

Fortuna Entertainment Group N.V.

Preliminary Unaudited Financial Results for 2013

Amsterdam - Fortuna Entertainment Group N.V. announces its preliminary unaudited consolidated financial results for the fiscal year to 31 December 2013, prepared according to International Financial Reporting Standards (IFRS).

The preliminary unaudited results of Fortuna Entertainment Group for the full year 2013 confirm a growth in the main markets where the Company is operating:

- **Total Amounts Staked in 2013 increased by 21.2 % to EUR 567.2 million**
- **On-line Sports Betting Gross Win in 2013 increased by 35.3% to EUR 51.1 million**
- **Total EBITDA in 2013 grew by 20.8% to EUR 26.7 million**
- **Group's 2013 Net Profit up 26.4% to EUR 15.6 million**

Fortuna, the leading Central European fixed-odds betting operator present in the markets of Poland, the Czech Republic and Slovakia, recorded in 2013 a **total Amounts Staked figure of EUR 567.2 million, 21.2% more than in 2012**, according to the preliminary unaudited financial results. **The Amount Staked from sports betting reached EUR 551.2 million, 22.9% more than in 2012.** The Amounts Staked performance was positively driven by on-line segment growth in all markets where Fortuna operates. Amounts Staked from lottery bets in 2013 totalled to EUR 16.1 million, down 18.0% yoy. The Company greatly exceeded its initial guidance from March 2013 when estimated full year Amounts Staked of EUR 510 million plus.

In 2013, total Gross Win reached EUR 116.5 million, an increase of 5.1% compared with 2012. Gross Win from sports betting equalled EUR 108.8 million, a 7.9% increase yoy. Of which, Gross Win from on-line betting in 2013 increased to EUR 51.1 million, a substantial gain of 35.3% over 2012. On-line betting expansion was supported by a further development of "live betting" and live streaming, which are becoming increasingly popular amongst Fortuna clients.

Gross Win from retail betting in 2013 amounted to EUR 57.8 million, an 8.5% decline from the previous year. **Gross Win from lottery was EUR 7.6 million (-23.3% yoy).**

„ I am very pleased with Fortuna's sales performance driven by a strong growth in on-line sports betting in all markets. Fortuna delivered top line turnover of over EUR 567 million, which is 21.2% ahead of the last year and EBITDA of EUR 26.7 million, 20.8%

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more than in 2012. Our key strategy to focus on internet and mobile betting and offer broad LIVE content to our clients has paid off. We hope that we will be able to take advantage of this year's major sporting events such as the Winter Olympics and World Cup in Brazil in order to retain a strong momentum also in 2014," said Radim Haluza, CEO of Fortuna Entertainment Group.

"In addition we confirm our dividend policy to pay-out 70-100% of the consolidated net profit and the dividend proposal will be announced in the upcoming weeks." added R. Haluza.

Selected financial indicators – FEG total

(EUR million)	FY 2013	% change
Amounts Staked	567.2	21.2%
- Sports betting	551.2	22.9%
- Lottery	16.1	(18.0%)
Gross Win	116.5	5.1%
- Sports betting	108.8	7.9%
- Lottery	7.6	(23.3%)
Revenues	97.1	0.8%
- Sports betting	89.4	3.7%
- Lottery	7.7	(23.3%)
EBITDA	26.7	20.8%
- Sports betting	27.3	5.6%
- Lottery	(0.6)	83.1%
Operating Profit (EBIT)	23.0	24.8%
Net Profit for the Year	15.6	26.4%

Revenues, OPEX, EBITDA

In 2013 the Company recorded total revenues in the amount of EUR 97.1 million, 0.8 % more than in the previous year. Of which, revenue from sports betting were EUR 89.4 million and went up 3.7% yoy. Revenues from lottery amounted to EUR 7.7 million in 2013, down 23.3% yoy, pushed down by lower sales of the numerical games as oppose to a strong performance of scratch tickets.

Total operating costs in 2013 reached EUR 70.4 million, 5.1% less than in 2012. Staff costs decreased 0.7% yoy to EUR 26.6 million primarily due to staff reduction in lottery area and in the retail sports betting network. Staff costs in the sports betting segment increased modestly by 3.0% yoy to EUR 25.7 million and in the lottery segment went down by 51.5% to EUR 0.9 million. **Governmental taxes and levies amounted to EUR 10.8 million, 1.6% less than in the previous year as a result of lottery sales decline.** Of which, sport betting taxes grew 5.3% and lottery tax went down 29.7%. Other operating expenses (net) declined in 2013 by 9.4% to EUR 33.0 million primarily related to on-line betting services, such as live streaming, etc. Of which, sports betting Other operating expenses (net) amounted to EUR 27.0 million (+1.8%) and lottery EUR 5.9 million (-39.8%).

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Total consolidated EBITDA recorded in 2013 was EUR 26.7 million, up 20.8% yoy, which is better than Company's initial guidance of EUR 23.1 million¹. EBITDA from sports betting reached EUR 27.3 million, 5.6% more than previous year. EBITDA from lottery was EUR 0.6 million loss and improved 83.1% to last year result.

