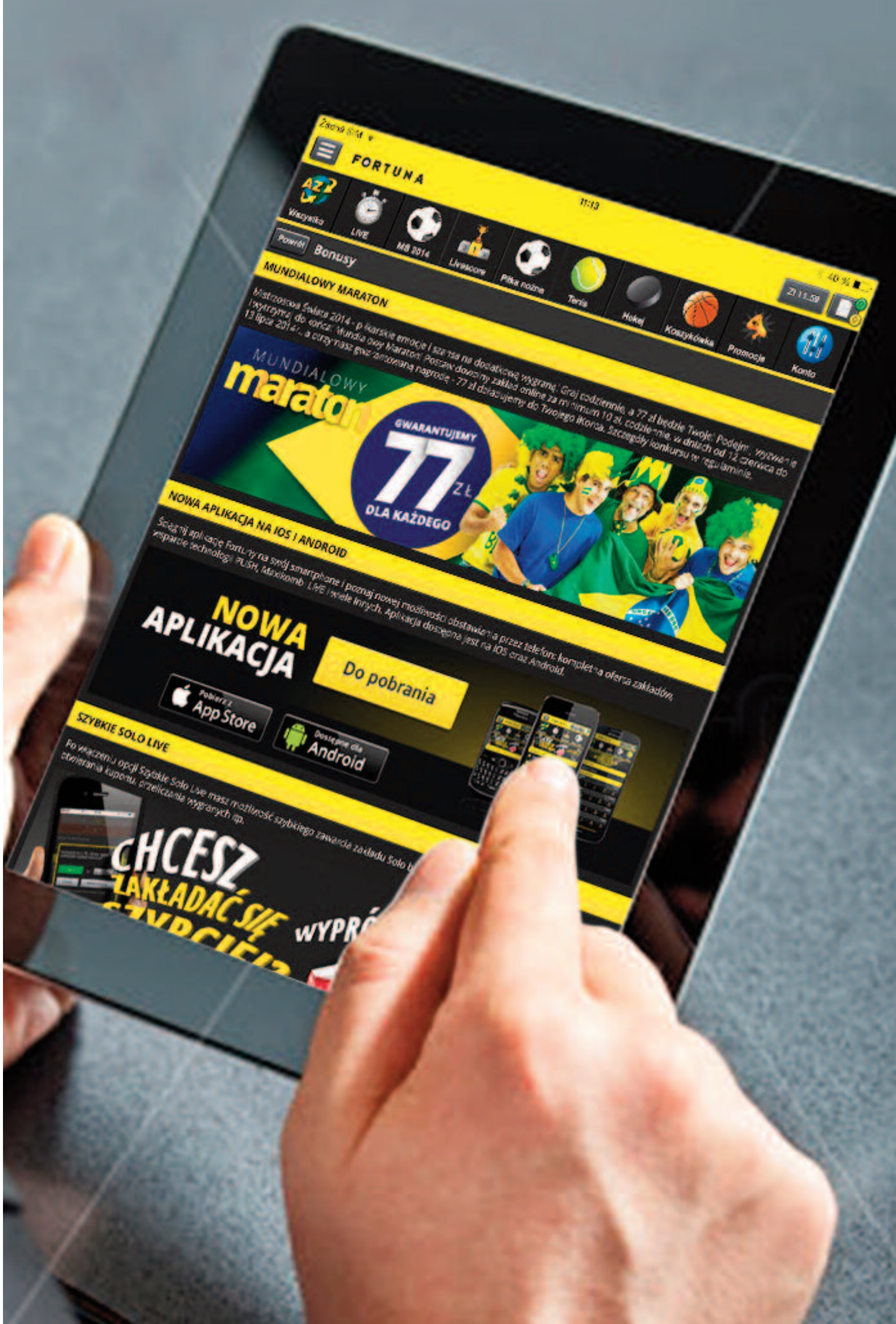
FORTUNA

Half Year Report of
Fortuna Entertainment Group N.V.
2014



1/ Overview

Fortuna Entertainment Group N. V. (hereinafter "Fortuna" or "FEG" or "the Group") is the leading Central European betting operator. The Group offers a comprehensive range of online and land network-based betting products, including pre-match betting on a range of sporting events, live betting for major televised matches and number games.

The founding company FORTUNA sázková kancelář a.s. (hereinafter "FORTUNA Betting Office, joint-stock company" or "Fortuna SazKan") was established in 1990 in Prague. From its incorporation, Fortuna SazKan's primary business was sports fixed-odds betting. A year later, Terno, a. s. was established in Slovakia. In 2005, Penta Investments became the owner of both entities and in the same year it acquired Poland's betting office Profesjonał. Subsequently, all the companies were rebranded under one brand: Fortuna. Fortuna developed online betting and the gaming platform FortunaWin, through which it has provided betting and gaming products to customers in Croatia since May 2011.

Thanks to its 20-plus years of experience on the CEE market, Fortuna sets industry 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 30 June 2014, Fortuna operated 1,638 points of sale in three markets.

Fortuna entered the numerical lottery market in the Czech Republic by launching its first numerical lottery game LOTO in July 2011. At the end of the first half of 2014, Fortuna offered four numerical lottery games and instant scratch tickets through a network of 5,900 points of sale (of which 1,450 were lottery terminals).

In October 2010, FEG went through a successful IPO on the stock exchanges in Prague and Warsaw. As of 30 June 2014, Fortuna's majority shareholder was FORTBET HOLDINGS LIMITED, a subsidiary of Penta Investment Limited, which held a 67.3% stake.

2/ First Half 2014 Financial Highlights

Financials (EUR thousands)	Six months to June 30, 2014	Six months to June 30, 2013	% change
Amounts Staked	333,206	275,861	20.8%
– of which sports betting	325,329	268,434	21.2%
– of which lottery	7,877	7,427	6.1%
Gross Win	65,857	57,407	14.7%
– of which sports betting	62,182	53,752	15.7%
– of which lottery	3,675	3,655	0.5%
Revenues	54,758	47,847	14.4%
– of which sports betting	51,063	44,170	15.6%
– of which lottery	3,695	3,677	0.5%
EBITDA	15,045	12,922	16.4%
– of which sports betting	14,997	13,180	13.8%
– of which lottery	48	(258)	118.6%
Operating Profit	13,036	11,151	16.9%
– of which sports betting	13,191	11,654	13.2%
– of which lottery	(155)	(503)	69.2%
Net Profit for the Period	8,998	7,560	19.0%
Ratios			
EBITDA Margin	27.5%	27.0%	0.5 pp
Operating Profit Margin	23.8%	23.3%	0.5 pp
Net Profit Margin	16.4%	15.8%	0.6 pp
CAPEX as % of Revenues	2.7%	3.7%	(1.0 pp)
Operations			
Number of Points of Sale (sports betting)	1,638	1,621	1.0%
Number of Lottery Terminals	1,450	1,531	(5.3%)
Number of Employees – EOP	2,552	2,477	3.0%

	As at June 30, 2014	As at June 30, 2013	% change
No. of Shares EOP	52,000,000	52,000,000	0.0%
Total Assets	86,930	88,064	(1.2%)
Total Equity	24,533	19,635	24.9%
Total Borrowings	41,619	49,737	(16.3%)
Net Debt/ (Net Cash)	30,251	38,272	(21.1%)
CAPEX	1,492	1,765	(15.5%)

3/ Management Report for the First Half of 2014

3.1 Financial Results in the First Half of 2014

Amounts Staked and Gross Win

In the first half of 2014, Fortuna recorded total Amounts Staked of EUR 333.2 million, 20.8% more than in the first half of 2013, according to the consolidated unaudited financial results. The strong Amounts Staked performance was clearly driven by growing internet and mobile sports betting in all the countries where Fortuna operates and was strongly supported by attractive sports events for bettors, namely the beginning of FIFA World Cup in Brazil but also by the Winter Olympics and the Ice Hockey World Championship.

The Amounts Staked from sports betting reached EUR 325.3 million in the first six months of 2014, 21.2% more than in the same period in 2013. Double-digit growth was recorded in all countries, with the Czech Republic having the strongest growth. The Amounts Staked from lottery bets totalled EUR 7.9 million in the first half of 2014, a 6.1% yoy increase, driven by the strong sales of popular scratch cards.

In the first half of 2014, the Gross Win came to EUR 65.8 million, an increase of 14.7% compared with the same period in 2013. The Gross Win from online sports betting in the first half of 2014 increased to EUR 32.2 million, a gain of 32.5% over the same period in 2013. The Gross Win from retail sports betting in the first half of 2014 amounted to EUR 29.9 million, 1.8% more than in the previous year. In terms of retail betting decline, this was greatest in the Czech Republic, but Poland and Slovakia grew in retail sports betting. The Gross Win from the lottery segment amounted to EUR 3.7 million in the first half of 2014, a modest 0.5% yoy increase.

Revenues, OPEX, EBITDA

In the first half of 2014, the Company recorded total revenues in the amount of EUR 54.7 million, 14.4% more than in the same period of the previous year. Of this, revenue from sports betting amounted to EUR 51.1 million and went up 15.6% yoy. Revenues from the lottery amounted to EUR 3.6 million, 0.5% more yoy.

Total operating costs in the first half of 2014 came to EUR 39.7 million, 13.7% more than in the same period of 2013. Staff costs went up 3.6% yoy to EUR 14.2 million, primarily due to new hires related to online betting and the IT department, and also higher management bonuses. In the first half of 2014, governmental taxes and levies amounted to EUR 6.2 million, 15.5% more than in the previous year. Other operating expenses (net) increased in the first half of 2014 by 21.8% to EUR 19.3 million as a result of investments into live streaming, marketing and an improvement in the live betting offer provided by bwin.Party, all related to the sports betting segment.

Group EBITDA of Fortuna amounted to EUR 15.0 million in the first half of 2014, 16.4% more than in the first half of 2013. Of this, sports betting EBITDA reached EUR 14.9 million, increasing 13.8% yoy. EBITDA of the lottery segment reached EUR 48 thousand, compared to a EUR 0.3 million loss last year and was fully in line with the Company's guidance. Total EBITDA recorded in the first half of 2014 exceeded the Company's initial guidance to grow full year EBITDA by 5–10%. Yet, the result from the first half of the year was impacted by major sporting events which will not be repeated in the second half. As a result, the management of the Company decided to keep its initial EBITDA guidance.

In the first half of 2014, depreciation increased by 13.4% yoy to EUR 2.0 million as a result of new investments into new systems in online sports betting and the amortisation of intangible assets resulting from the Gamestar acquisition.

EBIT and Net Profit

In the first half of 2014, operating profit (EBIT) amounted to EUR 13.1 million, 16.9% more than in the same period of the previous year. The EBIT of the sports betting segment was EUR 13.2 million, up 13.2% yoy. The EBIT from the lottery segment recorded a negative figure of EUR 0.1 million but improved 69.2% if compared with the same period last year.

