

Fortuna Entertainment Group N.V.

Preliminary Unaudited Financial Results for 2012

Amsterdam - Fortuna Entertainment Group N.V. announces its preliminary unaudited consolidated financial results for the fiscal year to 31 December 2012, prepared according to International Financial Reporting Standards (IFRS).

The preliminary unaudited results of Fortuna Entertainment Group for the full year 2012 confirm a growth in the main markets where the Company is operating.

- **Total Amounts Staked in 2012 increased by 14.3 % to EUR 467.9 million**
- **Total Gross Win in 2012 up by 8.9% to EUR 110.9 million**
- **On-line Sports Betting Gross Win in 2012 increased by 27.9% to EUR 37.8 million**
- **Total EBITDA in 2012 grew by 10.6% to EUR 22.1 million**

A record performance was achieved particularly in the fourth quarter of 2012:

- **Total Amounts Staked in Q4 2012 increased by 24.3% yoy to EUR 133.8 million**
- **Amounts Staked Sports betting in Q4 2012 up by 25.4% to EUR 128.1 million, the best quarterly result achieved by the Company**
- **On-line Sports Betting Gross Win in Q4 2012 increased by 38.9% to EUR 11.9 million**
- **Total EBITDA in Q4 2012 amounted EUR 8.8 million, a 52% yoy increase**
- **Double digit growth in stakes was recorded in all countries of operation**

Fortuna, the leading Central European fixed-odds betting operator present in the markets of Poland, the Czech Republic and Slovakia, recorded in 2012 a **total Amounts Staked figure of EUR 467.9 million, 14.3% more than in 2011**, according to the preliminary unaudited financial results. **The Amount Staked from sports betting reached EUR 448.3 million, 12.2% more than in 2011**. The Amounts Staked performance was positively driven by on-line segment growth in the Czech Republic and Poland.

Amounts Staked from lottery bets in 2012 totalled to EUR 19.6 million, up 98.1% yoy. The Amounts Staked from sold scratch tickets amounted to EUR 6.5 million (+90.8% yoy) and from numerical lottery games EUR 13.1 million (+101.9% yoy).

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In 2012, total Gross Win reached EUR 110.9 million, an increase of 8.9% compared with 2011. Gross Win from sports betting equalled EUR 100.9 million, a 4.3% increase yoy. Of which, Gross Win from on-line betting in 2012 increased to EUR 37.8 million, a substantial gain of 27.9% over 2011. Gross Win from retail betting in 2012 amounted to EUR 63.1 million, a 6.0% decline from the previous year.

On-line betting expansion was supported by a further development of “live betting” and live streaming, which are becoming increasingly popular amongst Fortuna clients. A share of live betting on total Amounts Staked in 2012 was 26.8% and increased substantially from a 16.5% share in the previous year.

Gross Win from lottery was EUR 10.0 million (+95.4% yoy), of which EUR 2.9 million (+82.6% yoy) came from the sale of scratch tickets and EUR 7.1 million (+101.1% yoy) from lottery games.

In 2012 Gross Profit¹ from betting increased 5.9% yoy and reached EUR 84.7 million, of which Gross profit from sports betting was EUR 76.9 million and increased yoy by 0.9%. Gross profit margin from sports betting in 2012 was 17.2%, a 1.9% decrease compared with last year as a result of higher taxation in the Czech Republic. Gross profit from lottery amounted to EUR 7.8 million, 107.7% up yoy. Gross profit margins from lottery games are traditionally high and reached 32.7% (scratch tickets) and 42.3% (numerical games).

„ I am delighted to report very solid financial results for 2012 supported by a strong underlying growth in our sports betting segment across the region. Fortuna delivered top line turnover of over EUR 468 million, which is 14.3% ahead of the last year last year and a EBITDA EUR 22 million, 10.6% more than in 2011. Despite the increase of betting tax in the Czech Republic and negative impact of high-rollers, we managed to retain a strong momentum in the sport betting business and take advantage of new growth opportunities, namely on-line business in Poland and EURO 2012 football championship,” said Radim Haluza, CEO of Fortuna Entertainment Group.

“In line with our dividend policy, we decided to pay out a dividend 100% of 2012 consolidated net profit and in addition, management will consider a proposal to the AGM for a dividend pay-out from retained earnings.” added R. Haluza.

