FORTUNA

Annual Report of **Fortuna Entertainment Group N.V.** for the Year 2013

Mobile betting in Fortuna grew by 230% in 2013 and the total number of customers switching to this channel increased by more than 300%.

1/ Fortuna at a Glance

Fortuna Entertainment Group N.V. (“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 on a variety of matches and lottery games.

The founding company FORTUNA sázková kancelář a.s. (“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 Limited became the owner of both entities and in the same year it acquired Poland’s betting office Profesjonał. Subsequently, all companies were rebranded under one brand: Fortuna. Fortuna has developed online betting and the gaming platform FortunaWin, through which it can offer products in new markets. FortunaWin has been providing betting and gaming products to customers in Hungary and Croatia since June 2010 and May 2011, respectively.

Thanks to its more than 20 years of experience on the Central and Eastern Europe (“CEE”) market, Fortuna sets 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 31 December 2013, Fortuna held the number-one market position in Poland and the number-two market position in both the Czech Republic and Slovakia based on total Amounts Staked.

As of 31 December 2013, Fortuna operated 1,615 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. By the end of 2013, Fortuna offered numerical lottery games and instant scratch tickets through a network of over 6,000 points of sales (of which 1,590 were lottery terminals).

In October 2010, FEG went through a successful IPO on the stock exchanges in Prague and Warsaw. As of 31 December 2013, Fortuna’s majority shareholder was FORTBET HOLDINGS LIMITED, a subsidiary of Penta Investments Limited, which held a 67.3% stake.

2/ 2013 Financial Highlights

Financials (EUR thousands)	2013	2012
Amounts Staked	567,231	467,881
– of which sports betting	551,169	448,291
– of which lottery	16,062	19,590
Gross Win	116,474	110,850
– of which sports betting	108,837	100,889
– of which lottery	7,637	9,961
Revenues	97,053	96,238
– of which sports betting	89,377	86,225
– of which lottery	7,676	10,013
EBITDA	26,676	22,083
– of which sports betting	27,319	25,880
– of which lottery	(643)	(3,797)
Operating Profit	22,994	18,423
– of which sports betting	24,168	22,772
– of which lottery	(1,174)	(4,349)
Net Profit for the Year	15,573	12,319
– of which sports betting	16,482	16,694
– of which lottery	(909)	(4,375)
Ratios		
EBITDA Margin	27.5%	22.9%
Operating Profit Margin	23.7%	19.1%
Margin of Net Profit for the Year	16.0%	12.8%
CAPEX as % of Revenues	3.9%	4.3%

	As of 31 Dec 2013	As of 31 Dec 2012
Number of Shares – End of Period (“EOP”)	52,000,000	52,000,000
Total Assets	91,026	95,040
Total Equity	27,035	48,953
Total Borrowings	43,761	25,644
Net Debt/(Net Cash)	27,107	10,165
CAPEX	3,833 *	4,095
Operations		
Number of Points of Sale (sports betting)	1,615	1,547
Number of Lottery Terminals	1,590	1,632
Number of Employees – EOP	2,523	2,529

* Including intangible assets acquired in business combination.

3/ 2013 Key Milestones

February 2013

Fortuna abolishes online service fee in the Czech Republic.

March 2013

Fortuna reports solid financial results for 2012, increases its EBITDA by 10.6% and grows in double digits in Amounts Staked.

April 2013

The majority shareholder of Fortuna – AIFELMONA HOLDINGS LIMITED changes its legal name to FORTBET HOLDINGS LIMITED.

In the first three months of 2013 Fortuna grew its EBITDA by 34.4% yoy.

May 2013

Radim Haluza, Group CEO is appointed Member of the Management Board of Fortuna Entertainment Group N.V.

Václav Brož is appointed Chairman of the Supervisory Board.

The Annual General Meeting of Shareholders approves a gross dividend of EUR 0.67 per share.

Fortuna acquires a small scratch cards business from the Czech company GAMESTAR.

June 2013

Fortuna signs a new agreement for a 6-year multicurrency credit facility in the amount of EUR 50 million with Česká spořitelna, a.s.

July 2013

Fortuna sells an 8% stake in its lottery business to E - INVEST.

Fortuna's Amounts Staked increases by 20.4% in the first half of 2013 and Net Profit by 34.5%.

September 2013

Templeton Asset Management Ltd. acquires a 5.09% stake in the Company and becomes the second largest shareholder.

October 2013

In the first nine months of 2013 Fortuna grows its EBITDA by 36.2% yoy.

November 2013

Fortuna becomes the main sponsor of Legia Warsaw football club in Poland. The sponsorship agreement is signed for 3 years.

December 2013

Fortuna and Tipsport agree to develop a joint venture in the area of instant games – scratch cards. The agreement is subject to approval by the Czech antimonopoly office.

Fortuna terminates the numerical game SUPERLOTO.

4/ Letter from the Chairman of the Management Board to Shareholders

2013 was another record breaking year for Fortuna, underpinned by our strategic approach to multi-channel sports betting and a regulated, multi-region focus in establishing an enviable leading market position. This is evidenced by a strong performance across retail, online and the various mobile devices used by our customers.

Sports Betting is simply about customers staking money on their opinion on the likelihood of the outcome of any sporting event. Our multi-channel, single wallet strategy provides customers with easy access to our extensive range of products and has clearly maximised revenue in 2013 with total turnover for the Group up to EUR 97.1 million and EBITDA up to EUR 26.7 million – an increase on 2012 of 21%.

Our trading strategy offers customers a range of prices on events and each price has a built in margin where we manage the balance of risk and reward. In play or "Live" Betting uses a complex range of algorithms to provide instant odds (prices) and a new B2B deal with provider bwin in 2013 means we have been setting the pace in this channel, allowing us to increase the range of sports events offered to customers this year by 60%

Our objectives are straightforward – to provide outstanding products and best in class service to our customers however and whenever they want to have a bet. Our mission is to constantly innovate and recruit more customers through advertising and promotions, retain them once they have opened an account and to reactivate them if they have not had a bet with us for some time.

Unlike other retail operations we do not have to worry about stockrooms, back areas or extensive (and costly) unsold inventory and unlike other internet businesses we do not have an expensive or complicated logistics trail for the delivery of physical goods.

The importance of being a legal, regulated sports betting operator cannot be underestimated. We are committed to paying the appropriate taxes in each of our territories and to ensuring an adherence to social responsibility so that our customers can remain in control of their wagering and enjoy sports betting as part of their discretionary spend on leisure and entertainment.

While our underlying performance has been pleasing it is set against an incredibly competitive backdrop and a regulatory scenario that needs urgent review, especially in Poland. Independent consultants have conservatively estimated that the illegal “grey” online sports betting market in Poland is approximately eight times the size of the legal market. On top of this we can only market our products “passively” with no advertising or price promotions and perhaps, most bizarrely of all, customers who bet legally with us have to pay a 12% tax on their stakes but no tax at all if they bet illegally with one of the offshore operators. Additionally, we do not have an online gaming licence anywhere across the region which affords the illegal operators another significant advantage in attracting customers.

It’s a ludicrous state of affairs when one looks at how other European members organise their gambling regimes and we will continue to press for revised regulation which means customers should be allowed to bet tax free (with the operator paying Gross Profits tax, like the Czech Republic) and to probe for short term solutions such as IP blocking of illegal bookmakers and the easing of restrictions which stop us advertising our products. These changes will be good for customers who can bet with a business that pays taxes, employs large numbers of Polish staff and is committed to social responsibility. It will be good for legal operators such as ourselves if we can take some of the huge market share that the illegal players currently enjoy and, of course, it represents a significant financial upside for the Polish Treasury.

It’s been a pleasure to welcome back Marek Biely and Aleš Dobeš to our Slovak and Polish businesses respectively and I’d like to thank the entire management team for their sterling efforts and sheer hard work this year. We look forward to meeting the challenges of 2014 and maintaining our growth trajectory helped by the Football World Cup in Brazil, our new mobile applications and the exciting prospect of implementing a brand new Sports Betting platform which will be replacing our proprietary system – a significant upgrade as our customer base expands rapidly in all three territories. My thanks go to the Supervisory Board, our main shareholder Penta and to all the Fortuna teams across the region. Thanks of course go to our loyal customers who continue to reward our innovation and development with their business. It’s much appreciated.

As a company, we remain committed to high standards of corporate governance and corporate responsibility in the furtherance of shareholder interests. We continue to make good progress in these areas and, as ever, I look forward to meeting our shareholders for regular updates during the year.

Wilf Walsh
Chairman of the Management Board

5/ Letter from the CEO

In more than 20 years of market leading presence on the Czech, Slovak and Polish markets, Fortuna has always adapted and innovated when faced with different market conditions and the business has faced many challenges. From the first bets that Fortuna accepted in 1990 to our expansion into other geographic markets and our public offering in 2010 – we have been presented with an array of varying competitive pressures and market conditions.

In recent years, Fortuna has been confronted with a seismic shift from retail to online. In changing the face of the company and our drive to be "No 1 Online" – our philosophy, focus, internal processes as well as the overall organisational structure had to be revised. In 2011, total sales from retail and online were equal but Gross Win from retail was twice as high as online. In 2012 and 2013 the online Gross Win grew by more than 40% a year and in 2013 the online Gross Win equaled retail with online sales more than double retail volumes. This trend has evolved during 2013 to the extent that online EBITDA made up for more than 70% of the total achieved.

All these numbers above would not be achieved if we at Fortuna had not aggressively reshaped our approach and strategy. From a traditional company that was retail oriented Fortuna has re-invented itself into an innovative, marketing led and IT driven business focussed on the ever changing needs of the most important people – our customers. We have recruited the very best people into our online business, employees who have trained with some of the leading edge betting internet providers and our IT function has also been bolstered considerably to develop a best in class online solution and drive loyalty to the Fortuna brand.

We do, however, remain committed to our retail business and see our dual outlet and single wallet strategy as key to maximising profits going forward. We also optimised the number of people responsible for the retail business and thanks to this the total sportsbetting personnel costs in 2013 increased by only 3%. We are also continuously managing the number of our retail units and in the last two years we have put in significant effort to link our online and retail business together. Nobody works in isolated silos and the mutuality of benefit in linking bricks and mortar with online is vital. As an example, in both the Czech Republic and Slovakia, more than 28% of customers bet both online and retail and more than 60% of the funds used on internet betting goes through our shops.

Compared to our competitors across the region, we compare across benchmarks very favourably – and even with the international competition (a substantial proportion of which is illegal) – we can say that not only does Fortuna cope with the competition but in some aspects is actually outperforming them, despite regulatory barriers, in transforming the retail heritage into an online success with a clear vision of the future.

Hence in order to attract new customers and retain the current ones Fortuna needs to invest into innovations both internally and externally. And in that sense 2013 was a very busy year. We were improving our customer care by redeveloping our CRM system, offering tailor made bonuses and running interesting, much talked about campaigns. All these helped us to achieve the highest number of newly registered players per year in Fortuna history a number which increased by 26% when compared to 2012. Also the number of active players increased by 31% year on year.

On the product side we invested into our live offer significantly by signing a deal on cooperation with one of the world's leading companies bwin.party. Thanks to this contract, we ensured that we will have the same live offer as Western European industry leaders. We also continued in improving our internet offer and in November 2013 launched a new version of our website. We received very positive feedback on our Facebook pages soon after the launch as well as plaudits from a number of online experts.

We also reshaped general strategy of our lottery business. Instead of supporting numerical games as in 2012, we focused primarily on scratch cards. And this approach worked very well. Our scratch card business delivered an increase of more than 50% yoy and partially offset the further decline of numericals. Thanks to it, we managed to get very close to breakeven and we are sure that in 2014 we shall turn this business into positive numbers.

During 2013, Fortuna also focused on its fastest growing channel – mobile. Mobile betting in Fortuna grew by 230% in 2013 and the total number of customers switching to this channel increased by more than 300%. Also we managed after some initial problems to launch a new mobile platform at the end of 2013. This new platform was developed by one of the leading technology companies on the market – Mobenga and will see us deliver an exciting sports betting experience for the increasing numbers of customers using mobile and tablets to spend their disposable income.

Apart from our employees and our retail and online operating systems, the biggest asset Fortuna has is definitely the brand. According to a survey performed by Ogilvy and Co.[1], Fortuna is the ninth most valuable post-revolution Czech brand. We are well aware of the fact that for future success we need to achieve similar results in Slovakia and especially Poland. As marketing activities in Poland are very limited due to severe regulations, we have signed a ground breaking three year contract with Poland's best known football club Legia Warsaw. We hope that this cooperation will help our drive to maintain and grow our market leadership in Poland.

I am also very happy to see that the market now values Fortuna for its long list of achievements – Fortuna shares in 2013 delivered growth of more than 60% p.a. thanks to paid dividends and increases in the share price. Even after payment of extraordinary dividends in 2013 the cash position remains strong thanks to solid results in 2013.

We remain committed to growing organically and potentially looking at acquisitions that won't distract us from the day but will add value to both the brand and, as importantly, the bottom line.

It's business as usual in 2014. Thanks for your support.

Radim Haluza
CEO and Vice Chairman of the Management Board

[1] Source: idnes.cz, http://ekonomika.idnes.cz/nejsilnejsi-ceske-porevolucni-znacky-dxf-/ekonomika.aspx?c=A131216_2012565_ekonomika_ert

Live betting and live streaming of matches is playing a crucial role. Fortuna has focused on development of product offers.

6/ Management Board Report

6.1 Description of the Company's Business and Markets

6.1.1 General Market Overview

The Group operates in the betting and gaming sector and since mid-2011 also in the lottery business in the Czech Republic. Betting is mainly focused on sporting events while gaming services include the following: online casino games such as poker, black jack, roulette and skill games. After gaming and lotteries, betting is the biggest subsector in the overall EU betting and gaming market. The substantial growth in the European betting market has been driven by regulatory change and the growth of online betting. Currently, legal frameworks for betting service providers in many European jurisdictions are under review. Some countries are contemplating the liberalisation of the betting market, partly due to the inefficiency of various limitations and bans, and partly in order to increase existing taxes or impose taxes on new areas of commerce. Gaming is the most significant subsector, with further prospects for growth, resulting mainly from the rapid development of online services. This trend is supported by cooperation between various entities in the betting and gaming sector: landline operators are starting to cooperate with online service providers, while betting organisers are entering into agreements with gaming operators.

Fortuna operates in the Czech Republic, Slovakia, Poland and Hungary. Compared with the markets of western countries, the Central and Eastern Europe betting markets are still relatively underdeveloped and offer opportunities for future growth. Apart from the Czech Republic, the competitive landscape consists largely of a small number of single-country operators. However, due to the growth in the online betting industry, country operators have started to compete not only at a local level, but also with offshore online operators. In terms of retail operations, potential new market entrants encounter significant barriers to entry, including requirements to obtain local licences, a high marketing spend to build brand recognition, and high retail establishment costs.

The table below presents the main economic indicators in the countries where the Group operates:

	Czech Republic	Hungary	Poland	Slovakia
Population (million, 2013)	10.5	9.9	38.5	5.4
GDP (EUR billions, 2013 *f)	147	100.9	388.8	73.9
GDP per capita (EUR, 2013 *f)	14,000	10,200	10,100	13,700
HICP (all items, annual average inflation rate, 2013)	1.4%	1.7%	0.8%	1.9%

Source: Eurostat, MF ČR
GDP – gross domestic product
* f – forecast

6.1.2 Czech Republic

Fixed-odds Betting

The competitive landscape in the betting sector is composed primarily of five major bookmakers: Tipsport, Fortuna, Chance[2], Sazka and SynotTip. The leading position on the market in terms of the number of outlets is held by Tipsport, with a significant area being "partner" outlets in bars. Fortuna has a solid second position. Alternative bookmakers are SynotTip and Sazka, the core activities of which are slot machines and lotteries.

Lottery

The Czech lottery market had been controlled by former state monopoly Sazka since 1956. Under previous management, Sazka was over-indebted and went bankrupt in May 2011. Prior to Sazka's bankruptcy, the size of the Czech lottery market was approximately CZK 7.5 billion (or EUR 300 million) in terms of Amounts Staked, implying a per capita spend of just below EUR 30 per year.

After the sale of the bankrupt Sazka to a new entity controlled by PPF Group and KKCG in autumn 2011, Sazka's situation stabilised. Currently Sazka remains the market leader by far, followed by Fortuna and Tipsport. According to market estimates, the size of the Czech lottery market measured by Amounts Staked was just 50% of its size prior to Sazka's crisis. In December 2012, KKCG became the sole 100% owner of Sazka after it purchased the stake owned by PPF Group.

6.1.3 Slovakia

The Slovak betting market is currently structured as a duopoly, with the leading role played by Niké, followed by Fortuna SK, which is significantly strengthening its position. The deregulation of internet betting has also allowed for the further growth of the market through this new sales channel. Besides these two players, there are also Tipos and Tipsport.

6.1.4 Poland

There are three strong players on the Polish betting market: Fortuna PL, Totolotek (owned by Intralot and partly by the state) and STS, owned by Stanleybet. Fortuna PL is currently number one in terms of market share with approximately a 37% share on the domestic regulated market. The unregulated offshore market is estimated to be about five times bigger than the regulated one. Big market players are trailed by smaller operators such as Betako and Millenium. In March 2012, Fortuna signed a contract with Tipsport and took over approximately 67 outlets; all of them are partner outlets.

Fortuna PL was the first operator to receive an online licence from the Polish Ministry of Finance in January 2012. STS and Millenium obtained their online licences during 2012, Totolotek received the licence in July 2013. As of 31 December 2013, all three domestic online betting operators provided internet betting services.

[2] Chance was acquired by Tipsport, effective 1 January 2013.

6.1.5 Offshore Online Market

Since the inception of online betting and gaming some 15 years ago, the vast majority of these operations have straddled international borders, creating headaches for governments. Initially, online betting and gaming developed in the Caribbean, first targeting the North American market, then the European market, and so on. The internet provided the first entrepreneurs, and subsequently established operators, with the means of targeting markets where regulation applied to certain or all types of betting and gaming was either grey or, in some cases, prohibitive.

Increasingly, as the sector has matured and with listings on stock exchanges, the appetite for operational risk has somewhat diminished. Today, most listed operators tend not to enter a market via the offshore route, where they believe there is prohibitive legislation, and in an increasing number of cases where they can obtain licences. Given these trends, the proportion of onshore online betting and gaming has increased dramatically in recent years.

The key industry drivers are an increasing trust in e-commerce, a growing broadband penetration and wider regulation of the sector. Proposals are currently underway to tax and regulate online gaming in several significant European markets. Product evolution has also helped to drive the total online spend. The online offering has expanded rapidly, fuelled by an increase in broadband penetration and speeds leading to more interactive games, particularly live betting.

In June 2010, Fortuna started to offer Internet betting services in Hungary via FortunaWin.com, a Maltese subsidiary. In November 2010, FortunaWin launched weekly poker tournaments in cooperation with a leading poker company, PokerStars. In 2011, after meeting necessary conditions, FortunaWin Ltd. and FortunaWin Gaming Ltd. applied for a permanent betting and gaming licence in Malta. The licence was finally awarded, effective 25 May 2011 for a period of 5 years.

6.2 Regulatory Environment

The part of the entertainment industry that includes betting, games of chance and gaming machines has not been subject to harmonisation at the European Union level and Member States remain competent to define the conditions for the pursuit of activities in that sector. However, regulations concerning the sector have been several times brought before the European Court of Justice ("ECJ"). The ECJ has indicated that there is no intention to treat the sector as an ordinary market sector that should be governed by the rules of the market. It was noticed that socially-based attitudes towards the sector tend to restrict, or even prohibit, such activities to prevent them from being a source of private profit. Furthermore, the issue of public security, in particular the prevention of criminal or fraudulent behaviour, is often raised by Member States imposing limitations. The ECJ also indicated that sometimes a proportion of the funds from operations in the sector have to be used for social works, charitable works, sport or culture. Therefore limiting the powers of the Member States in the ECJ's interpretations of the provisions of the Treaty with respect to the sector does not have the aim of establishing a common market and the liberalisation of that area of activity. In accordance with Article 45, in conjunction with Article 62, of the Treaty on the functioning of the European Union, the free movement of services, guaranteed in Article 56 of the Treaty, may be restricted only on grounds of public policy, public security or public health.

The development of European legislation (regarding electronic services, for instance) and further judgments of the ECJ may impact local legislation and result in changes in the gambling laws.

6.2.1 Regulatory Environment in the Czech Republic

The general terms and conditions for the operation of lotteries (as well as betting games, horse racing bookmaking and similar gambling games) are defined in Act No 202/1990, the Lottery Act ("Czech Gambling Act"). Although Lottery Games operated via the internet are not explicitly recognised in the Czech Gambling Act, the Ministry of Finance issued the licences for the operation of online fixed-odds betting on the basis of Section 50 (3) of the Czech Gambling Act in 2008.

An operator that intends to organise a lottery game must obtain a licence for the operation of lottery games. The Ministry of Finance may issue a licence for fixed-odds betting for a maximum period of 10 years.

A licence for the operation of a lottery game may be granted only to a legal entity with its seat in the Czech Republic. Moreover, some types of lottery games (i.e. betting games, fixed-odds betting) may be operated only by a joint stock company which has all its shares registered and which has been founded to operate such games. In certain cases, the Czech Gambling Act also requires that the operator of a particular lottery game must have a certain minimum registered capital, the amount of which varies for each type of lottery game operated. Except for lottery games operated in specially determined premises (casino games), a licence cannot be granted to a Czech company if interests in it are held by foreign entities or entities whose direct parent entity is a foreign entity.

Payments to the state and municipalities and winnings of the participants are, with respect to most types of lottery games, secured by a security deposit (in an amount determined by the Czech Gambling Act) placed by the operator in a special bank account.

Czech regulations concerning advertising do not stipulate any special rules related to the advertising of lottery games, therefore the general rules for the advertising of any goods or services apply. Only the advertising of lottery games operated legally on the basis of a duly issued licence is allowed under applicable Czech law.

In 2011, the Czech parliament approved Amendment to the Czech Gambling Act No 300/2011 Coll. Effective 1 January 2012, proceeds used for the benefit of the public under previous legislation were replaced by a unified 20% withholding tax on Gross Win and a 19% corporate income tax and administration related to sports betting has been simplified in some aspects. The collected proceeds from taxation are divided between municipal and state budgets in the proportion of 20:80, respectively, in the case of lottery and sports betting. The new tax law also gives more power to local municipalities when it comes to the regulation of gambling and betting and newly allows online casino games. Regulation also prohibits the advertising of offshore betting operators in the Czech Republic and places higher requirements on the ownership transparency of onshore companies. In 2013, the Czech parliament approved an additional amendment under which 1/4 of the 20% withholding tax on Gross Win (i.e. 5%) can be paid-out by the betting operators directly to the Czech Olympic Committee.

6.2.2 Regulatory Environment in Slovakia

The operation of gambling games in the Slovak Republic is regulated primarily by Act No 171/2005 on Gambling Games, as amended (the “Slovak Gambling Act”), which is the main legislative instrument of Slovak gambling law.

Betting games may be operated solely on the basis of an “individual licence” for the operation of betting games issued by the Slovak Ministry of Finance. A separate consent of the municipality has to be obtained for the operation of a betting outlet within its territory. The term of validity of a betting licence is limited to 5 years. A betting licence may be issued only to joint stock companies or limited liability companies having their registered office in the Slovak Republic with a minimum amount of registered capital of EUR 331,939. In the case of legal entities with a “foreign property participation”, a betting licence may be issued only to legal entities with a “foreign property participation” of entities that have their registered office or the address of their permanent residence in an EU or OECD Member State.

Slovak gambling legislation does not regulate the area of online betting. However, in practice betting licences do contain an authorisation to operate online betting.

An application for a betting licence is subject to an administration fee charged by the Slovak Ministry of Finance. In the case of fixed-odds betting, the fee amounts to EUR 3,319; for other types of betting games the fee is EUR 331.50.

The operator of a betting game is required to maintain a certain minimum amount of funds as a financial guarantee in a bank account solely for the purposes of the settlement of the obligations of the operator of the betting game. In the case of fixed-odds betting, the financial guarantee amounts to EUR 750,000. The operator of a betting game is required to maintain the financial guarantee during the entire term of validity of the betting licence, as well as after the expiration of the validity of the licence until all the above referred obligations are settled and the annual settlement of the licence fees is submitted to the Slovak Ministry of Finance.

The operator of a betting game is further under the obligation to pay licence fees to the state and/or municipal budget. In the case of fixed-odds betting, the fee is 6% of the sum of bets/stakes and in the case of horse racing betting it is 1% of the sum of bets/stakes.

Currently, significant changes to Slovak gambling legislation in the area of betting games are not anticipated.

6.2.3 Regulatory Environment in Poland

Commencing 1 January 2010, a new gambling law entered into force. An entity that intends to organise betting is obliged to apply for the permission of the ministry responsible for public finances. The permission is issued for 6 years for a specified number of betting outlets, which may be amended. After the expiry of that permission, an entity may apply for permission only once for six consecutive years. An entity organising betting should be organised as a limited liability company or joint stock company with share capital of at least 2 million zloty and have its registered office in Poland.

The fee for a betting permit is 2,000% of the base amount and 50% of the base amount for each betting outlet. The base amount is the total average monthly gross wages and salaries excluding payments from profit in the second quarter of the previous year as published by the Central Statistical Office. In 2011, the base amount was 3,394.58 zloty, which makes the permission fee 67,892 zloty and around 1,697 zloty for each betting outlet. In addition, a betting company is obliged to establish collateral securing the interests of its customers and fiscal obligations. The amount of collateral is determined on the basis of the number of betting outlets. The base amount is 40,000 zloty. The amount of collateral for 40 betting outlets is six times the base amount and increases by one base amount are set for each further 10 betting outlets (i.e. in case of 100 betting outlets = 240,000 zloty + 6 x 40,000 zloty = 480,000 zloty). The collateral may be in the form of a banking or insurance guarantee, cash deposit or mortgage.

The total amount of money paid for bets is subject to taxation. A 2.5% tax is imposed on sums paid for bets concerning the results of an animal competition if permission is issued only for this kind of betting and a 12% tax is imposed on sums paid for bets concerning the results of other events.

Licensed onshore, online betting in Poland was prohibited until last year. On 26 May 2011, the Polish parliament amended the gambling law to allow online sports betting for locally licensed players. Moreover the new regulations strengthen the Polish Customs Service's authority in controlling illegal activities of online gamblers, including monitoring and the suspension of money transfers. The new regulations came into force on 14 July 2011. Unfortunately, parliament decided to maintain a high 12% withholding tax on betting activities, which discriminates against legal taxpaying players versus offshore companies.

Immediately after the new regulations were introduced, the Polish subsidiary of Fortuna Entertainment Group N.V. – Fortuna online zakłady bukmacherskie Sp. z o.o. – submitted to the Ministry of Finance a request for permission to provide its clients in Poland with online betting. The Ministry of Finance awarded the licence to Fortuna on 24 January 2012.

6.2.4 Regulatory Environment in Malta

The legislative framework relative to gaming in Malta is based on a three-tier structure comprising an enabling legislative act (namely, the Lotteries and Other Games Act, 2001 (Chapter 438 of the Laws of Malta), the "Principal Act") at the first level, related regulations enacted by means of Legal Notices in terms of the enabling provisions in the Principal Act at the second level, and other technical specifications at the third level. The Principal Act incorporates all gaming legislation into a single instrument, with the exception of casinos, which are regulated by separate legal instruments. In the context of this regulatory regime, it is the Lotteries and Gaming Authority which acts as the regulatory body and is responsible for the supervision of all types of gaming in Malta, including remote gaming operations established and incorporated in Malta.

Licences are granted by the Lotteries and Gaming Authority ("LGA") for an initial period of 5 years; they may be renewed thereafter for further periods of 5 years each, always subject to continued compliance by the licensee with all terms and conditions applicable to such a licence, and at the discretion of the LGA. The regulations clearly and firmly provide that the core part of the online gaming operations must be located physically in Malta. In order to qualify for a licence, an applicant must be a limited liability company registered in Malta.

The granting of a licence in terms of the regulations is, in all cases, subject to a non-refundable application fee, which is to be paid once only together with the submission of an application for a licence, of EUR 2,350. Upon receipt of notice that the class or classes of licences applied for will be granted for a period of 5 years, a licence fee of EUR 7,000 for each licence shall be charged by the LGA. Finally, upon an application for the renewal of a licence, a renewal fee for each licence shall be due in the amount of EUR 1,165.