Net finance costs reached EUR 1.2 million in the first half of 2014, up 115.3% yoy and resulting from higher interest costs due to refinancing last year.

Income tax amounted to EUR 2.9 million, 6.5% less than in 2013. The effective tax rate declined from 28.6% to 23.9%.

In the first half of 2014, the Company recorded a net profit of EUR 9.0 million, 19.0% more than in the previous year, primarily due to the rising level of accepted bets, solid margins generated in the first half of the year and continuous costs control.

Cash and Indebtedness

The total amount of bank debt as of 30 June 2014 was EUR 41.6 million, 16.3% less in comparison with 30 June 2013. Cash and cash equivalents as of 30 June 2014 amounted to EUR 11.4 million, 0.8% less than the figure as of 30 June 2013. The total balance of those two items resulted in a Company net debt position of EUR 30.2 million as of 30 June 2014, 21.1% lower than the position as of 30 June 2013.

CAPEX and Investments

In the first half of 2014, total capital expenditures amounted to EUR 1.5 million, 15.5% less than in the same period last year. The majority of capital expenditures were in the sports betting segments in the Czech Republic and Slovakia and included new investments into online betting support.

Sports Betting by Countries

The breakdown of revenues 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.

Sports betting in the Czech Republic generated more than one-half of the total Amounts Staked for the Company in the first half of 2014. Total Amounts Staked in the Czech Republic grew at a double-digit rate compared with the total in the first half of 2013, due to higher betting volumes. The collected service fees in the first half of 2014 declined due to the abolition of the online service fee and the rising share of online and live betting overall.

The Gross Win from sports betting in the Czech Republic in the first half of 2014 also grew at a double-digit rate if compared with the first half of 2013. Of that, the Gross Win generated by online grew at a double-digit level in the first half of 2014 and the Gross Win from retail sports betting in shops declined. The Gross Win generated via online betting was almost double the Gross Win from betting in shops.

The contribution of the Slovak sports betting business represented one-fourth of the Group's Amounts Staked in the first half of 2014. The total Amounts Staked in Slovakia experienced double-digit growth in the first half of 2014. The Gross Win in Slovakia grew in the online segment by double digits and in the retail segment it was stable if compared with the same period last year. The Gross Win generated from online betting in Slovakia for the first time exceeded the Gross Win from retail betting.

The total Amounts Staked in Poland in the first half of 2014 grew at a double digit rate, driven by both online and retail betting. The Gross Win from betting in Poland in the first half of 2014 also grew at a double digit rate. A higher relative growth level was recorded by the online business, but it was the retail betting that continued to represent the majority of the Gross Win in absolute terms and it was still growing compared with the same period last year.

Czech Republic Lottery

In the first half of 2014, the Amounts Staked from the Fortuna Lottery reached EUR 7.9 million, growth of 6.1% compared with the same period of last year. The Gross Win from the lottery amounted to EUR 3.7 million, 0.5% more than in the first half of 2013. The lottery results were fully in line with the Company's guidance on growing the total Amounts Staked this year and reached a positive EBITDA figure.

3.2 Sports Betting Channels and Distribution Network

The Group delivers its sports betting products to customers through retail betting outlets, and online/mobile. Telephone betting was ended at the beginning of 2014. The Group offers retail betting through outlets operating under its own brand name, and at counters and betting spaces 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.

The distribution channels used by the Group complement each other while serving different groups of customers. Betting outlets and especially "Partner" betting outlets operated in bars appeal to customers who like to discuss bets and prefer watching sports events in a social setting. The users of online/mobile are generally younger, better educated, and users of social networking sites and the various functionalities of tablets, smart phones and mobile phones. They 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. Currently, the share of internet and mobile betting is rising rapidly reflecting the customer behaviour pattern of betting on the move. The Group has betting outlets in the Czech Republic, Poland and Slovakia. In general, Fortuna's betting outlets are around 20 to 50 square metres in size.

The table below presents information on the Group's retail network as of 30 June 2014 and 2013:

	Czech Republic	Slovakia	Poland	Total
Betting outlets	307	221	407	935
"Partner" betting outlets	396	201	106	703
Total number as of 30 June 2014	703	422	513	1,638

	Czech Republic	Slovakia	Poland	Total
Betting outlets	333	225	395	953
"Partner" betting outlets	372	211	85	668
Total number as of 30 June 2013	705	436	480	1,621

Source: the Company

Online business

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

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

In addition, the Group operates an online betting and gaming platform under the FortunaWin brand that offers a wide range of products, including sports betting, live virtual betting, number betting, lottery and online casino. FortunaWin business is located in Malta.

3.3 Lottery in the Czech Republic

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

Scratch cards

Fortuna has been offering scratch cards since May 2011 and it has become the most successful lottery game run by the Company. Fortuna currently offers 25 series of scratch cards through a network of more than 5,900 points of sale.

As of 30 June, 2014, Fortuna operated 1,450 lottery terminals. Key distributors of Fortuna's numerical games are retail chains such as GECO, Spar, HDS Retail, Citi-Tabák and Peal, a number of individual retailers, tobacconists at supermarkets and large shopping malls and Fortuna's branches. Fortuna's terminals also offer mobile phone top-ups for customers of O2 Czech Republic, T-Mobile, Vodafone CZ and virtual mobile operators.

Fortuna has been expanding its distribution network for scratch cards and in June 2012 it signed a contract with Česká pošta s.p. (Czech Post Office) for the distribution of lottery products through its 3,300 branch offices. As a result of this agreement, Fortuna started offering its range of scratch cards at post offices across the whole of the Czech Republic from September 2012. In May 2013, Fortuna acquired a small scratch cards business from Czech company GAMESTAR a.s with the aim of obtaining access to their distribution network via Czech Railways.

In autumn 2013, Fortuna and Tipsport agreed to develop a joint venture in the area of instant games – scratch cards. While the agreement has been approved by the Czech antimonopoly office, the cooperation between Fortuna and Tipsport on scratch cards will not begin by reason of a decision of the other party.

Effective 1 July 2014, Fortuna Game a.s., a subsidiary of FEG and a provider of fixed-odds betting in the Czech Republic, acquired Intralot Czech s.r.o. Intralot Czech s.r.o. owns 2,500 lottery terminals for numerical games and instant lotteries offered by Fortuna. The acquisition of the Intralot Czech branch has formed an integral part of the restructuring of Fortuna's lottery project. In a short period of time, it will enable a faster growth of profits and, overall, a more flexible development of lottery products. Company results will be consolidated with FEG from July 2014.

Fortuna will continue in cooperation with the mother company Intralot, mainly in the area of software and apps development for the lottery terminals. The deal is financed by a bank debt with Česká spořitelna, Fortuna's financing bank. The transaction value is confidential and will not be disclosed.

3.4 Strategy

Growth Opportunities in Online Betting

The Group's online businesses in Slovakia and the Czech Republic have been growing organically since 2007 and 2009, respectively. The Group's strategy is to continue to grow its online businesses organically and to maximise the potential offered by the increased acceptance of betting and gaming as a pastime and the growth of broadband internet and mobile penetration. Following necessary changes in legislation, Fortuna began offering online betting in Poland in January 2012.

In addition, the Group has built its online betting and gaming platform FortunaWin, offering a wide range of products, including betting on sports and other events, live betting, numerical betting, a lottery and an online casino.

In 2012–2013, online business moved fast from websites to on-the-move betting (smart phones, tablets). Live betting and live streaming of matches now plays a crucial role in attracting customers wanting to bet on-the-move. The Group has focused on the development of product offers (a trading platform, live betting and live streaming) as well as on a new mobile application in order to be able to compete in this new emerging betting segment.

As a part of the mobile offer expansion, Fortuna chose bwin.party to provide a sports betting solution, namely bwin Feed. The B2B deal, which commenced in autumn 2013, integrates bwin.party's sports content – bwin Feed – into the Fortuna Entertainment Group N.V. sports betting client. The first months of the partnership have already delivered a positive impact for Fortuna's business, with overall sports betting figures, GGR, turnover, the number of bets and receptive sports content all growing.

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 is integrated into Fortuna's betting points-of-sale via a state-of-the-art interface, enabling Fortuna to offer its customers an extensive sportsbook and supporting content.

Strengthening the Retail Network

The Group aims to maximise cash generation from its core retail channel by growing Gross Win while carefully managing costs. To optimise the betting expenditures, the Group monitors its retail network and adjusts the number and location of retail betting outlets where Fortuna's products are offered on a regular basis. The Group also continuously upgrades the location, facilities, equipment and size of its retail betting outlets.

Fortuna intends to increase the number of its "Partner" betting outlets in order to decrease its fixed costs.

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

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

Lottery in the Czech Republic

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

In 2011, the monopoly lottery operator Sazka went through financial difficulties that affected the lottery market as a whole. Despite the difficulties in the field of numerical lottery games, scratch cards have been very successful and currently remain Fortuna's key product in the lottery area.

The lottery project has undergone a successful restructuring and the main targets have been achieved – positive EBITDA, halting the sales decline and achieving rising sales figures compared to last year as well as ownership control over lottery technology.

As far as the numerical games are concerned, the Group is currently preparing a sales strategy in order to increase sales in this segment and prepare the games for the launch of an online channel once this is permitted. One of the strategic moves was the purchase of a supplier of technology and licences – Intralot CZ.

Promotion of Brand Loyalty

The Group seeks to promote brand loyalty amongst its customers. The Group introduced a large-scale Fortuna Klub Plus loyalty programme in betting outlets in all of the countries in which it operates.

Management aims to improve the level of customer service it provides in all of its retail outlets and anticipates that this will be a key differentiator between the Group's retail outlets and those of its competitors. The Group further plans to improve the Fortuna Klub Plus members' service through the introduction of a new CRM system. The system is intended to improve customer relationships with the Group while building higher brand loyalty and to provide a targeted customer communication plan with a focus on activating and tracking the customer spend.

The Group cooperates with charities and plans to develop its social responsibility policy. In addition, the Group sponsors football teams in order to build positive associations with its brand and betting, and to emphasise the entertaining and social nature of betting, thereby increasing the appeal of its brand to existing and potential customers.

Entering New Markets

The Group continuously monitors regulatory changes and market opportunities across the Central and Eastern European region. The Group has developed FortunaWin, an online betting and gaming platform, which provides the Group with an opportunity to offer its products on markets in new countries.

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 online betting services in the countries where it has land-based operations.

3.5 Risk Factors

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

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 held in regard to the betting and gaming industry, negative or positive publicity surrounding the betting and gaming industry and other volatile factors. Therefore, the revenue of the Group may be adversely affected by temporary or permanent, sudden or gradual fluctuations in the demand for the Group's products which cannot be explained by the Group’s operating performance or the condition of the economy in general.