¹ Gross profit from betting is calculated as Gross Win from betting minus taxation from betting

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Selected financial indicators – FEG total

(Euro million)	FY 2012	% change	Q4 2012	% change
Amounts Staked	467.9	14.3%	133.8	24.3%
- Sports betting	448.3	12.2%	128.1	25.4%
- Lottery	19.6	98.1%	5.7	3.9%
Gross Win	110.9	8.9%	32.9	6.4%
- Sports betting	100.9	4.3%	29.9	7.8%
- Lottery	10	95.4%	2.9	(6.1%)
Revenues	96.2	7.1%	28.6	4.3%
- Sports betting	86.2	1.7%	25.6	5.4%
- Lottery	10.0	96.9%	2.9	(4.4%)
EBITDA	22.1	10.6%	8.8	52.0%
- Sports betting	25.9	(2.9%)	9.1	8.0%
- Lottery	(3.8)	(43.3%)	(0.3)	(88.4%)
Operating Profit	18.4	9.5%	-	-
Net Profits for the Year	12.3	(7.5%)	-	-

Revenues, OPEX, EBITDA

In 2012 the Company recorded total revenues in the amount of EUR 96.2 million, 7.1 % more than in the previous year. Of which, revenue from sports betting were EUR 86.2 million and went up 1.7% yoy, pushed down by higher betting tax in the Czech Republic. Revenues from lottery amounted to EUR 10.0 million in 2012, up 96.9% yoy.

Total operating costs in 2012 reached EUR 74.1 million, 6.1% more than in 2011. Staff costs decreased 0.5% yoy to EUR 26.8 million primarily due optimization of the branch network in sports betting. Staff costs in the sports betting segment declined 0.7% yoy to EUR 25 million and in the lottery segment increase slightly 2.2% to EUR 1.8 million. **Governmental taxes and levies amounted to EUR 11 million, 17.2% more than in the previous year as a result of new betting taxation in the Czech Republic.** Of which, sport betting taxes grew 9.9% and lottery tax 60.7%. Other operating expenses (net) increased in 2012 by 8.4% to EUR 36.4 million primarily related to on-line betting services, such as live streaming, etc. Of which, sports betting Other operating expenses (net) amounted to EUR 26.5 million (+6.6%) and lottery EUR 9.8 million (+13.5%).

Total consolidated EBITDA recorded in 2012 was EUR 22.1 million, up 10.6% yoy. EBITDA from sports betting reached EUR 25.9 million, 2.9% less than previous year. EBITDA from lottery was EUR 3.8 million loss and improved 43.3% to last year result.

In 2012 **total depreciation rose 16.9% to EUR 3.7 million**, of which depreciation related to sports betting segment was EUR 3.1 million (+11.7%) and EUR 0.6 million (+58.2%) belonged to lottery.

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EBIT and Net Profit

In 2012 operating profit (EBIT) amounted to EUR 18.4 million, 9.5% more than in the previous year. This result was driven by improved EBITDA.

Net finance costs reached EUR 2.3 million in 2012 and increased by 140.6% yoy a result adverse effect of non-cash FX changes which was very little in 2011. Total long-term and short-term indebtedness as of December 31, 2012 was EUR 25.6 million, a 10% less compared with December 31, 2011.

Income tax equalled EUR 3.8 million in 2012, 49.5% more than in 2011. The increase is related to a newly introduced corporate income tax in the Czech Republic.

In 2012 the Company recorded net profit from continued operations of EUR 12.3 million, 7.5% less than in the previous year. Although operating profitability of the Group improved, the net profit figure was impacted by higher non-cash finance costs and income tax expense. **The sports betting segment recorded a net profit of EUR 16.7million, down 17.9% yoy and the lottery segment ended with a net loss of EUR 4.4 million, 38.2% lower loss than in 2011.** The Company met its initial target to keep the lottery loss below EUR 5 million in 2012.

Breakdown of Revenues by Country

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

Selected financial results by country in 2012

(in EUR million)	CZ Sports betting	CZ lottery	Slovakia	Poland	Malta
Total amounts staked	243.3	19.6	131.5	68.9	4.6
Gross Win from betting	44.5	10.0	31.4	24.8	0.1
- of which: online/ scratch tickets	20.9	2.9	13.2	3.5	0.1
- of which: retail/ numerical games	23.6	7.1	18.2	21.3	0
Withholding tax paid	0	0	(6.8)	(8.3)	0
Other revenues	0.1	0	0.3	0.1	0
Revenues	44.6	10.0	24.9	16.6	0.1
Taxation of earnings from betting	(8.8)	(2.2)	0	0	0
Gross profit from betting	35.7	7.8	24.6	16.6	0.1
of which: online	16.7	2.1	9.9	1.8	0.1
- of which: retail	19.0	5.7	14.7	14.8	0
Gross profit from betting (in %)	14.7%	39.8%	18.7%	24.1%	2.1%

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Czech Republic Sports Betting

Czech Republic sports betting generated 52% of all amounts staked for the Company in 2012. **Amounts Staked reached EUR 243 million, 13.2% more than in 2011. Gross Win from sports betting in the Czech Republic amounted to EUR 44.5 million in 2012, 0.3% less than in the previous year – due to rising share of on-line betting.** On-line betting contributed the most; Gross Win from the on-line segment climbed by **24.6 % yoy and amounted to EUR 20.9 million.** In the opposite, Gross Win from retail betting in the Czech Republic declined 15.3% yoy and totalled EUR 23.6 million. 2012 revenue from sports betting in the Czech Republic were EUR 44.6 million, down 0.5% yoy. Changes in the betting taxation effective January 2012 and introduction of a new Gross Win tax resulted in higher taxation of EUR 8.8 million, 9.9% more than in the previous year.

