

Fortuna Entertainment Group N.V.

Preliminary Unaudited Financial Results for 2015

Amsterdam - Fortuna Entertainment Group N.V. announces its preliminary unaudited consolidated financial results for the fiscal year to 31 December 2015, prepared according to International Financial Reporting Standards (IFRS).

The preliminary unaudited results of Fortuna Entertainment Group for the full year 2015 confirm a growth in the main markets where the Company is operating:

- **Total Amounts Staked in 2015 increased by 26.1% to EUR 847.7 million**
- **On-line Sports Betting Gross Win in 2015 increased by 26.4% to EUR 84.7 million**
- **Total EBITDA amounted to EUR 27.2 million down 2.1% yoy**
- **Net profit in 2015 increased by 22.5% to EUR 19.5 million impacted by deferred tax one-off**

Fortuna, the leading Central European fixed-odds betting operator present in the markets of Poland, the Czech Republic and Slovakia, recorded in 2015 a **total Amounts Staked figure of EUR 847.7 million, 26.1% more than in 2014**, according to the preliminary unaudited financial results. **The Amount Staked from sports betting reached EUR 828.0 million, 26.3% more than in 2014** on the back of strong performance in all countries where Fortuna operates and despite the absence of major sporting events last year. Amounts Staked from lottery bets in 2015 totalled to EUR 19.7 million, 17.8% increase yoy, driven by growth of both scratch cards and numerical lottery segments.

In 2015, total Gross Win reached EUR 147.4 million, an increase of 11.2% compared with 2014. Gross Win from sports betting equalled EUR 138.7 million, a 10.9% increase yoy. Of which, Gross Win from on-line betting in 2015 increased to EUR 84.7 million, a substantial gain of 26.4% over 2014. On-line betting expansion was supported by popularity of “live betting” and especially mobile. Also, on-line betting growth was accelerated by the abolishment of on-line handling fee in Slovakia as well as by start of prosecution of players playing with offshore operators in Poland.

Gross Win from retail betting in 2015 amounted to EUR 54 million, a 7.0% decrease from the previous year. Gross Win from lottery was EUR 8.7 million (+15.5% yoy) growing both on the scratch cards as well as numerical games.

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„ We are pleased to report on strong profitable growth for the full year 2015 despite the absence of big sport events as well as the abolishment of the online handling fee in Slovakia. Fortuna accepted total bets in the amount of EUR 847.7 million, which is 26.1% more than last year. Despite the continuous margin pressure, our strong performance in the third and the fourth quarters of 2015 impacted positively also our Gross Win that went up by 11.2% to EUR 147.4 million. The main driver of our performance was expansion of online sports betting and in particular mobile sports betting in all Fortuna´s markets, as well as our focus on operational excellence and solid margins.” said Per Widerstrom, CEO and Chairman of the Management Board of Fortuna Entertainment Group.

Selected financial indicators – FEG total

(EUR million)	FY 2014	FY 2015	% change
Amounts Staked	672.4	847.7	26.1%
- Sports betting	655.7	828.0	26.3%
- Lottery	16.7	19.7	17.8%
Gross Win	132.6	147.4	11.2%
- Sports betting	125.1	138.7	10.9%
- Lottery	7.5	8.7	15.5%
Revenues	96.9	102.8	6.0%
- Sports betting	91.0	95.7	5.2%
- Lottery	5.9	7.1	18.3%
EBITDA ¹	27.8 ¹	27.2	(2.1%)
- Sports betting ¹	27.4 ¹	26.3	(4.1%)
- Lottery	0.4	0.9	147.3%
Adjusted EBITDA ²	27.2 ²	27.2	0%
Operating Profit (EBIT)	23.4	22.6	(3.7%)
Net Profit for the Year	15.9	19.5	22.5%
Adjusted Net Profit for the Year ³	15.9	16.0 ³	0.01%

Revenues, OPEX, EBITDA

In 2015 the Company recorded total revenues in the amount of EUR 102.8 million, 6.0 % more than in the previous year. Of which, revenue from sports betting were EUR 95.7 million and went up 5.2% yoy. Revenues from lottery amounted to EUR 7.1 million in 2015, up 18.3% yoy.