Changes in the Regulatory Environment

The Group operates in various jurisdictions in sectors that are subject to state and/or municipal regulation and supervision. The regulations are complex and the legal framework does not always reflect evident technological progress. Since the Group offers some of its products online it is exposed to the risk that certain jurisdictions, where the Group's customers are located or from which its advertisements may be accessed via the internet, may have conflicting laws or interpretations of such laws with regard to the legality or appropriate regulatory compliance of the Group's activities. In addition, the Group may try to offer its products in EU countries where the legal framework may contravene the free movement of services and impose limitations making the offering of such products impossible or economically unreasonable. In addition, different legal requirements in particular jurisdictions sometimes make it difficult to implement unified offers or to benefit fully from synergy effects.

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 this, the legal framework is currently under review in many European countries, which can result in various amendments and proposals for amendments. New legislation may be unfavourable to the operations of the Group or may require necessary adjustments to the operations. The Group Companies may be unable to implement new regulations in the prescribed period or at all. Consequently, the Group's operations in particular countries may change. An inability to use common solutions or implement common strategy may lead to additional expenses. Moreover, since the Group operates in a highly regulated market, the relationships with local regulators are very important to the business.

Changes in the 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.

Any increase of taxation or the imposition of new taxes may decrease the amount of money customers want to spend on the Group's products. It may also lead to increased competition from online betting and gaming organisers that do not comply with local regulations and therefore will not be affected by changes in taxation. Consequently, such changes may have a material adverse impact on the Group's revenues and financial results.

Dependence on Licences

The Group conducts activities that are highly regulated. Licences or permissions are required to organise sports betting or to provide gaming products. Regulations in each of the countries in which the Group operates stipulate, among other things, various conditions concerning organisation of services, marketing, employees, and premises in which products are sold. Furthermore, the introduction of new products may result in a necessity to obtain new licences or to widen the scope of current licences and to make respective adjustments to conducted operations. The Group makes all reasonable efforts to comply with the terms and conditions of its licences and to renew licences that are due to expire. Any failure to comply with any applicable regulations or the terms and conditions of its licences, or any unfavourable change of law, may lead to the Group losing one or more of its licences or to an inability to renew its licence(s). In addition, the Group's operating companies may be unable to fulfil all of the requirements, terms and conditions that are necessary to obtain licences or to widen the scope of licences for new products. The loss of licences or a failure to obtain new licences may have a material adverse effect on the business of the Group, its financial results and prospects.

Restrictions on Marketing & Advertising

Extensive restrictions apply to the marketing of betting and gaming services in some countries in which the Group operates. In those countries where such restrictions apply, the Group is forced to limit its marketing activities according to the relevant applicable laws. Such restrictions may have the effect of reducing the Group's potential to attract new customers, launch new products, implement a common marketing strategy or expand its market share in affected markets, and may lead to the loss of licences. In addition, the Group's advertisements may be accessed via the internet by customers in countries where such activities may be illegal and the Group may face criminal or civil proceedings as a result.

Crime, Fraud & Security

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

The continued activities of organised or other crime, fraud, new criminal challenges or activity to which the Group is not accustomed, or claims that the Group may have been involved in official corruption, may, in the future, bring negative publicity or disrupt the Group's ability to conduct its business effectively, which could therefore materially adversely affect the Group's business, financial condition, results of operations or prospects.

The integrity and security of betting and gaming operations are significant factors in attracting betting and gaming customers and in dealing with state authorities. Notwithstanding the Group's attempts to strengthen the integrity and security of its betting and gaming operations by improving its compliance functions and anti-money laundering procedures and its corporate governance policies and procedures, an allegation or a finding of illegal or improper conduct on the Group's part, or on the part of one or more of the Group's employees, or an actual or alleged system security defect or failure, could materially adversely affect the Group's business, financial condition, results of operations or prospects.

Risk Management Systems

The success of the Group depends on its risk management system. The internal risk management and control systems provide a reasonable assurance that the financial information does not contain any material misstatements and that the risk management and control systems functioned properly in the first six months ending 30 June 2014.

As part of the Group's risk management system, the Group compiles odds in order to assure their competitiveness and secure the Group's profit and monitors the bets proposed by customers to avoid any material exposures towards a particular sports event or to eliminate suspicious bets. In addition, the Group monitors the output of particular sports events and the paying out of prizes. The risk management is based on the work of experienced employees of the bookmaking department who provide the proper knowledge, experience and expertise and it is supported by bespoke 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

Over the long term, the Group’s Gross Win percentage has historically remained fairly constant. Over 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 stated risk. The effect of future fluctuations and single event losses could have a material adverse effect on the Group’s cash flows and therefore a material adverse effect on its business, financial condition and results of operations.

Due to the fact that the Group accepts bets related to sports events, its business and financial results are partially related to sports event schedules. Therefore factors such as weather conditions, acts of terrorism, wars and outbreaks of pestilence and infectious diseases, which may result in a cancellation or changes to the planned schedule of a sports event, may adversely impact the Group’s business, financial condition and results of operations.

Competition

The Group faces competition from other online and offline betting operators in the countries in which it operates, as well as from suppliers of other gaming products. The Group's competitors in the Group’s most important markets comprise a relatively small number of large national operators and a relatively large number of online betting companies, each competing for the same customers. Moreover, the Group may face difficulties in competing with some betting and gaming organisers that offer their products without local licences since these entities are usually subject to lower taxation than the Group Companies in the countries where they have their registered seat and do not pay taxes in countries in which the Group operates locally.

In Slovakia, Poland and the Czech Republic, a failure by the relevant governmental authorities to implement the level of regulation necessary to enforce prohibitions on offshore betting and gaming could affect the success of the Group’s operations in the given jurisdictions. There can be no assurance that competition from new or existing competitors who provide services on onshore and offshore bases in countries in which the Group operates will not have a material adverse effect on the Group’s operating results. In addition, there can be no assurance that any future development or investment by the Group will not be matched or surpassed by competitors.

Key Personnel

The Group’s success depends to a significant extent upon the contributions of a limited number of the Group’s key senior management and personnel, especially bookmakers and local managers. There can be no certainty that the Group will be able to retain its key personnel. The loss (whether temporary or permanent) of the services of any director, member of the senior management team or other key personnel such as bookmakers, either at the FEG level or within a local management team, could have a material adverse effect on the business, financial condition or results of operations of the Group.

Acquisitions

The Group may consider growing through acquisitions in the near future. The Group's ability to realise the expected benefits from future acquisitions will depend, in large part, on its ability to integrate new operations with existing operations in a timely and effective manner and to manage a greater number of portfolio assets. In addition, the Group's potential acquisition plans involve numerous risks, including the following: the Group's acquisitions may not be profitable or generate the anticipated cash flows, the Group may fail to expand its corporate infrastructure to facilitate the integration of its operations with those of the acquired assets, the Group may face difficulties entering markets and geographical areas where it has limited or no experience, the Group may have potential difficulties in integrating its operations and systems with those of acquired companies, the Group may face a possible anti-monopoly review by relevant competition authorities that could result in such authorities seeking to prohibit or unwind its acquisition of new businesses, and the Group may suffer failure/s in its acquisition strategy that could possibly hamper its continued growth and profitability.

Failure to Introduce New Innovative Products and Services

Sports betting is the main product offered by the Group. In order to attract and retain customers, the Group regularly introduces new betting opportunities for its customers. If the Group fails to roll out the lottery according to plan, this may have a material adverse impact on the Group's financial standing and prospects. Moreover, in order to widen the range of products that it offers, the Group wants to introduce virtual horse racing and other gaming products. The introduction of particular products requires additional spending and marketing efforts. However, there is no guarantee that new products will meet customers' expectations. Therefore, the growth of the Group's revenues may not be sustained or may be lower than expected, which may adversely affect the Group's financial standing and the valuation of its shares.

Financial Risks

The Group's results of operations are directly affected by the general financial risks related to conducting business such as credit risk, liquidity risk and interest rate risk. The Group has introduced respective policies to limit these risks and analyses the sensitivity to particular factors of the Group's financial standing. The Group also tries to limit its exposure to such risks inter alia by prepayments made by customers, the provision of services to clients with an appropriate creditworthy history, hedging transactions related to interest rates and the rational management of liquidity. There can be no assurance that the Group's financial risk management will be appropriate or that the procedures in place will limit the influence of particular factors on the Group's financial standing. Any failure with respect to financial risk management or the inappropriateness of procedures in place may adversely impact the Group's business, financial condition and results of operations.

In addition, the Group may be unable to control its costs for various reasons, such as movements in currency rates, inflation and other factors beyond the Group's control. Any failure in securing the financing of capital spending or in cost control may adversely impact the Group's financial condition, business and results of operations.

Currency Fluctuations

The Group's operating entities use the currency of the country in which they are domiciled as their functional currency, as the Group considers that this best reflects the economic substance of the underlying events and circumstances relating to that entity. The Group reports its financial results in euro. The Group also has expenses, assets and liabilities denominated in currencies other than euro due to its international operations, in particular, the Czech koruna and Polish zloty. The Group does not hedge the risk of operating companies' profit translations. Fluctuations in the exchange rates of these foreign currencies could have an impact on the Group's results.

Increases and decreases in the value of the euro versus other currencies could affect the Group's reported results of operations and the reported value of its assets and liabilities in its statement of its financial position even if the Group's results or the value of those assets and liabilities has not changed in their original currency. These translations could significantly affect the comparability of the Group's results between financial periods and/or result in significant changes to the carrying value of its assets, liabilities and shareholders' equity and its ability to pay dividends in the future.

Pledge in Favour of Česká spořitelna, a.s.

The Group companies have entered into financing agreements with Česká spořitelna, a.s. Upon the occurrence of an event of default, certain actions can be taken by Česká spořitelna, a.s. on the basis of the financing agreements, including an acceleration of the outstanding loans and foreclosure of security. In accordance with Share Pledge Agreements (concluded in connection with the Facilities Agreement between certain companies of the Group and Česká spořitelna, a.s.), Česká spořitelna, a.s. may, among others, foreclose on pledged shares, as a result of which Fortuna may cease to own Fortuna GAME, Fortuna SK, Fortuna PL, Riverhill and Alicela, which may result in a permanent or temporary inability of the Group to conduct business in the Czech Republic and/or the Slovak Republic and/or Poland.

Trademarks of Fortuna GAME registered in the Czech Republic with the Czech Industrial Property Office and registered in Slovakia with the Slovak Industrial Property Office and material trademarks of Fortuna PL registered in Poland with the respective authority are, together with bank account receivables and intra-group receivables of Fortuna GAME, Fortuna PL and Fortuna SK, pledged in favour of Česká spořitelna, a.s. to secure its receivables from the Facilities Agreement. If Česká spořitelna, a.s. forecloses on the aforementioned trademarks further to an event of default, Fortuna GAME and/or Fortuna PL may cease to own such trademarks and may not be able to use such trademarks in their operations, which may have a material adverse effect on the business of the Group.