Gross profit from betting in the Czech Republic was EUR 35.7 million, 2.5% less than in 2011. On-line gross profit which went up 21% and amounted to EUR 16.7 million. Gross profit from retail sports betting in the Czech Republic decreased by 16.8% to EUR 19.0 million in 2012. **Gross profit margin from sports betting in the Czech Republic equalled 14.7%** in 2012, 2.5 percentage points less than in 2011 as a result of higher betting tax.

Czech Republic Lottery

The Lottery segment in the Czech Republic represented 4.1% share on Total Amounts Staked. **Amounts Staked from lottery in 2012 came to EUR 19.6 million, 98.1% more than in 2011.** Of which, scratch tickets sales were EUR 6.5 million (+90.8% yoy) and numerical games stakes EUR 13.1 million (+101.9% yoy). **Gross Win in the Czech Republic lottery amounted to EUR 10.0 million in 2012, up 95.4% yoy.** Out of which, EUR 2.9 million were sold scratch tickets (+82.6% yoy) and EUR 7.1 million lottery games (+101.1% yoy). **2012 revenue from Czech lottery amounted to EUR 10.0 million, a 96.9% increase compared with 2011.**

Gross profit from lottery in the Czech Republic was EUR 7.8 million, 107.7% higher than in 2011. Gross profit margin from the sale of scratch tickets in the Czech Republic equalled 32.7% in 2012 and numerical lottery games 43.3%.

Slovakia

The share of Slovakia in regard to total Amounts Staked in 2012 reached 28.1%. **Total amounts staked reached EUR 131.5 million, 0.1% more than in 2011.** The lower growth resulted from one-off limitation of high-rolling customers at the beginning of 2012. Slovak national football team also did not qualify for EURO 2012 championship and which could affect level of bets taken during the championship in Slovakia. In the opposite, an increase of a betting commission from 5% to 6% has a positive effect on total level of collected bets. **Gross Win in Slovakia amounted to EUR 31.4 million in 2012, 3.1% less than in the previous year.** Gross Win from on-line betting was EUR 13.2 million, 5.2% more than in 2011. Gross Win from retail betting in Slovakia declined by 8.4% yoy and totalled EUR 18.2 million. 2012

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revenues from sports betting in Slovakia was EUR 24.9 million, 5.0% less than in 2011.

Gross profit from betting in Slovakia was EUR 24.6 million, 5.2% less than in 2011. Gross profit from on-line betting in Slovakia went up by 3% in 2012 to EUR 9.9 million. Gross profit from retail betting in Slovakia declined 10.1% in 2012 to EUR 14.7 million. **The gross profit margin from betting in Slovakia equalled 18.7% in 2012, 1.1 percentage points less than in 2011.**

Effective 1 January 2013, withholding betting tax in Slovakia increased from 5.5% to 6%.

Poland

Poland accounted for a 14.7% share of total amounts staked in 2012. **Total amounts staked in Poland reached EUR 68.9 million, a great 39.5% increase on 2011.** Polish volumes went up as a result of new on-line expansion and acquisition of 80 new retail shops. **Gross Win from betting in Poland increased by 27.8% yoy to EUR 24.8 million in 2012.** Of which, newly introduced **on-line business** contributed **EUR 3.5 million** and retail sports betting EUR 21.3 million, an increase of 9.7% yoy. **2012 revenue in Poland amounted to EUR 16.6 million, a 22.7% more** than in the last year.

Gross profit from betting in Poland was EUR 16.6 million, 22.7% more than in 2011. The gross profit margin from betting in Poland amounted to 24.1% in 2011, 3.3 percentage points less than in 2011, yet the highest gross profit margin from sports betting of all the markets.

Malta

Total amounts staked generated by **FortunaWin based in Malta reached EUR 4.6 million in 2012, up by 21.1% yoy.** Gross Win from betting was EUR 126 thousand, a 37% yoy decline and the gross profit from betting equalled EUR 97 thousand which is by 44.6% less than last year. The gross profit margin from FortunaWin was 2.1% in 2012.