Total operating costs in 2015 reached EUR 75.6 million, 9.3% more than in 2014. Staff costs went up 10.9% yoy to EUR 31.4 million due to management change and higher bonuses. Staff costs in the sports betting segment increased by 10.4% yoy to EUR 30.4 million and in the lottery segment increased by 26.2% to EUR 0.9 million. Governmental taxes and levies after the reclassification last year are no longer recorded below Revenues. Other operating expenses (net) increased in 2015 by 8.2%

¹ 2014 adjusted by on-line account top-ups which were previously booked in the finance costs

² Adjusted by one-off VAT claim in Poland by EUR 0.6 million in 2014

³ Adjusted by deferred tax income from the Group reorganisation in Poland in 2015

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to EUR 44.3 million primarily related to higher turnover on on-line betting services, live streaming and live feed. Of which, sports betting Other operating expenses (net) amounted to EUR 39.1 million, up 8.3% yoy and lottery EUR 5.2 million, up 7.5%.

Total consolidated EBITDA recorded in 2015 was EUR 27.2 million, down 2.1% yoy. If adjusted by one-off impact from VAT claim in Poland which had impact on 2014 EBITDA, the year-on-year change in the EBITDA would be zero. EBITDA from sports betting reached EUR 26.3 million, 4.1% less than previous year. EBITDA from lottery was EUR 0.9 million, up 147.3% yoy.

In 2015 **total depreciation went up 6.3% to EUR 4.6 million.** Of this, depreciation related to sports betting segment was EUR 3.8 million, up 4.1% yoy and EUR 0.8 million, up 18.9% yoy related to lottery. The year-on-year comparison was affected by the depreciation of lottery terminals which were acquired from Intralot in mid-2014.

EBIT and Net Profit

In 2015 operating profit (EBIT) amounted to EUR 22.6 million, 3.7% less than in the previous year.

Net finance costs reached EUR 2.0 million in 2015 and declined 6.9% yoy (EUR 2.1 million in 2014). In 2015, the Company changed reporting of cost of fees for customer on-line accounts top-ups (iKONTO). Previously, the fees paid by the Company for the accounts top-ups were reported in the financial costs below operating profit. Currently, these costs are reported in the operating costs, as well as the comparative number for 2014.

Total long-term and short-term indebtedness as of December 31, 2015 was EUR 35.7 million, a 12.2% less compared with December 31, 2014. **Net Debt position as of December 31, 2015 was EUR 7.5 million,** a 69.6% drop over the end 2014.

Income tax equalled EUR 1.1 million in 2015, 80.0% less than in 2014, as a result of the deferred tax income of EUR 3.5 million in Poland. The effective tax rate in 2015 was 5.2%. If adjusted by the deferred tax income in Poland, effective tax rate would be 22.4%.

In 2015 the Company recorded Net Profit for the period of EUR 19.5 million, 22.5% more than in the previous year. If adjusted by the deferred tax income in Poland, Net Profit for the period would be EUR 16.0 million. The sports betting segment recorded a net profit of EUR 19.6 million, up 19.0% yoy and the lottery segment ended with a net loss of EUR 0.1 million, 82.6% improvement to 2014.

CAPEX and Investments

In 2015, total capital expenditures amounted to EUR 8.8 million, 184.4% more than in the same period last year but below the indicated guidance since some of the

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expenditures will be spend in the first quarter of 2016. Higher capital expenditures resulted from investments into the new sports betting & gaming platform. CAPEX to Revenues ratio in 2015 was 8.6%.

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 2015

(in EUR million)	CZ Sports betting	CZ lottery	Slovakia	Poland
Total amounts staked	462.1	19.7	259.9	105.8
Gross Win from betting	59.6	8.7	44.3	34.8
- of which: online	43.9	n/a	28.0	12.8
- of which: retail	15.7	n/a	16.3	22.0
Withholding tax paid	(11.9)	(1.7)	(15.3)	(12.7)
Other revenues	(1.2)	0.1	(1.1)	(0.8)
Revenues	46.5	7.1	27.9	21.3

Czech Republic Sports Betting

Czech Republic sports betting generated 54.5% of all Amounts Staked for the Group in 2015. **Amounts Staked reached EUR 462.1 million, 16.2% more than in 2014. Gross Win from sports betting in the Czech Republic amounted to EUR 59.6 million in 2015, 7.7% more than in the previous year.** On-line betting contributed the most; Gross Win from the on-line segment increased by **19.4% yoy and amounted to EUR 43.9 million.** Gross Win from retail betting in the Czech Republic declined 15.5% yoy and totalled EUR 15.7 million. 2015 revenue from sports betting in the Czech Republic were EUR 46.5 million, up 8.1% yoy.