Significant Influence of the Majority Shareholder

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

3.6 Material Subsequent Events

In July 2014, the Company announced that the approved joint venture between Fortuna and Tipsport in the scratch cards segment will not occur due to a decision of the other party.

Effective 1 July 2014, Intralot Czech s.r.o. was acquired by Fortuna Game a.s., a subsidiary of FEG and a provider of fixed-odds betting in the Czech Republic. Intralot Czech s.r.o. owns 2,500 lottery terminals for numerical games and instant lotteries offered by Fortuna. Fortuna will continue in cooperation with the parent company Intralot, mainly in the area of software and apps development for the lottery terminals. The deal is to be financed by a bank debt with Česká spořitelna, Fortuna's financing bank. The transaction value is confidential and will not be disclosed. Effective August 6, 2014, the company's name was changed from Intralot Czech s.r.o. to FORTUNA technology s.r.o.

There were no other material events that occurred after 30 June 2014.

4/ Shares and Shareholder Structure

Shareholder Structure as of 30 June 2014	
FORTBET HOLDINGS LIMITED, a subsidiary of Penta Investment Limited	67.26%
Management	0.01%
Other free float	32.73%

Source: Company Data

The total stake held by the management of the Company as of 30 June, 2014 was 0.01%.

As of 30 June 2014, the issued and paid-up share capital of FEG amounted to EUR 520,000 and was divided into 52,000,000 shares with a nominal value of EUR 0.01 each. All of the shares are ordinary registered shares, are fully paid up and rank pari passu with each other, and there is no other 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.

Share Price Development and Trading Activity in the First Half of 2014[1]

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.

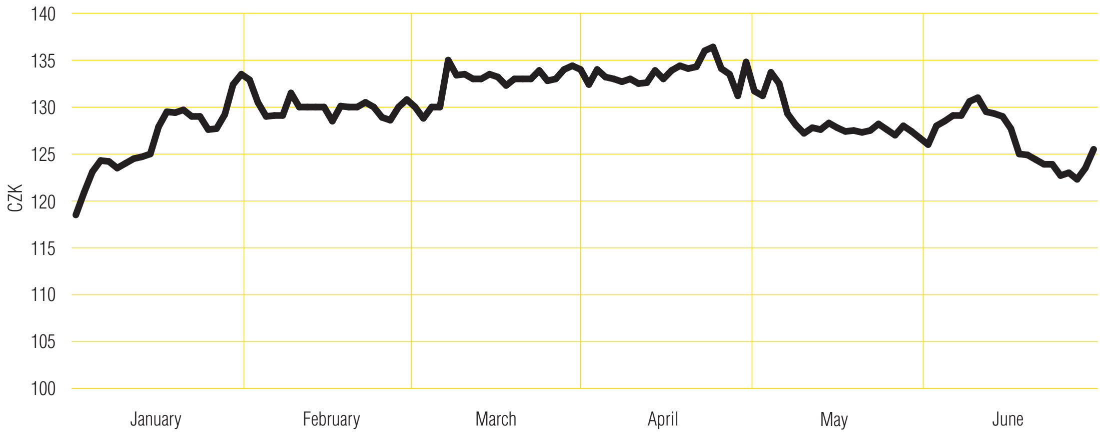
During the first half of 2014, Fortuna shares were traded for a total value of CZK 318 million on the Prague Stock Exchange and for a total value of PLN 15.7 million on the Warsaw Stock Exchange. The lowest trading prices during the six months were CZK 118 and PLN 16.9 and the highest were CZK 136 and PLN 20.8 on the Prague and Warsaw Stock Exchanges, respectively.

The closing price on 30 June 2014 was CZK 125 on the Prague Stock Exchange, while it was PLN 19.1 on the Warsaw Stock Exchange. Market capitalisation reached EUR 237 million (based on the Prague Stock Exchange quote).

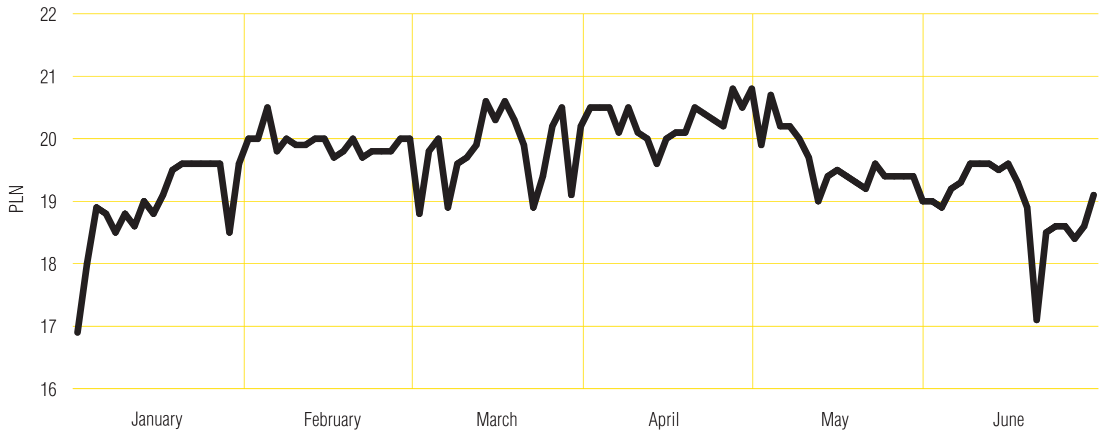
[1] Sources: PSE and WSE websites, Bloomberg

Diagram: Share Price Development from 1 January 2014 until 30 June 2014

PSE



WSE



Source: Bloomberg

5/ Dividend Policy and Dividend Payment

The Annual General Meeting (AGM) of shareholders of Fortuna Entertainment Group N.V. (FEG) held on 6 June, 2014 in Amsterdam approved the Management Board's proposal to effect a gross dividend payment of EUR 0.22 in cash per share.

The dividend was in accordance with the long-term dividend policy of the Company in which the dividend payout ratio is 70–100% of the consolidated Net Profit. The dividend payout represents approximately 73.5% of the consolidated Net Income of the Group. The dividend record date was set at 19 June, 2014 and the dividend payment date at 26 June, 2014.

The total sum allocated for the dividend amounts to EUR 11.44 million, which, based on the total number of shares of 52,000,000, equals EUR 0.22 per share.

The long-term dividend policy of the Company is to keep the dividend payout ratio within 70–100% of the consolidated Net Profit.

6/ Related Parties' Transactions

Notifications of Transactions of Directors and Members of the Supervisory Board and Notifications of Insider Transactions according to Section 5:60 of the Financial Supervision Act (Wft)

Fortuna Entertainment Group N.V. (hereinafter the "Company") informs that on 4 February 2014 the Company was notified by Mr. Michal Vepřek, a member of senior management and CFO, that between 30 January 2014 and 4 February 2014 he executed transactions in shares issued by the Company. His transactions involved the sale of 4,000 shares.

Prior to the transactions, Mr. Vepřek held 4,000 shares of the Company representing a 0.008% share of the total capital. Following the transactions, his holdings of Company shares amounted to zero.
The transactions were executed on the Prague Stock Exchange.

7/ Corporate Governance

Annual General Meeting of 6 June 2014

The Annual General Meeting of shareholders of Fortuna Entertainment Group N.V. was held on 6 June 2014 in Amsterdam. It was attended by shareholders who together hold 76.61% of the share capital and voting rights and, therefore, the AGM had a quorum. At Fortuna's AGM, all of the resolutions that were subject to shareholder approval were adopted. The adopted resolutions were the following:

The AGM adopted the annual accounts for the financial year 2013 as drawn up by the Management Board and as approved by the Supervisory Board. The annual accounts for the 2013 financial year were prepared under Dutch law (using IFRS rules) by the Management Board and were audited and provided with an auditor's unqualified report by Ernst & Young, the Company's external auditor.

The General Meeting approved a Management Board's proposal to effect gross dividend payments of EUR 0.22 in cash per share with a nominal value of one euro cent (EUR 0.01) for the financial year 2013. The dividend is in accordance with the communicated dividend policy – the dividend payout ratio is set at 70%–100% of the net profit from continuing operations (consolidated accounts). The dividend payout for 2013 represents approximately 73.5% of the net profit from continuing operations (consolidated accounts). The dividend record date was 19 June, 2014. The actual payment of the dividend occurred on 26 June, 2014.

In accordance with the advice of the Audit Committee, the AGM appointed Ernst & Young as the external auditor of the Company for the financial year 2014.

The General Meeting granted full discharge to each of the members of the Management Board for the performance of their management during the 2013 financial year. The General Meeting granted full discharge to each of the members of the Supervisory Board for the performance of their supervision during the 2013 financial year.

The General Meeting appointed Mr. Radim Haluza as a new Member of the Management Board in accordance with the articles of association of the Company. This appointment was effective as of 28 May 2013.

The General Meeting appointed Ms. Janka Galáčová as a Member of the Management Board in accordance with the articles of association of the Company for a new term of office. This appointment was effective as of 6 June 2014.

The General Meeting appointed Mr. Richard van Bruchem as a Member of the Management Board in accordance with the articles of association of the Company for a new term of office. This appointment was effective as of 6 June 2014.

Due to the resignation of Mr. Wilfred Walsh as a Member of the Management Board, the Management Board was reduced to three (3) members.

The General Meeting appointed current Vice-Chairman of the Management Board Mr. Radim Haluza as the new Chairman of the Management Board in accordance with the articles of association of the Company. This appointment was effective as of 6 June 2014.

The General Meeting appointed Mr. Václav Brož as a Member of the Supervisory Board in accordance with the articles of association of the Company for a new term of office. This appointment was effective as of 6 June 2014.

The General Meeting appointed Mr. Michal Horáček as a Member of the Supervisory Board in accordance with the articles of association of the Company for a new term of office. This appointment was effective as of 6 June 2014.

The General Meeting adopted a new Remuneration Policy as drawn up by the Supervisory Board. The draft of the new Remuneration Policy is also available for review on the Company's website.

The General Meeting renewed the authorisation for the Management Board, subject to the approval of the Supervisory Board, for a period of eighteen months as of 6 June 2014 to purchase fully paid-up shares in the Company's own capital on the stock exchange or otherwise for valuable consideration and to alienate shares in the Company's own capital, which shares were repurchased by the Company whether before or after 6 June 2014, for purposes of stock option plans and other general corporate purposes. The aforesaid authorisation pertains to the maximum number that the Company may acquire pursuant to the law and the articles of association of the Company as of the date of acquisition, in which respect the price must be between the amount equal to the nominal value of these shares and the amount equal to one hundred and ten percent (110%) of the average quotation of the listed shares on the stock exchange maintained by the Warsaw Stock Exchange and the Prague Stock Exchange in the five days prior to the purchase.

In addition, the General Meeting discussed the Annual Report 2013. The Annual Report 2013, including the Company's 2013 annual accounts, was prepared in accordance with Dutch law and the relevant rules, laws and regulations relating to the trading of the Company's shares on the Prague Stock Exchange and the Warsaw Stock Exchange. The Annual Report 2013 has been published on the Company's website (www.fortunagroup.eu) and is available for inspection at the office of the Company and can be obtained from the Company upon request.