6.3 Products and Services

The Group's products offered by the sports betting division are divided into three categories: sports betting, number games (bets on numbers) and bets on social events. The Group offers only fixed-odds bets, which are bets at predetermined odds on an event occurring which gives rise to either the retention by the Group of a stake placed by a customer or a liability to make a certain payment to a customer. The odds offered by the Group vary depending on the nature of the event and the amount to be paid to a given customer depends solely on such odds and is not influenced by the Amounts Staked by other customers.

Within each category of products, the Group generally offers three major types of bets:
- SOLO Bet – where a customer makes a single bet, for example, on the outcome of one specific football match;
- AKO BET (accumulator bet) – where a customer can bet on a number of games on one ticket;
- COMBIBET (combination bet) – where a customer can bet on a combination of betting events on one betting slip.

Sports betting remains the most popular category of the Group's products. In 2013, Fortuna offered over 3,500 pre-match bets daily, approximately 1,200 live in-play betting events and 250 live sport streams per week, in around 25 sporting disciplines. The Group offers a variety of betting opportunities (differing by betting method) for one event in order to make the offer more interesting and to satisfy more sophisticated customers.

Bets may be placed before the match (pre-match bets) and during the event (live bets).

Live betting was introduced in 2007. As new combinations appear during the event, they result in further betting opportunities and live betting allows customers to react to changing circumstances by making new bets. Since May 2010, Fortuna has been offering live bets to customers through their mobile phones.

Number games are offered in three options, namely Combinator, Variator and Accumulator, depending on the quantity of numbers drawn and the betting possibilities.

Although the popularity of sports events is similar in each country in which the Group operates, there is some local bias towards particular sports disciplines. However, the four favourite sports remain the same in all the mentioned countries, namely football (over 50% of the total Amounts Staked), ice hockey (approximately 20% of the total Amounts Staked in the Czech Republic and Slovakia), tennis (around 15% of the total Amounts Staked) and basketball (around 5% of the total Amounts Staked).

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

Scratch Tickets

In May 2011 Fortuna started selling scratch tickets. Three types of instant scratch tickets have been initially introduced by Fortuna lottery – Zlatá rybka (Golden Fish), Gól!!! and Šťastná sedma (Lucky Seven) at prices of CZK 50, 30 and 20 each respectively. The first series of 1.5 million pieces was sold out in less than six months. Currently, Fortuna offers eleven types of scratch cards.

Despite the difficulties in the field of numerical lottery games, scratch cards have been very successful so far with an estimated 30–35% market share. The penetration of scratch tickets in the Czech Republic is low (single digit number) in comparison to Western Europe where it reaches a 20% market share in the numerical lotteries market and represents a unique window of opportunity for Fortuna lottery.

Fortuna has been expanding its distribution network for scratch tickets and in June 2012 it signed a contract with Česká pošta, s.p. (Czech Post) on 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 Czech Republic from September 2012. In May 2013, Fortuna acquired a small scratch cards business from the Czech company GAMESTAR, a.s with an aim to get access to their distribution network.

In December 2013 Fortuna and Tipsport agreed to develop a joint venture in the area of instant games – scratch cards. The agreement is subject to the approval of the Czech antimonopoly office.

Loto

Loto is a simple and attractive game and the rollover jackpot will start at CZK 10 million and is forecast to be paid out several times each year. Overall, nine prizes will be split; players know in advance the amount they can win, except the jackpot as this is set and not divided among a large number of potential winners. The lottery draw will take place twice a week each Wednesday and Saturday. In playing Loto, bettors must select 6 numbers out of 49 and one colour out of two. An additional game to Loto is Šťastné číslo (Lucky Number). The minimum bet amount is CZK 20 and every fourth bet can win.

In October 2012, Fortuna introduced a special prize in its Loto numerical game. In addition to standard winnings, a special prize of CZK 1 million is paid to the person who matches the most winning numbers in a draw. The prize is paid out of the Loto jackpot until the jackpot falls under the minimum level of CZK 20 million. The payment is then suspended until the jackpot exceeds the level of CZK 30 million again.

Zlatých 11

Zlatých 11 is a game in which bettors can win a daily prize of up to CZK 300 million. Bettors can bet as little as five crowns, but only bettors who bet CZK 100 can win the main prize. The draw takes place seven days a week, including during holidays. Bettors know in advance how much they can win. In Zlatých 11, the winnings are fixed in accordance with the bet amount and selected and correctly guessed numbers. The game is therefore very variable; bettors may try out a wide range of variants and see which brings them the highest winnings. There is a high probability that the bettor will win one of the prizes. When 11 numbers are played, there is a probability of 1:3.64. In the competing Šťastných 10 (Lucky 10), the ratio is 1 out of 9.05 (probability of 1:9.05). Also, bettors can win a doubling of their initial payment even if they do not guess a single number in the 11-number-game.

Denní Číslo (Daily Number) is an additional game to Zlatých 11. Bettors can make a bet on a six digit number indicated on their tickets and play for CZK 1 million and other prizes.

SUPERLOTO

SUPERLOTO was a numerical game very similar to Loto with three draws a week. SUPERLOTO was terminated at the end of 2013.

FOFR

Fortuna Loterie introduced the very first quick game, named FOFR, in November 2012. The draw takes place every 5 minutes between 8:05 AM to midnight. Eight numbers are selected out of twenty five and one colour out of four. Winnings are calculated as multiples of correctly guessed numbers and colours and are fixed in advance based on a prize table. A proportion of 65% of accepted bets is distributed back to players, which is the highest pay-out on the Czech lottery market.

6.4 Distribution Channels

The Group delivers its betting products to customers through retail betting outlets, online and via a telephone call centre. The Group offers retail betting through outlets operating under its own brand name, and at counters and betting rooms installed at other retail outlets (such as sports bars, restaurants and pubs) as well as 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 following table summarizes the types of distribution channels used by the Group in the markets in which it operates:

	Czech Republic	Slovakia	Poland	Malta
Betting outlets	Available	Available	Available	Not available
"Partner" betting outlets	Available	Available	Available	Not available
Online	Available	Available	Available	Available
Telephone	Available	Not available	Not available	Not available
SMS	Not available	Available	Not available	Not available

Source: the Company

The management believes that 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 and telephone services are generally younger and better educated, and the users of social networking sites, and the various functionalities of smart phones and mobile phones, 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.

Retail Betting Outlets

Retail betting outlets accounted for 49.6% of the Group's Gross Win from sports betting in the year ending on 31 December 2013.

The table below presents information on the Group's retail network for the years ending on 31 December 2013 and 2012:

	Czech Republic	Slovakia	Poland	Total
Betting outlets	318	224	399	941
"Partner" betting outlets	364	208	102	674
Total number in 2013	682	432	501	1,615

	Czech Republic	Slovakia	Poland	Total
Betting outlets	344	234	379	957
"Partner" betting outlets	330	184	76	590
Total number in 2012	674	418	455	1,547

Source: the Company

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.

Under the "Partner" programme, the Group's land network is extended by installing point of sale betting outlets in places such as bars or restaurants with high traffic where the owner is willing to offer betting products to customers. The Group enters into a lease agreement with each of the "Partners", under which the Group agrees to pay a lease for the use of the premises. Part of the lease is linked to the betting revenues and part is fixed. The financial performance of the "Partner" outlet network is monitored continuously.

In addition, the Group cooperates with third parties that operate some betting outlets in the Czech Republic and Slovakia and provide personnel and lease premises for betting outlets on a commission basis. The Group provides training and equips "Partner" outlets with information panels and information technology. In June 2010, Fortuna introduced the "Partner" programme in Poland.

In March 2012, Fortuna obtained permission from the Polish Minister of Finance to operate 80 new betting shops. Most of them were previously owned by Tipsport PL – a company controlled by TIPSPORT a.s. The acquisition enabled Fortuna to expand its retail network in Poland and become the biggest Polish betting operator by the number of betting outlets.

Online Business

The Group started offering online betting to its customers in Slovakia in 2007, followed by the introduction of online betting in the Czech Republic in 2009. The internet platforms allow for 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 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 offering a wide range of products, including sports betting, live virtual betting, number betting, lottery and online casino. To exploit the full potential of the internet and to spread its geographical coverage, the FortunaWin business is located in Malta and targets Hungarian customers. In 2011, after meeting the necessary conditions, FortunaWin Ltd. and FortunaWin Gaming Ltd. applied for a permanent betting and gaming licence in Malta. The licence was finally awarded, effective 25 May 2011, for a period of 5 years.

Online betting accounted for 43.9% of the Group's Gross Win from sports betting in the financial year ending on 31 December 2013.

Telephone and SMS Business

In 2007 the Group started to operate fixed-odds betting via telephone in the Czech Republic, and via SMS in Slovakia (Telekonto service). Although migration to the internet has occurred, telephone betting still appeals to a core group of Czech customers who prefer to speak to an individual when placing their bet.

At present, both telephone betting in the Czech Republic (via direct voice contact with an operator) and SMS betting in Slovakia is negligible and accounts for less than 1% of the Amounts Staked from sports betting in the respective countries.

Lottery Terminals

Fortuna's lottery products have their own distribution network and a unique distribution strategy which is to a large extent independent of the traditional sports betting distribution network. Since the lottery products cannot be offered online, it is important to place the lottery terminals at the most lucrative and frequented distribution outlets no matter whether they are Fortuna's own sites or not. Typically, lottery terminals are placed in tobacco shops, gas stations, small stores and also in Fortuna's own betting outlets. The key distributors for the lottery are GECO, Spar, HDS Retail, Citi-Tabák or Peal. Apart from the sale of Fortuna lottery games, terminals also offer mobile phone top-ups for all three mobile operators present on the Czech market.

As of 31 December 2013, the Fortuna lottery operated 1,590 lottery terminals in the Czech Republic.

Scratch Cards

Highly successful scratch cards are on sale in selected Fortuna outlets and through a network of external resellers such as GECO, Relay, Inmedio, Peal, City-Tabák, Žabka stores, e-shop JAS ČR and others. In June 2012, Fortuna Loterie signed a contract with Česká pošta, s.p. (Czech Post) on the distribution of lottery products through the postal operator's 3,300 branches and began offering its range of scratch cards at the post offices in September 2012. In May 2013, Fortuna acquired a small scratch cards business from the Czech company GAMESTAR, a.s with an aim to get access to their distribution network. In autumn 2013 Fortuna and Tipsport agreed to develop a joint venture in the area of instant games – scratch cards. The agreement is subject to an approval of the Czech antimonopoly office.

6.5 Customers

Most of Fortuna's customers are male. Only around 9% of the customers are women. In terms of age, the customers are more diversified. More than 70% of customers are between 18 and 45 years of age. As of 31 December 2013, Fortuna had 249,539 registered customers in the Czech Republic, 101,651 in Slovakia and 111,294 in Poland.

6.6 Marketing, Sponsorship and CSR

The strength and awareness of the "Fortuna" brand remains the key asset across all territories and provides a substantial competitive edge for attracting and maintaining customers. However, because of strict regulations governing the advertising of betting in Poland, the development of marketing activities in this particular market will be more gradual. The scale, form and content of the Group marketing will continue to vary from country to country.

The focus of Fortuna sponsorship activities is football, the sport being the favourite discipline in terms of sports betting. Football clubs and competitions therefore offer natural partnership opportunities for Fortuna Entertainment Group.

In the Czech Republic, the organisation sponsors both professional and amateur football clubs. In 2013, Fortuna terminated partnerships with AC Sparta Prague and FC Slovan Liberec and decided to continue just with Bohemians Praha 1905 and amateur and semi-professional football leagues.

Fortuna is the main "platinum" partner of the Slovak football association. In addition, Fortuna sponsors the Slovak tennis association and a number of sports clubs and teams in sports including basketball, handball, tennis and volleyball. The majority of Slovak partnership agreements will expire and will be revised in 2014.

In Poland, Fortuna's sponsorship activities are mainly focused on football and basketball. In 2013 Fortuna supported several sports events and venues such as the Cieszyn Street Run (http://www.fortuna.bieguliczny.pl/), football academy for kids (http://lukam2010.pl/2,hot-news.html) and a major beach volleyball tournament Plaža Open. In autumn 2013, Fortuna became a main sponsor of Poland's Legia Warsaw football club, the deal came to force as of 1 January 2014 and is valid until the end of 2016.

Fortuna Entertainment Group is proud of maintaining good relations with its customers. That is why it established the Fortuna Klub Plus loyalty scheme in 2008. This scheme currently has more than 140,000 active members on all the markets on which the Group operates. By becoming a member of this club, customers can obtain a whole range of perks, such as advantageous odds, gift items and discounts in partner shops and stores. In 2013 members of the Fortuna Klub Plus were offered an opportunity to use collected points for a broader variety of benefits than before. The newly introduced benefit scheme includes free betting tickets, special bonuses for bets and risk free betting. The scheme is set in such a way that all club members with a different number of points can find interesting benefits. As a result, the free betting ticket for collected points immediately became the second most favourite benefit after better odds and in terms of spent points it has even become the number one favourite. 80% of all collected points were used for benefits which take the bettors back to the game.

Management believes that being a responsible member of the community can play a role in building customer loyalty and strengthening the corporate brand. The Group is therefore committed to its own corporate social responsibility programme. The Group undertakes some charitable activities in the Czech Republic. In addition, Fortuna financially supports a number of local football clubs under the "Grant Project", organised to improve and cultivate the Czech football environment. Fortuna also supports disabled sportspersons and other disabled people in adapting and returning to social life after suffering a debilitating injury. Moreover, Fortuna donates to selected support programmes for children in all the countries in which it operates.

6.7 Risk Management

Risk management is key in the profitable operation of a fixed-odd betting business. A bookmaker's odds are determined so as to provide an average return to the bookmaker over a large number of events. However, there is an inherently high level of short-term volatility in the Gross Win percentage event-by-event and day-by-day. The Group may from time to time experience significant losses as well as extraordinary gains with respect to individual events or betting outcomes. However across a sustained period of operations, the Gross Win margin stabilises.

The risk of incurring daily losses on a Gross Win basis is significantly reduced by the averaging effect of taking a very large number of individual bets over a considerable number of events and is also tightly controlled through a risk management process which relies on:

Odds Compilation

The Group cooperates with a team of 43 experienced bookmakers (end 2013) who are responsible for determining fixed odds. Initial odds are compiled from first principles and the mathematical chance of an outcome based on previous results. The odds also have an imbedded assumed margin. Initial odds are further processed to set additional odds related to a particular game and adjusted for any market information, bookmakers' knowledge of the sport and local expertise. The bookmakers have access to Betradar databases which collect information on odds from more than 350 bookmaker clients in over 70 countries. Betradar is a brand of Sportradar, the world's leading supplier of sports related live data, odds solutions and fraud detection services to bookmakers, media companies, sports federations and government agencies. The databases help to monitor, assess and compare odds proposed by the Group's competitors. The management believes that the odds compilation process used by the Group is more accurate than fully-automated odds generation, thus enabling the Group to provide competitive odds to its customers.

Odds Adjusting

Once odds are compiled, they are entered into the Group's system and delivered to the Group's operating companies, which may adjust the odds at a local level. The odds are continuously reviewed with respect to customers' behaviour and compared to odds proposed by the Group's competitors. When extraordinary bets occur or the number of bets for a particular event considerably increases, the odds are changed or, on very rare occasions, betting on an entire event is suspended or cancelled. The Group also monitors the decisions of its competitors and may decide to cancel particular offers in the event that its competitors do so. Furthermore, the Group analyses its exposure related to each event on which it has accepted bets and adjusts its odds to decrease the risk of incurring significant loss on that event.

In fixed-odds betting, the liability to make payment is in principle unlimited. However, the Group is not obliged to accept any bet, or may accept a bet on certain conditions only.

Bet Acceptance

The Group is under no obligation to accept any bet. The procedure of bet acceptance is designed to eliminate suspicious bets and to adjust the odds ratio to generate a positive Gross Win for the Group. In addition, there is a “black list” of customers. For different types of bets, the Group sets limits on the stake value and particular leagues. If a particular game is defined as risky, customers are not allowed to make a solo bet for this game; they can only make a combination bet of 3 to 5 games, one of which is the risky game. Each bet request is entered into the centralised system accessible to all the shops for automatic approval. If the bet is not accepted by this automated mechanism, the bet is transferred to the Group’s headquarters where a bookmaker may refuse to accept the bet based on his own judgement, propose new odds, or propose new amounts to be staked. Each bookmaker is permitted to accept a bet within particular limits. If a bet exceeds such limits, a bookmaker can ask a more highly qualified bookmaker with bigger limits for permission to approve the bet.

Pay-out of Winnings

The results of each sports event are downloaded from two sources and checked. Where the results of a sports event are called into question, the Group will make inquiries to the sports authorities about the outcome of the sports event and may refuse to pay out winnings on the event. The Group may also refuse to pay out winnings if there is any suspicious activity or disruption in the Group’s system operations. The Group’s system operations are analysed immediately after a given sports event or, where a sports event occurs at night, before the start of the following business day. Bets may be rejected both before and after the sports event. In addition, limits are set on each customer’s virtual account in order to prevent them from transferring a significant amount of money in a short time.

Payment Management

The Group has implemented internal procedures to ensure proper cash management. These internal procedures address legal, safety and insurance requirements in the following areas: bet acceptance, cash keeping and carrying, and winnings pay out. The majority of bets are placed upon prior payment. The management regularly monitors all non-standard card payments and customer behaviour in order to minimise any losses.

Information Technology Solutions

The Group’s servers are managed by specialised entities in each of the countries in which the Group operates. All of the premises offering the Group’s products in a particular country are linked via the country network. In addition, the country networks are interconnected. Back-up and continuity of services is assured for each country. Failures in services in a particular outlet should be remedied within two hours. The Group maintains considerable IT security services, including firewalls and virus controls.

The online software platform, which allows for the provision of online services in Slovakia and the Czech Republic, is scalable and has not encountered any problems with betting capacity in the past.

Employees’ Misconduct

The activities of each of the Group’s bookmakers are supervised by senior bookmakers and corrective action may be undertaken at any time. The Group has a cash-monitoring system in each betting outlet which is designed to detect any fraudulent behaviour by the Group’s betting outlet employees. The Group’s cash management policy helps to decrease the size of a potential loss arising from any employee’s misconduct.

6.8 Environment and Legal

Environmental Issues

Fortuna believes that environmental matters are not of material importance to the Group activities and its financial situation.

Legal and Arbitration Proceedings

The Group is routinely involved in litigation, either as a plaintiff or defendant, in various legal disputes arising in the ordinary course of business.

There were no other governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which FEG is aware) during the 12 months prior to the date of this Annual Report which may have, or have had in the recent past, significant effects on the financial position or profitability of the Group.

6.9 Research & Development

Intellectual Property

The Group relies on the strength of its brands and the names and/or logos of its betting outlets, all of which are registered trademarks and are protected by local legislation applicable in the countries of operation.

The Group has 128 trademarks, including 89 trademarks registered in the Czech Republic, 12 trademarks registered in the Slovak Republic, 26 trademarks registered in Poland and 1 international trademark. In addition, one trademark is co-owned by Fortuna online zakłady bukmacherskie Sp. z o.o. and Fortuna sp. z o.o., a company which is not a related party to Fortuna.

The Group has more than one hundred registered internet domains, including "ifortuna.sk", "efortuna.sk", "efortuna.pl", "ifortuna.cz", "ifortuna.eu", "fortunawin.com" and "fortunaloterie.cz". As the majority of internet domains are owned by Fortuna GAME, under some intragroup agreements Fortuna GAME provides other Group Companies with the right to use certain of the Group's domain names.

Like in previous years, the Group has not had any material research and development activities.

6.10 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 maximize the potential offered by the increased acceptance of betting and gaming as a pastime and the growth of broadband internet penetration. Following the necessary changes in the 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, number betting, a lottery and an online casino.

In 2012 and 2013, online business has been moving fast from website to on-the-move betting (smart phone, tablets). Live betting and live streaming of matches is now playing a crucial role in attracting customers wanting to bet on-the-move. The Group has focused on development of product offers (trading platform, live betting, and live streaming) as well as a new mobile application to be able to compete in this new developing betting segment.

As a part of the mobile offer expansion, Fortuna chose bwin.party to provide the sports betting solution bwin Feed. The B2B deal, which commenced in autumn 2013 integrates bwin.party's sports content – bwin Feed – into Fortuna Entertainment Group N.V. sports betting client. The first three months of the partnership have already delivered a positive impact on Fortuna's business, with overall sports betting figures; GGR; turnover; 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 can be integrated into Fortuna's betting point of sales 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 the cash generation from its core retail channel by growing Gross Win while carefully managing costs. To optimise the betting experience, 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 or Hungary) 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 affect the lottery market as a whole. According to market estimates, the size of the Czech lottery market is just 50% of its volumes prior to the Sazka's crisis. 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.

As far as the numerical games are concerned, the Group is currently reviewing other strategic options concerning a further development of the lottery project, including a co-operation with a strategic partner.

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 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. Currently the new online platform provides betting and gaming products to Hungarian customers.

As part of the process of monitoring market opportunities, the Group regularly reviews land-based greenfield and acquisition opportunities across 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.

6.11 Human Resources

Most of the Group's employees work in the Group's betting outlets, with an average of slightly more than two employees per outlet, with one or two employees per shift.

The table below provides information on the number of Group employees in particular categories as well as the total headcount of the Group as of 31 December 2013, 2012 and 2011:

	31 December 2013	31 December 2012	31 December 2011
Holding management	7	8	8
Headquarters	351	345	352
Betting outlet staff	2,165	2,176	2,253
Total number of employees	2,523	2,529	2,613

Source: the Company

The table below provides a breakdown of persons employed in the Group by geographical location as of 31 December 2013, 2012 and 2011:

	31 December 2013	31 December 2012	31 December 2011
Czech Republic	966	976	1,051
Poland	925	868	849
Slovakia	630	683	710
Other (FortunaWin)	2	2	3

Source: the Company

The Group recognises the importance of its staff in operating a stable and efficient business and the provision of a high level of customer service and, accordingly, the Group strives to recruit, train, reward and retain the best personnel. The Group believes that it offers an attractive employment package. In addition to offering training and other benefits, the size and diversity of the Group's operations provide development and promotion opportunities for new employees.

Outlet employees' compensation is determined by a basic salary and performance-linked incentive bonuses. The variable (motivation) component of the wage is derived from the turnover of a particular betting outlet. Minimal revenues from betting that are to be reached in a month are specified for each betting outlet (an accepted amount without commissions). If the amount exceeds the specific limit, a certain amount is paid as a performance bonus for a betting outlet. This amount is proportionally divided among the employees according to the number of hours worked by them in a particular month. Recently the Group introduced other bonuses based on the number of new members enlisted with Fortuna Klub Plus.

The compensation of bookmakers is a combination of fixed salary and variable components, while that of other back-office staff is mainly based on a fixed salary. Moreover, some employees receive annual bonuses which are related to the financial performance of the Group Company. The ongoing performance of the Group's staff is monitored and discussed at regular performance appraisals. While these appraisals are carried out at a local level by local managers, performance criteria are established in the Group's head office, and the Group carries out an audit of performance reviews. The Group encourages teamwork and the sharing of knowledge and expertise.

There is one trade union at Fortuna PL. There are no other trade unions and committees registered in other companies of the Group.

The employees of Fortuna Loterie and Fortuna GAME have their representatives on the supervisory boards of these companies.

As of the date of this Annual Report, the Group's employees do not have any shareholdings in FEG, with the exception of shares held by Group Management set out in note 8.3.

6.12 Review of 2013

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

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

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

Selected financial indicators – FEG total

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

Revenues, OPEX, EBITDA

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

Total operating costs and income (excluding depreciation costs) in 2013 reached EUR 70.4 million, 5.1% less than in 2012. Staff costs decreased 0.7% yoy to EUR 26.6 million primarily due to staff reduction in the lottery area and in the retail sports betting network. Staff costs in the sports betting segment increased modestly by 3.0% yoy to EUR 25.7 million and in the lottery segment went down by 51.5% to EUR 0.9 million. Governmental taxes and levies amounted to EUR 10.8 million, 1.4% less than in the previous year as the result of a lottery sales decline. Of which, sport betting taxes grew by 5.3% and lottery tax went down 29.7%. Other operating expenses (net) declined in 2013 by 9.4% to EUR 33.0 million primarily related to online betting services, such as live streaming, etc. Of which, sports betting other operating expenses (net) amounted to EUR 27.1 million (+1.8%) and lottery EUR 5.9 million (-39.8%).

Total consolidated EBITDA recorded in 2013 was EUR 26.7 million, up 20.8% yoy, which is better than Company's initial guidance of EUR 23.1 million[3]. EBITDA from sports betting reached EUR 27.3 million, 5.6% more than previous year. EBITDA from lottery was a EUR 0.6 million loss and improved by 83.1% compared to last year's result.

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

[3] Total EBITDA was impacted by one-off gain of EUR 2.2 million from VAT claim legal dispute in Poland. The net profit impact is EUR 1.8 million

EBIT and Net Profit

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

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

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

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

Breakdown of Revenues by Country

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

Selected financial results by country in 2013

(EUR million)	CZ sports betting	CZ lottery	Slovakia	Poland	Malta
Total Amounts Staked	323.3	16.1	148.9	74.2	4.8
Gross Win from betting	46.6	7.6	36.0	26.1	0.2
– of which: online	26.8	na	17.7	6.4	0.2
– of which: retail	19.8	na	18.3	19.7	0
Withholding tax paid	0	0	(8.4)	(8.9)	(0.03)
Other revenues	(1.1)	0.03	(0.5)	(0.5)	(0.05)
Revenues	45.5	7.7	27.1	16.7	0.1
Taxation of earnings from betting	(9.3)	(1.5)	0	0	0
Gross profit from betting	37.3	6.1	27.6	17.2	0.1
– of which: online	21.4	na	12.9	3.7	0.1
– of which: retail	15.9	na	14.7	13.4	0
Gross profit from betting (in %)	11.5%	38.1%	18.5%	23.1%	2.7%

Czech Republic Sports Betting

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

Czech Republic Lottery

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

Slovakia

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

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

Poland

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

Sport Betting Channels and Distribution Network

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

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

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

Lottery in the Czech Republic

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

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

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

Cash and Debt Position

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

Dividend Policy and Dividend

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

According to the financial results, the 2013 consolidated net profit is EUR 15.6 million.

2014 Outlook and Guidance

In 2014, Fortuna as a multi-channel regulated modern sports betting company shall continue to provide its customers an extensive range of products and first class service however and whenever they want to have a bet. The Company's mission is to constantly innovate and recruit more customers and support its current growth strategy. In 2013, Fortuna spent a significant amount on technology investments to become a leading online company in the region and we should leverage those investments during sports events this year such as the winter Olympics or the FIFA World Cup in Brazil.

The regulatory environment in our markets needs to be reviewed, particularly in Poland. In 2014, we will expend considerable effort in unlocking the regulatory situation to allow the regulated market to grow at the expense of the offshore market which brings no benefits to the national budgets.

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

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

6.13 Material Subsequent Events

As of 1 January 2014 Aleš Dobeš was appointed General Manager of Fortuna online zakłady bukmacherskie Sp. z o.o. in Poland. Mr. Dobeš had been previously working with Fortuna Group between 2006 and 2011 as General Manager of Fortuna PL and member of the supervisory board of Fortuna SK. He replaced Jan Štefanek in this position.

On 4 February 2014 the Company was notified by Michal Vepřek, a member of the senior management and CFO that between 31 January 2014 and 4 February 2014 he executed several transactions in shares issued by the Company. Prior to the transactions, Mr. Vepřek held 4,000 shares of the Company representing a 0.008% share on the total capital. After the transactions, his holdings of the Company's shares are zero. Transactions were executed at the Prague Stock Exchange.

At the court hearings in February 2014, Main Administrative Court in Warsaw decided that Fortuna online zakłady bukmacherskie Sp. z o.o. ("Fortuna PL") is entitled to be refunded for VAT overpayment for the period 2005–2008. The Polish tax authorities have to refund the company with EUR 2,712 thousand. In the 2013 consolidated financial statements, the receivable of EUR 2,712 thousand is included in other current receivables and the income is included in the other operating income. In the 2012 consolidated financial statements, no contingent asset was recognized.