Czech Republic Lottery

The Lottery segment in the Czech Republic represented 2.3% share on Total Amounts Staked. Amounts Staked from lottery in 2015 came to EUR 19.7 million, 17.8% more than in 2014. Gross Win from lottery reached EUR 8.7 million, up 15.5% yoy. 2015 revenue from Czech lottery amounted to EUR 7.1 million, an 18.3% increase compared with 2014.

Slovakia

The share of Slovakia in regard to total Amounts Staked in 2015 represented 30.7%. **Total Amounts Staked reached EUR 259.9 million, 55.0% more than in 2014,**

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despite a 55% decline in the sports betting commission as a result of the abolishment of the on-line handling fee in February last year. **Gross Win in Slovakia amounted to EUR 44.3 million in 2015**, 12.7% more than in the previous year. Gross Win from on-line betting was EUR 28.0 million, 30.3% more than in 2014. Gross Win from retail betting in Slovakia declined by 8.5% yoy and totalled EUR 16.3 million. 2015 revenue from sports betting in Slovakia was EUR 27.9 million, 2.8% less than in 2014.

Poland

Poland accounted for a 12.5% share of total Amounts Staked in 2015. **Total Amounts Staked in Poland reached EUR 105.8 million, a 20.8% increase on 2014. Gross Win from betting in Poland increased by 14.5% yoy to EUR 34.8 million in 2014.** Of which, **on-line business** contributed **EUR 12.8 million, up 46.3% yoy** and retail sports betting EUR 22.0 million, up 1.6% yoy. 2015 revenue in Poland amounted to EUR 21.3 million, 10.6% more than in the last year.

Sport Betting Channels and Distribution Network

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

Overview of distribution network by countries December 31:

	2015	2014	% change
<i>Betting Shops total</i>	854	896	(4.7%)
Czech Republic	251	273	(8.1%)
Slovakia	206	221	(6.8%)
Poland	397	402	(1.2%)
<i>Partner Shops total</i>	678	694	(2.3%)
Czech Republic	382	407	(6.1%)
Slovakia	192	183	4.9%
Poland	104	104	0.0%
TOTAL RETAIL	1,532	1,590	(3.6%)

Dividend Policy and Dividend

Since 2015, the dividend policy of FEG has been under review due to the planned investments into future growth opportunities, especially investments into a new IT platform enabling multi-channel, -product and -country capability, operational excellence and people that will support further organic growth and expansion into Central & Eastern Europe.

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In light of this development, the management of Fortuna Entertainment Group N.V. will propose zero dividend payments in 2016 and 2017. The general dividend policy after 2017 going forward will be announced after year end of 2017.

2016 Outlook and Guidance

In 2016, Fortuna as a multi-channel regulated modern sports betting company shall continue to provide its customers with extensive range of products and first class service wherever and whenever they want to have a bet. Fortuna will further focus on investment into core competencies and building competitive advantage and scalability for future value creation. The strategic focus will be given to Operational Excellence, Technology Foundation and People capability and capacity build up.

In the Czech Republic, a change of the taxation of betting and gaming came into force from 1 January 2016 and will finally result into an increase of the Gross Win tax both on the sports betting and lottery from the current 20% to 23%. The Company estimates that the change in taxation will have a negative impact on the full year EBITDA of approximately EUR 2 million.

In 2016, the Company expects that the organic growth will continue to be primarily driven by on-line betting and should be temporarily boosted by the UEFA EURO 2016 hosted by France. Moreover, national teams from all three countries (the Czech Republic, Slovakia and Poland) have qualified for the tournament which should drive up betting volumes.

As a result, the Company anticipates that the total Amounts Staked could grow up to EUR 1,010 million and EBITDA in 2016 could decline in a range between 10% to 15% due to the increase in the betting tax in the Czech Republic, Online Handling Fee abolishment in Slovakia and continuing investments in the operational excellence and building scalability. The investments into new sports betting & gaming platform should further drive the CAPEX spendings in 2016 and the capital expenditures in 2016 are expected to reach between EUR 11 - 13 million.

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