Management Board Structure as of 30 June 2014

Name	Position	Office term in 1H 2014	Expiration of the office term
Radim Haluza	Vice Chairman of the Management Board/ Chairman of the Management Board[2]	1 January 2014 – 30 June 2014	at the General Meeting held in 2017
Janka Galáčová	Member of the Management Board	1 January 2014 – 30 June 2014	at the General Meeting held in 2018
Richard van Bruchem	Member of the Management Board	1 January 2014 – 30 June 2014	at the General Meeting held in 2018
Wilfred Walsh	Chairman of the Management Board	1 January 2014 – 6 June 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.

On 1 January 2013, the Dutch Management and Supervision (Public and Private Limited Liability Companies) Act [Wet bestuur en toezicht in naamloze en besloten vennootschappen] came into effect. New rules stipulated in this act also affect Fortuna Entertainment Group N.V. One of the rules introduced into the limited liability company law pertains to the "balanced distribution" of men and women on management boards and supervisory boards. Fortuna, as a Dutch public limited liability company (N.V.), must ensure that at least 30% of the seats on its management board are taken by women and that at least 30% are taken by men to the extent that those seats are occupied by natural persons. As of 30 June 2014, 33.3% of seats of the Management Board of Fortuna Entertainment Group N.V. were held by women (Janka Galáčová being the female board member), while the remainder were held by men.

[2] As of 6 June 2014

Supervisory Board Structure as at 30 June 2014

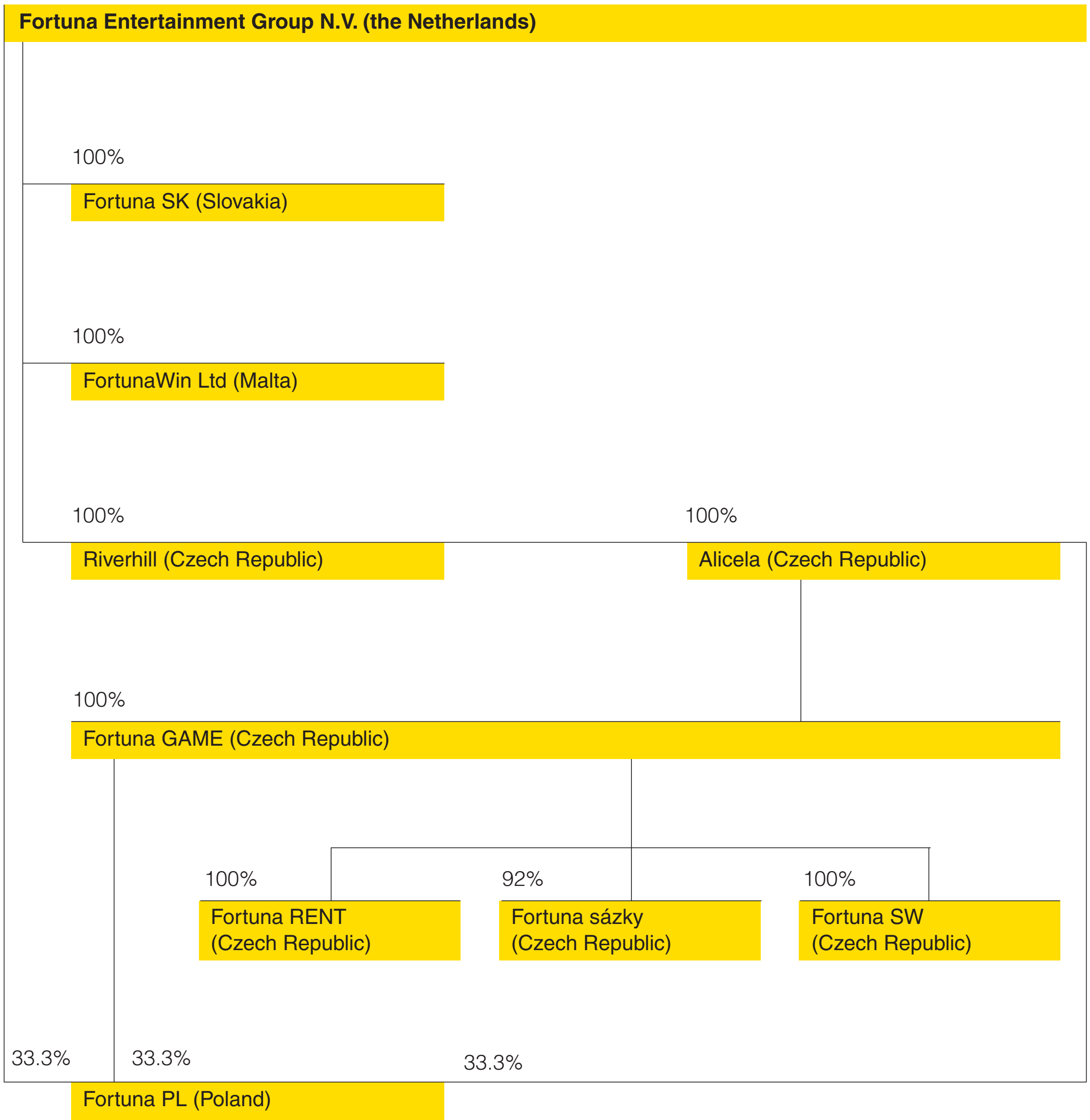
Name	Position	Office term in 1H 2014	Expiration of the office term
Václav Brož	Chairman of the Supervisory Board	1 January 2014 – 30 June 2014	at the General Meeting held in 2018
Michal Horáček	Member of the Supervisory Board	1 January 2014 – 30 June 2014	at the General Meeting held in 2018
Marek Rendek	Member of the Supervisory Board	1 January 2014 – 30 June 2014	at the General Meeting held in 2015
Marek Šmrha	Member of the Supervisory Board	1 January 2014 – 31 March 2014	

Effective as of 31 March 2014, Marek Šmrha resigned from his position as a member of the Supervisory Board of the Company. His position remains vacant until further notice.

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.

On 1 January 2013, the Dutch Management and Supervision (Public and Private Limited Liability Companies) Act [Wet bestuur en toezicht in naamloze en besloten vennootschappen] came into effect. New rules stipulated in this act also affect Fortuna Entertainment Group N.V. One of the rules introduced into the limited liability company law pertains to the "balanced distribution" of men and women on management boards and supervisory boards. Fortuna, as a Dutch public limited liability company (N.V.), must ensure that at least 30% seats of its supervisory board are taken by women and at least 30% are taken by men to the extent that those seats are occupied by natural persons. As of 30 June 2014, there were no females on the Supervisory Board of Fortuna Entertainment Group N.V. A total of 100% of the seats were held by men as a result of the previous distribution of the seats before the Dutch Management and Supervision Act came into effect. In the future, the Company does not exclude appointing women to achieve a balanced distribution of seats.

Organisational Structure as of 30 June 2014
The diagram below presents the current structure of the Group as of 30 June 2014:



Source: Company Data

Changes to the Organisational Structure in the first half of 2014

As of 6 June 2014 FortunaWin Ltd and FortunaWin Gaming based in Malta merged into a single entity under the name of Fortunawin Ltd. During the first half of 2014, Fortuna Real a.s. was successfully liquidated and the liquidation balance was transferred to its direct parent company Fortuna SK, a.s.

There were no other changes to the organisational structure in the first half of 2014.

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

Other Corporate Changes

Fortuna Entertainment Group N.V. plans to apply the consolidation exception under article 408 Title 9 BW2 of the Netherlands Civil Code concerning the possibility to prepare statutory financial statements of Fortuna Entertainment Group N.V. without Group consolidation to be audited by Dutch registered auditor. The Company will continue to prepare the consolidated financial statements which, however, will be audited by other than a Dutch auditor, most likely by an auditor within the Ernst & Young network.

The reason for the exception is a reduction of audit expenses.

The Company also reserves the right to prepare its consolidated financial statement with the Dutch registered auditor in the case that the exception through article 408 Title 9 BW2 is no longer applicable if more than 10% of shareholders do not agree with the auditor change or if the Company is not able to meet all conditions under 408 Title 9 BW2. The Company has to obtain an approval from its majority shareholder for this.

Management Statement

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

- the half year financial statements for the first half of 2014 included in this Half Year Report give a true and fair view of the assets, liabilities, financial position, and profit and loss of the Company and the entities included in the consolidation;
- the half-year Directors' report gives a true and fair view of the Company's position as of the balance sheet date of 30 June 2014, of the state of affairs during the six months of 2014 to which the report relates, and of those of the Company's related entities whose financial information has been consolidated in the Company's half-yearly financial statements, and of the expected course of affairs focusing in particular, where not detrimental to the Company's vital interests, on capital expenditures and circumstances affecting revenue developments and profit-earning capacity.
- the half-year Management Board Report gives a true and fair view of the important events of the past six-month period and their impact on the half-year financial statements, as well as the principal risks and uncertainties for the six-month period to come, and the most important related party transactions.

Amsterdam, 28 August 2014

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

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

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

8/ Interim Condensed Consolidated Financial Statements of Fortuna Entertainment Group N.V. for the Six Months Ending June 30, 2014

Unaudited Interim Condensed Consolidated Financial Statements prepared in accordance with IAS 34 as adopted by the European Union for the six months ended 30 June 2014

Content

Interim Condensed Consolidated Statement of Financial Position as at 30 June 2014

€ 000	Notes	30 June 2014 Unaudited	31 December 2013 Audited
ASSETS			
Non-current assets			
Goodwill	7	46,373	46,415
Intangible assets	10	8,565	8,850
Property, plant and equipment	10	4,494	4,773
Deferred tax assets		1,062	1,066
Restricted cash		4,757	4,761
Other non-current assets		2,105	1,990
Total non-current assets		67,356	67,855
Current assets			
Current receivables	11	5,210	4,348
Income tax receivable		6	1
Other current assets		2,990	2,168
Cash and cash equivalents	12	11,368	16,654
Total current assets		19,574	23,171
TOTAL ASSETS		86,930	91,026
EQUITY AND LIABILITIES			
Share capital		520	520
Share premium		8,262	8,262
Statutory reserve		5,413	5,414
Foreign currency translation reserve		(3,022)	(2,987)
Hedge reserve	9	(384)	(359)
Retained earnings		13,482	15,911
Equity attributable to equity holders of the parent		24,271	26,761
Non-controlling interests		262	274
Total Equity		24,533	27,035
Non-current liabilities			
Provisions	14	553	507
Long-term bank loans	12	37,383	39,518
Other non-current liabilities		32	29
Total non-current liabilities		37,968	40,054
Current liabilities			
Trade and other payables	14	17,247	15,736
Income tax payable		1,019	1,867
Provisions	14	835	1,154
Current portion of long-term bank loans	12	4,236	4,243
Derivatives	15	485	493
Other current liabilities		607	444
Total current liabilities		24,429	23,937
Total Equity and Liabilities		86,930	91,026