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

The Company announced in March 2014 that it plans to pay out a dividend of 70–100% of the 2013 net profit. The exact dividend amount will be proposed by the Management Board to shareholders at the AGM which is expected to take place in June 2014.

With the effect as of 31 March 2014, Mr. Marek Šmrha resigned from his position of a member of the Supervisory Board of Fortuna Entertainment Group N.V.

7/ Investor Information

Fortuna's Shares and Share Capital

Shareholders as of 31 December 2013	
FORTBET HOLDINGS LIMITED, a subsidiary of Penta Investments Limited	67.26%
Templeton Asset Management Ltd.	5.09%
BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A.	4.88%
Management	0.02%
Other free float	22.75%

Source: Company Data

On 21 October 2010, Fortuna successfully completed an Initial Public Offering ("IPO") of its shares with the issue price set at EUR 4.3 per share. In the IPO, a total number of 18,200,000 shares were offered by the selling shareholder Penta Investments Limited (including the over-allotment), including 2,000,000 newly-issued shares. The total volume of the offering equalled EUR 78.26 million based on the 18,200,000 shares. After the exercise of the over-allotment option, 34,975,330 shares remained with Penta; the rest were sold to institutional and retail investors. About 1% of the offering was allocated to retail.

The IPO was twice oversubscribed and the issue price was set at just under the upper end of the indicated price range. 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.

As of 31 December 2013, 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 authorised class of shares. All shares have been or will be issued under Dutch law. All shares have one vote and carry equal dividend rights.

The shares are traded on the Prague Stock Exchange under ISIN NL0009604859 BAAFOREG and on the Warsaw Stock Exchange under FEG. The shares of FEG since 20 December 2010 have been part of the PX index, which covers the shares of all major issuers on the Prague Stock Exchange.

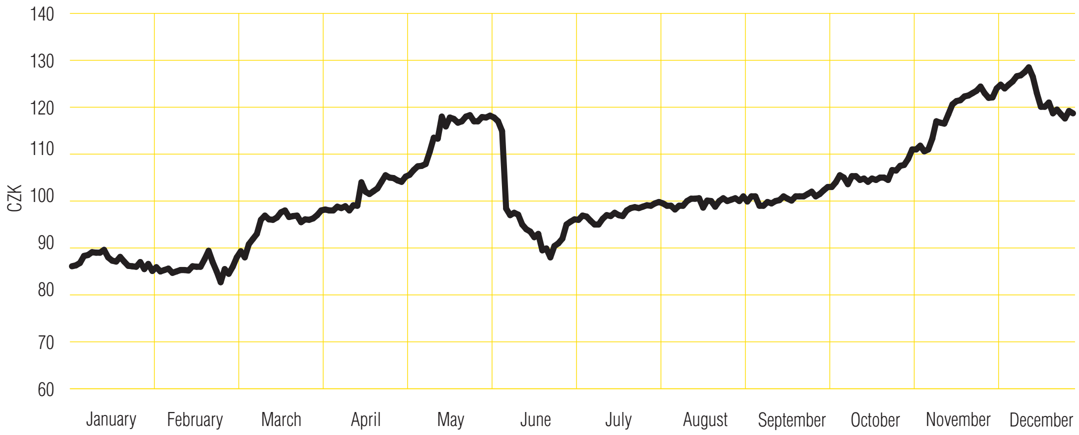
Share Price Development and Trading Activity in 2013[4]

In 2013, FEG shares were traded for a total value of CZK 1,126 million on the Prague Stock Exchange and for a total value of PLN 84.9 million on the Warsaw Stock Exchange. The lowest trading prices during the year were CZK 83 and PLN 13.5 and the highest were CZK 129 and PLN 20 on the Prague and Warsaw Stock Exchanges, respectively.

The closing prices on 30 December 2013 were CZK 119 on the Prague Stock Exchange and PLN 17.8 on the Warsaw Stock Exchange and the market capitalisation of FEG came to CZK 6.2 billion (based on the Prague Stock Exchange quote).

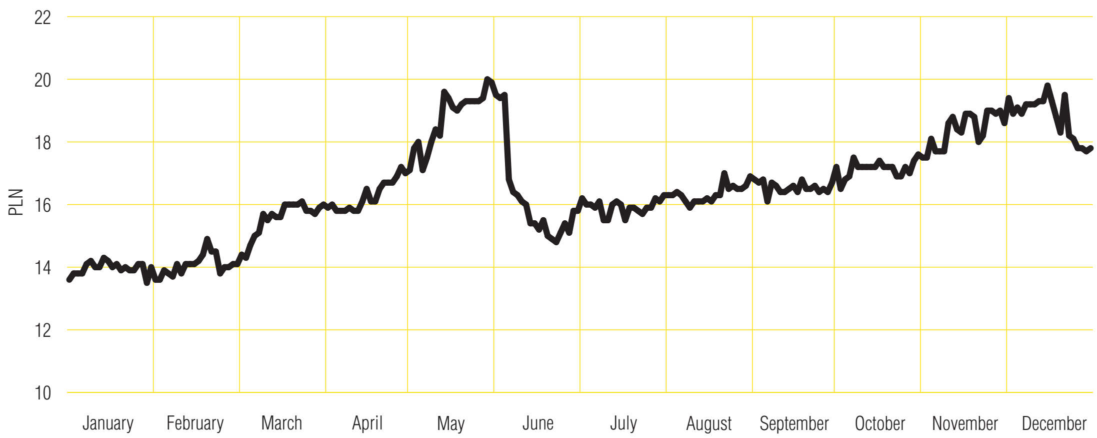
[4] Source: Bloomberg and PSE

1. 1. 2013 – 31. 12. 2013
Prague Stock Exchange Share Price Development



Source: PSE

1. 1. 2013 – 31. 12. 2013
Warsaw Stock Exchange Share Price Development



Source: WSE

Changes in the Shareholder Structure in 2013

In April 2013 the majority shareholder of Fortuna Entertainment Group N.V. (previously AIFELMONA HOLDINGS LIMITED) changed its legal name and registered seat to FORTBET HOLDINGS LIMITED, with its registered office at Agias Fylaxeos & Polygnostou, 212, C & I Center Building, 2nd floor, 3082, Limassol, Cyprus.

The changes were duly registered in the Registrar of Companies of the Republic of Cyprus and are in the effect from 11 April 2013 (with respect to change of legal name) and from 26 February 2013 (with respect to the change of registered office) and in any case do not affect shares held in the Company or execution of shareholder's rights. The majority shareholder is a subsidiary of Penta Investments Limited and holds 34,975,330 shares in the Company, constituting 67.26% of the share capital, and representing 34,975,330 votes, constituting 67.26% of total votes in the Company.

In January 2013 the Company received a notification that clients and investment funds managed by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. jointly held 2,535,128 shares in the Company, constituting 4.88% of the share capital and of the total voting rights attached to the shares issued by the Company, as of 14 January 2013. Prior to that, clients and funds managed by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A., had jointly held over 5.00% of the share capital and voting rights attached to the shares issued by the Company.

In September 2013 the Company was informed that clients and investment funds managed by Templeton Asset Management Ltd. jointly held 2,646,025 shares in the Company, constituting 5.09% of the share capital and of the total voting rights attached to the shares issued by the Company, as of 6 September 2013. Prior to that, clients and funds managed by Templeton Asset Management Ltd. had jointly held 2,496,025 shares in the Company, constituting 4.80% of the share capital and voting rights attached to the shares issued by the Company.

During the financial year ending 31 December 2013, the Company did not receive any other notification from shareholders about an acquisition or change of a major holding in the share capital and the total voting rights attached to the shares issued by the Company.

The total stake held by the management of the Company as of 31 December 2013 was 0.02%.

Dividend Policy

The Annual General Meeting of shareholders of Fortuna Entertainment Group N.V. held on 28 May 2013 in Amsterdam approved the Management Board's proposal to effect a gross dividend payment of EUR 0.67 in cash per share.

The AGM effected:

- gross dividend payments of EUR 0.23 in cash per share from the consolidated net profit for the financial year 2012. The dividend pay-out represents approximately 97% of the net profit (consolidated accounts);
- gross dividend payments of EUR 0.10 in cash per share from retained earnings;
- gross dividend payments of EUR 0.34 in cash per share as the distribution of the share premium.

The total sum allocated for the dividend amounted to EUR 34.84 million which, based on a total number of shares 52,000,000, equalled EUR 0.67 per share. The dividend record date was set to 11 June 2013. The actual payment of dividend occurred on 26 June 2013.

The Company's long-term dividend policy is to pay out 70–100% of consolidated net profit. The exact dividend for the financial year 2013 will be proposed by the Management Board to shareholders at the AGM, which is expected to take place in May 2014.

Fortuna's Investor Relations Commitment

In the period since the IPO, Fortuna has focused on developing research coverage for the Company, developing relationships with analysts and setting up investor relations communications according to the best market standards. At present, the Company has 10 sell-side analysts, who publish research on the Company, and a number of other commenting analysts from both international investment banks and CEE-based financial institutions.

Fortuna is dedicated to open and proactive communication with its shareholders and has implemented a schedule of investor communications events, which is fully compliant with market standards for listed companies.

Financial Results Calendar for 2014

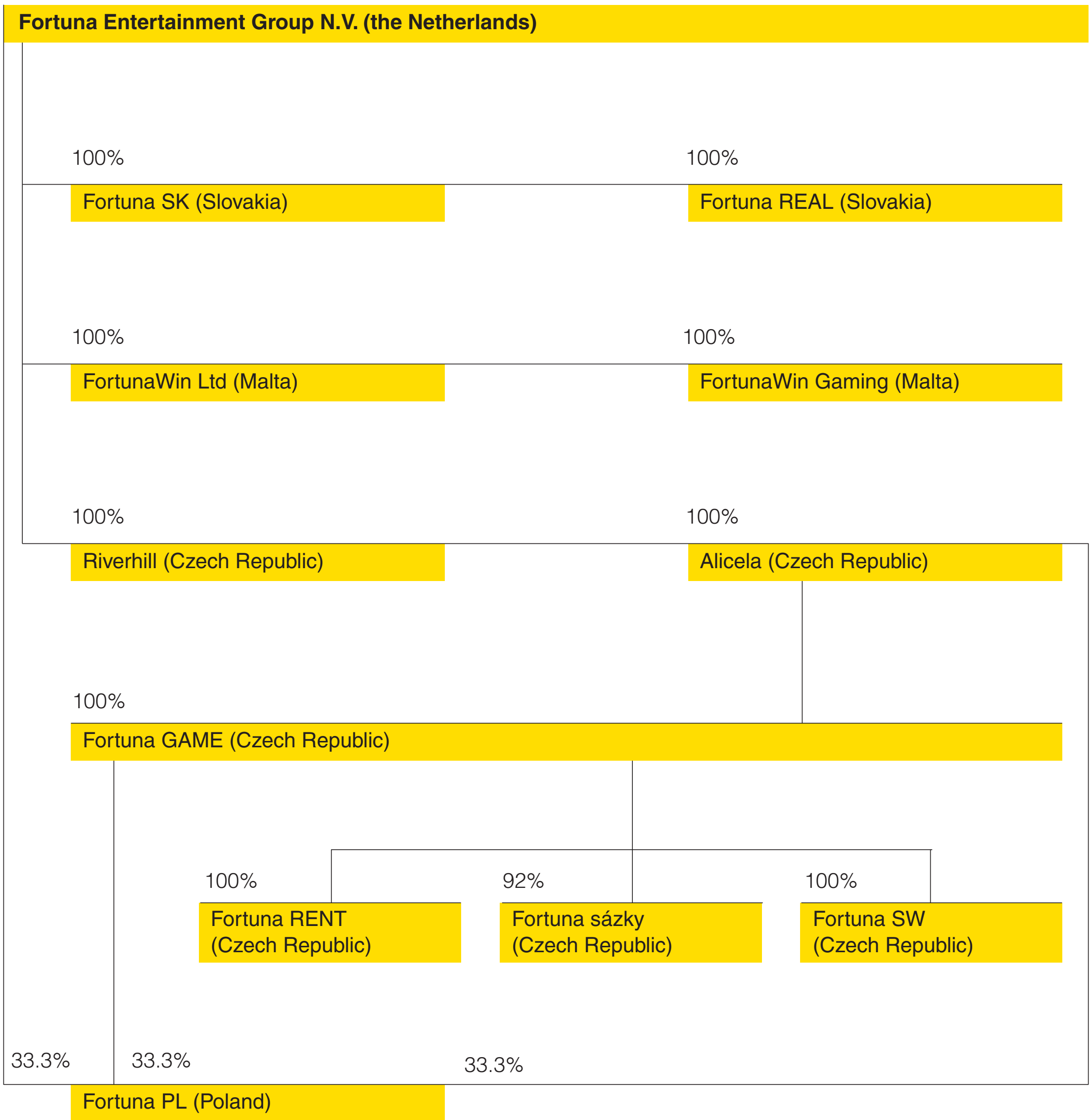
7 May 2014	Interim Management Statement for the Period Starting 1 January 2014
28 August 2014	Half Year Report 2014 incl. First Half 2014 Financial Results
6 November 2014	Interim Management Statement for the Period Starting 1 July 2014

Fortuna has launched new mobile platform at the end of 2013 to deliver an exciting sports betting experience for the increasing numbers of customers using mobile devices.

8/ Corporate Governance

8.1 Organisational Structure

The diagram below presents the current structure of the Group as of 31 December 2013:



Source: Company Data

Riverhill and Alicela are holding companies whose sole activity is holding interests in Czech operational companies. This structure results from Czech regulations that do not allow foreign entities or entities, the direct parent entity of which is a foreign entity, to hold interests in a Czech betting company. Similarly, a shareholder of a Polish betting company may not hold more than one-third of the share capital. Therefore, FEG, Fortuna GAME and Alicela hold shares in Fortuna PL. FORTUNA sázky a.s. was a dormant company, a 100%-owned subsidiary of Fortuna GAME.

Changes to the Organisational Structure

Effective 1 January 2013, a part of the company FORTUNA GAME a.s. which related to numerical and instant lottery games in the Czech Republic as well as pre-paid mobile top-ups, was contributed to the company FORTUNA sázky a.s., a 100% subsidiary of FORTUNA GAME a.s. FORTUNA sázky a.s. was previously a dormant company.

A one-third interest in Fortuna online zakłady bukmacherskie Sp. z o.o. in Poland, which was originally owned by Fortuna Loterie a.s., was transferred to the company ALICELA a.s.

The Company ibet, s.r.o. ceased to exist and was erased from the Commercial Register as of 1 March 2013.

On 25 July 2013 Fortuna GAME and the company E - INVEST, a.s., ID No 45474559, with its registered seat at Praha 1, Václavské náměstí 773/4, post code 110 00 (the “E - INVEST”), entered into the Share Purchase Agreement, under which a 8% stake of Fortuna sázky owned by Fortuna GAME was sold to E - INVEST.

Based on a change of the Maltese law in 2013, companies registered in Malta are no longer obliged to have a minimum of two shareholders. Therefore, one share in FortunaWin and FortunaWin Gaming, which was previously owned by Jozef Janov, was transferred to the majority shareholder of each company. As a result, Fortuna Entertainment Group N.V. became a 100% shareholder of FortunaWin and FortunaWin a 100% shareholder of FortunaWin Gaming.

Information on Significant Subsidiaries

FORTUNA GAME a.s. was incorporated on 3 October 1991 in Prague as a joint stock company under Czech law. In 2005, all shares in the company were acquired by ALICELA a.s. In 2009, as a result of the transfer of part of the operations of FORTUNA sázková kancelář a.s., the company started to offer sports betting in accordance with a licence issued on 19 May 2009, valid until 2019. At the end of December 2011, assets and operations related to the sports betting business were transferred from FORTUNA sázková kancelář a.s. to FORTUNA GAME a.s. Effective 1 January 2013, a part of the company FORTUNA GAME a.s. which related to numerical and instant lottery games in the Czech Republic as well as pre-paid mobile top-ups, was contributed to the company FORTUNA sázky a.s., a 100% subsidiary of FORTUNA GAME a.s.

FORTUNA sázky a.s. was incorporated on 15 January 2009 in Prague as a joint stock company under Czech law as a 100% subsidiary of FORTUNA sázková kancelář a.s. As of 27 April 2012 it became a 100% subsidiary of FORTUNA GAME a.s. FORTUNA sázky a.s. was a dormant company until 31 December 2012. Effective 1 January 2013, a part of the company FORTUNA GAME a.s. which related to numerical and instant lottery games in the Czech Republic as well as pre-paid mobile top-ups, was contributed to the company FORTUNA sázky a.s., a 100% subsidiary of FORTUNA GAME a.s.

Fortuna SK was incorporated on 25 April 1991 in Bratislava as a joint stock company under Slovak law. It was established as Terno, a.s. by Fortuna SazKan and two private persons. In 2005, all the shares in Fortuna SK were acquired by Penta First Fund Limited. In the same year, all the shares were transferred on to Penta. In 2006, the company was renamed Fortuna SK. FEG acquired 100% of all shares in Fortuna SK in January 2010. Currently, Fortuna SK offers fixed-odd betting (both land and online) under a licence issued in 2005, valid until 2015. As of 1 May 2013, Mr. Marek Biely was appointed as the CEO of Fortuna Slovakia and Chairman of the Management Board of Fortuna SK. He replaced Milan Alakša as the regional (Slovakia) head.

Fortuna PL was founded in 1995 as a limited liability company under Polish law. In 2005, all shares were sold to Penta Investments Limited (an entity that subsequently changed its name to Penta First Fund Limited), Lunga Enterprises Limited and Massarosa Holdings Limited (the last two entities being special purpose vehicles in the Penta Group). In 2006, the stake owned by Penta First Fund Limited was transferred on to Penta Investments Limited. In 2007, the name of the company was changed from Profesionał to Fortuna PL. From its beginnings, the company operated in the betting sector. The current operations are conducted in accordance with a number of betting permits issued for particular outlets in the years 2005–2009 that will expire in the years 2011–2015. In November 2009, Fortuna PL obtained permission for a virtual horse racing organization for six years. FEG acquired one-third (33.3%) of the shares in Fortuna PL in May 2010. The remaining shares were purchased by Fortuna SazKan, later Fortuna Loterie (33.3%) and Fortuna GAME (33.3%). A one-third interest in Fortuna PL, which was originally owned by Fortuna Loterie a.s., was transferred to the company ALICELA a.s.

FortunaWin Ltd. was founded in 2009 in Ta'Xbiex as a limited liability company under Maltese law. In 2010, it obtained three letters of intent (temporary licences), entitling it to organise betting and also to host and manage two Microgaming platforms. In June 2010, the company started its online operations. In 2011, after meeting necessary conditions, FortunaWin Ltd. applied for a permanent betting and gaming licence in Malta. The licence was awarded, effective 25 May 2011, for a period of 5 years.

FortunaWin Gaming Ltd. was founded in 2009 in Ta'Xbiex as a limited liability company under Maltese law. In 2010, it obtained a letter of intent (a temporary licence), entitling it to organise betting. In June 2010, the company started its online operations. In 2011, after meeting necessary conditions, FortunaWin Gaming Ltd. applied for a permanent betting and gaming licence in Malta. The licence was awarded, effective from 25 May 2011 for a period of 5 years.

Fortuna SW (formerly NAVI PRO s.r.o.) was founded in 2004 in Prague as a limited liability company under Czech law. NAVI PRO s.r.o. developed software, including betting software for Group Companies. In March 2010, the company was acquired by Fortuna GAME and in April 2010 it was renamed FORTUNA software s.r.o.

Fortuna RENT was founded in 2004 in Prague as a limited liability company under Czech law. At the beginning, Fortuna SazKan was the sole shareholder in the company. The main objective of the company is the management of the sites portfolio. Lease agreements with VAT charges regarding betting outlets operated by Fortuna SazKan and Fortuna GAME were transferred on to Fortuna RENT. In 2011, Fortuna GAME became the sole shareholder in Fortuna RENT.

Fortuna REAL was founded in 2006 in Bratislava as a limited liability company under Slovak law. The sole purpose of the company is the leasing of premises in Polus City Centre, a shopping and business centre in Bratislava. The company is in liquidation since 1 October 2013.

8.2 The Management

FEG has a two-tier board structure consisting of the Management Board (raad van bestuur) and the Supervisory Board (raad van commissarissen).

Management Board

A member of the Management Board is appointed for a maximum period of four years and may be reappointed. The Articles of Association do not include any nomination rights in connection with the appointment of members of the Management Board. The General Meeting may suspend or dismiss Management Board members at any time. The Supervisory Board may also suspend Management Board members at any time, for a maximum period of up to three months. The suspension may be revoked at any time by a majority vote of the General Meeting.

Under the Articles of Association, all resolutions of the Management Board must be adopted with an absolute majority of the votes cast. The Supervisory Board may resolve that specific actions of the Management Board must be approved by the Supervisory Board. The actions of the Management Board that are subject to this veto right by the Supervisory Board must be clearly specified and communicated to the Management Board in writing.

As of 31 December 2013, the Management Board was composed of four members. The table below sets out the names, positions, election date, and terms of office of the current members of the Management Board:

Name	Position	Office term in 2013	Expiration of the office term
Wilfred Thomas Walsh	Chairman of the Management Board	1 January 2013 – 31 December 2013	at the General Meeting held in 2014
Radim Haluza	Vice Chairman of the Management Board	28 May 2013 – 31 December 2013	at the General Meeting held in 2017
Janka Galáčová	Member of the Management Board	1 January 2013 – 31 December 2013	at the General Meeting held in 2014
Richard van Bruchem	Member of the Management Board	1 January 2013 – 31 December 2013	at the General Meeting held in 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.

Brief biographical and professional details concerning the Company's directors are set out below:

Wilfred Thomas Walsh
Wilfred Thomas Walsh (51) became Chairman of the Management Board of FEG in May 2012. He started his career in 1994 at HMV Group Limited, where he was managing director in Germany and operations director in the United Kingdom. From 2000–2007, he held several managerial positions at Gala Coral Group, Bookmaker Afternoon Greyhound Services Limited (2002–2007) and Tote Direct Limited (2003–2005). Furthermore, in December 2009 he was appointed as a non-executive director at the British Horseracing Association (Racing For Change). Since April 2009, he has been a partner in Predict (Performance Improvement Limited). He started to cooperate with Fortuna in 2009 as an external strategic advisor and in September 2010 he became Vice Chairman of the Management Board. Wilf Walsh has a degree from the Law Faculty of the University of Leeds.

Radim Haluza
Radim Haluza (39) was appointed Vice Chairman of the Management Board in 2013. He became the Group's CEO in 2012 and prior to that he acted as the CEO of Fortuna's Fixed-odds Betting Division. Before joining the Group, he was CEO of Žabka a. s., a retail chain of more than 120 grocery stores with a workforce of 700 employees. Radim managed Žabka until its sale to Tesco in March 2011. He began working for Penta in 2003, initially as a financial controller, and eventually rising to the position of Chief Financial Officer ("CFO"). Radim graduated from the University of Economics in Prague, while he also spent time studying at King's College in London.

Richard van Bruchem

Richard van Bruchem (48) has been a member of FEG's Management Board since September 2010. He has experience in accounting and management gained through work in key positions in numerous companies from the late 1980s. Richard van Bruchem's recent track record includes work as a financial director at, inter alia, ING Management B.V., Orangefield Trust B.V. and, eventually, at Avis Financial Corporation, where he has been a member of the management committee and the managing director since 2008. Richard van Bruchem holds bachelor degrees in Business Administration from Amsterdam's Hogeschool Markus Verbeek and Business Economics from Breda's Hogeschool Brabant and a master's degree in Accounting and Controlling from Nyenrode Business University in Breukelen. He has also obtained an Executive Programme in Strategic Management certificate from RSM Erasmus University of Rotterdam.

Janka Galáčová

Janka Galáčová (35) was appointed to FEG's Management Board in September 2010. She has worked as an accountant for consulting companies, including the Dutch branches of Deloitte and Touche, Ernst & Young and Finsens. Between 2006 and 2010, Ms. Galáčová was Senior Business Consultant at Atos Consulting in Utrecht. In February 2010 she founded her own company, ChanceOn Interim, based in Zwaag.

The following table sets out past and current directorships held by FEG's Management Board in the past five years:

Wilfred Thomas Walsh	
Current directorships:	Predict Performance Improvement Limited – director (from 2009)
	Racecourse Enterprises Ltd – non-executive director (from 2010)
	Gala Coral Group – non-executive director of the Board of Directors (from 2010)

Radim Haluza	
Past directorships:	Steelco a.s. v likvidaci – member of the Supervisory Board (2005–2009)
	Penta Investments s.r.o. – director (2008–2009)
	HELATIA, a.s. – member of the Supervisory Board (2006–2009)
	CLANTON a.s. v likvidaci – member of the Supervisory Board (2006–2013)
	Tesco Franchise Stores a.s.– member of the Supervisory Board (2007–2010)
	Tesco Franchise Stores a.s.– member of the Board of Directors (2010–2011)
	KOTAPERA a.s. – member of the Board of Directors (2008–2010)
	MEZSERVIS a.s. – member of the Board of Directors (2008–2009)
	PR market s.r.o. – executive director (2010–2011)
	PFSE, a.s. v likvidaci – member of the Supervisory Board (2008–2011)
	DGK Trade, spol. s r.o. – director (2005–2010)
	MobilKom, a.s. – member of the Supervisory Board (2009–2011)
	Oakfield a.s. – member of the Board of Directors (2005–2010)
	RIVERHILL a.s. – member of the Supervisory Board (2004–2009)
	Realitní developerská, a.s. – member of the Supervisory Board (2006–2009)
	Sky Venture a.s. – member of the Supervisory Board (2006–2009)
	TES VSETÍN, a.s. – member of the Supervisory Board (2008–2009)
	Penta Investments Limited, Czech branch – executive (2007–2009)
	Fortuna Loterie a.s. – member of the Board of Directors (2012)
	Whitelines Industries a.s. – member of the Supervisory Board (2006–2009)
Current directorships:	SALVIS REAL ESTATE, a.s. – member of the Board of Directors (from 2007)
	S12 a.s. – member of the Board of Directors (from 2005)
	KELADONE a.s. v likvidaci – member of the Board of Directors (from 2010)
	P.I.C. Group, a.s. – member of the Supervisory Board (from 1998)
	Hotel Populus, a.s. – member of the Board of Directors (from 2001)
	RIVERHILL a.s. – member of the Board of Directors (from 2012)
	ALICELA a.s. – member of the Board of Directors (2008–2010, from 2012)
	FORTUNA sázky a.s. – member of the Board of Directors (from 2011)
	FORTUNA GAME a.s. – member of the Board of Directors (from 2011)

Richard van Bruchem	
Past directorships:	MBB Project 34 B.V. – member of the Management Board (2010–2011)
	Servadou Holding B.V. – member of the Management Board (2010–2011)
	R2a Holding B.V. – member of the Management Board (2010–2011)
	Trust Company Amsterdam B.V. – member of the Management Board (2010–2011)
	BPO Solutions B.V. – member of the Management Board (2008–2011)
	Panorama Equity Investments B.V. (formerly Avis Corporate Services B.V.) – member of the Management Board (2009–2011)
	R2 Holding B.V. – member of the Management Board (2008–2012)
	Avis Holding B.V. – member of the Management Board (2009–2012)
	Avis Trust Group B.V. – member of the Management Board (2009–2012)
Current directorships:	The Bookkeeper B.V. – member of the Management Board (from 2008)
	Stichting Kunstbezit's-Graveland – member of the Management Board (from 2008)
	Avis Accounting B.V. – member of the Management Board (from 2009)

Janka Galáčová
No other directorships.

From 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 to effect. New rules and as stipulated in this act also effect Fortuna Entertainment Group N.V. One of the rules introduced into limited liability company law pertains to the "balanced distribution" of men and women on management boards and supervisory boards. Fortuna, as the Dutch public limited liability company (NV) must ensure that at least 30% of the seats of its management board are occupied by women and at least 30% by men to the extent that those seats are occupied by natural persons. On the balance sheet as of 31 December 2013 and after the balance sheet date, less than 30% of the seats of the Management Board of Fortuna Entertainment Group N.V. were held by a female (Janka Galáčová), the rest were held by males. In the future, the Company does not rule out appointing females to achieve a balanced distribution of seats.

