retail betting in the Czech Republic went up 3.7% yoy and totalled EUR 7.4 million. Gross profit from betting in the Czech Republic was EUR 9.9 million, 18.3% more than in 2010.

The share of Slovakia in regard to total Amounts Staked in the first three months of 2011 reached 34.3%, and increased from 32.9% stake in the first quarter of 2010. **Total Amounts Staked reached EUR 39.2 million, 21.3% more than in 2010. Gross Win in Slovakia amounted to EUR 9.3 million in the first quarter of 2011, 25.9% more than in the previous year.** Gross Win from on-line betting was EUR 3.7 million, 51.1% more than in 2010. Also, Gross Win from retail betting in Slovakia increased by 13.1% yoy and totalled EUR 5.6 million. Gross profit from betting in Slovakia was EUR 7.4 million, 27.1% more than in 2010.

Poland accounted for an 11.9% share of total Amounts Staked in the first quarter of 2011, compared with a 15.9% share in 2010. **Total Amounts Staked in Poland reached EUR 13.6 million in the first quarter of 2011, 12.9% less than in 2010.** 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 numerical games. **On the contrary, Gross Win from betting in Poland went up to EUR 5.4 million in the first quarter of 2011, a rise of 10.9% yoy.** Gross profit from betting in Poland was EUR 3.7 million, 26.3% more than in 2010. **The gross profit margin from betting in Poland amounted to 27.5% in the first quarter of 2011**, 8.6% more than in the first quarter of 2010 and is the highest gross profit margin of all the markets

**Total amounts staked of FortunaWin based in Malta reached EUR 0.6 million in the first quarter of 2011**, Gross Win from betting was EUR 0.04 million and the gross profit from betting equalled EUR 0.03 million. The gross profit margin from betting in Malta was 5.6% in the first quarter of 2011.

*„So far, the first quarter of this year has been the strongest one since the beginning of 2010 in terms of operating performance. This is thanks to favourable market conditions, high growth dynamics primarily in the online betting segment and sports bets resulting in Fortuna’s favour. This year we will continue in our cost efficiency initiative which we started in the last year. Our cost cutting measures helped us to increase the EBITDA by 44% in the first quarter. Concerning investments, the lottery start is a key one and we plan to invest hundreds of millions Czech korunas to built up a stronger market share than we initially planned“*, added Michal Vepřek, CFO of the Fortuna Entertainment Group.

## **Strategy and New Projects**

One of the main projects of the Company, the lottery in the Czech Republic is shortly before its launch. Fortuna thus reacted to the current market development concerning Sazka and took steps to accelerate lottery project. The commercial sale of scratch tickets will start in May and numerical lottery games will be launched in July/August i.e. 3 months earlier than planned. Fortuna further plans to start operation with the first 1,000 online terminals with one lottery game and mobile phone topups in July. The project acceleration should enable Fortuna to achieve faster higher market shares in the numerical lottery in the Czech Republic. This year the project start-up costs will exceed its revenues and the Company expects a negative impact to EBITDA of EUR 4 - 5 million. Majority of costs will be generated in the second half of 2011. Costs of the lottery launch will be borne by the Fortuna sázková kancelář and therefore its results this year impacted. The Company, however, does not expect significant deviations from current analyst projections.

On April 15, 2011 the Polish Sejm (the Lower Chamber) approved the betting law amendment which is very positive news for Fortuna. The new law will enable development of licensed on-line betting in Poland and at the same time, it will also allow taking sanctions against illegal activities of off-shore operators. According to the Polish authorities, the amendment should come into force in the third quarter of 2011. Fortuna aims to further increase number of sales points and registered customers which are the main drivers of retail growth, i.e. of the online betting.

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## Dividend

The Management Board of Fortuna decided at its meeting held on April 7, 2011 in Amsterdam that it will propose a gross dividend per share of EUR 0.30 at the upcoming Annual General Meeting of Shareholders. The Annual General Meeting will be held on May 25, 2011 in Amsterdam. The total sum allocated for the dividend amounts to EUR 15.6 million. The dividend proposal is in accordance with the communicated dividend policy - the dividend payout ratio is 70 - 100% of the net profit from the continuing operations and represents approximately 90% of the 2010 consolidated net income of the group.

### Appendix - Selected financial figures (consolidated, unaudited)

(in mm EUR)	Q1 2010	Q1 2011	Change in %
<b>Amounts Staked</b>	98.0	114.2	16.5%
<b>Gross Win</b>	22.2	26.5	19.5%
- online	5.3	8.2	54.4%
- retail	16.9	18.3	8.5%
<b>EBITDA</b>	5.9	8.4	43.9%

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