Interim Condensed Consolidated Statement of Profit or Loss for the Six Months Ended 30 June 2014

€ 000	Notes	30 June 2014 Unaudited	30 June 2013 Unaudited
Amounts staked	6	333,206	275,861
Revenue	6	54,758	47,847
Governmental taxes and levies	6	(6,222)	(5,387)
Personnel expenses		(14,183)	(13,688)
Depreciation and amortisation	6	(2,009)	(1,771)
Other operating income		367	408
Other operating expenses	16	(19,675)	(16,258)
Operating profit	6	13,036	11,151
Finance income		173	633
Finance cost		(1,378)	(1,193)
Profit before tax		11,831	10,591
Income tax expense	8	(2,833)	(3,031)
Net profit for the period		8,998	7,560
Attributable to:			
Equity holders of the parent		9,010	7,560
Non-controlling interests		(12)	–
		8,998	7,560
Earnings per share (€)			
Weighted average number of ordinary shares for basic earnings per share		52,000,000	52,000,000
Basic and diluted, profit for the period attributable to ordinary equity holders of the parent		0.173	0.145
Basic and diluted, profit for the period from continuing operations attributable to ordinary equity holders of the parent		0.173	0.145

Interim Condensed Consolidated Statement of Comprehensive Income for the Six Months Ended 30 June 2014

€ 000	Notes	30 June 2014 Unaudited	30 June 2013 Unaudited
Profit for the period		8,998	7,560
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net gain/(loss) on revaluation of cash flow hedges	9	(31)	250
Income tax effect	9	6	(25)
		(25)	225
Exchange differences on translation of foreign operations		(35)	(1,916)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(60)	(1,691)
Other comprehensive income for the period, net of tax		(60)	(1,691)
Total comprehensive income for the period, net of tax		8,938	5,869
Attributable to:			
Equity holders of the parent		8,950	5,869
Non-controlling interests		(12)	–
		8,938	5,869

Interim Condensed Consolidated Statement of Cash Flows for the Six Months Ended 30 June 2014

€ 000	Notes	30 June 2014 Unaudited	30 June 2013 Unaudited
Cash flows from operating activities			
Profit before tax		11,831	10,591
Adjustments for:			
Depreciation and amortisation		2,009	1,771
Changes in provisions	15	(273)	(291)
(Gain) / Loss on disposal of property, plant and equipment		(3)	(15)
Interest income and expense		704	465
Change in fair value of derivatives		–	(111)
Operating profit before working capital changes		14,268	12,410
(Increase) / Decrease in other assets		(953)	(771)
(Increase) / Decrease in receivables		(883)	(1,722)
(Decrease) / Increase in payables and other liabilities		1,758	303
Increase / (Decrease) in restricted cash		–	2,335
Cash generated from operating activities		14,190	12,555
Corporate income tax paid		(3,687)	(2,753)
Net cash flows provided by / (used in) operating activities		10,503	9,802
Cash flows from investing activities			
Interest received		43	80
Repayment of liabilities for purchase of subsidiary		(45)	–
Purchase of buildings, equipment and intangible assets	10	(1,492)	(1,625)
Proceeds from sale of buildings and equipment		8	41
Net cash flows provided by / (used in) investing activities		(1,486)	(1,504)
Cash flows from financing activities			
Net proceeds from / (Repayments of) borrowings		(2,166)	24,708
Incurred transaction costs capitalized		–	(496)
Dividends paid	13	(11,440)	(34,840)
Interest paid		(701)	(538)
Net cash flows provided by / (used in) financing activities		(14,307)	(11,164)
Net effect of currency translation in cash		4	(1,149)
Net decrease in cash and cash equivalents		(5,286)	(4,015)
Cash and cash equivalents at the beginning of the period		16,654	15,480
Cash and Cash Equivalents at the end of the period		11,368	11,465

Interim Condensed Consolidated Statement of Changes in Equity for the Six Months Ended 30 June 2014

€ 000	Share capital	Share premium	Statutory reserves	Retained earnings	Cash flow hedge reserve	Foreign currency translation reserve	Total	Non-controlling interests	Total
1 January 2014	520	8,262	5,414	15,911	(359)	(2,987)	26,761	274	27,035
Profit for the period	–	–	–	9,010	–	–	9,010	(12)	8,998
Other comprehensive income	–	–	–	–	(25)	(35)	(60)	–	(60)
Total comprehensive income	–	–	–	9,010	(25)	(35)	8,950	(12)	8,938
Dividend paid-out to shareholders	–	–	–	(11,440)	–	–	(11,440)	–	(11,440)
Statutory reserve movement	–	–	(1)	1	–	–	–	–	–
30 June 2014 (unaudited)	520	8,262	5,413	13,482	(384)	(3,022)	24,271	262	24,533

Interim Condensed Consolidated Statement of Changes in Equity for the Six Months Ended 30 June 2013

€ 000	Share capital	Share premium	Statutory reserves	Retained earnings	Cash flow hedge reserve	Foreign currency translation reserve	Total
1 January 2013	520	25,942	5,021	17,369	(367)	468	48,953
Profit for the period	–	–	–	7,560	–	–	7,560
Other comprehensive income	–	–	–	–	225	(1,916)	(1,691)
Total comprehensive income	–	–	–	7,560	225	(1,916)	5,869
Dividend paid-out to shareholders	–	(17,680)	–	(17,160)	–	–	(34,840)
Statutory reserve movement	–	–	(347)	–	–	–	(347)
30 June 2013 (unaudited)	520	8,262	4,674	7,769	(142)	(1,448)	19,635

Notes to Interim Condensed Consolidated Financial Statements as at 30 June 2014

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements for the six months ended 30 June 2014 of Fortuna Entertainment Group N.V. ("FEGNV", "Company"), comprise the interim condensed consolidated statement of financial position as at 30 June 2014 and 31 December 2013, the interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of cash flows and interim condensed consolidated statements of changes in equity for the six months ended 30 June 2014 and 30 June 2013, and a summary of significant accounting policies and other explanatory notes.

The interim condensed consolidated financial statements of FEGNV for the six months ended 30 June 2014 were authorized for issue by the Board of Directors on 28 August 2014.

FEGNV has its registered office at Strawinskylaan 809, Amsterdam, the Netherlands. As at 30 June 2014 FORTBET HOLDINGS LIMITED (formerly AIFELMONA HOLDINGS LIMITED) having its registered office at 212 Agias Fylaxeos & Polygnostou Street, C&I Center, 2nd Floor, 3082 Limassol, Cyprus, held 67.26% of the shares of the Company and was controlling shareholder; the remaining 32.74% of shares are publically traded at the Polish stock exchange in Warsaw and the Czech stock exchange in Prague.

Description of business

Fortuna Entertainment Group N.V. operates in the betting industry under local licences in Czech Republic, Slovakia and in Poland and via an online platform based in Malta. Sports' betting is the key product of FEGNV with the most popular betting events being football, ice hockey, tennis and basketball. The odds are distributed to customers via retail chains, online web sites and mobile applications in the Czech Republic, Slovakia and Poland.

In May 2011 the Group started with commercial sale of scratch tickets and in the second half of the year 2011 the company launched numerical lottery games in the territory of the Czech Republic.

FEGNV has the following members of Management and Supervisory Board as at 30 June 2014:

Management Board	
Chairman:	Radim Haluza
Member:	Richard van Bruchem
Member:	Janka Galáčová

Supervisory Board	
Chairman:	Václav Brož
Member:	Marek Rendek
Member:	Michal Horáček

The General Meeting appointed current Vice-Chairman of the Management Board Mr. Radim Haluza as a new Chairman of the Management Board in accordance with the articles of association of the Company. This appointment was effective as at 6 June 2014.

The General Meeting appointed Ms. Janka Galáčová as a Member of the Management Board in accordance with the articles of association of the Company for a new term of office. This appointment was effective as at 6 June 2014.

The General Meeting appointed Mr. Richard van Bruchem as a Member of the Management Board in accordance with the articles of association of the Company for a new term of office. This appointment was effective as at 6 June 2014.

Due to the resignation of Mr. Wilfred Walsh as a Member of the Management Board, the Management Board was reduced to three (3) members.

The General Meeting appointed Mr. Václav Brož as a Chairman of the Supervisory Board in accordance with the articles of association of the Company for a new term of office. This appointment was effective as at 6 June 2014.

The General Meeting appointed Mr. Michal Horáček as a Member of the Supervisory Board in accordance with the articles of association of the Company for a new term of office. This appointment was effective as at 6 June 2014.

Effective 31 March 2014, Mr. Marek Šmrha resigned from his position as member of the Supervisory Board of the Company. His position remains vacant until further notice

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2014 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Fortuna Group's annual financial statements as at 31 December 2013.

FEGNV was incorporated on 4 November 2009 with the purpose to transfer all subsidiaries of Penta Investments Limited forming the betting business (the subsidiaries) to FEGNV with the intention of an initial public offering of Fortuna Entertainment Group N.V.'s shares on the main market of Giełda Papierów Wartościowych Warszawie S.A. (the Warsaw Stock Exchange, "WSE") and Burza cenných papírů Praha, a.s (the Prague Stock Exchange, "PSE") in 2010. The transfer of the subsidiaries was completed on 12 May 2010 due to certain regulatory approvals being required to transfer FORTUNA zakłady bukmakerskie Sp. z o.o. The initial public offering of FEGNV's shares on the Warsaw and Prague Stock exchange got executed on 28 October 2010 and 27 October 2010, respectively.

The interim condensed consolidated financial statements have been prepared on a historical cost basis unless disclosed otherwise.

The interim condensed 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 interim condensed consolidated financial statements comprise the financial statements of FEGNV and its subsidiaries as at 30 June 2014.

At the date of these interim condensed consolidated financial statements, FEGNV is the legal parent of legal entities operating in the betting industry which are ultimately owned by Penta. The interim condensed consolidated financial statements in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union were prepared by FEGNV, as reporting entity, as at 30 June 2014 and include the following entities ("Fortuna Group", "the Group"):
Fortuna Entertainment Group N.V.
RIVERHILL a.s.
ALICELA a.s.
FORTUNA GAME a.s.
FORTUNA RENT s.r.o.
FORTUNA sázky a.s.
FORTUNA software s.r.o.
FortunaWin Ltd.
FORTUNA SK, a.s.
FORTUNA Online Zaklady Bukmacherskie Sp. z o.o.

All entities are 100% owned by FEGNV, either directly or indirectly except for Fortuna sázky a.s. where E-INVEST bought an 8% stake in the company FORTUNA sázky a.s. in July 2013.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Fortuna Group's consolidated financial statements for the year ended 31 December 2013, except for the adoption of new Standards and Interpretations as of 1 January 2014, noted below:

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014.