Supervisory Board

A member of the Supervisory Board is appointed for a maximum period of four years. After holding office for four years, supervisory board directors are eligible for re-election only twice for a full period of four years. The Articles of Association do not include any nomination rights in connection with the appointment of members of the Supervisory Board. The General Meeting may suspend or dismiss Supervisory Board members at any time.

The Supervisory Board must have at least three members. The exact number of members of the Supervisory Board is determined by the General Meeting. The Supervisory Board will appoint a Chairperson, and may appoint a Vice Chairperson, from amongst its members. The General Meeting may at any time suspend or dismiss Supervisory Board members. The Articles of Association provide that the terms of office of the Supervisory Board members will expire periodically in accordance with a rotation plan drawn up by the Supervisory Board. Under the Articles of Association, the Supervisory Board can only adopt resolutions with an absolute majority of the entire number of members of the Supervisory Board. Each member of the Supervisory Board is entitled to one vote.

As of 31 December 2013, the Supervisory Board was composed of four members. The table below sets out the names, positions, election date, and terms of office of the current members of the Supervisory Board:

Name	Position	Office term in 2013	Expiration of the office term
Václav Brož	Chairman of the Supervisory Board	1 January 2013 – 31 December 2013	at the General Meeting held in 2014
Michal Horáček	Member of the Supervisory Board	1 January 2013 – 31 December 2013	at the General Meeting held in 2014
Marek Rendek	Member of the Supervisory Board	1 January 2013 – 31 December 2013	at the General Meeting held in 2015
Marek Šmrha	Member of the Supervisory Board	28 May 2013 – 31 December 2013	at the General Meeting held in 2017
Jozef Janov	*Chairman of the Supervisory Board*	*1 January 2013 – 28 May 2013*	

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.

Václav Brož

Václav Brož (39) was appointed the Chairman of the Supervisory Board in May 2013. He has been a member of the Supervisory Board since September 2010. Between 2001 and 2004 he worked at the Czech Securities Commission. He has been with Penta Group since 2004, previously as an investment analyst and later becoming an investment manager. Václav Brož has a university degree gained at the University of Economics, Prague in 1999. Václav Brož is a Czech national.

Michal Horáček

Michal Horáček (61) has been a member of the Supervisory Board since September 2010. He started to cooperate with the Group as chairman of the FORTUNA sázková kancelář a.s. management board. He held this position from 1990 to 2004. Subsequently, he held various lecturing positions at Charles University in Prague and Masaryk University in Brno and regularly contributed to the business daily newspaper Hospodářské noviny. He is an owner of KUDYKAM, s.r.o. and a member of the supervisory board of Knihovna Václava Havla, o.p.s. (Václav Havel Library). Michal Horáček holds a Ph.D. degree in social anthropology from the Faculty of Humanities, Charles University, Prague and he also graduated in American Studies at Macalester College, St Paul, Minnesota, USA. Michal Horáček is a Czech national.

Marek Rendek

Marek Rendek (36) has been a member of the Supervisory Board since May 2011. He has worked for Penta Group since 2002, starting as a financial manager assistant, and becoming a senior treasurer. Currently, as Managing Director of Penta Investments Limited, Dutch Branch in Amsterdam, he is responsible for the day to day management of the branch and Penta holding companies allocated to the Netherlands. Marek Rendek graduated from the Technical University in Košice in 2001, majoring in banking, finance and investments. Marek Rendek is a Slovak national.

Marek Šmrha

Marek Šmrha (28) was elected a member of the Supervisory Board in May 2013. He has been working for Penta Group since 2011 as investment analyst in the Buy-out division. Currently he is responsible for evaluating investment opportunities and managing the acquisition processes. Marek Šmrha graduated from the Manchester Business School in 2009 and London Business School in 2010. Marek Šmrha is a Czech national.

Jozef Janov

Jozef Janov (34) was the Chairman of the Supervisory Board from September 2010 until May 2013. He was working for Penta Group between 2003–2013, starting as investment manager and later becoming investment director. As a managing partner he coordinated Penta's investments in Poland. Jozef Janov graduated from the University of Economics in Bratislava and Martin-Luther University Halle-Wittenberg, majoring in international finance and banking. Jozef Janov is a Slovak national.

The following table sets out the past and current directorships held by FEG's Supervisory Board in the past five years:

Václav Brož	
Former directorships:	HELATIA a.s. – member of the Management Board (2005–2009)
	TES VSETÍN, s.r.o. – executive director (2008–2009)
	Steelco a.s. – member of the Supervisory Board (2005–2009)
	KELADONE a.s. – member of the Supervisory Board (2009–2010)
	ALICELA a.s. – member of the Management Board (2005–2010)
	RIVERHILL a.s. – member of the Supervisory Board (2009–2010)
	MEZSERVIS spol s.r.o. – member of the Supervisory Board (2010)
	MEZSERVIS a.s. – member of the Management Board (2009–2011)
	TES Vsetín, a.s. – member of the Management Board (2008–2011)
	MobilKom, a.s. – member of the Management Board (2008–2011)
	Inovatel sp. z o.o. – member of the Management Board (2006–2011)
	Fortuna Loterie a.s. – member of the Supervisory Board (2011–2012)
Current directorships:	FORTUNA GAME a.s. – member of the Supervisory Board (from 2011)
	SCHNEIDER - GROUP, a.s. – member of the Supervisory Board (from 2012)
	P.S.TRANS a.s. – member of the Supervisory Board (from 2012)

Michal Horáček	
Current directorships:	SIAM PRAHA spol. s.r.o. – executive (from 1999)
	Knihovna Václava Havla, o.p.s. – member of the Supervisory Board (from 2006)
	KUDYKAM, s.r.o. – executive (from 2008)

Marek Rendek	
Past directorships:	WEDGESAND B.V. – director (2009–2013)
	Dr.MAX HOLDING B.V. – director (2009–2013)
	Penta Investments Limited, Dutch branch – managing director (2009–2013)
Current directorships:	SALORI HOLDING B.V. – director (from 2009)
	SANDWEDGE B.V. – director (from 2009)
	DENDA BEHEER B.V. – director (from 2009)
	Equinox Investments B.V. – director (from 2009)
	BUBENEC HOLDING B.V. – director (from 2010)
	HODONIN B.V. – director (from 2011)
	PENTA INVESTMENTS B.V. – director (from 2011)
	KAUFSTEIN B.V. – director (from 2011)
	CARE UP B.V. – director (from 2011)
	Dr.MAX PHARMA LIMITED – director (from 2011)
	SALSTRONA HOLDINGS LIMITED – director (from 2012)
	HICEE B.V. – director (from 2013)
	SMICHOV DEVELOPMENT B.V. – director (from 2013)
	YMMA HOLDING B.V. – director (from 2013)

Marek Šmrha	
Current directorships:	Fortbet Funding s.r.o. – executive director (from 2013)
	PetCenter Slovakia s.r.o. – executive director (from 2013)

From 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. The new rules and regulations stipulated in this act also effect Fortuna Entertainment Group N.V. One of the rules introduced into limited liability company law pertains to the "balanced distribution" of men and women on management boards and supervisory boards. Fortuna, as the Dutch public limited liability company (NV) must ensure that at least 30% of the seats of its supervisory board are occupied by women and at least 30% by men to the extent that those seats are occupied by natural persons. On the balance sheet as of 31 December 2013 and after the balance date, there were no females on the Supervisory Board of Fortuna Entertainment Group N.V. 100% of the seats were held by males as a result of the previous distribution of the seats before the Management and Supervision Act came into effect. In the future, the Company does not rule out appointing females to achieve a balanced distribution of seats.

Václav Brož, Marek Rendek and Marek Šmrha are associated with Penta Investments Limited and FORTBET HOLDINGS LIMITED. Václav Brož, Marek Rendek and Marek Šmrha hold management posts within the organisational structure of Penta Investments Limited, have access to inside information related to Penta Investments Limited and are authorised to make decisions concerning the development of Penta Investments Limited. Václav Brož is Chairman of the Supervisory Board of Fortuna Entertainment Group N.V., Marek Rendek and Marek Šmrha are members of the Supervisory Board of Fortuna Entertainment Group N.V. Václav Brož, Marek Rendek and Marek Šmrha receive benefits from the operations of FORTBET HOLDINGS LIMITED or their interests are equivalent to the interests of FORTBET HOLDINGS LIMITED.

Therefore, due to the fact that the interests of the Group are not always in line with the interests of Penta, a conflict of interest may occur from time to time. Other members of the Management Board and the Supervisory Board have no conflicts of interests with respect to their duties to FEG and their private interests and/or other duties.

As of the date of this Annual Report, except as stated above, none of the members of the Management Board or Supervisory Board has in the previous five years (i) been convicted of any offences relating to fraud, (ii) held an executive function at any company at a time of or immediately preceding any bankruptcy, receivership or liquidation (iii) been subject to any official public penalties by any statutory or regulatory authority (including any designated professional body) or (iv) been the subject of any public prosecution or been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or performance of the affairs of any company.

All members of the Management Board and the Supervisory Board provide their services pursuant to letters of appointment/service agreements. These contracts are established for an initial period of four years but may be terminated earlier in accordance with provisions included therein and relevant regulations. The members of the Management Board have further agreed not to accept any appointment which might involve a conflict of interest without prior written consent of the Supervisory Board. For the term of their appointments, members of the Management Board have also agreed to refrain from undertaking, holding or accepting any appointments, sidelines or additional posts at other listed companies which are competitors to the FEG or the Group Companies without prior written consent of the Supervisory Board. The members of the Supervisory Board have further agreed not to accept any appointment which might involve a conflict of interest without the prior written consent of the Supervisory Board and to refrain from undertaking or holding any sidelines or additional posts at other listed companies without prior written consent of FEG. They have also undertaken not to disclose any confidential information received in connection with, or related to, FEG or Group Companies, their business and affairs.

Committees

As of the date of this Annual Report, the Supervisory Board has established from among its members the Audit Committee. The role and responsibilities of the Audit Committee, as well as its composition and the manner in which it operates and discharges its duties, are set out in regulations for the Audit Committee, as drawn up by the Supervisory Board. The members of the Audit Committee are currently Michal Horáček and Václav Brož. Václav Brož, Chairman of the Supervisory Board, currently acts as Chairman of the Audit Committee. The Company believes that it is in the best interest of the Company and the Group to maintain Václav Brož as Chairman of the Audit Committee due to his extensive financial knowledge of the Group. The Company believes that Václav Brož meets the description of a financial expert as referred to in the Dutch Corporate Governance Code and the Dutch Act on the Supervision of Audit Organisations.

The Audit Committee meets as often as one or more members of the Audit Committee deems necessary, but in any event meets at least once a year with FEG's external auditor, without the Management Board being present.

The governance structure of FEG is currently being developed and the Company does not exclude the establishment of additional committees.

General Meeting

FEG, as a Dutch company, must hold at least one Annual General Meeting of shareholders, to be held in the Netherlands not later than 6 months after the end of the financial year. The Annual General Meeting is, among other things, entitled to discuss the annual report of the Management Board with respect to the general state of affairs of FEG, approve the financial statements for the previous financial year, vote whether to grant a discharge to members of FEG's corporate bodies, and/or appoint members to fill any vacancies on any of the corporate bodies. Notices of shareholders meetings must be published on Fortuna's website and also in accordance with the applicable regulations in the Czech Republic and in Poland – at least forty two (42) days before the day of the meeting. The Management Board, acting with the approval of the Supervisory Board, determines the items on the agenda for the General Meeting. In addition, any shareholders holding more than 1% of the issued and outstanding shares or who hold shares having a value of EUR 50 million or more may submit proposals for inclusion on the agenda of any General Meeting. The proposal must be included on the agenda provided that FEG receives such proposals no later than 60 days before the General Meeting.

An Extraordinary General Meeting may be convened, whenever FEG's interests so require, by the Management or Supervisory Board. A single shareholder or those representing in aggregate at least 10% of issued and outstanding share capital may also call an Extraordinary General Meeting with an agenda to be determined by the shareholders calling the meeting. Under Dutch law, valid shareholders' resolutions may be taken in a meeting outside the Netherlands, provided that the entire issued share capital is represented at such a meeting.

Shareholders may participate in the General Meeting and exercise their voting rights personally or by proxy. Each share in the capital of FEG confers the right to cast one vote, subject to the relevant provisions of the Articles of Association, subject to and with due observance of the relevant provisions of the Articles of Association regarding the acquisition of own shares. Every holder of shares and every other party entitled to attend the General Meeting who derives his rights from such shares, is entitled to attend the General Meeting in person, or to be represented by a person holding a written proxy, to address the General Meeting and, in as far as he has voting rights, to vote at the meeting, if he has lodged documentary evidence of his voting rights. For this purpose, Dutch law prescribes a mandatory record date to establish which shareholders are entitled to attend and vote at the General Meeting. Such a record date is fixed at the 28th day before the said General Meeting. The convocation to the General Meeting shall state the record date, the place where the General Meeting shall be held and the manner in which registration shall take place.

Unless provided otherwise in the Articles of Association or the law, all resolutions are adopted with an absolute majority of votes. FEG must record the voting results for each resolution adopted at the General Meeting. These results must be posted on Fortuna's website no later than on the 15th day following the day of the General Meeting and should be available on the website for at least one year. Detailed information regarding participation and voting at General Meetings will be included in the notice of the General Meeting published in accordance with relevant regulations in the Netherlands, Poland and the Czech Republic.

Annual General Meeting of 28 May 2013

The General Meeting of shareholders of Fortuna Entertainment Group N.V. was held on 28 May 2013 in Amsterdam. It was attended by shareholders who together hold 71.63% of the share capital and voting rights and therefore, it 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 2012 as drawn up by the Management Board and as approved by the Supervisory Board. The annual accounts for the financial year 2012 were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code by the Management Board and audited and provided with the unqualified auditor's 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 0.67 in cash per share with a nominal value of one eurocent (EUR 0.01) for the financial year 2012:

- gross dividend payments of EUR 0.23 in cash per share from the consolidated net profit for the financial year 2012. The dividend pay-out represents approximately 97% of the net profit (consolidated accounts);
- gross dividend payments of EUR 0.10 in cash per share from retained earnings;
- gross dividend payments of EUR 0.34 in cash per share as the distribution of the share premium.

The total sum allocated for the dividend amounts to EUR 34.84 million which, based on the total number of shares of 52,000,000, equals EUR 0.67 per share. The dividend record date was set at 11 June 2013. The General Meeting further authorized the Management Board to determine the actual payment of dividend date either to 26 June 2013 or to 30 July 2013, depending on the financing of the Company.

In accordance with the advice of the Audit Committee, the Annual General Meeting appointed Ernst & Young as the external auditor of the Company, for the financial year 2013.

The General Meeting granted full discharge to each of the members of the Management Board for the performance of his management during the 2012 financial year. The General Meeting granted full discharge to each of the members of the Supervisory Board for the performance of his supervision during the 2012 financial year.

The General Meeting approved the annual remuneration (starting from the beginning of 2013) of each member of the Supervisory Board. The approved remuneration is in accordance with the respective service agreements of the relevant members of the Supervisory Board as entered into with the Company.

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 at 28 May 2013.

The General Meeting suspended Mr. Jozef Janov from his function of the Chairman and Member of the Supervisory Board in accordance with the articles of association of the Company. This suspension was effective as at 28 May 2013.

The General Meeting appointed Mr. Václav Brož as the new Chairman of the Supervisory Board in accordance with the articles of association of the Company. This appointment was effective as of 28 May 2013.

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

The General Meeting renewed the authorization for the Management Board, subject to the approval of the Supervisory Board, for a period of eighteen months as of 28 May 2013 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 28 May 2013, for purposes of stock option plans and other general corporate purposes. The aforesaid authorization 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 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 of the past five days before the purchase.

In addition, the General Meeting discussed the Annual Report 2012. The Annual Report 2012, including the Company's 2012 annual accounts, has been 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 Warsaw Stock Exchange. The Annual Report 2012 was 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.

Extraordinary General Meeting of Shareholders held on 31 July 2013

The Extraordinary General Meeting of shareholders of Fortuna Entertainment Group N.V. was held on 31 July 2013 in Amsterdam. It was attended by shareholders who together hold 72.18% of share capital and voting rights and therefore, it had a quorum. All of the resolutions that were subject to shareholder approval were adopted. The adopted resolutions were the following:

- Approval of the terms of, and the transactions contemplated by, as well as the entering into, execution, delivery and performance of the EUR 50,000,000 Senior Multicurrency Term And Revolving Facilities Agreement, which was concluded on 4 June 2013 between the Company, certain other companies of the same group as the Company (namely the companies FORTUNA GAME a.s., FORTUNA SK, a.s., Fortuna online zakłady bukmacherskie Sp. z o.o.), and Česká spořitelna (hereinafter as the "Facilities Agreement").

- Approval of the terms of, and the transactions contemplated by, as well as the entering into, execution, delivery and performance of the Intercreditor Agreement, which was concluded on 4 June 2013 between the Company, other companies of the same group as the Company (namely the companies FORTUNA GAME a.s., FORTUNA SK, a.s., Fortuna online zakłady bukmacherskie Sp. z o.o., FORTUNA sázky a.s., ALICELA a.s. and RIVERHILL a.s.), and Česká spořitelna (hereinafter as the "Intercreditor Agreement").

- Approval of the terms of, and the transactions contemplated by, as well as the entering into, execution, delivery and performance of the share pledge agreement in relation to 100% of the shares of the Company in the company FORTUNA SK, a.s., with its registered office at Bratislava, Einsteinova 23, Post Code 851 01, Slovak Republic, ID No 00 684 881, a company registered in the commercial register kept by the District Court Bratislava I, section Sa, insert 123/B ("Fortuna SK"), to be entered into between the Company, as the pledger, Fortuna SK, as the company and Česká spořitelna, a.s., with its registered office at Praha 4, Olbrachtova 1929/62, Post Code 140 00, Czech Republic, ID No 452 44 782, registered in the commercial register kept by the Municipal court in Prague, section B, insert 1171 (hereinafter as "Česká spořitelna") as the pledgee (the "Share pledge agreement I").

- Approval of the terms of, and the transactions contemplated by, as well as the entering into, execution, delivery and performance of the Registered pledge over shares agreement in relation to all shares owned by the Company in the company Fortuna online zakłady bukmacherskie Sp. z o.o., with its registered office at Bielska 47, 43-400 Cieszyn, Poland, registered in the commercial register of the National court register kept by the District Court in Bielsko-Biala, VIII. commercial division of the National court register under Reg. No KRS 0000002455 ("Fortuna PL"), which was concluded on 17 June 2013 between the Company, as the pledger, Fortuna PL, as the company and Česká spořitelna, as the pledgee (hereinafter as the "Share pledge agreement II").

- Approval of the terms of, and the transactions contemplated by, as well as the entering into, execution, delivery and performance of the Financial pledge over shares agreement in relation to all shares owned by the Company in Fortuna PL, which was concluded on 17 June 2013 between the Company, as the pledger, Fortuna PL, as the company and Česká spořitelna, as the pledgee (hereinafter as the "Share pledge agreement III").

- Approval of the terms of, and the transactions contemplated by, as well as the entering into, execution, delivery and performance of the Share pledge agreement in relation to 100 per cent of the shares in the company RIVERHILL a.s., with its registered office at Praha 10, Na Výsluní 201/13, Post Code 100 00, Czech Republic, ID No 271 65 019, registered in the commercial register kept by the Municipal Court in Prague, section B, insert 9437 ("Riverhill"), which was concluded on 17 June 2013 between the Company, as pledger, Riverhill, as the company and Česká spořitelna, as the pledgee (hereinafter as the "Share pledge agreement IV").

Amendment of Articles of Association

The General Meeting may resolve to amend the Articles of Association upon a proposal of the board of managing directors, if the proposal has been approved by the Supervisory Board. Such a resolution shall be taken by an absolute majority of votes cast. If a proposal to amend the Articles of Association is to be submitted to the General Meeting, the convening notice must state this fact. At the same time, if the proposal is for an amendment to the Articles of Association, a copy of the motion containing a verbatim text of the proposed amendment must be deposited at the Company's office for inspection by the shareholders and depositary receipt holders until the meeting is adjourned.

8.3 Remuneration

Remuneration of the Management Board

The remuneration of the members of the Management Board is determined by the Supervisory Board, in accordance with the remuneration policy adopted by the General Meeting. The members of the Management Board are not granted any pensions, retirement or similar benefits by FEG or the Group Companies.

Remuneration of the Supervisory Board

The remuneration of the members of the Supervisory Board is determined by the General Meeting, in accordance with the remuneration policy. The members of the Supervisory Board are not granted any pensions, retirement or similar benefits by FEG or the Group Companies.

Remuneration of Senior Management

The remuneration of Senior Management is paid by Group Companies. It is divided into a fixed component and a variable component (bonus). A specific business plan is determined for each region and/or for Fortuna Group (as a whole or any part thereof) before the respective financial year and includes revenues, gross profit and EBITDA or Gross Win. The variable part is a percentage of the total remuneration and is due when the business plan is fulfilled to the proportion of at least 80% or 90%. Bonuses are paid in cash after the confirmation of the annual results by the auditor. The members of Senior Management are not granted any pensions, retirement or similar benefits by FEG or the Group Companies.

The table below presents total remuneration for the financial year ending 31 December 2013:

EUR thousands		Remuneration (2013)				TOTAL
		Fortuna Entertainment Group N.V.		Other Group Companies		
		Pecuniary income	Received in kind	Pecuniary income	Received in kind	
Members of the Management Board	Board Remuneration	43	–	–	–	43
	Salaries and other similar income	146	–	109	–	255
	Management Bonus	–	–	69	–	69
	Other (compensation)	–	–	–	–	–
	TOTAL	189	–	178	–	367
Members of the Supervisory Board	Board Remuneration	5	–	–	–	5
	Salaries and other similar income	–	–	–	39	39
	Management Bonus	–	–	–	–	–
	TOTAL	5	–	–	39	44
Management of the Group Companies*	Salaries and other similar income	–	–	502	–	502
	Management Bonus	–	–	294	–	294
	Board Remuneration (incl. Supervisory board)	–	–	–	–	
	TOTAL	–	–	796	–	796
TOTAL		194	–	974	39	1,207

* In compliance with the definition of “persons discharging managerial responsibilities within an issuer” according to Directive 2003/6/EC of the European Parliament and of the Council of 28 January 2003 on insider dealing and market manipulation (market abuse) and Commission Directive 2004/72/EC of 29 April 2004 implementing Directive 2003/6/EC.

The management of the Group Companies is allowed to use a company car for personal purposes.

Stock Option Plan

Following authorisation by the General Meeting held in May 2011, the Company adopted the stock option plan (hereinafter referred to as the “Plan”) based on the principles stipulated below. The Plan was implemented and administered by the Management Board and the Remuneration Committee established by the Supervisory Board. The Plan has been valid from 30 June 2011 and the granting of options to eligible employees is subject to consent by signature. The total number of options granted as of 31 December 2013 was zero. No options were exercised during 2013.

Eligibility

Employees in the betting divisions of the main subsidiaries of Fortuna Entertainment Group N.V. (i.e. Fortuna Entertainment Group N.V., Fortuna sázková kancelář a.s./Fortuna GAME a.s., Fortuna online zakłady bukmacherskie Sp. z o.o., FORTUNA SK, a.s. and FortunaWin Ltd., FORTUNA software s.r.o), employed by the company on or before 31 December 2010 are eligible to participate in the Plan.

Granting of Options and Exercise Price

Participants in the Plan have been granted the option (right) to acquire shares at the exercise price of CZK 115 per share. The number of options granted is equal to the total number of employees participating in the stock option plan. Each option document contains information regarding the amount of common shares that can be acquired by the eligible employee at the exercise price; the number of shares that can be acquired depends on the employee's position. The option value may be adjusted following a definite variation in the share capital of the company, for example, following capitalisation, a capital increase, a new share or rights issue, or a consolidation or division of the company.

Exercising of Options

Options granted in 2011 vested as of 1 March 2012 provided that the option holder remains an employee of the company and is not serving a notice period. Option holders who cease to be employed prior to 1 March 2012 due to reasons other than resignation or redundancy may exercise their option based on predetermined conditions. Options granted in 2011 could have been exercised at any time for a period of one year, i.e. until 28 February 2013.

At the exercise date, the option holder is entitled to remuneration from the company which is calculated as the difference between the closing prices of shares on the Prague Stock Exchange or on the Warsaw Stock Exchange at the exercise date, and the exercise price. The option holder may decide to acquire physical shares. In such a case, the company will purchase shares on behalf of the option holder and transfer them to the respective holder.

Change in Control

In the event of a change in control, all options will be vested and must be exercised until the date of the ownership change of the majority shareholding. In this case, employees are only entitled to financial remuneration; they may not request a share transfer.

Information on Shares Held by the Management

As of 31 December 2013, Directors and Members of the Management Board did not hold any shares or stock options issued by the Company.

As of 31 December 2013, the following Directors and Members of the Supervisory Board held shares or stock options issued by the Company:

Name	Position	Type of security	Type of transaction	No of securities	% of the total capital
Marek Rendek	Member of the Supervisory Board of Fortuna Entertainment Group N.V.	Common Shares	Acquisition	5,253	0.01%

In the first half of 2013 (more specifically in January and February 2013), Mr. Michal Vepřek, member of senior management and CFO (in compliance with the definition of "persons discharging managerial responsibilities within an issuer") executed a number of transactions in shares (a purchase) issued by the Company. Transactions were executed through the Prague Stock Exchange. Prior to those transactions, Mr. Vepřek did not hold any shares issued by the Company. After the purchase and as of 31 December 2013, he held 4,000 shares of the Company, representing 0.008% share on the total capital.

Apart from the information provided above, no other member of the Management Board or the Supervisory Board or the Senior Management owns any shares or stock options in FEG.

Indemnity Agreements

Antonín Laš entered into an Indemnification Agreement, dated 1 February 2010, with FEG, pursuant to which FEG will be obliged to indemnify Antonín Laš for his actions or failure to act in connection with his work for FortunaWin under the conditions described in the Indemnification Agreement.

Non-compete Compensation and Employment Termination Compensation

After the termination of his employment relationship with Fortuna GAME, Michal Hanák, the Group's former Bookmaker was obligated to maintain his non-compete duty for 12 months following the termination of his employment relationship. He was entitled to non-compete compensation in an amount equal to 100% of his monthly average salary for each month of non-compete compliance. Michal Hanák was entitled to an extraordinary bonus payable to him by Fortuna GAME if Fortuna GAME is sold to a third party during his employment or in the period of 3 months following the termination of his employment with Fortuna GAME, i.e. if: (i) a person outside of Penta Group becomes a controlling entity of Fortuna GAME; or (ii) a person outside of Penta Group acquires a majority of Fortuna GAME's assets; or (iii) a person outside of Penta Group becomes a controlling entity of a person owning a majority of Fortuna GAME's assets. Michal Hanák was entitled to a severance payment payable to him by Fortuna GAME if his employment relationship with Fortuna GAME terminates prior to 31 July 2013 for reasons other than misconduct or breach of obligations by Michal Hanák or a termination by Michal Hanák. The severance payment is calculated as a multiple of the monthly wage of Michal Hanák and the number of full calendar months in the period between the date of the termination of his employment relationship with Fortuna GAME and 31 July 2013. Michal Hanák's employment terminated as of 31 December 2012.

After the termination of his employment relationship with Fortuna GAME, Martin Todt, General manager of Fortuna CZ is obligated to maintain his non-compete duty for 12 months following the termination of his employment relationship. He is entitled to non-compete compensation in an amount equal to 100% of his monthly average salary for each month of non-competition compliance. Martin Todt is entitled to an extraordinary bonus payable to him by Fortuna GAME if Fortuna GAME is sold to a third party during his employment or in the period of 3 months following the termination of his employment (for reasons other than: a) misconduct or breach of obligations by Martin Todt or b) a termination by Martin Todt) with Fortuna GAME, i.e. if: (i) a person outside of Penta Group becomes a controlling entity of Fortuna GAME; or (ii) a person outside of Penta Group acquires a majority of Fortuna GAME's assets; or (iii) a person outside of Penta Group becomes a controlling entity of a person owning a majority of Fortuna GAME's assets. Martin Todt is entitled to a severance payment payable to him by Fortuna GAME if his employment relationship with Fortuna GAME terminates prior to 31 July 2013 for reasons other than: a) misconduct or breach of obligations by Martin Todt or b) a termination by Martin Todt. The severance payment is calculated as a multiple of the monthly wage of Martin Todt and the number of full calendar months in the period between the date of the termination of his employment relationship with Fortuna GAME and 31 July 2013.