In 2013 **total depreciation was almost unchanged, up 0.6% or EUR 3.7 million**, of which depreciation related to sports betting segment was EUR 3.1 million (+1.4%) and EUR 0.5 million (+3.8%) related to lottery.

EBIT and Net Profit

In 2013 operating profit (EBIT) amounted to EUR 23.0 million, 24.8% more than in the previous year. This result was driven by improved EBITDA.

Net finance costs reached EUR 2.0 million in 2013 and declined by 12.6% yoy as a result of effect of non-cash FX gains. Total long-term and short-term indebtedness as of December 31, 2013 was EUR 43.8 million, a 70.6% more compared with December 31, 2012 due to a refinancing of Company's bank debt in June last year. **Net Debt position as of December 31, 2013 was EUR 27.1 million**, a 166.7% increase over the end 2012.

Income tax equalled EUR 5.4 million in 2013, 41.7% more than in 2012, due to higher operating profits and a change of corporate income tax in Slovakia from 19% to 23%.

In 2013 the Company recorded Net Profit of EUR 15.6 million, 26.4% more than in the previous year, driven by better operating performance. **The sports betting segment recorded a net profit of EUR 16.7 million, up 0.2% yoy and the lottery segment ended with a net loss of EUR 1.2 million, 73.5% lower loss than in 2012.** The Company met its initial target to keep the lottery net loss at around EUR 1 million in 2013.

Breakdown of Revenues by Country

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

Selected financial results by country in 2013

(in EUR million)	CZ Sports betting	CZ lottery	Slovakia	Poland	Malta
Total amounts staked	323.3	16.1	148.9	74.2	4.8
Gross Win from betting	46.6	7.6	36.0	26.1	0.2
- of which: online	26.8	na	17.7	6.4	0.2

¹ Total EBITDA was impacted by one-off gain of EUR 2.2 million from VAT claim legal dispute in Poland. The Net Profit impact is EUR 1.8 million

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	- of which: retail	19.8	na	18.3	19.7	0
Withholding tax paid		0	0	(8.4)	(8.9)	(0.03)
Other revenues		0.1	0.03	0.3	0.02	0
Revenues		45.5	7.7	27.1	16.7	0.1
Taxation of earnings from betting		(9.3)	(1.5)	0	0	0
Gross profit from betting		37.3	6.1	27.6	17.2	0.1
	- of which: online	21.4	na	12.9	3.7	0.1
	- of which: retail	15.9	na	14.7	13.4	0
Gross profit from betting (in %)		11.5%	38.1%	18.5%	23.1%	2.7%

Czech Republic Sports Betting

Czech Republic sports betting generated 57% of all amounts staked for the Company in 2013. **Amounts Staked reached EUR 323.3 million, 32.9% more than in 2012. Gross Win from sports betting in the Czech Republic amounted to EUR 46.6 million in 2013, 4.7% more than in the previous year – due to rising share of on-line betting but also negatively impacted by the abolition of the on-line service fee at the beginning of the year. On-line betting contributed the most; Gross Win from the on-line segment climbed by 28.3% yoy and amounted to EUR 26.8 million.** In the opposite, Gross Win from retail betting in the Czech Republic declined 16.2% yoy and totalled EUR 19.8 million. 2013 revenue from sports betting in the Czech Republic were EUR 45.5 million, up 1.9% yoy.

Czech Republic Lottery

The Lottery segment in the Czech Republic represented 2.8% share on Total Amounts Staked. Amounts Staked from lottery in 2013 came to EUR 16.1 million, 18.0% less than in 2012. Gross Win from lottery reached EUR 7.6 million, down 23.3% yoy. 2013 revenue from Czech lottery amounted to EUR 7.7 million, a 23.3% decline compared with 2012.

Slovakia

The share of Slovakia in regard to total Amounts Staked in 2013 reached 26.2%. **Total amounts staked reached EUR 148.9 million, 13.2% more than in 2012. Gross Win in Slovakia amounted to EUR 36.0 million in 2013, 14.6% more than in the previous year.** Gross Win from on-line betting was EUR 17.7 million, 34.1% more than in 2012. Gross Win from retail betting in Slovakia modestly increased by 0.5% yoy and totalled EUR 18.3 million. 2013 revenues from sports betting in Slovakia was EUR 27.1 million, 8.9% less more in 2012.

As of 1 January 2013, the Slovak corporate income tax rate increased from 19% to 23%.

Poland

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Poland accounted for a 13.1% share of total amounts staked in 2013. **Total amounts staked in Poland reached EUR 74.2 million, a 7.7% increase on 2012. Gross Win from betting in Poland increased by 4.9% yoy to EUR 26.1 million in 2013.** Of which, **on-line business** contributed **EUR 6.4 million, up 81.6% yoy** and retail sports betting EUR 19.7 million, a drop of 7.8% yoy. 2013 revenue in Poland amounted to EUR 16.7 million, a 0.7% more than in the last year.