The Group has applied IFRIC 21 Levies that requires restatement of previous financial statements. The adoption of this standard does not have material impact on the Group as at 30 June 2014 or 30 June 2013.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32
These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Group as the Group has not novated its derivatives during the current or prior periods.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36
These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. This amendment does not have impact on the Group as none of the assets was impaired as of 30 June 2014 or 30 June 2013.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. INFORMATION ABOUT PRODUCTS AND SERVICES

The Group's results of operations are affected by the schedule of sporting events on which the Group accepts bets. The football tournaments in Europe and around the world that contribute significantly to the Group's revenue and gross win from betting are reflected in the financial results in the spring and autumn months. Therefore, the Group has traditionally recorded higher amounts staked in the spring and autumn months although this has been to some extent balanced by the on-line betting that is less exposed to seasonality.

The Group's results of operations are also affected by the significant sporting events that may occur at regular but infrequent intervals, such as the Olympic Games, the FIFA Football World Cup, the IIHF World Championships and the UEFA European Football Championship.

The Group revenues are subject to the short-term volatility of profitability which may lead to either excess or insufficient revenue margins. The half year results may be seen as relatively short term. Comparison of the results over a longer period of time provides more precise information about the performance of the business, however the management has concluded that this is not "highly seasonal" in accordance with IAS 34.

5. BUSINESS COMBINATIONS

As of June 6, 2014 FortunaWin Ltd and FortunaWin Gaming based in Malta merged into a single entity under the name of Fortunawin Ltd. There were no other changes to the organizational structure in the first half of 2014.

On 25 May 2013, the Group acquired instant lottery operations of Gamestar, a.s., a small company operating in the Czech Republic. In this transaction, the Group acquired licences to operate three instant lottery games in the territory of the Czech Republic and intangible assets relating to these instant lottery games such as trademarks and distribution contracts. No tangible assets were acquired by the Group. Further, gaming deposit of € 1,985 thousand was transferred to the Group but remained payable to Gamestar, a.s. Gaming deposit was included in the interim condensed consolidated financial statements both as current receivable and trade and other payable. In July 2013 it was released by Ministry of Finance of the Czech Republic and paid back to Gamestar, a.s.

The results of acquired instant lottery games for the period from 25 May 2013 until 30 June 2013 included in the interim condensed consolidated financial statements are immaterial to the Group (revenue of € 28 thousand). Consideration transferred was determined to be contingent, based on the performance of the instant lottery games acquired and will be settled on a quarterly basis in future periods. Fair value of the consideration transferred will be calculated once the terms are set and the whole transaction will be accounted for using the acquisition method. Goodwill and any identifiable assets and liabilities are immaterial to the Group and were included in the Group consolidated financial statements as at 31 December 2013.

6. SEGMENT INFORMATION

Identification of reportable segments
Since 2013 the Group distinguishes for management purposes two reportable segments, Sports betting and Lottery. Sports betting segment includes operations in the sports betting industry in the Czech Republic, Slovakia, Poland and via an online platform based in Malta also in Croatia. Lottery segment includes scratch tickets and numerical lottery games operated by the Group in the territory of the Czech Republic.

The parent company, FEGNV, does not report any significant results, assets and liabilities other than its interest in subsidiaries and equity and is included in Sports betting segment.

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects, as explained in the table below, is measured differently from operating profit or loss in the interim condensed consolidated financial statements. Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

The following tables present revenue and profit information regarding the Group's operating segments and revenue streams for the six months ended 30 June 2014 and 2013 respectively.

Period ended 30 June 2014 (unaudited) € 000	Sports betting	Lottery	TOTAL
Revenue	51,063	3,695	54,758
Governmental taxes and levies	5,479	743	6,222
Depreciation and amortisation	1,807	202	2,009
Operating profit	13,191	(155)	13,036
Capital expenditure	1,480	12	1,492

Period ended 30 June 2013 (unaudited) € 000	Sports betting	Lottery	TOTAL
Revenue	44,170	3,677	47,847
Governmental taxes and levies	4,595	792	5,387
Depreciation and amortisation	1,526	245	1,771
Operating profit	11,654	(503)	11,151
Capital expenditure	1,774	21	1,765

Segment results for each operating segment excludes net finance costs of € 1,205 thousand and € 560 thousand for the 6 months ended 30 June 2014 and 2013, respectively, and income tax expense of € 2,833 thousand and € 3,031 thousand for the 6 months ended 30 June 2014 and 2013, respectively.

Capital expenditure consists of additions to property, plant, and equipment and intangible assets including assets from the acquisition of subsidiaries for the 6 months ended 30 June 2014 and 2013, respectively.

The following tables present assets and liabilities information regarding the Group's operating segments as at 30 June 2014 and 31 December 2013 respectively.

30 June 2014 (unaudited) € 000	Sports betting	Lottery	TOTAL
Non-current assets excl. goodwill	12,537	522	13,059
Operating segment assets	35,797	4,760	40,557
Operating segment liabilities	17,677	2,616	20,293

31 December 2013 (audited) € 000	Sports betting	Lottery	TOTAL
Non-current assets	12,920	703	13,623
Operating segment assets	39,877	4,734	44,611
Operating segment liabilities	17,107	2,630	19,737

Segment non-current assets consist of property, plant and equipment and intangible assets.

Segment assets exclude goodwill of € 46,373 thousand and € 46,415 thousand for the period ended 30 June 2014 and 31 December 2013, respectively, as this asset is managed on a group basis.

Segment liabilities exclude bank loans of € 41,619 thousand and € 43,761 thousand for the periods ended 30 June 2014 and 31 December 2013, respectively, and derivatives of € 485 thousand and € 493 thousand for the periods ended 30 June 2014 and 31 December 2013, respectively, as these liabilities are managed on a group basis.

Information about product and services

An analysis of the Group's revenue for the period is as follows. Amounts staked do not represent the Group's revenue and comprise the total amount staked by customers on betting and lottery activities.

Period ended 30 June 2014 (unaudited) € 000	Sports betting	Lottery	TOTAL
Total amounts staked	325,329	7,877	333,206
– of which: Sports betting – Bets	313,202	–	313,202
– of which: Sports betting – Commissions	12,127	–	12,127
– of which: Lottery – Bets	–	7,877	7,877
Paid out prizes	(263,147)	(4,202)	(267,349)
Gross win	62,182	3,675	65,857
– of which: Sports betting – Online	32,262	–	32,262
– of which: Sports betting – Retail	29,920	–	29,920
– of which: Lottery	–	3,675	3,675
Withholding tax paid	(9,930)	–	(9,930)
Other revenues	(1,189)	20	(1,169)
Revenue	51,063	3,695	54,758
Taxation of earnings from betting/gaming	(5,479)	(743)	(6,222)

Period ended 30 June 2013 (unaudited) € 000	Sportsbook	Lottery	TOTAL
Total amounts staked	268,434	7,427	275,861
– of which: Sports betting – Bets	257,079	–	257,079
– of which: Sports betting – Commissions	11,355	–	11,355
– of which: Lottery – Bets	–	7,427	7,427
Paid out prizes	(214,682)	(3,772)	(218,454)
Gross win	53,752	3,655	57,407
– of which: Sports betting – Online	24,352	–	24,352
– of which: Sports betting – Retail	29,400	–	29,400
– of which: Lottery	–	3,655	3,655
Withholding tax paid	(8,585)	–	(8,585)
Other revenues	(997)	22	(975)
Revenue	44,170	3,677	47,847
Taxation of earnings from betting/gaming	(4,595)	(792)	(5,387)

Since 2014, the customer's acquisition and retention bonuses are presented as a part of other income. For the better comparability of the two periods, the amount of Other revenues for the period ended 30 June 2013 was adjusted to include these bonuses (client bonuses were previously reported as part of the marketing expenses).

7. IMPAIRMENTS

Goodwill and intangible assets

Goodwill and intangible assets with indefinite lives are tested for impairment annually (as at 31 December) and when circumstances indicate the carrying value may be impaired. Fortuna Group's impairment test for goodwill and intangible assets with indefinite lives is based on value-in-use calculations that use a discounted cash flow model. The key assumptions used to determine the recoverable amount for different cash generating units were discussed in the consolidated financial statements for the year ended 31 December 2013.

The Group management is of the opinion that there are no indications for a potential impairment of goodwill and intangible assets with indefinite lives as at 30 June 2014.

8. INCOME TAX

The Group calculates the period income tax expense using the tax rate that would be applicable to expected total annual earnings, i.e., the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

The major components of income tax expense in the interim condensed consolidated statement of income are:

€ 000	30 June 2014 (unaudited)	30 June 2013 (unaudited)
Current income tax:		
Current income tax charge	2,836	2,846
Deferred tax:		
Relating to origination and reversal of temporary differences	(3)	186
Income tax expense reported in the statement of income	2,833	3,031

Decrease in Current income tax was caused mainly by the unusually high tax expense for 6 months ended 30 June 2013. This was driven by the loss of tax shield from lottery business due to formation of separate legal entity providing lottery activities. There is also a significant impact of decrease in tax rate in Slovakia to 22% (2013: 23%).

9. COMPONENTS OF OTHER COMPREHENSIVE INCOME

€ 000	30 June 2014 (unaudited)	30 June 2013 (unaudited)
Movements of other comprehensive income before tax		
Cash flow hedges		
Gains / (losses) arising during the year		
Interest rate swap contracts	(31)	250
Exchange differences on translation of foreign operations	(35)	(1,916)
Total effect on other comprehensive income resulting from cash flow hedges (before tax)	(66)	(1,666)
Tax effect of components of other comprehensive income		
Cash flow hedges		
Gains / (losses) arising during the year		
Interest rate swap contracts	6	(25)
Total tax effect on other comprehensive income resulting from cash flow hedges	6	(25)

10. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, Fortuna Group acquired non-current assets with a cost of € 1,492 thousand (30 June 2013: € 1,765 thousand).

11. CURRENT RECEIVABLES

€ 000	30 June 2014 (unaudited)	31 December 2013 (audited)
Receivables from related parties	851	84
Advance payments and deposits	523	382
Other receivables (current)	3,836	3,882
Total	5,210	4,348

Receivables from related parties amounting to € 851 thousand represents the amount of the withholding tax which was incorrectly paid out to the shareholders in 2013 and had to be paid to Dutch tax authorities in 2014. Company will decide how the amount will be recovered from shareholders in the second half of 2014.

Other receivables includes also receivable of € 2,709 thousand from Polish tax authorities. Fortuna won the court hearings in Warsaw regarding the VAT overpayment for the period 2005–2008. This amount was included in 2013 in statement of profit or loss.