Apart from the above referenced cases, the service contracts, employment agreements or other similar agreements entered into between FEG or the Group Companies and the members of the Management Board, the Supervisory Board, as well as Senior Management, do not provide for benefits in the case of dismissal or the termination of such persons' service, employment contract or other similar agreement.

8.4 Corporate Governance Code

Corporate Governance Standards
Fortuna is required to state in its Annual Report whether it complies or will comply with the principles and best practice provisions of the Dutch Corporate Governance Code (dated 1 January 2009) and, if it does not comply, to explain the reasons for non-compliance.

FEG has implemented its internal corporate governance rules in order to comply to the extent possible with the Dutch Corporate Governance Code. More specific information regarding the Dutch Corporate Governance Code can be found at: www.commissiecorporategovernance.nl/Corporate_Governance_Code. The Company acknowledges the importance of good corporate governance and intends to comply with Czech, Polish and Dutch corporate governance codes as widely as this is practicable. Over the year 2013, the Company did not comply with a limited number of best practice provisions described below:

a) Dutch Corporate Governance Code:
Best Practice Provision III.2.1 according to which all supervisory board members, with the exception of not more than one person, shall be independent. Currently, there is only one independent member on the Supervisory Board. However, the Company does not exclude that the number of independent members will increase further to a new shareholder decision. It is rather unlikely that this rule will be complied with as long as Penta Investments Limited is entitled to a majority of votes.

Principle II.3 and III.6 relating to conflicts of interest of the Management Board and the Supervisory Board members. The Company acknowledges that members of the Supervisory Board related to Penta Investments Limited may be conflicted from time to time. To the extent possible, the Company shall apply these principles regarding conflict of interest as set forth in the Code, unless the participation of conflicted Supervisory Board members is deemed crucial for the decision-making process of the Company. If such a situation occurs, the Company shall provide for proper disclosures as set forth in best practice provisions II.3.4 or II.6.3.

Principle III.5 according to which, if the Supervisory Board consists of more than four members, it shall appoint from its members an audit committee, a remuneration committee and a selection and appointment committee. The Company decided to establish only an audit committee. In the future, new shareholders may decide to establish additional committees.

Best Practice Provision III.5.6 The Audit Committee may not be chaired by the Chairman of the Supervisory Board or by a former member of the Management Board of the company. Václav Brož, Chairman of the Supervisory Board, currently acts as Chairman of the Audit Committee; the Company believes, however, that it is in the best interest of the Company and the Group to maintain Václav Brož as Chairman of the Audit Committee due to his extensive financial knowledge of the Group.

Best Practice Provision III.5.7 according to which at least one member of the Audit Committee shall be a financial expert within the meaning of best practice provision III.3.2. Václav Brož meets the description of a financial expert as referred to in the Dutch Corporate Governance Code and the Dutch Act on the Supervision of Audit Organisations.

b) Prague Stock Exchange Corporate Governance Code:
Chapter IV comment 15 according to which at least the majority of members of the Audit Committee should be independent. The current composition of the Audit Committee is not in compliance with this rule, since there is only one independent member of the Supervisory Board who is a member of the Audit Committee. However, the composition of the Audit Committee may change and an independent member appointed by new shareholders will be asked to become the Chairman of the Committee.

Chapter VI comment 18 according to which the Company should establish three separate committees responsible for the independent audit, the remuneration and nomination of directors and key executives and the majority of members of these committees should be independent persons. The Company decided to establish only the Audit Committee. In the future, new shareholders may decide to establish additional committees.

Annex 3 according to which the Supervisory Board should contain a proportion of suitable independent members with a minimum of three or twenty five per cent of the total for larger companies and two or one-quarter of the total for smaller companies. Currently, there is only one independent member on the Supervisory Board. However, the Company does not exclude that the number of independent members will increase further following a new shareholder decision in the future.

c) Warsaw Stock Exchange Corporate Governance Code:
Rule I.9, according to which a balanced proportion of women and men should be ensured in management and supervisory functions in a company. Currently, there is only one woman within the governing bodies of the Company, Janka Galáčová, a member of the Management Board. However, the majority shareholder entirely supports this rule and does not exclude the possibility that such a recommendation will be implemented in the future.

Rule I.12, according to which a company should enable its shareholders to participate in a General Meeting using electronic communication means through: 1) a real-life broadcast of General Meetings; 2) real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting. The Company has not enabled a participation in its General Meeting as stipulated under 1) and 2). The Company does not exclude that in the future an electronic General Meeting will be established if requested by shareholders.

Rule II.6, according to which at least two members of the Supervisory Board shall be independent. Currently, there is only one independent member on the Supervisory Board. However, the Company does not exclude that in the future the number of independent members will increase further following a new shareholder decision.

Corporate Governance Standards Poland

Pursuant to the Warsaw Stock Exchange By-laws, and in connection with the listing of the Company's shares on the Warsaw Stock Exchange, the Company is required to declare which of the Polish principles of corporate governance contained in the WSE Corporate Governance Rules it intends to comply with, as well as to enumerate the principles which it does not intend to comply with and to state the reasons for the non-compliance.

The Company has decided to observe the majority of the WSE Corporate Governance Rules as stated in detail below.

STATEMENT ON WARSAW STOCK EXCHANGE CORPORATE GOVERNANCE RULES (effective from 1 January 2013)

I. Recommendations for Best Practice for Listed Companies	
1.	A company should pursue a transparent and effective information policy using both traditional methods and modern technologies and latest communication tools ensuring fast, secure and effective access to information. Using such methods to the broadest extent possible, a company should in particular: – maintain a company website whose scope and method of presentation should be based on the model investor relations service available at http://naszmodel.gpw.pl/; – ensure adequate communication with investors and analysts, and use to this purpose also modern methods of Internet communication.
2.	/deleted/
3.	A company should make every effort to ensure that any cancellation of a General Meeting or change of its date should not prevent or restrict the exercise of the shareholders' right to participate in a General Meeting.
4.	Where securities issued by a company are traded in different countries (or in different markets) and in different legal systems, the company should strive to ensure that corporate events related to the acquisition of rights by shareholders take place on the same dates in all the countries where such securities are traded.
5.	A company should have a remuneration policy and rules of defining the policy. The remuneration policy should in particular determine the form, structure, and level of remuneration of members of supervisory and management bodies. Commission Recommendation of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC) and Commission Recommendation of 30 April 2009 complementing that Recommendation (2009/385/EC) should apply in defining the remuneration policy for members of supervisory and management bodies of the company.
6.	A member of the Supervisory Board should have appropriate expertise and experience and be able to devote the time necessary to perform his or her duties. A member of the Supervisory Board should take relevant action to ensure that the Supervisory Board is informed about issues significant to the company.
7.	Each member of the Supervisory Board should act in the interests of the company and form independent decisions and judgments, and in particular: – refuse to accept unreasonable benefits which could have a negative impact on the independence of his or her opinions and judgments; – raise explicit objections and separate opinions in any case when he or she deems that the decision of the Supervisory Board is contrary to the interest of the company.
8.	No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related entities.
9.	The WSE recommends to public companies and their shareholders that they ensure a balanced proportion of women and men in management and supervisory functions in companies, thus reinforcing the creativity and innovation of the companies' economic business.
10.	If a company supports different forms or artistic and cultural expression, sport activities, educational or scientific activities, and considers its activity in this area to be a part of its business mission and development strategy, impacting the innovativeness and competitiveness of the enterprise, it is good practice to publish, in a mode adopted by the company, the rules of its activity in this area.
11.	As part of a listed company's due care for the adequate quality of reporting practice, the company should take a position, expressed in a communication published on its website, unless the company considers other measures to be more adequate, wherever with regard to the company: – published information is untrue or partly untrue from the beginning or at a later time; – publicly expressed opinions are not based on material objective grounds from the beginning or as a result of later circumstances. This rule concerns opinions and information expressed publicly by company representatives in the broad sense or by other persons whose statements may have an opinion-making effect, whether such information or opinions contain suggestions that are advantageous or disadvantageous to the company.
12.	A company should enable its shareholders to exercise the voting right during a General Meeting either in person or through a plenipotentiary, outside the venue of the General Meeting, using electronic communication means.

II. Best Practice for Management Boards of Listed Companies			
No	Rule	YES / NO	Comment of Fortuna
1	A company should operate a corporate website and publish:		
	1) basic corporate regulations, in particular the statutes and internal regulations of its governing bodies;	YES	.
	2) professional CVs of the members of its governing bodies;	YES	
	2a) on an annual basis, in the fourth quarter – information about the participation of women and men respectively in the Management Board and in the Supervisory Board of the company in the last two years;	NO	Partially complying with the rule. The Company publishes such information on annual basis, typically as a part of the annual report.
	3) current and periodic reports;	YES	
	4) /deleted/		
	5) where members of the company's governing body are elected by the General Meeting – the basis for proposed candidates for the company's Management Board and Supervisory Board available to the company, together with the professional CVs of the candidates within a timeframe enabling a review of the documents and an informed decision on a resolution;	YES	
	6) annual reports on the activity of the Supervisory Board taking account of the work of its committees together with the evaluation of the work of the Supervisory Board and of the internal control system and the significant risk management system submitted by the Supervisory Board;	YES	
	7) shareholders' questions on issues on the agenda submitted before and during a General Meeting together with answers to those questions;	YES	
	8) information about the reasons for cancellation of a General Meeting, change of its date or agenda together with grounds;	YES	
	9) information about breaks in a General Meeting and the grounds for those breaks;	YES	
	9a) a record of the General Meeting in audio or video format;	YES	The Company enables audio recording of the General Meeting.
	10) information on corporate events such as payment of the dividend, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles of such operations. Such information should be published within a timeframe enabling investors to make investment decisions;	YES	
	11) information known to the Management Board based on a statement by a member of the Supervisory Board on any relationship of a member of the Supervisory Board with a shareholder who holds shares representing not less than 5% of all votes at the company's General Meeting;	YES	
	12) where the company has introduced an employee incentive scheme based on shares or similar instruments – information about the projected cost to be incurred by the company from its introduction;	YES	
	13) a statement on compliance with the corporate governance rules contained in the last published annual report, as well as the report referred to in § 29.5 of the Exchange Rules, if published;	YES	
	14) information about the content of the company's internal rule for changing the company authorised to audit financial statements or information about the absence of such rule.	YES	According to the Articles of Association, the external auditor is appointed by the General Meeting of Shareholders based on the nomination of the Supervisory Board.
2	A company should publish its website in English, at least to the extent described in section II.1.	YES	
3	Before a company executes a significant agreement with a related entity, its Management Board shall request the approval of the transaction/agreement by the Supervisory Board. This condition does not apply to typical transactions made on market terms within the operating business by the company with a subsidiary where the company holds a majority stake.	YES	

No	Rule	YES / NO	Comment of Fortuna
4	A member of the Management Board should provide notification of any conflicts of interest which have arisen or may arise to the Management Board and should refrain from taking part in the discussion and from voting on the adoption of a resolution on the issue which gives rise to such a conflict of interest.	YES	
5	/deleted/		
6	A General Meeting should be attended by members of the Management Board who can answer questions submitted at the General Meeting.	YES	
7	A company shall set the place and date of a General Meeting so as to enable the participation of the highest possible number of shareholders.	YES	
8	If a company's Management Board is informed that a General Meeting has been summoned pursuant to Article 399 § 2–4 of the Code of Commercial Partnerships and Companies, the company's Management Board shall immediately perform the actions it is required to undertake in connection with organising and conducting a General Meeting. This rule shall also apply if a General Meeting is summoned on the basis of authorisation given by the registration court pursuant to Article 400 § 3 of the Code of Commercial Partnerships and Companies.	NO	Not relevant for Fortuna Entertainment Group N.V. incorporated under the Dutch law.

III. Best Practices of Supervisory Boards			
No	**Rule**	**YES / NO**	**Comment of Fortuna**
1	In addition to its responsibilities laid down in legal provisions the Supervisory Board should:	YES	
	1) once a year prepare and present to the Ordinary General Meeting a brief assessment of the company's standing including an evaluation of the internal control system and the significant risk management system;		
	2) /deleted/		
	3) review and present opinions on issues subject to resolutions of the General Meeting.		
2	A member of the Supervisory Board should submit to the company's Management Board information on any relationship with a shareholder who holds shares representing not less than 5% of all votes at the General Meeting. This obligation concerns financial, family, and other relationships which may affect the position of the member of the Supervisory Board on issues decided by the Supervisory Board.	YES	
3	A General Meeting should be attended by members of the Supervisory Board who can answer questions submitted at the General Meeting.	YES	
4	A member of the Supervisory Board should give notification of any conflicts of interest which have arisen or may arise to the Supervisory Board and should refrain from taking part in the discussion and from voting on the adoption of a resolution on the issue which gives rise to such a conflict of interest.	NO	The Company acknowledges that members of the Supervisory Board related to Penta Investments Limited and FORTBET HOLDINGS LIMITED may be conflicted from time to time. To the extent possible, the Company shall apply these principles regarding conflict of interest as set forth in the Code, unless the participation of conflicted Supervisory Board members is deemed crucial for the decision-making process of the Company. If such a situation occurs, the Company shall provide for proper disclosures as set forth in best practice provisions II.3.4 or II.6.3.
5	A member of the Supervisory Board should not resign from his function if this action could have a negative impact on the Supervisory Board's capacity to act, including the adoption of resolutions by the Supervisory Board.	YES	

No	Rule	YES / NO	Comment of Fortuna
6	At least two members of the Supervisory Board should meet the criteria of being independent from the company and entities with significant connections to the company. The independence criteria should be applied under Annex II to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. Irrespective of the provisions of point (b) of the said Annex, a person who is an employee of the company or an associated company cannot be deemed to meet the independence criteria described in the Annex. In addition, a relationship with a shareholder precluding the independence of a member of the Supervisory Board as understood in this rule is an actual and significant relationship with any shareholder who has the right to exercise at least 5% of all votes at the General Meeting.	NO	Currently, there is only one independent member on the Supervisory Board. However, the Company does not exclude that in the future the number of independent members will increase further due to a new shareholder decision.
7	/deleted/		
8	Annex I to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors should apply to the tasks and the operation of the committees of the Supervisory Board.	YES	
9	Execution by the company of an agreement/transaction with a related entity which meets the conditions of section II.3 requires the approval of the Supervisory Board.	YES	

IV. Best Practices of Shareholders

No	Rule	YES / NO	Comment of Fortuna
1	Presence of representatives of the media should be allowed at General Meetings.	YES	
2	The rules of General Meetings should not restrict the participation of shareholders in General Meetings and the exercising of their rights. Amendments of the rules should take effect at the earliest as of the next General Meeting.	YES	
3	/deleted/		
4	A resolution of the General Meeting concerning an issue of shares with subscription rights should specify the issue price or the mechanism of setting it or obligate the competent body to set it before the date of subscription rights within a timeframe enabling an investment decision.	YES	
5	Resolutions of the General Meeting should allow for a sufficient period of time between decisions causing specific corporate events and the date of setting the rights of shareholders pursuant to such events.	YES	
6	The date of setting the right to a dividend and the date of the dividend payment should be set so to ensure the shortest possible period between them, in each case not longer than 15 business days. A longer period between these dates requires detailed grounds.	YES	
7	A resolution of the General Meeting concerning a conditional dividend payment may only contain such conditions whose potential fulfilment must take place before the date of setting the right to a dividend.	YES	
8	/deleted/		
9	A resolution of the General Meeting to split the nominal value of shares should not set the new nominal value of the shares at a level which could result in a very low unit market value of the shares, which could consequently pose a threat to the correct and reliable valuation of the company listed on the Exchange.	YES	
10	A company should enable its shareholders to participate in a General Meeting using electronic communication means through: 1) real-life broadcast of General Meetings; 2) real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting.	NO	None of shareholders has so far requested an electronic communication to participate in the General Meeting. If such a request arises, the Company would consider such communication.

Management Statement

The Company's members of the Management Board hereby declare in accordance with Financial Supervision Act Section 2, sub c, 5.25c that, to the best of their knowledge:

1. The financial statements for the financial year 2013 included in this Annual Report give a true and fair view of the assets, liabilities, financial position, and profit and loss of the Company and its consolidated entities;
2. The Directors' Report gives a true and fair view of the company and its related entities whose financial information has been consolidated in the financial statements as of the balance sheet date 31 December 2013 and the state of affairs during the financial year 2013; and
3. The Annual Report describes the material risks that the Company faces.

8.5 Supervisory Board Report

The Supervisory Board has reviewed the Annual Report of Fortuna Entertainment Group N.V. ("FEG" or "the Company") for the financial year 2013, as prepared by the Management Board.

General

The Supervisory Board supervises and advises the Management Board in performing its management tasks and setting FEG's strategy.

The Company has a two-tier board structure with one independent, non-executive member serving on the Supervisory Board. Currently, there is only one independent member on the Supervisory Board. However, the Company does not exclude that the number of independent members will increase. It is rather unlikely that the recommendation that the majority of Supervisory Board members should be independent will be complied with as long as Penta Investments Limited or one of its subsidiaries is entitled to a majority of votes.

The Company acknowledges that members of the Supervisory Board related to Penta Investments Limited or one of its subsidiaries may be conflicted from time to time. To the extent possible, the Company shall apply the principles regarding a conflict of interest as set forth in the Code, unless the participation of conflicted Supervisory Board members is deemed crucial for the decision-making process of the Company. If such a situation occurs, the Company shall provide for proper disclosures as set forth in best practice provisions II.3.4 or II.6.3.

The Supervisory Board, acting in the interests of FEG, its business and shareholders, supervises and advises the Management Board. Major management decisions, such as FEG's strategy, major investments and budget, require the approval of the Supervisory Board. The Supervisory Board also supervises the structure and management of systems, including the internal control and risk management systems, and the financial reporting process. The Supervisory Board selects and appoints new Management Board members, prepares the remuneration policy for the Management Board, and decides on the remuneration for the individual members of the Management Board. In addition, the Supervisory Board is the body that nominates new Supervisory Board candidates for appointment to the Annual General Meeting of Shareholders ("AGM"), and submits proposals for the remuneration of the Supervisory Board members.

The Supervisory Board closely follows the developments in the area of corporate governance and the application of the relevant corporate governance rules within the Company. In 2011, the Supervisory Board adopted an internal corporate governance rule in order to comply to the extent possible with the Dutch Corporate Governance Code. For a more detailed description on corporate governance, please refer to Corporate Governance, Chapter 8.4 of the Annual Report.

Meetings and Activities of the Supervisory Board

The Supervisory Board held three meetings in 2013, two of them were physical meetings and one was held in a form of a conference call. Supervisory Board members attended all the meetings except the last one which was attended only by Václav Brož and Michal Horáček. Some of the meetings of the Supervisory Board were attended by members of the Management Board. Also, the Supervisory Board audit committee regularly meets without the members of the Management Board.

During the various meetings, the Supervisory Board discussed FEG's strategy, expansion plans, financial situation, business risks, investor relations, budget and corporate targets, among other matters. In addition to the scheduled meetings and the conference call, the members of the Supervisory Board interacted intensively with the Management Board, with its individual members and members of executive senior management, through one-on-one meetings, telephone calls and regular reports. Also, several informal meetings and telephone calls took place among Supervisory Board members for consultations with each other with respect to various topics.

In 2013, the Supervisory Board spent a considerable period of time discussing FEG's corporate and market strategy, particularly the development of online business in Poland and the lottery project in the Czech Republic.

As is common practice each year, an evaluation was performed in 2013 with respect to the functioning of the Supervisory Board, its committee, and the individual members. Several suggestions resulting from that evaluation were implemented, such as more in-depth and more extensive discussions on important topics for FEG and, as a result thereof, extended Supervisory Board meetings.

Changes in the Composition of the Supervisory Board

Jozef Janov served as Chairman of the Supervisory Board of FEG from 1 January 2013 till 28 May 2013 and was suspended from his function of the Chairman and Member of the Supervisory Board by the General Meeting in accordance with the articles of association of the Company.

Václav Brož served as a member of the Supervisory Board of FEG from 1 January 2013 till 31 December 2013 and his office term will expire at the AGM to be held in 2014. The General Meeting appointed Mr. Václav Brož as a new Chairman of the Supervisory Board in accordance with the articles of association of the Company. This appointment was effective as at 28 May 2013.

Michal Horáček served as a member of the Supervisory Board of FEG from 1 January 2013 till 31 December 2013 and his office term will also expire at the AGM to be held in 2014.

Marek Rendek served as a member of the Supervisory Board of FEG from 1 January 2013 till 31 December 2013 and his office term will expire at the AGM to be held in 2015.

Marek Šmrha served as a member of the Supervisory Board from 28 May 2013 till 31 December 2013. The General Meeting appointed Mr. Marek Šmrha as a new Member of the Supervisory Board in accordance with the articles of association of the Company. His office term will expire at the AGM to be held in 2017.

For further details on the activities and responsibilities of the Supervisory Board, see the Corporate Governance Chapter 8.4 of this Annual Report.

Supervisory Board Committee

While retaining overall responsibility, the Supervisory Board assigns certain of its tasks to its audit committee. Members of this committee are appointed from among the Supervisory Board members.

The Company decided to establish only an audit committee. In the future, the Supervisory Board may decide to establish additional committees.

Decisions and recommendations of the Audit Committee meetings are reviewed in plenary meetings of the Supervisory Board. In general, the Audit Committee evaluates its composition and functioning annually. The annual evaluations ensure a continuous focus on the quality of the activities of the committee, its composition and its functioning.

For a further description of the activities and responsibilities of the Supervisory Board audit committee, refer to Corporate Governance, Chapter 8.4 of this report.

Audit Committee

The current members of FEG's Audit Committee are Michal Horáček and Václav Brož. Václav Brož, Chairman of the Supervisory Board, was appointed Chairman of the Audit Committee. The Company believes that it is in the best interest of the Company and FEG to maintain Václav Brož as Chairman of the Audit Committee due to his extensive financial knowledge of the Group. The Company believes that he meets the description of a financial expert as referred to in the Dutch Corporate Governance Code and the Dutch Act on the Supervision of Audit Organizations.

In 2013, the Audit Committee met once for the purpose of the discussion of the annual financial results. External auditors of the Company participated in the meeting.

The Audit Committee focuses strongly on the review of FEG's interim and annual results and announcements. It also continuously monitors the activities of FEG's internal controls and risk management systems, including the internal controls over financial reporting. Other activities of the Audit Committee were: discussion and approval of the internal and external audit plan and related external audit fees; review of i) the audit and non-audit fees paid to the Company's external auditor; ii) the audit activities of the Company's internal and external auditor; and iii) the external auditor's letter.

Remuneration of the Supervisory Board

The General Meeting of Shareholders determines the remuneration of the members of the Supervisory Board. The AGM held in 2013 adopted a resolution according to which all members of the Supervisory Board waive their right to receive annual remuneration with the effect from the day when the AGM approves this agenda. The annual remuneration of each member of the Supervisory Board is therefore zero. The 2013 remuneration amounts are in accordance with the respective service agreements of the relevant members of the Supervisory Board. The Supervisory Board remuneration is not dependent on the financial results of the Company.

No member of the Supervisory Board personally maintains a business relationship with the Company other than as a member of the Supervisory Board apart from the relationship with Penta Investments Limited and its subsidiaries as described above in this report.

As at 31 December 2013, Marek Rendek held 5,253 shares in the Company constituting 5,253 voting rights at the AGM. None of the other members of the Supervisory Board owned shares or options on shares of the Company.

The Company has not granted any loans to, nor has it granted any guarantees in favour of, any of the members of the Supervisory Board.

Composition of the Management Board

For further details and a biography of the members of the Management Board, see Chapter 8.2 of the Annual Report.

Remuneration of the Management Board

General
The Supervisory Board reviews and proposes the general compensation and benefit programmes for the Management Board, as well as the remuneration for the individual members of the Management Board.

Amount and Composition
The current compensation and benefits levels are benchmarked against relevant companies. External compensation survey data and, where necessary, external personnel and remuneration consultants are used to benchmark our remuneration levels and structures.

The Supervisory Board further evaluates the performance of members of the Management Board in view of these goals and objectives, and makes recommendations on the compensation levels of the members of the Management Board based on this evaluation.

Outline 2013 Remuneration Report

The outline of the remuneration report of the Supervisory Board for the financial year 2013 concerning the remuneration policy of the Company is as follows:

Members of the Management Board received a fixed annual fee for the performance of their duties which is not part of any incentive or performance-based remuneration. In addition to the annual fixed fee, Radim Haluza was entitled to a) a basic salary and benefits and b) performance-based remuneration based on his simultaneous position as CEO of the Company. The remuneration principles for Radim Haluza were in line with the adopted remuneration principles for the Senior Management.

The remuneration of the members of the Management Board and Senior Management is described in Section 8.3 of the Annual Report. The remuneration of the Management Board in the year 2013 was in accordance with the Remuneration Policy adopted by the General Meeting of Shareholders.

Gratitude to FEG Employees

The Supervisory Board would like to thank and recognise all FEG employees who have been able to achieve so much this past challenging year, with many new projects. The Supervisory Board wishes to express its gratitude to the members of the Management Board and senior management and all FEG employees for their dedication and contributions to the results in 2013.

8.6 Risk Factors

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

8.6.1 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 of 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 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 the synergy effect.

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, the legal framework is currently under review in many European countries, resulting 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 a 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 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. For example, in Poland from 1 June 2010 the tax imposed on the total amount of money paid for bets increased from 10% to 12%. In Slovakia, the withholding tax of fixed-odds betting was increased from 5.5% to 6.0% in 2013. In the Czech Republic, amendments to the Gambling Act No 300/2011 Coll came to effect in 2012 and the previous taxation scheme used in betting and gaming was replaced by a unified 20% tax on Gross Win and a 19% corporate income tax.

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 an adverse material 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 services organisation, 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 & Advertisement

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 in 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 year ending 31 December 2013.

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 pay-out of prizes. Risk management is based on experienced employees from the bookmaking department with the proper knowledge, experience and expertise who are supported by tailored 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

In the long term, the Group's Gross Win percentage has historically remained fairly constant. In 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 risk. The effect of future fluctuations and single event losses could have an adverse material effect on the Group's cash flows and therefore an adverse material effect on its business, financial condition and the 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 schedules in sports events. Therefore factors such as weather conditions, terrorist acts, wars and outbreaks of pestilence and infectious diseases, which may result in cancellations or changes in the planned schedules of sports events, 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 those 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 an adverse material 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 its 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 an adverse material 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 failure of the Group's acquisition strategy 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 an adverse material 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.

8.6.2 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 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 in 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 its 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 the 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 the 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 other things, foreclose on the pledged shares, as a result of which Fortuna may cease to own Fortuna GAME, Fortuna SK, 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.

The 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 an adverse material effect on the business of the Group.

Significant Influence of the Majority Shareholder

With its 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 the FEG's shareholders, including matters such as the approval of the annual financial statements, declarations of dividends, the election and removal of the members of the Supervisory Board and the Management Board, capital increases and amendments to the Articles of Association.

Amsterdam, 3 April 2014

Wilfred Walsh
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.

Václav Brož
Chairman of the Supervisory Board
of Fortuna Entertainment Group N.V.

Michal Horáček
Member of the Supervisory Board
of Fortuna Entertainment Group N.V.

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

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

Marek Rendek
Member of the Supervisory Board
of Fortuna Entertainment Group N.V.

9/ Independent Auditor's Report

To: The shareholders of Fortuna Entertainment Group N.V.

Report on the Financial Statements

We have audited the accompanying financial statements 2013 of Fortuna Entertainment Group N.V., Amsterdam, which comprise the consolidated and company statements of financial position as at 31 December 2013, the consolidated and company statements of income, the consolidated statement of comprehensive income, the consolidated and company statements of cash flows and changes in equity for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

Management's Responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with Respect to the Financial Statements

In our opinion, the financial statements give a true and fair view of the financial position of Fortuna Entertainment Group N.V. as at 31 December 2013 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Report on Other Legal and Regulatory Requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 3 April 2014

Ernst & Young Accountants LLP
signed by S. van den Ham

The users of online and mobile services value their independence and expect immediate access to betting products. Fortuna enables customers to place bets from locations where there are no betting shops.