Sport Betting Channels and Distribution Network

Fortuna's on-line business overall continues to grow rapidly, hand in hand with the increase in broadband penetration affording access to Fortuna's website. In 2012, Fortuna offered over 3,000 pre-match bets daily, approximately 550 live in-play betting events and 170 live sport streams per week, in around 20 sporting disciplines. The share of live betting was more than one quarter of total bets taken in 2012, a substantial increase from 2011. The newly introduced internet betting in Poland generated Gross Win of EUR 3.5 million in 2012 and so far attracted over 15 thousand of active on-line customers, supported by the attractive EURO 2012 football championship co-hosted by Poland. As part of on-line business development

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Fortuna has recently signed a deal with Swedish technology specialist Mobenga to provide state of the art betting “apps” for both mobiles and tablets.

Although the internet betting segment has been growing rapidly, the retail outlets network remains important distribution channel of Fortuna and contributes to 62% of the total Gross Win from sports betting of the Company (70% in 2011). 65 existing Fortuna’s Czech branches were renovated and re-designed in 2012. Apart from the best available state-of-the-art design, the new outlets have been equipped with multimedia screens enabling live betting directly in the premises.

Another important role of the retail outlets network is the support it provides to the online betting segment – internet clients may use all the customer services, such as deposits and withdrawals and the customer queries and solutions service, free of charge. For the additional expansion of the retail network, the Group would like to use a “cost-light” partnership model with successful local businesses, such as sport bars. The development and structural changes in retails network is demonstrated in the table below.

Overview of distribution network by countries December 31:

	2012	2011	% change
<i>Betting Shops total</i>	977	993	(1.6%)
Czech Republic	344	369	(6.8%)
Slovakia	234	255	(8.2%)
Poland	399	369	8.1%
<i>Partner Shops total</i>	589	433	36.0%
Czech Republic	330	266	24.1%
Slovakia	184	157	17.2%
Poland	75	10	650.0%
TOTAL RETAIL	1,566	1,426	9.8%

Lottery in the Czech Republic

Fortuna’s lottery project has been placed under revision. The Czech lottery market has not truly recovered since the collapse of monopoly incumbent Sazka in 2011 and the revived market leader Sazka has invested significantly to maintain market share. Fortuna’s current market share of 6% is below its initial target. However, primarily thanks to a strict cost control (both head office expenses and distribution costs), December 2012 was the first profitable month for lottery and the initially planned break-even in the first half of 2013 should be achieved. Currently, the management Fortuna together with majority shareholder are reviewing different options for the future of lottery project including potential partnership deal.

Despite the difficulties in the field of numerical lottery games, scratch cards have been very successful so far with estimated 40% market share. Both partnerships with GEKO and the Czech Post should contribute to rising sales volumes also going forward. The previously announced sale of a 10% stake in Fortuna lottery to E-invest will be concluded by June 2013.

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Dividend Policy and Dividend

Company's on-going dividend policy is to pay out a dividend of 70% - 100% of the consolidated net profit. According the preliminary unaudited financial results, the 2012 consolidated net profit will be EUR 12.3 million. **The management of the Company will propose to the AGM a 100% dividend pay-out of 2012 net profit. In addition, the management will consider the option of a dividend pay-out from retained earnings from previous years. The proposed dividend payment will be submitted for shareholders approval at the AGM on May 28th, 2013.**

Final dividend amount will be subject to approval of statutory bodies of the Company. The record and payment dates will be announced later.

2013 Outlook

Fortuna's customers are increasingly attracted by watching "live action" and betting during the game. Company's aim is to provide the best live streaming of top class sports events. As part of this development, Fortuna has recently secured an agreement with Swedish technology specialist Mobenga to provide state of the art betting "apps" for both mobile and tablet customers who are rapidly becoming the key growth element in our business strategy. In 2013, the business plan estimates a growth of Amounts Staked over EUR 510 million.

Range and profit protection also remain essential components in the way the business is managed and to this end, Fortuna have also completed a deal with trading format specialist Amelco in London. Amelco will provide Fortuna with the most comprehensive range of pre-match, priced up sports markets from around the world. As a result, Fortuna could be able to offer more games and more markets per game than other providers. All of this, in a combination with opportunity to bet via newly designed betting outlets and franchise partners, should differentiate Fortuna from other betting providers, particularly those operating illegally. In 2013, the financial target of the Company is to increase its EBITDA by EUR 1 million, to EUR 23.1 million in total.

We believe that our sports betting business should continue to grow double digits in 2013.

With respect to Lottery Fortuna, the project is currently under revision and we are looking for new strategic options. As initially anticipated, the lottery project is expected to break-even in the first half of 2013.

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