12. CASH AND CASH EQUIVALENTS

€ 000	30 June 2014 (unaudited)	31 December 2013 (audited)
Cash at bank	7,966	14,374
Cash in hand and in transit	3,402	2,280
Cash and cash equivalents	11,368	16,654

Cash and Indebtedness
In June 2013 Fortuna Group signed a 6-year EUR 50 million multicurrency credit facility agreement with Česká spořitelna, a.s. The new loan was used for refinancing of the existing bank debt, share premium distribution (see note 13) and in addition, for investments into product development in the area of sports betting. The total interest rate of the new financing consists of EURIBOR/PRIBOR and interest rate margin in the range of 1.75–3.00% depending on Net Debt/EBITDA ratio. The new loan is secured by shares of Group's subsidiaries in the Czech Republic, Slovakia and Poland, by bank accounts and Fortuna's trademark.

The total bank debt as of 30 June 2014 amounted to € 41,619 thousand (30 June 2013: € 43,761). Cash and cash equivalents as of 30 June 2014 amounted to € 11,368 thousand (30 June 2013: € 16,654). As a result, net debt position of the Group as of 30 June 2014 increased to € 30,251 from € 27,106 thousand as of 31 December 2013.

13. DIVIDENDS PAID AND PROPOSED

The Annual General Meeting (AGM) of shareholders of Fortuna Entertainment Group N.V. held on 6 June 2014 in Amsterdam approved the Management Board's proposal to pay-out a gross dividend of € 0.22 in cash per share for the financial year 2013. Actual payment of dividend occurred on 26 June 2014 and it was in accordance with the communicated dividend policy.

Declared and paid during the year: € 000	2014	2013
Dividend for 2012 paid in 2013	–	34,840
Dividend for 2013 paid in 2014	11,440	–
Total	11,440	34,840

14. PROVISIONS

Long term provisions relates to the Jackpot from the numerical lottery game Loto and is calculated and accounted for based on the best estimate of future outcomes.

Short term provision relates mainly to the bonuses for management and other employees. Since 2014, this provision is created linearly during the year, while in 2013 and before the provision was calculated before the year end. If the amount of the provision was recorded in the same way as in 2013 (in December), the profit for the 6 months ended 30 June 2014 would be higher by € 526 thousand.

Short term provisions as of 31 December 2013 are higher by € 320 thousand than presented in the 2013 annual report due to the retrospective reclassification of this amount from the accruals (included in Trade and other payables as at 31 December 2013) as the substance of the transaction was provision rather than accrual. This reclassification had no impact on the profit or loss statement for the neither period.

15. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Derivatives
As at 30 June 2014, Fortuna Group held interest rate swaps with a notional amount of € 19,502 thousand (31 December 2013: € 26,065 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	30 June 2014 (unaudited) Liabilities	31 December 2013 (audited) Liabilities
Cash flow hedges	485	453
Held for trading	–	40
Total cash flow hedges	485	493

Fair value hierarchy
As at 30 June 2014, Fortuna Group had derivative contracts measured at fair value of € 485 thousand (liability).

All financial instruments carried at fair value are categorised in three categories by reference to the observability and significance of the inputs used in measuring fair value. The categories are defined as follows:
Level 1 — Quoted market prices
Level 2 — Valuation techniques (market observable)
Level 3 — Valuation techniques (non-market observable)

As at 30 June 2013, the Group held the following financial instruments measured at fair value:

Financial instruments € 000	30 June 2014	Level 1	Level 2	Level 3
Interest rate swaps	(485)	–	(485)	–

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 quality of counterparties and interest rate curves.

Bank loan covenants
Bank covenants are subject to regular quarterly review. As of 30 June 2014, Fortuna Group was in compliance with the bank loan covenants.

16. OTHER OPERATING EXPENSES

€ 000	30 June 2014 (unaudited)	30 June 2013 (unaudited)
Operating lease expense	(4,343)	(4,426)
Franchise fees	(1,777)	(1,405)
Materials and office supplies	(1,212)	(1,097)
Marketing and advertising	(4,325)	(3,093)
Telecommunication costs	(968)	(1,093)
Energy and utilities	(733)	(788)
Repairs and maintenance	(246)	(347)
Taxes and fees paid to authorities	(406)	(373)
IT services	(1,415)	(1,176)
Professional services (legal, consultancy, data services etc.)	(3,629)	(1,936)
Travelling and representation costs	(371)	(363)
Others	(250)	(161)
Total operating expenses	(19,675)	(16,258)

17. SHARE-BASED PAYMENT PLANS

As at 30 June 2014 there were no stock option plans in place. Options granted in 2011 to employees (employed on or before 31 December 2010 in the betting divisions of the main subsidiaries of Fortuna Entertainment Group N.V.) expired 28 February 2013. None of granted options were exercised.

The Group did not adopt any further stock option plan during the first half of the year 2014.

For the six months ended 30 June 2014, the Group has recognised € 0 of share-based payment transactions expense in the statement of profit or loss (30 June 2013: € 0).

18. RELATED PARTY DISCLOSURES

The interim condensed consolidated financial statements include the following companies (together "Fortuna Group", "the Group"):

Consolidated entities	Country of incorporation	Nature of activity
Fortuna Entertainment Group N.V.	The Netherlands	Holding company
RIVERHILL a.s.	Czech Republic	Holding company
ALICELA a.s.	Czech Republic	Holding company
FORTUNA GAME a.s.	Czech Republic	Sports betting
FORTUNA RENT s.r.o.	Czech Republic	Rentals
FORTUNA sázky a.s.	Czech Republic	Lottery
FORTUNA online zakłady bukmakerskie Sp. z o.o.	Poland	Sports betting
FORTUNA SK, a.s.	Slovakia	Sports betting
FORTUNA software s.r.o.	Czech Republic	Software company
FortunaWin Ltd.	Malta	Online betting

The following table provides the total amount of transactions which have been entered into with related parties, which were part of Penta portfolio of companies during the six months ended 30 June 2014 and 2013:

Consolidated statement of financial position € 000	30 June 2014 (unaudited)	31 December 2013 (audited)
Receivables from related parties		
Digital Park Einsteinova, a.s.	59	84
Total receivables from related parties	59	59
Payables to related parties		
DÔVERA zdravotná poisťovňa, a.s..	19	16
Penta Investment Limited	14	14
Avis Accounting BV	3	4
AB Facility, s.r.o.	1	1
Total payables from related parties	37	35
Cash in related parties		
Privatbanka, a.s.	679	3,757
Total cash in related parties	679	3,757

Consolidated statement of profit or loss € 000	30 June 2014 (unaudited)	30 June 2013 (unaudited)
Interest income from related parties		
Privatbanka, a.s.	11	1
Total sales to related parties	11	1
Interest expense from related parties		
Privatbanka, a.s.	1	1
Total interest from related parties	1	1
Purchases from related parties		
Predict Performance Improvement Ltd	74	33
Avis Accounting BV	16	11
DÔVERA zdravotná poisťovňa, a.s..	73	72
Digital Park Einsteinova, a.s.	77	75
AB Facility, s.r.o.	4	4
Total purchases from related parties	244	195

Shares Held by the Management

As at 30 June 2014 no member of the Management Board and the key management owns any shares in FEGNV. Marek Rendek, member of the Supervisory Board held 5,253 shares issued by the Company.

As at 31 December 2013 key management held 4,000 shares of FEGNV, representing 0.008% of aggregate voting rights and members of the Supervisory Board held 5,253 shares, representing 0.01% of aggregate voting rights. Apart from the information provided above, no other member of the Management Board, the Supervisory Board and the key management owns any shares in FEGNV.

19. EVENTS AFTER THE REPORTING PERIOD

Effective 1 July 2014, Intralot Czech s.r.o. was acquired by Fortuna Game a.s., a subsidiary of FEG and a provider of fixed odds betting in the Czech Republic. Intralot Czech s.r.o. owns 2,500 lottery terminals for numerical games and instant lotteries offered by Fortuna. The company's name will change in line with the purchase agreement. Fortuna will continue in cooperation with the mother company Intralot, mainly in the area of software and apps development for the lottery terminals. The deal is befinanced by a bank debt with Česká spořitelna, Fortuna's financing bank. The transaction value is confidential and won't be disclosed.

On 3 July 2014, the amendment to the Credit agreement with Česká spořitelna, a.s. was signed. Main purpose of this loan is the financing of the acquisition of the Intralot Czech s.r.o. The loan is repayable in June 2018.

There were no other material events after 30 June 2014.

Amsterdam, 28 August 2014

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

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

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

Contacts

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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, the Netherlands, and its registered offices at Strawinskylaan 809, 1077XX Amsterdam, the Netherlands, and registered with the Trade Register of the Chamber of Commerce of Amsterdam, the Netherlands, under number 34364038
"FORTBET HOLDINGS LIMITED"	FORTBET HOLDINGS LIMITED, a company having its registered seat at Agias Fylaxeos & Polygnostou, 212, C & I Center Building, 2nd floor, 3082, Limassol, Cyprus
"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 PL"	Fortuna Online Zakłady Bukmacherskie sp. z o.o., a limited liability company (spółka z ograniczoną odpowiedzialnością) having its registered office at Bielska 47, Cieszyn, Poland, and registered with the register of entrepreneurs maintained by the District Court in Bielsko-Biała, VIII Commercial Division of the National Court Register, under number 0000002455
"Fortuna REAL"	FORTUNA Real, s.r.o., a limited liability company (spoločnosť s ručením obmedzeným), having its registered office at Digital park II, Einsteinova 23, 851 01, Bratislava 5, Slovak Republic and registered in the Commercial Register of the District Court of Bratislava I in Section Sro, under number 40783/B
"Fortuna RENT"	FORTUNA RENT s.r.o., a limited liability company (společnost s ručením omezeným) with its registered office at Praha 1, Vodičkova 699/30, 110 00, Czech Republic, and registered with the Commercial Register maintained by the Regional Court in Prague, Section C, under number 104630

"Fortuna sázky"	FORTUNA sázky a.s., a joint stock company (akciová společnost), with its registered office at Praha 1, Vodičkova 699/30, 110 00, Czech Republic, and registered with the Commercial Register maintained by the Regional Court in Prague, Section B, under number 14936
"Fortuna SK"	FORTUNA SK, a.s., a joint stock company (akciová spoločnosť), having its registered office at Digital park II, Einsteinova 23, 851 01, Bratislava 5, Slovak Republic, and registered with the Commercial Register maintained by the District Court of Bratislava I in Section Sa under number 123/B
"Fortuna SW"	FORTUNA software s.r.o. (formerly NAVI PRO, s.r.o.), a limited liability company (společnost s ručením omezeným) with its registered office at Praha 1, Vodičkova 699/30, 110 00, Czech Republic, and registered with the Commercial Register maintained by the Regional Court in Prague, Section C, under number 103552
"FortunaWin"	a limited liability company having its registered office at San Juan 116/8, St. George´s Road, St. Julian's STJ3203, Malta, and registered with the Malta Financial Services Authority under number C. 48339
"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 the Island of Jersey with its registered office at 17 The Esplanade, JE2 3QA St Helier. Registered number 112251

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