10/ Consolidated Financial Statements of Fortuna Entertainment Group N.V. as at 31 December 2013

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Consolidated Statement of Financial Position as at 31 December 2013

€ 000	Notes	31 December 2013	31 December 2012
ASSETS			
Non-current assets			
Goodwill	14	46,415	50,634
Intangible assets	15	8,850	8,308
Property, plant and equipment	16	4,773	5,937
Deferred tax assets	12	1,066	708
Restricted cash	19	4,761	7,512
Other non-current assets	18	1,990	1,757
Total non-current assets		67,855	74,856
Current assets			
Current receivables	17	4,348	2,030
Income tax receivable		1	268
Other current assets	18	2,168	2,406
Cash and cash equivalents	20	16,654	15,480
Total current assets		23,171	20,184
TOTAL ASSETS		91,026	95,040
EQUITY AND LIABILITIES			
Share capital	22	520	520
Share premium	22	8,262	25,942
Statutory reserve	22	5,414	5,021
Foreign currency translation reserve	22	(2,987)	468
Hedge reserve	22	(359)	(367)
Retained earnings		15,911	17,369
Equity attributable to equity holders of the parent		26,761	48,953
Non-controlling interest		274	–
Total Equity		27,035	48,953
Non-current liabilities			
Provisions	25	507	400
Long-term bank loans	26	39,518	13,697
Other non-current liabilities		29	30
Total non-current liabilities		40,054	14,127
Current liabilities			
Trade and other payables	28	16,056	17,140
Income tax payable		1,867	838
Provisions	25	834	487
Current portion of long-term bank loans	26	4,243	11,947
Derivatives	21	493	701
Other current financial liabilities		444	847
Total current liabilities		23,937	31,960
EQUITY AND LIABILITIES		91,026	95,040

Consolidated Statement of Profit or Loss for the Year Ended 31 December 2013

€ 000	Notes	2013	2012
Amounts staked	6	567,231	467,881
Revenue		**97,053**	**96,238**
Governmental taxes and levies	6	(10,806)	(10,821)
License fees	6	(15)	(175)
Personnel expenses	7	(26,600)	(26,777)
Depreciation and amortisation	6	(3,682)	(3,660)
Other operating income	8	3,355	740
Other operating expenses	9	(36,311)	(37,122)
Operating profit		**22,994**	**18,423**
Finance income	10	734	1,499
Finance cost	10	(2,709)	(3,760)
Profit before tax from continuing operations		**21,019**	**16,162**
Income tax expense	12	(5,446)	(3,843)
Net profit for the year from continuing operations		**15,573**	**12,319**
Net profit for the year		**15,573**	**12,319**
Attributable to:			
Equity holders of the parent		15,617	12,319
Non-controlling interest		(44)	–

€		2013	2012
Earnings per share	13		
Weighted average number of ordinary shares for basic and diluted earnings per share		52,000,000	52,000,000
Basic and diluted profits for the year attributable to ordinary equity holders of the parent		0.300	0.237
Basic and diluted profits for the year from continuing operations attributable to ordinary equity holders of the parent		0.300	0.237

Consolidated Statement of Other Comprehensive Income for the Year Ended 31 December 2013

€ 000	Notes	2013	2012
Profit for the year		15,573	12,319
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net movement on cash flow hedges	11	(1)	81
Income tax effect	11	9	(15)
		8	66
Exchange differences on translation of foreign operations	11	(3,455)	1,826
Income tax effect		–	–
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(3,447)	1,892
Other comprehensive income for the year, net of tax		(3,447)	1,892
Total comprehensive income for the year, net of tax		12,126	14,211
Attributable to:			
Equity holders of the parent		12,170	14,211
Non-controlling interest		(44)	–

Consolidated Statement of Cash Flows for the Year Ended 31 December 2013

€ 000	Notes	2013	2012
Cash flows from operating activities			
Profit before tax from continuing operations		21,019	16,162
Profit before tax		**21,019**	**16,162**
Adjustments for:			
Depreciation and amortisation	6	3,682	3,660
Changes in provisions		423	(125)
(Gain) / Loss on disposal of property, plant and equipment	8	(15)	(18)
Interest expenses and income		1,468	1,529
Change in fair value of derivatives		(200)	(162)
Operating profit before working capital changes		26,377	21,046
(Increase) / Decrease in other current assets		(129)	(368)
(Increase) / Decrease in receivables		(2,017)	254
(Decrease) / Increase in payables and other liabilities		(348)	535
(Increase) / Decrease in restricted cash		2,310	(437)
Cash generated from operating activities		26,193	21,030
Corporate income tax paid		(4,846)	(3,359)
Net cash flows provided by / (used in) operating activities		**21,347**	**17,671**
Cash flows from investing activities			
Interest received		108	151
Earn out payment acquisition		(20)	(29)
Purchase of buildings, equipment and intangible assets		(3,833)	(4,095)
Proceeds from sale of buildings and equipment		47	39
Net cash flows provided by / (used in) investing activities		**(3,698)**	**(3,934)**
Cash flows from financing activities:			
Net proceeds from / (Repayments of) long-term borrowings		27,597	(3,350)
Net proceeds from / (Repayments of) short-term borrowings		(7,222)	(54)
Incurred transaction costs capitalized		(498)	–
Dividends paid	23	(34,840)	(11,960)
Interest paid		(1,642)	(1,680)
Net cash flows provided by / (used in) financing activities		**(16,605)**	**(17,044)**
Net effect of currency translation in cash		130	1,254
Net increase / (decrease) in cash and cash equivalents		1,174	(2,053)
Cash and cash equivalents at the beginning of the year		15,480	17,533
Cash and cash equivalents at the end of the year	20	**16,654**	**15,480**

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2013

€ 000	Notes	Share capital	Share premium
1 January 2013		520	25,942
Profit for the year		–	–
Other comprehensive income		–	–
Total comprehensive income		**–**	**–**
Dividend 2012 paid-out to shareholders	23	–	(17,680)
Gain on sale of shares in subsidiary (1)		–	–
Non-controlling interest arising on a sale of shares in subsidiary (1)		–	–
Transfer to statutory reserves		–	–
31 December 2013		520	8,262

(1) On 25 July 2013 FORTUNA GAME a.s. and the company E - INVEST, a.s., ID no. 45474559, with its registered seat at Praha 1, Václavské náměstí 773/4, Post Code 110 00 (the "E - INVEST"), entered into the Share Purchase Agreement, under which an 8% stake of Fortuna sázky owned by FORTUNA GAME a.s. was sold to E - INVEST. As a result of this transaction, non-controlling interest of € 318 thousand was recognized in the Group consolidated financial statements. The amount represents net book value of shares transferred. By selling the 8% share in its subsidiary, the Group realized gain of € 478 thousand which was recognized directly in equity and is included in retained earnings.

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2012

€ 000	Notes	Share capital	Share premium
1 January 2012		520	25,942
Profit for the year		–	–
Other comprehensive income		–	–
Total comprehensive income		**–**	**–**
Dividend 2011 paid-out to shareholders	23	–	–
Allocation of profit		–	–
31 December 2012		520	25,942

Attributable to the equity holders of the parent					Non-controlling	Total
Statutory reserves	Retained earnings	Hedge reserve	Foreign currency translation reserve	Total	interest	
5,021	17,369	(367)	468	48,953	–	48,953
–	15,617	–	–	15,617	(44)	15,573
–	–	8	(3,455)	(3,447)	–	(3,447)
–	15,617	8	(3,455)	12,170	(44)	12,126
–	(17,160)	–	–	(34,840)	–	(34,840)
–	478	–	–	478	–	478
–	–	–	–	–	318	318
393	(393)	–	–	–	–	–
5,414	15,911	(359)	(2,987)	26,761	274	27,035

Statutory reserves	Retained earnings	Hedge reserve	Foreign currency translation reserve	Total
3,502	18,529	(433)	(1,358)	46,702
–	12,319	–	–	12,319
–	–	66	1,826	1,892
–	12,319	66	1,826	14,211
–	(11,960)	–	–	(11,960)
1,519	(1,519)	–	–	–
5,021	17,369	(367)	468	48,953

Notes to the Consolidated Financial Statements as at 31 December 2013

1. CORPORATE INFORMATION

The consolidated financial statements for the year ended 31 December 2013 of Fortuna Entertainment Group N.V. ("FEGNV" or "the Parent Company"), comprise the consolidated statements of financial position as at 31 December 2013 and 31 December 2012, the consolidated statements of profit or loss, consolidated statements of other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended 31 December 2013 and 31 December 2012, and a summary of significant accounting policies and other explanatory notes.

The consolidated financial statements of FEGNV for the year ended 31 December 2013 were authorized for issue in accordance with a resolution of the directors on 3 April 2014. The Annual General Meeting to approve the financial statements is expected to take place in June 2014.

The Parent Company has its registered office at Strawinskylaan 809, Amsterdam, the Netherlands. 67.26% of the shares of the Company are held by Fortbet Holdings Limited (formerly AIFELMONA HOLDINGS LIMITED) having its registered office at Kyriakou Matsi, 16, EAGLE HOUSE, 10th floor, 1082, Nicosia, Cyprus. 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 ("Fortuna Group" or "the Group") operates in the betting industry under local licenses in the Czech Republic, Slovakia and in Poland and via an online platform based in Malta targeting the market in Hungary and Croatia. 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 in the Czech Republic, Slovakia and Poland and via online web sites in the Czech Republic, Slovakia, Hungary, Croatia and since January 2012 also in Poland.

In May 2011 Fortuna Group started with commercial sale of scratch tickets and in July 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 31 December 2013:

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

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

Radim Haluza was appointed a new Member of the Management Board effective 28 May 2013. On 4 July 2013 he was appointed Vice-Chairman of the Management Board.

Jozef Janov was suspended from his function of the Chairman and Member of the Supervisory Board effective 28 May 2013.

Vaclav Brož was appointed a new Chairman of the Supervisory Board effective 28 May 2013.

Marek Šmrha was appointed a new Member of the Supervisory Board effective 28 May 2013.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and in accordance with Title 9 of Book 2 Dutch Civil Code. IFRS as adopted by European Union comprise standards and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

FEGNV was incorporated on 4 November 2009 with the purpose to transfer all subsidiaries of Penta 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 online 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 consolidated financial statements have been prepared on a historical cost basis unless disclosed otherwise.

The 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 consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2013. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:
- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Transactions that occur between entities under common control are commonly referred to as 'common control transactions'. IFRS 3 Business Combinations (revised 2008) specifically scopes out common control transactions and is therefore not prescriptive as to what method should be used in business combinations between entities under common control. Accordingly, an entity may choose the pooling of interest or purchase method in accounting for business combinations involving entities under common control.

FEGNV selected the accounting policy under which the legal restructuring is accounted for using the pooling of interest method. The pooling of interest method consists in aggregating individual items of assets and liabilities and revenues and costs of the consolidated entities, after bringing their values to uniform measurement methods and after making appropriate eliminations. All intra-group balances and transactions are also excluded.

Entities externally acquired by the controlling shareholder during one of the periods presented form part of the consolidated financial statements as of the date they were under common control, and are accounted for using the purchase method and continue to be consolidated until the date control ceases to exist.

At the date of these consolidated financial statements, FEGNV is legal parent of legal entities operating in betting and lottery industry which are ultimately owned by Penta Investment Limited. The consolidated financial statements were prepared by FEGNV, as reporting entity, as at 31 December 2013 and include the following entities (together "Fortuna Group"):

Fortuna Entertainment Group N.V.
RIVERHILL a.s.
ALICELA a.s.
FORTUNA GAME a.s. (1)
FORTUNA RENT s.r.o.
FORTUNA sázky a.s. (1)
FORTUNA software s.r.o.
FortunaWin Ltd.
FortunaWin Gaming Ltd.
FORTUNA SK, a.s.
FORTUNA REAL, s.r.o, v likvidaci
FORTUNA online zaklady bukmacherskie Sp. z o.o.

(1) Effective 1 January 2013, part of business of Fortuna GAME a.s. relating to the lottery was transferred to Fortuna sázky a.s.

All entities except for Fortuna sázky a.s. are 100% owned by FEGNV, either directly or indirectly. In July 2013 8% share in Fortuna sázky a.s. was sold to the company E - INVEST, a.s.

In these consolidated financial statements, any common control business combinations are accounted for as described above.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in preparing the consolidated financial statements for the years ended 31 December 2013 and 2012 are set out below.

3.1. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3.2. Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current / non-current classification. An asset is classified as current when it is:
- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current. A liability is current when:
- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3.3. Fair value measurement

The Group measures financial instruments, such as, derivatives, at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.4. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The following specific recognition criteria must also be met before revenue is recognised:

3.4.1. Fixed odds betting revenue

Amounts staked comprise of the gross takings received from customers in respect of the betting activities and does not represent Fortuna Group's revenue.

Revenue is recognized as the net win or loss on an event, net of tax. The amounts bet on an event are recognised as a liability until the outcome of the event is determined, at which time the revenue is accounted for. Open betting positions, which are accounted for as derivative financial instruments, are carried at fair value and gains and losses arising on these positions are recognised in revenue.

3.4.2. Customer loyalty programme and client bonuses

Fortuna Group operates a loyalty programme enabling customers to accumulate award credits for gaming spends. A portion of the gaming spend, equal to the fair value of the award credits earned is treated as deferred revenue. Revenue from the award credits is recognised when the award is redeemed. The credits expire at the end of the financial year and are not redeemable afterwards.

Fortuna Group provides its clients also with acquisition and retention bonuses if they meet certain conditions based on Fortuna regulations. In accordance with IFRIC 13, acquisition and retention bonuses are deducted from the revenue from the bets that were required to receive the bonus.

3.4.3. Interest income / expense

For all financial instruments measured at amortised cost, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts based on the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income / or expense is included in finance income / costs in the statement of profit or loss.

3.5. Cash dividend

The Group recognises a liability to make cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in the Netherlands, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

3.6. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost and those acquired as part of a business combination are recognised separately from goodwill if the fair value can be measured reliably on initial recognition. The costs relating to internally generated intangible assets, principally software costs, are capitalised if the criteria for recognition as assets are met. Other internally generated intangible assets are not capitalised and expenditure is reflected in the statement of profit and loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Following initial recognition, intangible assets with finite useful lives are carried at cost less any accumulated amortisation and accumulated impairment losses. Where amortisation is charged on assets with finite lives, this expense is taken to the statement of profit or loss through the 'depreciation and amortisation' line item. Useful lives are reviewed on an annual basis.

A summary of the policies applied to Fortuna Group's intangible assets is as follows:

The straight-line amortisation method is used.

	Useful life
Software	3 years

Intangible assets with indefinite useful lives (brand names) are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Annual impairment tests are performed also for the intangible assets not yet in use.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

3.6.1. Development costs

Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

– The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
– Its intention to complete and its ability to use or sell the asset
– How the asset will generate future economic benefits
– The availability of resources to complete the asset
– The ability to measure reliably the expenditure during development
– The ability to use the intangible asset generated

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in statement of profit or loss in the depreciation and amortisation line item.

During the period of development, the asset is tested for impairment annually.

3.7. Property, plant and equipment

Land is stated at cost less any impairment in value. Buildings, plant and equipment and other fixed assets are stated at cost less accumulated depreciation and any impairment in value. Assets not yet in use are carried at cost and are not depreciated. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is calculated on a straight-line basis over the estimated useful life of an asset as follows:

	Useful life
Buildings	15 years
Plant and equipment	2–6 years
Cars	4–6 years

The buildings also include leasehold improvements.

Impairment is recognized when the carrying amount of an item of property, plant, or equipment exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

3.8. Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date.

Leases, which transfer to Fortuna Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to statement of profit or loss. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessee does not obtain substantially all the benefits and risks of ownership of the asset are classified as operating leases. Operating lease payments, other than contingent rentals, are recognised as an expense in the statement of profit or loss on a straight-line basis over the lease term.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

3.9. Recoverable amount of non-current assets

The carrying values of non-current assets with finite lives are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

For goodwill, and intangible assets that have indefinite useful lives, the recoverable amount is estimated at each balance sheet date.

The recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Impairment losses are recognised in the statement of income in the depreciation and amortisation line item. Assets and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

3.10. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short term deposits as defined above.

3.11. Financial assets

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

For purposes of subsequent measurement financial assets are classified in four categories:
– Financial assets at fair value through profit or loss
– Loans and receivables
– Held-to-maturity investments
– Available-for-sale financial investments

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. The Group has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

Loans and receivables
This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in other operating expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to note 17.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss as finance costs. The Group did not have any held-to-maturity investments during the years ended 31 December 2013 and 2012.

Available-for-sale (AFS) financial investments
AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognised in OCI and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using the EIR method. The Group did not have any AFS financial investments during the years ended 31 December 2013 and 2012.

Impairment of financial assets
The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in statement of profit or loss.

3.12. Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank loans, derivative financial instruments and payables from open bets (included in other current financial liabilities in consolidated statement of financial position).

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Loans and borrowings
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans. For more information refer to Note 26.

3.13. Derecognition of financial assets and liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- Fortuna Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) Fortuna Group has transferred substantially all the risks and rewards of the asset, or (b) Fortuna Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When Fortuna Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of Fortuna Group's continuing involvement in the asset. In that case, Fortuna Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Fortuna Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that Fortuna Group could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

3.14. Derivative financial instruments and hedge accounting

Fortuna Group uses derivative financial instruments such as interest rate swaps, to hedge its risks associated with interest rate. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:
- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

In relation to cash flow hedges that meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income and presented within equity in hedge reserve. The ineffective portion is recognised in the statement of profit or loss. For all other cash flow hedges, the gains or losses that are recognised in other comprehensive income are transferred to the statement of income in the same period in which the hedged cash flow affects the statement of profit or loss. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument presented in hedge reserve is kept in hedge reserve until the forecasted transaction affects profit or loss. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss is transferred from hedge reserve to the statement of profit or loss for the period.

In relation to net investment hedges, the post-tax gains or losses on the translation at the spot exchange rate of the hedged instrument are recognised in other comprehensive income. The portion of the post-tax gains or losses on the hedging instrument that is determined to be an effective hedge is recognised through other comprehensive income and presented within equity in hedge reserve. The ineffective portion is recognised in the statement of profit or loss. The interest element of the fair value of the hedged item is recognised in the statement of profit or loss.

For derivative financial instruments that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the statement of profit or loss.

Open betting positions are accounted for as derivative financial instruments and carried at their fair value with gains and losses recognised in revenues. As these financial instruments are not quoted on an active market and no observable data is available, the fair value of these financial instruments are not determined by reference to published price quotations nor estimated by using a valuation technique based on assumptions supported by prices from observable current market transactions. Open bets are paid out within a short time frame after year end and as a result the difference between the fair value of these financial instruments as of year-end and the actual pay out is deemed immaterial. Payables from open bets at the year-end are included in other current financial liabilities in consolidated statement of financial position.

3.15. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.16. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

3.17. Foreign currency translation

The presentation currency of Fortuna Group is EUR ("€"). The functional currency of FEGNV is EUR, and of its subsidiaries Czech crowns ("CZK"), Polish zlotys ("PLN") and EUR.

Transactions in foreign currencies are initially recorded in the functional currency at the foreign currency rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign currency rate of exchange ruling at the balance sheet date. All differences are taken to the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

In the consolidated financial statements the assets and liabilities of the consolidated entities are translated into the presentation currency of Fortuna Group at the rate of exchange ruling at the balance sheet date with the statement of profit or loss items translated at the weighted average exchange rates for the period. The exchange differences arising on the transaction are taken directly to a separate component of equity recorded via other comprehensive income.

Goodwill arising on the acquisition of a foreign operation is treated as an asset of the foreign operation and translated at the closing rate.

3.18. Taxation

3.18.1. Current income tax
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3.18.2. Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and corresponding tax bases used in the computation of taxable profits and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be realised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.18.3. Taxes on betting

Czech Republic

According to Czech regulations, a unified 20% tax rate is applied on Gross Win of the Company. The amount of tax is recognised in “Government taxes and levies”.

Slovakia

According to Slovak regulations, the Company is obliged to pay gaming tax of 6% (2012: 5.5%) of total amounts staked, of which 0.5% is paid to municipalities. Revenues are stated net of this tax.

Poland

According to Polish regulations the Company is obliged to pay gaming tax of 12% of amounts staked. The amount paid by customers is deducted by 12% and only the remaining 88% of ticket amounts is used to calculate the potential winning prize (the potential winning prize = 88% of ticket (paid) amount * betting rate). Revenues are stated net of this tax.

3.19. Employee benefit plan

Pension plan

In the normal course of business, the companies within Fortuna Group pay statutory social insurance on behalf of their employees in accordance with legal requirements of the respective countries. Fortuna Group does not operate any other pension plan or post-retirement benefit plan, and, consequently, has no legal or constructive obligation in this respect.

Bonus plans

A liability for employee benefits in the form of bonus plans is recognised under provisions; the bonus is paid following the performance evaluation in the year concerned.

Liabilities for bonus plans are measured at the amounts expected to be paid when they are settled.

3.20. Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

3.21. Segment Disclosure

For management purposes Fortuna Group is divided into operating segments based on geographical areas and revenue streams (sports betting or lottery). Fortuna Group follows criteria set by IFRS 8 Operating Segments to determine number and type of reportable segments. At the level of the accounting unit as a whole, Fortuna Group discloses information on revenues to external customers for major products and services respectively groups of similar products and services, and on non-current assets by geographical segment locations.

3.22. Contingencies

Contingent assets are not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable. Contingent liabilities are not recognised in the consolidated financial statements but disclosed in the notes unless the possibility of an outflow of economic resources is remote.

3.23. Share-based payment transaction

Employees (including senior executives) of the Group can receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for option (right) to acquire shares at exercise price. At the exercise date, the option holder is entitled to remuneration from the company which is calculated as the difference between the closing price of shares in the Prague Stock Exchange or in the Warsaw Stock Exchange at the exercise date, and the exercise price. The option holder may decide to acquire physical shares. In such a case, the company will purchase shares on behalf of the option holder and transfer them to the respective.

The share-based payment transactions do not affect the computation of diluted earnings per share as the company will purchase the existing shares and hence no new shares will be issued.

As the counterparty has the choice of whether the Company settles the transaction in cash or by equity instruments, the Company accounts for that transaction as a cash-settled share-based payment transaction.

Cash-settled transactions
The cost of cash-settled transactions is measured initially at fair value at the grant date using a binomial model, further details of which are given in Note 27. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense (Note 7).

3.24. New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2013:

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position or performance.

IAS 19 Employee Benefits (Revised)
The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amended standard will impact the net benefit expense as the expected return on plan assets will be calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. These amendments did not impact the Group's financial position or performance.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. As the Group does not have any investments in associates and joint ventures, these amendments did not impact the Group's financial position or performance.

IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7
These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments did not impact the Group's financial position or performance.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation – Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the analyses performed, IFRS 10 did not have any impact on the currently held investments of the Group.

IFRS 11 Joint Arrangements
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard is to be applied retrospectively for joint arrangements held at the date of initial application. IFRS 11 did not have any impact on the currently held investments of the Group.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but has no impact on the Group's financial position or performance.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. These amendments did not materially impact the Group's financial position or performance.

IAS 36 Recoverable Amount Disclosures for Non-Financial Assets – Amendment to IAS 36
IAS 36 currently requires that the recoverable amount of an asset (or CGU) is disclosed, irrespective of whether an impairment has been recorded or reversed in respect of that asset (or CGU) during the period. Under the proposed amendments, IAS 36.130(e) would instead require that disclosure of the recoverable amount of an asset (or CGU) would only be required in periods in which impairment has been recorded or reversed in respect of that asset (or CGU). This amendment is effective for annual periods beginning on or after 1 January 2014 but the Company applied early adoption.

3.25. Future accounting developments

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued that the Group reasonably expects to be applicable at a future date. Fortuna Group intends to adopt these standards when they become effective.

IFRS 9 Financial Instruments
IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures cancelled the date. The latest communicated effective date is 1 January 2018. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued. The amendment has not been endorsed by EU yet.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10.

IAS 32 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 are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

IFRIC Interpretation 21 Levies (IFRIC 21)
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements. The amendment has not been endorsed by EU yet.

IAS 39 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 are effective for annual periods beginning on or after 1 January 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

4. USE OF ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Judgments

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying FEGNV’s accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Recognition of gross versus net revenues

FEGNV is subject to various governmental taxes and levies. The regulations differ significantly from one country to another. Revenue includes only the gross inflows of economic benefits received and receivable by the entity on its own account. Amounts collected on behalf of third parties such as sales taxes, goods and services taxes and value added taxes are not economic benefits which flow to the entity and do not result in increases in equity. Therefore, they should be excluded from revenue. The management makes its own judgment as to whether the entity is acting as principal or agent in collecting the tax based on various indicators as well as changing circumstances in each of the countries were FEGNV operates. Further details are given in notes 3.18.3 and 6.

Estimates

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The key assumptions concerning future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Indefinite life intangible assets and goodwill

Fortuna Group determines whether indefinite life intangible assets are impaired at least on an annual basis. This requires an estimate of an asset's recoverable amount which is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 3.1, 3.6, 14 and 15.

Betting transactions

Betting transactions are measured at the fair value of the consideration received or paid. This is usually the nominal amount of the consideration; however in relation to unresolved bets the fair value is estimated in accordance with IAS 39 using valuation and probability techniques, taking into account the probability of the future win. Further details are given in notes 3.4.1 and 6.

Deferred tax

Deferred tax assets are recognised for deductible temporary differences, unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and the level of future taxable profits together with future tax planning strategies. Further details on taxes are disclosed in notes 3.18 and 12.

Recoverable amount of receivables

Where there are indicators that any receivable is impaired at a balance sheet date, management makes an estimate of the asset's recoverable amount. Further details are given in note 3.11 and 17.

Provisions

Provisions take into account an expected expense, showing it as a liability on the balance sheet. Created provisions represent the best management estimate of future outflow of the economic benefits. Further details are given in note 3.16 and 25.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 27.

5. BUSINESS COMBINATIONS

Acquisitions in 2013

Acquisition of Gamestar
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 which expired 31 December 2013 and intangible assets relating to these instant lottery games. The Group acquired instant lottery operations of Gamestar, a.s. in order to strengthen its market position and expand its distribution channels.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of the operations acquired as at the date of acquisition were:

Fair value recognized on acquisition	CZK '000	€ 000
Assets		
Restricted cash (gaming deposit)	50,000	1,923
Inventory (Gamestar scratch cards)	1,607	62
Intangible assets (distribution contracts)	8,979	345
Liabilities		
Other payables	(50,000)	(1,923)
Total identifiable net assets at fair value	**10,586**	**407**
Goodwill arising on acquisition	–	–
Purchase consideration transferred	**10,586**	**407**

Restricted cash (gaming deposit) of CZK 50,000 thousand was transferred to the Group but remained payable to Gamestar, a.s. (included in Other payables). In July 2013 it was released by Ministry of Finance of the Czech Republic and paid back to Gamestar, a.s. It is thus not included in the consolidated financial statements as at 31 December 2013.

Intangible assets acquired include distribution contracts with Česká pošta, s.p. and České dráhy, a.s. Fair value of both contracts has been estimated by applying a discounted earnings technique and the fair value measurements are based on significant inputs that are not observable in the market. The fair value estimate is based on:
– An assumed discount rate of 8.8% p.a.
– Estimated earnings realized via each distribution contract in future periods

From the date of acquisition, Gamestar instant lottery games have contributed € 124 thousand of revenue and € 66 thousand to profit before tax of the Group. If the combination had taken place at the beginning of the year, Group revenue would have been € 97,115 thousand and the Group profit before tax would have been € 21,052 thousand.

Cash flows on acquisition

No cash flows occurred on the acquisition. Consideration transferred was determined to be contingent, based on the performance of the distribution channels acquired and will be settled on a quarterly basis in future periods. Settlement of purchase price liability in 2013 was CZK 514 thousand (€ 20 thousand) – in the consolidated statement of cash flows for the year ended 31 December 2013 included in the line Earn out payment acquisition. The liability to Gamestar, a.s. amounted to CZK 10,072 thousand (€ 367 thousand) as of 31 December 2013.