Sport Betting Channels and Distribution Network

Fortuna's on-line business continues to grow rapidly, hand in hand with the increase in broadband penetration affording access to Fortuna's website. Over the last two years, Fortuna has undergone a transformation from a retail betting operator to a multi-regional on-line business. During 2013, it has started and completed several investments and innovations of its trading platforms, mobile applications and CRM system. As a result of that, Fortuna managed to increase the number of registered players by 26% over the last year and number of clients betting LIVE increased by 57%. The fastest growing channel in 2013 was mobile. Total number of customers preferring this channel has increased by more than 300%.

On the product side Fortuna has expanded its LIVE offer by signing a deal with bwin.party. Bwin Feed provides live sports betting data including odds, fixtures, results, scoreboards and events calendars in multiple languages to online and land-based B2B clients. The feed can be integrated into the clients betting point of sales via a state-of-the-art interface, enabling Fortuna to offer its customers an extensive sportsbook and supporting content. The deal allowed Fortuna to increase the range of LIVE sports events offered to customers by 60%.

Although the internet betting segment is clearly taking over, the retail outlets network remains important distribution channel of Fortuna and generates almost 50% of total Gross Win of the Company (down from 70% in 2011). An important role of the retail outlets network is the support it provides to the online betting segment – internet clients may use all the customer services, such as deposits and withdrawals and the customer queries and solutions service, free of charge. For the additional expansion of the retail network, the Group would like to use a “cost-light” partnership model with successful local businesses, such as sport bars. The development and structural changes in retail network is demonstrated in the table below.

Overview of distribution network by countries December 31:

	2013	2012	% change
<i>Betting Shops total</i>	941	957	(1.7%)
Czech Republic	318	344	(7.6%)
Slovakia	224	234	(4.3%)
Poland	399	379	5.3%
<i>Partner Shops total</i>	674	590	14.2%
Czech Republic	364	330	10.3%
Slovakia	208	184	13.0%
Poland	102	76	34.2%

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TOTAL RETAIL	1,615	1,547	4.4%
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Lottery in the Czech Republic

Fortuna's lottery project has been placed under revision. The Czech lottery market has not truly recovered since the collapse of monopoly incumbent Sazka in 2011 and the revived market leader Sazka has invested significantly to maintain market share. However, primarily thanks to a strict cost control (both head office expenses and distribution costs), Fortuna managed to keep lottery losses under control.

Fortuna has initiated negotiations with Intralot concerning a potential acquisition of Intralot Czech s.r.o., a supplier of lottery technology. After the transaction Fortuna could take over the hardware components (terminals) for the sale of lottery products. Intralot will continue to support the Fortuna with software under much lower provisions. Closing of the transaction is scheduled for the second quarter of 2014. The transaction will be settled in cash and Fortuna is currently in negotiation with its financing bank to fund the deal via bank debt

In May 2013, Fortuna acquired a small scratch cards business from a Czech company GAMESTAR a.s with an aim to get an access to their distribution network (Czech Rail). In autumn 2013 Fortuna and Tipsport agreed to develop a joint venture in the area of instant games – scratch cards. The agreement is subject to an approval of the Czech antimonopoly office.

Cash and Debt position

The Company refinanced in 2013 its bank loans in order to optimize financial structure in proportion of equity/debt. Total long-term and short-term indebtedness as of December 31, 2013 was EUR 43.8 million, a 70.6% more compared with December 31, 2012 due to a refinancing of Company's bank debt in June last year. **Net Debt position as of December 31, 2013 was EUR 27.1 million**, a 166.7% increase over the end 2012.

Dividend Policy and Dividend

Fortuna confirms its general dividend policy to pay out 70 - 100% of the consolidated net profit. Final dividend proposal will follow with invitation to the General Meeting of Shareholders which will take place in May 2014.

According the preliminary unaudited financial results, the 2013 consolidated net profit will be EUR 15.6 million.

2014 Outlook and Guidance

In 2014, Fortuna as a multi-channel regulated modern sports betting company shall continue to provide its customers extensive range of products and first class service however and whenever they want to have a bet. The Company's mission is to constantly innovate and recruit more customers and support its current growth

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strategy. In 2013, Fortuna spent a significant amount on technology investments to become a leading on-line company in the region and we should leverage those investments during this year sports events such as the winter Olympics or the FIFA World Cup in Brazil.

The regulatory environment in our markets needs to be review, particularly in Poland. In 2014, we will spend a considerable effort to unlock the regulatory situation to allow the regulated market grow at the expense of off-shore market which brings no benefits to the national budgets.

In 2014, the Company expects that the total Amounts Staked could grow up to EUR 645 million and EBITDA in 2014 could record a 5 – 10 % growth over the year 2013 (excluding the one-off item of EUR 2.2 million in 2013).

With respect to Lottery Fortuna, the project could turn to growth in terms of Amounts Staked and target for 2014 is to achieve a positive EBITDA figure.

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