Consideration transferred

It was agreed in the purchase agreement with the previous owner, that the purchase price will be settled on a quarterly basis until May 2017 based on actual earnings realized via acquired distribution contracts. As at the acquisition date the fair value of the contingent consideration was estimated to be CZK 10,586 thousand (€ 387 thousand). The fair value is determined using discounted earnings technique. Significant unobservable valuation inputs are provided below:
– An assumed discount rate of 8.8% p.a.
– Assumed probability-adjusted earnings of CZK 3,000 thousand per year

Significant increase (decrease) in earnings would result in higher (lower) fair value of the contingent consideration liability, while significant increase (decrease) in the discount rate and own non-performance risk would result in lower (higher) fair value of the liability. Key performance indicators show that it is highly probable that the estimated earnings will be achieved. The contingent consideration liability will be re-measured at each year end until final settlement (May 2017). Re-measurement charge will be recognized through profit or loss.

Acquisitions in 2012

There were no acquisitions realized by the Group in 2012.

6. SEGMENT INFORMATION

For management purposes, in 2010 Fortuna Group was organized into business units based on geographical areas, with the following four reportable operating segments being distinguished:

Czech Republic
Slovakia
Poland
Other countries

In the first half of 2011 Fortuna started with commercial sale of scratch tickets in the territory of the Czech Republic and in July 2011 also started numerical lottery games. The segment of the Czech Republic is divided into two operating segments being sports betting and lottery.

The parent company, FEGNV, does not report any significant results, assets and liabilities other than its interest in subsidiaries and equity and therefore does not qualify as a separate operating segment. The information of FEGNV and other immaterial locations is included in the "Other countries" column.

Management monitors the operating results of its business units 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 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.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. The items included in transfer pricing comprise bookmaking services, general management services, software development services and cash deposit services which are primarily borne by Czech entities FORTUNA GAME a.s. and FORTUNA software s.r.o.

The following tables present revenue and profit information regarding Fortuna Group's operating segments for the years 2013 and 2012 respectively:

Year ended 31 December 2013 € 000	Czech Republic sports betting	Czech Republic lottery	Czech Republic total	Slovakia	Poland	Other countries	TOTAL Operating segments
Revenue	45,471	7,676	53,147	27,081	16,742	83	97,053
Governmental taxes and levies (incl. license fees)	9,303	1,518	10,821	–	–	–	10,821
Depreciation and amortisation	1,936	531	2,467	564	583	68	3,682
Operating profit	7,876	(1,174)	6,702	12,395	4,846	(949)	22,994
Capital expenditure	2,448	74	2,522	752	559	–	3,833
Non-current assets	10,658	703	11,361	1,156	1,009	97	13,623
Operating segment assets	19,773	4,734	24,507	11,579	8,004	521	44,611
Operating segment liabilities	9,592	2,630	12,222	3,361	3,817	337	19,737

Year ended 31 December 2012 € 000	Czech Republic sports betting	Czech Republic lottery	Czech Republic total	Slovakia	Poland	Other countries	TOTAL Operating segments
Revenue	44,633	10,013	54,646	24,875	16,621	96	96,238
Governmental taxes and levies	8,873	1,948	10,821	–	–	–	10,821
License fees	(38)	213	175	–	–	–	175
Depreciation and amortisation	1,796	552	2,348	404	708	200	3,660
Operating profit	9,767	(4,349)	5,418	11,332	3,149	(1,476)	18,423
Capital expenditure	2,902	272	3,174	505	416	–	4,095
Non-current assets	12,038		12,038	973	1,070	164	14,245
Operating segment assets	36,482		36,482	9,431	6,425	661	52,999
Operating segment liabilities	21,861		21,861	3,082	2,778	464	28,185

Segment results for each operating segment excludes net finance costs of € 1,975 thousand and € 2,261 thousand for 2013 and 2012 and income tax expense of € 5,446 thousand and € 3,843 thousand for 2013 and 2012.

Compared to 2012, in 2013 operating profit of Poland includes also the income of € 2,712 relating to won legal dispute in Warsaw regarding the VAT overpayment (note 8).

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

Segment assets exclude goodwill of € 46,415 thousand and € 50,634 thousand as at 31 December 2013 and 31 December 2012, respectively, as these assets are managed on a group basis.

Segment liabilities excludes bank loans of € 43,761 thousand and € 25,644 thousand as at 31 December 2013 and 31 December 2012, respectively, and derivatives of € 493 thousand and € 701 thousand as at 31 December 2013 and 31 December 2012, respectively, as these liabilities are managed on a group basis.

Capital expenditure consists of additions to property, plant and equipment and intangible assets including assets from the acquisition of subsidiaries.

Information about products and services

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

Year ended 31 December 2013 € 000	Czech Republic sports betting	Czech Republic lottery	Czech Republic total	Slovakia	Poland	Malta	TOTAL
Total amounts staked	323,292	16,062	339,354	148,866	74,169	4,842	567,231
– of which: Sports betting – Bets	318,344	–	318,344	140,426	65,272	4,842	528,884
– of which: Sports betting – Commissions	4,948	–	4,948	8,440	8,897	–	22,285
– of which: Lottery – Scratch tickets – Bets	–	9,980	9,980	–	–	–	9,980
– of which: Lottery – Numerical games – Bets	–	6,082	6,082	–	–	–	6,082
Paid out prizes	(276,699)	(8,425)	(285,124)	(112,839)	(48,117)	(4,677)	(450,757)
Gross win	46,593	7,637	54,230	36,027	26,052	165	116,474
– of which: Sports betting – Online	26,830	–	26,830	17,697	6,391	165	51,083
– of which: Sports betting – Retail	19,763	–	19,763	18,330	19,661	–	57,754
– of which: Lottery – Scratch tickets	–	4,384	4,384	–	–	–	4,384
– of which: Lottery – Numerical games	–	3,253	3,253	–	–	–	3,253
Withholding tax paid	–	–	–	(8,422)	(8,897)	(33)	(17,352)
Other revenues	(1,123)	39	(1,084)	(523)	(413)	(49)	(2,069)
Revenue	45,470	7,676	53,146	27,082	16,742	83	97,053
Governmental taxes and levies	(9,303)	(1,503)	(10,806)	–	–	–	(10,806)
License fees	–	(15)	(15)	–	–	–	(15)

Year ended 31 December 2012 € 000	Czech Republic sports betting	Czech Republic lottery	Czech Republic total	Slovakia	Poland	Malta	TOTAL
Total amounts staked	243,320	19,590	262,910	131,471	68,877	4,623	467,881
– of which: Sports betting – Bets	235,533	–	235,533	124,057	60,886	4,623	425,099
– of which: Sports betting – Commissions	7,787	–	7,787	7,414	7,991	–	23,192
– of which: Lottery – Scratch tickets – Bets	–	6,470	6,470	–	–	–	6,470
– of which: Lottery – Numerical games – Bets	–	13,120	13,120	–	–	–	13,120
Paid out prizes	(198,824)	(9,629)	(208,453)	(100,042)	(44,039)	(4,497)	(357,031)
Gross win	44,496	9,961	54,457	31,429	24,838	126	110,850
– of which: Sports betting – Online	20,915	–	20,915	13,192	3,520	126	37,753
– of which: Sports betting – Retail	23,581	–	23,581	18,237	21,318	–	63,136
– of which: Lottery – Scratch tickets	–	2,904	2,904	–	–	–	2,904
– of which: Lottery – Numerical games	–	7,057	7,057	–	–	–	7,057
Withholding tax paid	–	–	–	(6,817)	(8,265)	(29)	(15,111)
Other revenues	137	52	189	263	47	–	499
Revenue	44,633	10,013	54,646	24,875	16,620	97	96,238
Governmental taxes and levies	(8,873)	(1,948)	(10,821)	–	–	–	(10,821)
License fees	38	(213)	(175)	–	–	–	(175)

7. PERSONNEL EXPENSES

€ 000	2013	2012
Wages and salaries	(20,086)	(19,941)
Social security costs	(5,788)	(5,906)
Directors' remuneration	(48)	(238)
Other payroll costs	(678)	(692)
Share-based payment transaction expense (note 27)	–	–
Total	(26,600)	(26,777)

Number of employees in the period:		
Average number of employees	2,519	2,596
Managers	7	8
Staff	2,512	2,588

Remuneration of key management personnel of Fortuna Group		
Wages and salaries	(837)	(491)
Social security costs	(137)	(79)
Share-based payment transaction expense (note 27)	–	–
Total remuneration	(974)	(570)

8. OTHER OPERATING INCOME

€ 000	2013	2012
Gain on sale of fixed assets	15	18
Revenues from rental of real estate	372	426
Reversal of accruals and provisions	141	46
Other income	2,827	250
	3,355	740

Other income in 2013 includes € 2,712 thousand which relate to won legal dispute in Warsaw regarding the VAT overpayment for the period 2005–2008.

9. OTHER OPERATING EXPENSES

€ 000	2013	2012
Operating lease expense (Note 30)	(11,814)	(11,893)
Materials and office supplies	(2,283)	(2,141)
Marketing and advertising	(6,413)	(7,948)
Telecommunication costs	(2,148)	(2,526)
Energy and utilities	(1,570)	(1,579)
Repairs and maintenance	(623)	(740)
Taxes and fees to authorities	(742)	(713)
Bad debt expense	(249)	(357)
IT services	(2,614)	(2,594)
Third party services (legal, professional etc.)	(2,603)	(2,461)
Travelling and entertainment cost	(301)	(365)
Others	(4,951)	(3,805)
Total	(36,311)	(37,122)

Expenses of the Czech, Slovak and Polish companies are charged to the statement of profit or loss including VAT as VAT cannot be claimed on input side.

10. FINANCE COSTS AND INCOME

€ 000	2013	2012
Interest on bank loans and other finance costs	(2,221)	(2,124)
Interest on other debts and borrowings	(93)	(62)
Finance charges payable under finance lease and hire purchase contracts	–	(28)
Financial assets and liabilities at FV through P&L	–	–
Foreign exchange losses	(395)	(1,546)
Total finance costs	(2,709)	(3,760)
Interest on bank deposits	105	122
Interest income on other loans and receivables	12	36
Financial assets and liabilities at FV through P&L	91	–
Foreign exchange gains	526	1,341
Total finance income	734	1,499
Total finance costs, net	(1,975)	(2,261)

11. COMPONENTS OF OTHER COMPREHENSIVE INCOME

€ 000	2013	2012
Movements of other comprehensive income before tax		
Cash flow hedges		
Gains/(losses) arising during the year		
Interest rate swap contracts	(1)	81
Exchange differences on translation of foreign operations		
Gains/(losses) arising during the year	(3,455)	1,826
Total effect on other comprehensive income (before tax)	(3,456)	1,907
Tax effect of components of other comprehensive income		
Cash flow hedges		
Gains/(losses) arising during the year		
Interest rate swap contracts	9	(15)
Total tax effect on other comprehensive income	9	(15)

Exchange differences on translation of foreign operations include translation gains and losses from the consolidation of the subsidiaries reporting in foreign currency, especially Czech entities as the closing FX rate changed from 25.14 CZK/EUR as at 31 December 2012 to 27.425 CZK/EUR as at 31 December 2013 and the average FX rate changed from 25.143 CZK/EUR in 2012 to 25.974 CZK/EUR in 2013.

Increase in tax effect of interest rate swap contracts is connected with change of corporate income tax rate in Slovakia for 2014.

12. INCOME TAX

The major components of income tax expense are:

€ 000	2013	2012
Current income tax:		
Current income tax charge	5,617	3,853
Prior year adjustments	196	–
Deferred tax:		
Relating to origination and reversal of temporary differences	(367)	(10)
Income tax expense reported in the statement of income	5,446	3,843

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at Fortuna Group's effective income tax rate for the years ended 31 December 2013 and 2012 is as follows:

€ 000	2013	2012
Accounting profit before income tax	21,019	16,162
At Dutch statutory income tax rate of 25% (2012: 25%)	5,255	4,041
Effect on permanent and other differences	3	224
Effect of previously unrecognised and unused tax losses and tax offsets now recognised deferred tax assets	(66)	(5)
Unrecognised tax asset from the tax losses incurred	381	164
Non-deductible tax expenses	1,010	549
Non-taxable betting revenues	(83)	(11)
Non-taxable other income	(211)	(7)
Goodwill impairment	–	–
Adjustments in respect to current income tax of previous years	171	(50)
Effect of higher / lower tax rates in other countries	(1,014)	(1,062)
At the effective income tax rate of 26% (2012: 24%)	5,446	3,843
Income tax expense reported in the consolidated income statement	5,446	3,843
Total	5,446	3,843

Deferred tax

Deferred tax relates to the following:

€ 000	Consolidated statement of financial position			Consolidated statement of income	
	As at 31 December 2013	As at 31 December 2012	As at 1 January 2012	2013	2012
Difference between carrying amounts of property, plant and equipment for accounting and tax purposes	1	5	37	(3)	(34)
Impairment adjustments and provisions	532	429	398	120	14
Tax losses carried forward	438	162	133	276	29
Other	95	112	126	(26)	1
Deferred tax income / (expense)				367	10
Deferred tax asset / (liability)	1,066	708	694		
Reflected in the statement of financial position as follows:					
Deferred tax asset – continuing operations	1,066	708	699		
Deferred tax liability – continuing operations	–	–	(5)		
Deferred tax asset, net	1,066	708	694		

Reconciliation of deferred tax asset:

€ 000	2013	2012
At 1 January	708	699
Tax income (expense) during the period recognised in profit or loss	367	5
Tax income (expense) during the period recognised in equity	9	(15)
Currency translation	(18)	19
At 31 December	1,066	708

Reconciliation of deferred tax liability:

€ 000	2013	2012
At 1 January	–	(5)
Tax income (expense) during the period recognised in profit or loss	–	5
At 31 December	–	–

13. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit for the year attributable to the equity holders of the parent by the weighted average number of ordinary shares in FEGNV outstanding during the year.

There were no dilutive potential ordinary shares at 31 December 2013 and 2012. Basic and diluted earnings per share were the same. The following reflects the income and share data used in the basic and diluted earnings per share computations:

€ 000	2013	2012
Net profit attributable to ordinary equity holders of the parent from continuing operations	15,617	12,319
Net profit attributable to ordinary equity holders of the parent for earnings per share calculation	15,617	12,319
Weighted average number of ordinary shares for earnings per share calculation	52,000,000	52,000,000

Statement of profit or loss

€	2013	2012
Basic and diluted earnings per share from continuing operations	0.300	0.237

No other transactions involving ordinary shares or potential ordinary shares took place between the reporting date and the date of completion of these consolidated financial statements.

14. GOODWILL

€ 000	2013
At 1 January 2013	50,634
Reduction in goodwill	–
Additions arising on acquisition of subsidiaries	–
Disposal of subsidiaries	–
Currency translation	(4,219)
At 31 December 2013	46,415

€ 000	2012
At 1 January 2012	49,339
Reduction in goodwill	–
Additions arising on acquisition of subsidiaries	–
Disposal of subsidiaries	–
Currency translation	1,295
At 31 December 2012	50,634

Goodwill arising from a business combination is allocated upon acquisition to each of Fortuna Group's cash generating units (CGUs) that are expected to benefit from the synergies of the business combination.

The recoverable amounts of the CGUs are determined from higher value in use calculations and fair values of the related CGUs. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes in revenue per branch and direct costs incurred during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs.

The current goodwill relates only to acquisitions of Czech companies operating in the sports betting industry.

The cash flow projection covers a period of six years (2012: 3 years) and are discounted using the pre-tax discount rate of 10.58% (2012: 10.39%) for the Czech Republic. The valuation model used average annual operating cash-flow growth rate of 5% for the next four years and growth of 2% per annum in subsequent years, which is currently the estimated growth for the betting business.

As at 31 December 2013 and 2012, Fortuna Group has not identified any impairment indicators of the recognized goodwill.

The carrying amount of goodwill has been allocated as follows:

Carrying amount of goodwill allocated to segments

€ 000	31.12.2013	31.12.2012
Czech Republic – sports betting	46,415	50,634
Total	46,415	50,634

Fortuna Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount of goodwill to materially exceed its recoverable amount.

15. INTANGIBLE ASSETS

€ 000	Software	Brand name	Other intangible fixed assets	Total
Cost:				
At 1 January 2013	4,455	6,505	159	11,119
Additions	1,546	–	155	1,701
Disposals	(26)	–	–	(26)
Additions arising on acquisition of subsidiaries	–	–	346	346
Disposals arising on disposal of subsidiaries	–	–	–	–
Transfers	(71)	–	71	–
Currency translation	(297)	(542)	(36)	(875)
At 31 December 2013	5,607	5,963	695	12,265
Accumulated amortisation:				
At 1 January 2013	2,698	–	113	2,811
Amortisation for the year	764	–	70	834
Disposals	–	–	–	–
Transfers	–	–	–	–
Additions arising on acquisition of subsidiaries	–	–	–	–
Disposals arising on disposal of subsidiaries	–	–	–	–
Currency translation	(219)	–	(11)	(230)
At 31 December 2013	3,243	–	172	3,415
Carrying amount at 31 December 2013	2,364	5,963	523	8,850
Carrying amount at 1 January 2013	1,757	6,505	46	8,308

€ 000	Software	Brand name	Other intangible fixed assets	Total
Cost:				
At 1 January 2012	3,098	6,339	151	9,588
Additions	1,286	–	5	1,291
Disposals	–	–	–	–
Additions arising on acquisition of subsidiaries	–	–	–	–
Disposals arising on disposal of subsidiaries	–	–	–	–
Transfers	–	–	–	–
Currency translation	71	166	3	240
At 31 December 2012	4,455	6,505	159	11,119
Accumulated amortisation:				
At 1 January 2012	1,734	–	65	1,799
Amortisation for the year	921	–	48	969
Disposals	–	–	–	–
Transfers	–	–	–	–
Additions arising on acquisition of subsidiaries	–	–	–	–
Disposals arising on disposal of subsidiaries	–	–	–	–
Currency translation	43	–	–	43
At 31 December 2012	2,698	–	113	2,811
Carrying amount at 31 December 2012	1,757	6,505	46	8,308
Carrying amount at 1 January 2012	1,364	6,339	86	7,789

Upon acquisition of the subsidiary FORTUNA sázková kancelář a.s. (merged with Fortuna GAME, a.s. effective 1 January 2012), the Consolidated Group recognised an intangible brand name "FORTUNA" which was assessed as having an indefinite useful life, as there is no foreseeable limit to the period over which it is expected to generate net cash inflows, given the strength and durability of the brand and the level of marketing support. The brand has been in the market in the Czech Republic since 1990.

The intangible is not amortised and is tested for impairment at year end. The carrying amount of the intangible asset was € 5,963 thousand as at 31 December 2013 (2012: € 6,505 thousand). The movement in the carrying amount represents foreign exchange gain due to the depreciation of the Czech crown against the euro. The brand name was pledged as a security for bank loans (note 26).

The intangible asset does not generate largely independent cash inflows and is allocated to the Czech operations as the lowest level of cash generating unit. The Czech operation was tested for impairment by applying discounted cash flow technique and using projected financial results.

The cash flow projection covers a period of six years (2012: 3 years) and are discounted using the pre-tax discount rate of 10.58% (2012: 10.39%) for the Czech Republic. The valuation model used average annual operating cash-flow growth rate of 5% for the next four years and growth of 2% per annum in subsequent years, which is currently the estimated growth for the betting business.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount of the unit to materially exceed its recoverable amount.

16. PROPERTY, PLANT AND EQUIPMENT

€ 000	Land and buildings	Plant and equipment	Other assets	Assets not yet in use	Total
Cost:					
At 1 January 2013	2,324	15,412	–	720	18,456
Additions	–	186	–	1,948	2,134
Disposals	(40)	(1,266)	–	(61)	(1,367)
Additions arising on acquisition of subsidiaries	–	–	–	–	–
Disposals arising on disposal of subsidiaries	–	–	–	–	–
Transfers	100	2,077	–	(2,176)	–
Currency translation	(150)	(687)	–	(46)	(883)
At 31 December 2013	2,234	15,722	–	384	18,341
Accumulated depreciation:					
At 1 January 2013	1,364	11,155	–	–	12,519
Depreciation charge for the year	171	2,677	–	–	2,848
Disposals	(38)	(1,189)	–	–	(1,226)
Transfers	–	–	–	–	–
Additions arising on acquisition of subsidiaries	–	–	–	–	–
Disposals arising on disposal of subsidiaries	–	–	–	–	–
Currency translation	(97)	(476)	–	–	(573)
At 31 December 2013	1,400	12,167	–	–	13,568
Carrying amount at 31 December 2013	834	3,555	–	384	4,773
Carrying amount at 1 January 2013	960	4,257	–	720	5,937

€ 000	Land and buildings	Plant and equipment	Other assets	Assets not yet in use	Total
Cost:					
At 1 January 2012	2,116	13,695	15	823	16,649
Additions	149	1,556	–	900	2,605
Disposals	(62)	(1,294)	(15)	(68)	(1,439)
Additions arising on acquisition of subsidiaries	–	–	–	–	–
Disposals arising on disposal of subsidiaries	–	–	–	–	–
Transfers	32	914	–	(946)	–
Currency translation	89	541	–	11	641
At 31 December 2012	2,324	15,412	–	720	18,456
Accumulated depreciation:					
At 1 January 2012	1,200	9,473	–	–	10,673
Depreciation charge for the year	191	2,500	–	–	2,691
Disposals	(62)	(1,224)	–	–	(1,286)
Transfers	–	–	–	–	–
Additions arising on acquisition of subsidiaries	–	–	–	–	–
Disposals arising on disposal of subsidiaries	–	–	–	–	–
Currency translation	35	406	–	–	441
At 31 December 2012	1,364	11,155	–	–	12,519
Carrying amount at 31 December 2012	960	4,257	–	720	5,937
Carrying amount at 1 January 2012	916	4,222	15	823	5,976

17. CURRENT RECEIVABLES

Current receivables € 000	31.12.2013	31.12.2012
Receivables from related parties	84	25
Advance payments and deposits	382	486
Other receivables (current)	3,882	1,519
Total	4,348	2,030

For terms and conditions relating to related party receivables, refer to note 29.

Other receivables include receivables from cash shortages from former or current employees in the Czech Republic and Slovakia which are stated net of a provision of € 894 thousand in 2013 (2012: € 718 thousand).

Other receivables in 2013 also include receivable of € 2,712 thousand from Polish tax authorities. Fortuna won the court hearings in Warsaw regarding the VAT overpayment for the period 2005–2008. This amount is included in 2013 in the statement of profit and loss in other operating income.

As at 31 December 2013, the provision for impairment of trade receivables (excluded receivables from employees mentioned above) amounted to € 45 thousand (2012: € 53 thousand). See the table below for the movements in the provision for impairment of receivables.

Movement in the provision for impairment of trade receivables € 000	Individually impaired
At 1 January 2013	53
Amount written off during the year	(6)
Amounts recovered during the year	(35)
Charge for the year	37
Currency translation	(4)
At 31 December 2013	45
At 1 January 2012	59
Amount written off during the year	(37)
Amounts recovered during the year	(15)
Charge for the year	45
Currency translation	1
At 31 December 2012	53

The following table relates to ageing of current receivables. As at 31 December 2013 and 2012 most of the receivables were neither past due nor impaired.

€ 000	Neither past due nor impaired	Past due but not impaired					Total
		<30 days	31–60 days	61–90 days	91–180 days	>181 days	
31 December 2013	4,118	40	10	1	57	122	4,348
31 December 2012	1,431	270	38	5	162	124	2,030

In the consolidated statement of the financial position of the Company there are no other financial assets that are past due but not impaired.

18. OTHER ASSETS

Other non-current assets € 000	31.12.2013	31.12.2012
Receivables from related parties	–	56
Advance payments and security deposits	1,720	1,423
Other	270	278
Total	1,990	1,757

Advance payments and security deposits consist mostly of rental deposits paid for rent of Fortuna branches.

Other current assets € 000	31.12.2013	31.12.2012
Goods for sale	89	82
Other inventory	40	117
Prepayments	2,039	2,207
Total	2,168	2,406

Prepayments consist mostly of prepaid rent of Fortuna branches.

19. RESTRICTED CASH

€ 000	31.12.2013	31.12.2012
Restricted cash	4,761	7,512

Fortuna Group has limited access to above mentioned cash deposits made with banks. The funds are blocked in accordance with the Gaming regulations of Slovakia and the Czech Republic. According to Czech and Slovak legislation a betting company has to deposit certain amounts of cash as security for potential liabilities to state and betters to a special bank account. The Company can only withdraw the security upon approval from the state authorities once the gaming activity terminates.

20. CASH AND CASH EQUIVALENTS

€ 000	31.12.2013	31.12.2012
Cash at bank	14,374	13,172
Cash in hand and in transit	2,280	2,308
Cash and cash equivalents	16,654	15,480

Cash at banks bears interest at floating rates based on daily bank deposit rates.

Short-term deposits are classified as a cash equivalent only if they have terms to maturity of three months or less.

Fortuna Group has pledged € 14,123 thousand of its cash in bank deposits as security for bank loans (2012: € 2,383 thousand).

21. DERIVATIVES

As of 31 December 2013, Fortuna Group held interest rate swaps with a notional amount of € 26,065 thousand of which interest rate swaps with a notional amount of € 20,596 thousand are designated as cash flow hedges (2012: € 19,740 thousand). These swaps fix the 3-month PRIBOR/EURIBOR variable interest rates.

Interest rate swaps € 000	31.12.2013 Liabilities	31.12.2012 Liabilities
Cash flow hedge	453	451
Held for trading	40	250
Total cash flow hedges	493	701

22. ISSUED CAPITAL AND RESERVES

Authorised shares

	2013 # of shares thousands	2012 # of shares thousands
Ordinary shares of € 0,01 each	250,000	250,000
	250,000	250,000

Ordinary shares issued and fully paid

	# of shares thousands	Par value per share €	Share capital € 000
At 31 December 2012	52,000	0.01	520
At 31 December 2013	52,000	0.01	520

Share premium

There was a movement in the share premium during the year 2013 of € 17,680 thousand which was used for dividend distribution for the year 2012.

Statutory reserve

In accordance with the commercial law in the Czech Republic and Slovakia, companies are required to form an undistributable statutory reserve for contingencies against possible future losses and other events.

In the Czech Republic, contributions must be at least 20% of after-tax profit in the first year in which profits are made and 5% of after-tax profit for each subsequent year, until the fund reaches at least 20% of share capital. The fund can only be used to offset losses.

In Slovakia, contributions must be at least 10% of the share capital upon foundation of the company and at least 10% of after-tax profit for each subsequent year, until the fund reaches at least 20% of share capital. The fund can only be used to offset losses.

The reserve represents the amount of these undistributable funds, which cannot be transferred to the parent company in the form of dividends. Dividend capacity of FEGNV is not affected as the distribution to FEGNV shareholders is determined only by corporate equity of FEGNV.

Hedge reserve

The net loss on cash flow hedges recognised in equity was € 453 thousand, net of tax effect of € 94 thousand, i.e. € 359 thousand (2012: € 453 thousand, net of tax effect of € 86 thousand, i.e. € 367 thousand).

Nature and purpose of reserves

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial information of foreign subsidiaries.

23. DIVIDENDS PAID AND PROPOSED

The Annual General Meeting (AGM) of shareholders of Fortuna Entertainment Group N.V. held on 28 May 2013 in Amsterdam approved the Management Board's proposal to pay-out a gross dividend of € 0.67 in cash per share for the financial year 2012 whereas € 0.33 per share was paid from retained earnings and € 0.34 per share was distributed from the share premium. Actual payment of dividend occurred on 26 June 2013.

Dividend of € 0.33 per share represented approximately 97% of the net profit (consolidated accounts) of 2012 and it was in accordance with the communicated dividend policy – the dividend payout ratio is 70–100% of the net profit (consolidated accounts).

Declared and paid during the year € 000	2013	2012
Dividend for 2011 paid in 2012	–	11,960
Dividend for 2012 paid in 2013	34,840	–
Total	34,840	11,960

Distributable funds are based on the corporate financial statements of FEGNV.

24. FAIR VALUES

Fair value hierarchy

As at 31 December 2013 and 2012, Fortuna Group had derivative contracts (interest rate swaps) measured at fair value of € 493 thousand (liability), € 701 thousand (liability) respectively and open bets which are also regarded as derivative contracts at fair value of € 444 thousand (liability), € 847 thousand (liability) respectively.

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 31 December 2013, the Group held the following financial instruments measured at fair value:

Financial instruments € 000	31 December 2013	Level 1	Level 2	Level 3
Interest rate swaps	(493)	–	(493)	–
Open bets	(444)	–	–	(444)

There is no change in the classification of the derivatives occurring since the previous year.

Fortuna Group enters into interest rate swap contracts 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 duality of counterparties and interest rate curves.

Open bets are regarded as derivative financial instruments which are not quoted on an active market and no observable data is available, the fair value of these financial instruments are not determined by reference to published price quotations nor estimated by using a valuation technique based on assumptions supported by prices from observable current market transactions. Their fair value is derived from the average margin on betting events realized by the Group in previous three months. Open bets are paid out within a short time frame after year end and as a result the difference between the fair value of these financial instruments as of year-end and the actual pay out is deemed immaterial. Higher average margin on betting would result in higher fair value of open bets.

Set out below is a comparison by class between the carrying amounts and fair values of Fortuna Group's financial instruments as disclosed in the financial statements.

31 December 2013 € 000	FV hierarchy	Carrying amount	Fair value
Assets			
Restricted cash	1	4,761	4,761
Other non-current assets	2	1,990	1,990
Current receivables	2	4,348	4,348
Other current assets	2	2,168	2,168
Cash and cash equivalents	1	16,654	16,654
Liabilities			
Long-term bank loans	2	39,518	39,518
Other non-current liabilities	2	29	29
Trade and other payables	2	15,553	15,553
Current portion of long-term bank loans	2	4,243	4,243
Derivatives	2	493	493
Other current financial liabilities (open bets)	3	444	444

31 December 2012 € 000	FV hierarchy	Carrying amount	Fair value
Assets			
Restricted cash	1	7,512	7,512
Other non-current assets	2	1,757	1,757
Current receivables	2	2,030	2,030
Other current assets	2	2,406	2,406
Cash and cash equivalents	1	15,480	15,480
Liabilities			
Long-term bank loans	2	13,697	13,697
Other non-current liabilities	2	30	30
Trade and other payables	2	17,140	17,140
Current portion of long-term bank loans	2	11,947	11,947
Derivatives	2	701	701
Other current financial liabilities (open bets)	3	847	847

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

Cash and short-term deposits, current receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Long-term fixed-rate and variable-rate receivables and borrowings are evaluated by Fortuna Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of customers and risk characteristics of the financed project. Based on this evaluation, provisions are formed for the expected losses of these receivables. As at 31 December 2013 and 2012, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

The fair value of loans from banks and other financial liabilities, obligations under finance leases as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

25. PROVISIONS

€ 000	Employee bonuses	Jackpot	Other provisions	Total
At 1 January 2013	530	345	12	887
Arising during the year	840	138	33	1,011
Utilised	(462)	–	(16)	(478)
Discount rate adjustment	–	–	–	–
Acquisition of a subsidiary	–	–	–	–
Disposal of a subsidiary	–	–	–	–
Currency translation	(43)	(36)	–	(79)
At 31 December 2013	865	447	29	1,341
Short-term part of the provision	805	–	29	834
Long-term part of the provision	60	447	–	507
At 31 December 2013	865	447	29	1,341
At 1 January 2012	520	471	21	1,012
Arising during the year	488	562	10	1,060
Utilised	(503)	(700)	(19)	(1,222)
Discount rate adjustment	–	–	–	–
Acquisition of a subsidiary	–	–	–	–
Disposal of a subsidiary	–	–	–	–
Currency translation	25	12	–	37
At 31 December 2012	530	345	12	887
Short-term part of the provision	485	–	2	487
Long-term part of the provision	45	345	10	400
At 31 December 2012	530	345	12	887

Employee bonuses

The Company has formed a provision for employee bonuses. The exact amount is uncertain as it represents management's best estimate.

Provision for Jackpot

Jackpot provision is calculated and accounted for based on best estimate of future outcomes.

26. BANK LOANS

The summary of the actual structure of the loans from Česká Spořitelna, a.s. is provided below:

Long-term bank loans	Currency	Effective interest rate	Security	Maturity	2013 € 000
Facility A	CZK	3M PRIBOR + 2,25%	shares of the subsidiary companies RIVERHILL a.s., ALICELA a.s., FORTUNA GAME a.s. and ; FORTUNA SK, a.s.pledge on bank accounts of FORTUNA GAME a.s., FORTUNA SK, a.s. and FORTUNA online zaklady bukmacherskie Sp. z o.o., brand name FORTUNA and registered trademarks	June 2018	13,534
Facility A	EUR	3M EURIBOR + 2,25%		June 2018	8,137
Facility B	CZK	3M PRIBOR + 2,50%		June 2019	10,198
Facility B	EUR	3M EURIBOR + 2,50%		June 2019	8,912
Revolving facility	CZK	3M PRIBOR + 2,25%		June 2018	2,980
of which current portion					4,243
Total long-term loans					39,518

Long-term bank loans	Currency	Effective interest rate	Security	Maturity	2012 € 000
Loan A – Tranche I	CZK	3M PRIBOR + 2,85%	shares of the Czech subsidiary companies; pledge on bank accounts; brand name FORTUNA; bill of exchange; letter of comfort issued by Penta Holding Limited	2015	1,499
Loan A – Tranche II	CZK	3M PRIBOR + 3,35%	shares of the Czech subsidiary companies; pledge on bank accounts; brand name FORTUNA; bill of exchange; letter of comfort issued by Penta Holding Limited	2015	1,053
Loan A – Tranche III	EUR	3M EURIBOR + 2,85%	shares of the Czech subsidiary companies; pledge on bank accounts; brand name FORTUNA; bill of exchange; letter of comfort issued by Penta Holding Limited	2015	1,838
Loan A – Tranche IV	EUR	3M EURIBOR + 3,35%	shares of the Czech subsidiary companies; pledge on bank accounts; brand name FORTUNA; bill of exchange; letter of comfort issued by Penta Holding Limited	2015	1,299
Loan A – Tranche V	CZK	1M PRIBOR + 1,65%	shares of the Czech subsidiary companies; pledge on bank accounts; brand name FORTUNA; bill of exchange; letter of comfort issued by Penta Holding Limited	2013	5,965
Loan A – Tranche VIII	CZK	3M PRIBOR + 2,35%	shares of the Czech subsidiary companies; pledge on bank accounts; brand name FORTUNA; bill of exchange; letter of comfort issued by Penta Holding Limited	2014	1,198
Loan B – Tranche I	CZK	3M PRIBOR + 2,85%	shares of the Czech subsidiary companies; pledge on bank accounts; brand name FORTUNA; bill of exchange; letter of comfort issued by Penta Holding Limited	2015	1,784
Loan B – Tranche II	CZK	3M PRIBOR + 3,35%	shares of the Czech subsidiary companies; pledge on bank accounts; brand name FORTUNA; bill of exchange; letter of comfort issued by Penta Holding Limited	2015	1,311
Loan B – Tranche III	EUR	3M EURIBOR + 2,85%	shares of the Czech subsidiary companies; pledge on bank accounts; brand name FORTUNA; bill of exchange; letter of comfort issued by Penta Holding Limited	2015	2,152
Loan B – Tranche IV	EUR	3M EURIBOR + 3,35%	shares of the Czech subsidiary companies; pledge on bank accounts; brand name FORTUNA; bill of exchange; letter of comfort issued by Penta Holding Limited	2015	1,598
Loan C – Tranche I	EUR	6M EURIBOR + 2,75%	shares of FORTUNA SK, a.s.; pledge on bank account; bill of exchange; letter of comfort issued by Penta Holding Limited	2013	1,253
Loan C – Tranche II	EUR	6M EURIBOR + 2,95%	shares of FORTUNA SK, a.s.; pledge on bank account; bill of exchange; letter of comfort issued by Penta Holding Limited	2014	1,328
Loan C – Tranche III	EUR	6M EURIBOR + 3,35%	shares of FORTUNA SK, a.s.; pledge on bank account; bill of exchange; letter of comfort issued by Penta Holding Limited	2014	3,228
Finance lease	CZK				138
Finance lease	PLN				0
					25,644
of which current portion					11,947
Total long-term loans					13,697

At 31 December 2013, Fortuna Group had undrawn committed borrowing facilities of € 2,000 thousand (2012: € 1,817 thousand) for which all conditions set had been met.

At 31 December 2013 Fortuna Group was in compliance with bank loan covenants.

27. SHARE-BASED PAYMENT PLANS

As at 31 December 2013 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 NV) expired 28 February 2013. None of granted options were exercised.

The Group did not adopt any further stock option plan during the year 2013.

Movements in the year

The following table illustrates the number and exercise price of, and movements in, share options during the year:

	2013 Number	2013 Exercise price in CZK	2012 Number	2012 Exercise price in CZK
Outstanding at 1 January	**352,500**	**115**	**395,500**	**115**
Granted during the year	–	115	–	115
Forfeited during the year	(352,500)	115	(43,000)	115
Outstanding at 31 December	**–**	**–**	**352,500**	**115**
Exercisable at 31 December			–	–

For the year 2013 and 2012, the Group has recognised € 0 of share-based payment transactions expense in the income statement.

There were no movements in share options during the year 2013. No contractual life for the share options remains and the weighted average fair value of options granted during the year was € 0.

The following table list the inputs to binomial model used for share option plan for the years ended 31 December 2012:

	2012
Current share price (CZK)	85.00
Strike share price (CZK)	115
Dividend yield (%)	7
Expected volatility (%)	5
Risk-free interest rate (%)	1.96
Expected life of share options (years)	0.17

The expected life of the share options is based on termination of vested period. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

28. TRADE AND OTHER PAYABLES (CURRENT)

€ 000	31.12.2013	31.12.2012
Trade and other payables (current)		
Trade accounts and notes payable	(2,641)	(2,043)
Payables to related parties	(35)	(37)
Earn out liability	(367)	–
Wages and salaries payable	(1,324)	(1,426)
Social security and health contributions payable	(706)	(742)
Taxation on earning from betting and others	(4,821)	(5,061)
Unpaid wins	(2,887)	(2,902)
Other deferred income and accrued expenses	(2,813)	(2,618)
Received deposits	(10)	(9)
Other payables and estimated accounts payable	(452)	(2,302)
Total	**(16,056)**	**(17,140)**

Unpaid wins are paid out within a short time frame after the year end and present actual amounts won by the clients.

29. RELATED PARTY DISCLOSURES

The consolidated financial statements include the following companies:

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 REAL, s.r.o., v likvidaci	Slovakia	Rentals
FORTUNA software s.r.o.	Czech Republic	Software company
FortunaWin Ltd.	Malta	Online betting
FortunaWin Gaming Ltd.	Malta	Online gaming

The following table lists the total amounts relating to transactions entered into with related parties for the relevant financial year:

Consolidated statement of financial position € 000	31.12.2013	31.12.2012
Receivables from related parties		
Digital Park Einsteinova, a.s.	84	81
Total receivables from related parties	84	81
Payables to related parties		
DÔVERA zdravotná poisťovňa, a.s.	16	17
AB Facility, s.r.o.	1	1
Avis Accounting BV	4	4
Penta Investments Limited, Cyprus	14	15
Total payables to related parties	35	37
Cash in related parties		
Privatbanka, a.s.	3,757	2,465
Total cash in related parties	3,757	2,465

The payables to DÔVERA zdravotná poisťovňa, a.s. relate to health insurance payments.

Consolidated statement of financial position € 000	31.12.2013	31.12.2012
Financial income from related parties		
Privatbanka, a.s.	1	28
Total financial income from related parties	1	28
Financial expense from related parties		
Privatbanka, a.s.	3	2
Total financial expense from related parties	3	2
Purchases from related parties		
DÔVERA zdravotná poisťovňa, a.s.	149	149
Digital Park Einsteinova, a.s.	151	147
AB Facility, s.r.o.	8	7
Avis Accounting BV	22	20
Predict Performance Improvement Ltd	146	293
Total purchases from related parties	476	616

All above mentioned companies are part of Penta Group and the sales to and purchases from related parties are conducted at normal market prices. Outstanding balances at year end are unsecured, interest free, with settlement being in cash. No guarantees have been provided or received for any related party receivables or payables. For the years ended 31 December 2013 and 2012, Fortuna Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is made each financial year by examining the financial position of the related party and the market in which the related party operates.

Financial income and expense from Privatbanka a.s. relates to bank fees and interest on bank account balances.

Purchases from DÔVERA zdravotná poisťovňa, a.s. represent health insurance payments. Purchases from Digital Park Einsteinova, a.s. relate to rent of office premises.

Shares Held by the Management

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.

30. COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as lessee

Operating leases mainly relate to buildings with lease terms of between three to ten years. All operating lease contracts contain market review clauses in the event that Fortuna Group exercises its option to renew. The Company does not have an option to purchase the leased assets at expiry of the lease period.

Fortuna Group has also entered into lease agreements on certain motor vehicles and items of machinery. These leases have a useful life of three years with no renewal option included in the contracts. No restrictions have been placed upon Fortuna Group when entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

€ 000	2013	2012
Instalments due within one year	5,918	6,089
Instalments due between two and five years	4,881	8,245
Instalments due after more than five years	8	1,312
Operating lease expense (note 9)	(11,814)	(11,893)

Some of the contracts include also variable payments dependent on amounts staked. These payments were not included in the table above as they are not part of the minimal rental payments.

Finance lease and hire purchase commitments

In prior years, Fortuna Group has entered into finance leases and hire purchase contracts for various items of machinery and vehicle. In 2013, all items on finance lease were purchased for their net book value (€ 31 thousand) and no new finance lease agreements were concluded.

€ 000	2012
Within one year	103
After one year but not more than five years	51
More than five years	–
Total minimum lease payments	154
Future finance charges on finance leases	(16)
Present value of finance lease payments	138
Carrying amount of assets under finance leases	138

Other contingencies

Fortuna online zakłady bukmacherskie Sp. z o.o. ("Fortuna Poland") applied for VAT overpayment of € 2.2 million for the period 2005–2008. The Polish tax authorities refused to refund the full amount. In July and September 2012 the Administrative Court in Gliwice ruled that Fortuna Poland is entitled to full refund. However, the Polish tax authorities appealed against this decision to the Main Administrative Court in Warsaw. The hearings took place in February 2014 and the Main Administrative Court confirmed the previous ruling of the Administrative Court. The Polish tax authorities have to refund the company with € 2,712 thousand. In the 2013 consolidated financial statements, the receivable of € 2,712 thousand is included in other current receivables (note 17) and the income is included in the other operating income (note 8). In the 2012 consolidated financial statements, no contingent asset was recognized.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Fortuna Group's principal financial instruments, other than derivatives, comprise bank loans, cash and short-term deposits. The main purpose of these financial instruments is to raise funds for Fortuna Group's operations. Fortuna Group has various other financial instruments such as current receivables, trade and other payables that arise directly from its operations.

Fortuna Group also enters into derivative transactions, such as interest rate swaps. The purpose of these transactions is to assist in the management of Fortuna Group's financial risk and to generate the desired effective interest rate profile.

Fortuna Group is exposed to market risk, credit risk and liquidity risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. Financial instruments affected by market risk include loans and borrowings, cash and cash equivalents, deposits and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 December 2013 and 2012.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2013 and 2012.

The following assumptions have been made in calculating the sensitivity analyses:
– The statement of financial position sensitivity relates to derivatives
– The sensitivity of the relevant statement of income item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2013 and 2012 including the effect of hedge accounting

It is, and has been throughout the year under review, Fortuna Group's policy that no trading in financial instruments shall be undertaken other than betting and gaming transactions.

Interest rate risk

Fortuna Group is exposed to interest rate risk on interest bearing loans and borrowings and on cash and cash equivalents.

Fortuna Group manages the interest rate risk by having a portfolio of fixed and variable rate loans. Fortuna Group's policy for the year ended 31 December 2013 was to maintain a minimum of 25% of its borrowings at fixed interest. To manage this Fortuna Group enters into interest rate swaps, in which Fortuna Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2013, after taking into account the effect of the interest rate swaps eligible for hedge accounting, 47% (2012: 23%) of Fortuna Group's borrowings are at a fixed rate of interest.

Foreign currency risk

Fortuna Group carries out operations through a number of foreign enterprises. The day to day transactions of foreign subsidiaries are carried out in local currencies. Fortuna Group's exposure to currency risk at a transactional level is monitored and reviewed regularly.

Fortuna Group seeks to mitigate the effect of its structural currency exposure arising from the translation of foreign currency assets through bank loan drawings in the same currencies. However there are bank loans drawn in CZK in the Polish entities (note 26) which constitute currency exposure.

The exchange risk is kept at an acceptable level since the majority of operations are carried out within operating companies and hence any movement of currency rates of their functional currencies against each other and the euro (e.g Czech Korunas, Polish Zloty) do not give rise to significant exchange risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to Fortuna Group. Credit risk arises from cash and cash equivalents, trade receivables and loans.

From its core business substance, Fortuna Group's exposure to credit risk is limited since the vast majority of sales are carried out on the basis of prepayments made by customers. The marginal part of the pre-payments is executed by credit cards, where management adopts monitoring and credit control policy which minimise any credit risk exposure.

With respect to trade receivables related to other sales, Fortuna Group ensures that products and services are provided to customers with an appropriate creditworthy history. Risk control assesses the credit quality of customers taking into account financial position, past experience and other factors.

Fortuna Group's exposure to credit risk through the loans granted is limited since there are only intra-group loans and any third party lending is very rare.

Liquidity risk

Fortuna Group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings with a range of maturities.

Fortuna Group's policy on liquidity is to ensure that there are sufficient medium-term and long-term committed borrowing facilities to meet the medium-term funding requirements. At 31 December 2013, there were undrawn committed borrowing facilities of € 2,000 thousand (2012: € 1,817 thousand). Total committed facilities had an average maturity of 5 years in 2013 (2012: 2 years).

Prudent liquidity risk management implies maintaining sufficient cash and other liquid assets, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Company's treasury maintains flexibility in funding.

The Company monitors the level of cash on a daily basis and draws cash from the bank when and if needed.

Liquidity risk profile

The table below summarises the maturity profile of Fortuna Group's financial liabilities at 31 December 2013 and 2012 based on contractual undiscounted payments:

As at 31 December 2013 € 000	< 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
Trade and other payables	16,056	–	–	–	16,056
Bank loans	5,974	11,260	10,481	19,528	47,243
Derivatives (swaps)	300	446	–	–	746
Other non-current liabilities	29	–	–	–	29
	22,359	11,706	10,481	19,528	64,074

As at 31 December 2012 € 000	< 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
Trade and other payables	17,140	–	–	–	17,140
Bank loans and finance lease	12,536	14,248	–	–	26,784
Derivatives (swaps)	619	325	–	–	944
Other non-current liabilities	30	–	–	–	30
	30,325	14,573	–	–	44,898

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant and after the impact of hedging, of Fortuna Group's profit before tax and equity (through the impact on floating rate borrowings):

€ 000	Increase/(decrease) in interest rate by	Effect on profit before tax	Effect on other comprehensive income
2013			
CZK	1% / (1%)	(148) / 148	254 / (254)
EUR	1% / (1%)	(85) / 85	116 / (116)
PLN	1% / (1%)	–	–
		(233) / 233	370 / (370)
2012			
CZK	1% / (1%)	(128) / 128	–
EUR	1% / (1%)	(69) / 69	122/(122)
PLN	1% / (1%)	–	–
		(197) / 197	122 / (122)

Foreign currency risk sensitivity

The following table demonstrates the sensitivity to a change in the foreign exchange rates, with all other variables held constant, of Fortuna Group's equity arising from the translation of the foreign operations:

As of 31 December 2013 Increase / decrease in exchange rate by 1% € 000	(Decrease) / increase in equity
CZK/EUR	(237) / 237
PLN/EUR	(46) / 46

As of 31 December 2012 Increase / decrease in exchange rate by 1% € 000	(Decrease) / increase in equity
CZK/EUR	(141) / 141
PLN/EUR	(32) / 32

Impact of changes in exchange rate to profit or loss statement and other comprehensive income is immaterial.

Capital management

Capital includes equity attributable to the equity holders of the parent.

The primary objective of Fortuna Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

Fortuna Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, Fortuna Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Fortuna Group monitors capital using a gearing ratio defined as net debt divided by EBITDA.

Fortuna Group includes interest bearing short-term and long-term loans and borrowings less cash and cash equivalents in net debt. The Company defines EBITDA as net profit after tax before non-controlling interest, income tax, net financial costs, depreciation and amortisation and goodwill impairment.

Fortuna Group's policy is to keep the gearing ratio at a maximum range of 1.5–2.0.

€ 000	31.12.2013	31.12.2012
Interest bearing loans and borrowings:		
Long-term loans	39,518	13,697
Current portion of long-term loans	4,243	11,947
Short-term loans	–	–
	43,761	25,644
Less cash and cash equivalents	16,654	15,480
Net debt	27,107	10,164

€ 000	2013	2012
Profit before taxation from continuing operations	21,019	16,162
Finance costs, net	1,975	2,261
Goodwill impairment	–	–
Depreciation and amortisation	3,682	3,660
EBITDA	26,676	22,083
Gearing ratio	1.02	0.46

32. EVENTS AFTER THE BALANCE SHEET DATE

As of 1 January 2014 Aleš Dobeš was appointed General Manager of Fortuna online zakłady bukmacherskie Sp. z o.o. in Poland. Mr. Dobeš had been previously working with Fortuna Group between 2006 and 2011 as General Manager of Fortuna PL and member of the supervisory board of Fortuna SK. He replaced Jan Štefanek in this position.

On 4 February 2014 the Company was notified by Michal Vepřek, member of senior management and CFO that between 31 January 2014 and 4 February 2014 he executed several transactions in shares issued by the Company. Prior to the transactions, Mr. Vepřek held 4,000 shares of the Company representing 0.008% share on the total capital. After the transactions, his holding of Company's shares is zero. Transactions were executed at the Prague Stock Exchange.

At the court hearings in February 2014, Main Administrative Court in Warsaw decided that Fortuna online zakłady bukmacherskie Sp. z o.o. ("Fortuna PL") is entitled to be refunded for VAT overpayment for the period 2005–2008. The Polish tax authorities have to refund the company with € 2,712 thousand. In the 2013 consolidated financial statements, the receivable of € 2,712 thousand is included in other current receivables (note 17) and the income is included in the other operating income (note 8). In the 2012 consolidated financial statements, no contingent asset was recognized.

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

The Company announced in March 2014 that it plans to pay out a dividend of 70–100% of the 2013 net profit. The exact dividend amount will be proposed by the Management Board to shareholders at the AGM which is expected to take place in June 2014.

Amsterdam, 3 April 2014

Wilfred Thomas Walsh
Chairman of the Management Board
of Fortuna Entertainment Group N.V.

Radim Haluza
Vice-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.

Václav Brož
Chairman of the Supervisory Board
of Fortuna Entertainment Group N.V.

Marek Rendek
Member of the Supervisory Board
of Fortuna Entertainment Group N.V.

Michal Horáček
Member of the Supervisory Board
of Fortuna Entertainment Group N.V.

11/ Corporate Financial Statements of Fortuna Entertainment Group N.V. as at 31 December 2013

CONTENTS

Statement of Financial Position as at December 2013

€ 000	Notes	31 December 2013	31 December 2012
ASSETS			
Non-current assets			
Intangible assets	5	88	149
Property, plant and equipment	6	4	5
Investments in subsidiaries	7	181,193	182,152
Other fixed assets	9	9	15
Total non-current assets		181,294	182,321
Current assets			
Receivables from related parties	10	9,124	7,953
Prepayments and other current assets	11	100	67
Cash and cash equivalents	12	10	75
Total current assets		9,234	8,095
TOTAL ASSETS		190,528	190,416
EQUITY AND LIABILITIES			
Shareholders' equity	13		
Share capital		520	520
Share premium		115,705	133,385
Retained earnings		8,629	10,349
Profits for the year		17,421	15,440
Total Equity		142,275	159,694
Non-current liabilities	14		
Loans from group companies		46,519	29,094
Total non-current liabilities		46,519	29,094
Current liabilities			
Creditors	15	30	153
Loans from group companies	16	1,256	960
Payables to related parties	16	347	341
Accruals and other current liabilities	17	101	174
Total current liabilities		1,734	1,628
EQUITY AND LIABILITIES		190,528	190,416

Statement of Profit or Loss for the Year Ended 31 December 2013

€ 000	Notes	2013	2012
Dividend income	18	18,927	18,165
Realised result subsidiary		–	(199)
Net royalty income		2	2
Revenues		18,929	17,968
Personnel expenses	19	(86)	(67)
Depreciation and amortisation	5,6	(62)	(57)
Other operating expenses	20	(1,638)	(811)
Operating profit		17,143	17,033
Finance income	21	2,061	46
Finance cost	22	(1,783)	(1,639)
Profit before tax		17,421	15,440
Income tax expense		–	–
Net profits for the year		17,421	15,440

Statement of Cash Flows for the Year Ended 31 December 2013

€ 000	2013	2012
Cash flows from operating activities		
Profit before tax	17,421	15,440
Adjustments for:		
Depreciation and amortisation	62	57
Operating profit before working capital changes	17,483	15,497
(Increase) / Decrease in other current assets	(1,204)	(508)
(Increase) / Decrease in receivables	–	–
(Decrease) / Increase in payables and other liabilities	106	(1,376)
Cash generated from operating activities	16,385	13,613
Corporate income tax paid	–	–
Net cash flows provided by / (used in) operating activities	16,385	13,613
Cash flows from investing activities		
Related party loans receivable (granted) / repaid	–	–
Purchase of equipment and intangible fixed assets	–	–
Proceeds / (Acquisition) of other financial fixed assets	965	(154)
Net cash flows provided by / (used in) investing activities	965	(154)
Cash flows from financing activities:		
Proceeds from borrowings	17,425	(1,470)
Return of share premium	(17,680)	–
Dividend paid	(17,160)	(11,960)
Net cash flows (used in) / provided by financing activities	(17,415)	(13,430)
Net increase / (decrease) in cash and cash equivalents	(65)	29
Cash and cash equivalents at the beginning of the year	75	46
Cash and cash equivalents at the end of the year	10	75

Statement of Changes in Equity for the Year Ended 31 December 2013

€ 000	Share capital	Share premium	Retained earnings	Total
At 31 December 2011	520	133,385	22,309	156,214
Dividend paid	–	–	(11,960)	(11,960)
Profits for the year	–	–	15,440	15,440
At 31 December 2012	520	133,385	25,789	159,694
Dividend paid	–	–	(17,160)	(17,160)
Repayment share premium		(17,680)		(17,680)
Profits for the year	–	–	17,421	17,421
At 31 December 2013	520	115,705	26,050	142,275

Notes to the Financial Statements as at 31 December 2013

1. CORPORATE INFORMATION

The statutory financial statements for the year ended 31 December 2013 of Fortuna Entertainment Group N.V. ("FEGNV"), comprise the statements of financial position as at 31 December 2013 and 31 December 2012, the statements of profit or loss, statements of changes in equity and statements of cash flows for the years ended 31 December 2013 and 31 December 2012, and a summary of significant accounting policies and other explanatory notes.

The financial statements of FEGNV for the year ended 31 December 2013 were authorized for issue in accordance with a resolution of the directors on 3 April 2014. The Annual General Meeting to approve the financial statements will take place on 27 May 2014.

The Parent Company has its registered office at Strawinskylaan 809, Amsterdam, the Netherlands. 67.26% of the shares of the Company are held by Fortbet Holdings Limited (formerly AIFELMONA HOLDINGS LIMITED) having its registered office at Kyriakou Matsi, 16, EAGLE HOUSE, 10th floor, 1082, Nicosia, Cyprus. 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 the Czech Republic, Slovakia and in Poland and via an online platform based in Malta targeting the market in Hungary and Croatia. Sports betting is the key product of FEGNV with the most popular betting events being football, ice hockey and basketball. The odds are distributed to customers via retail chains in the Czech Republic, Slovakia and Poland and via online web sites in the Czech Republic, Slovakia, Hungary, Croatia and since January 2012 also in Poland.

FEGNV has the following members of Management and Supervisory Board as at 31 December 2013:

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

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

2. BASIS OF PREPARATION

These statutory financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and all applicable IFRS that have been adopted by the European Union and in accordance with Title 9 of Book 2 Dutch Civil Code. IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

The statutory financial statements have been prepared on a historical cost basis unless disclosed otherwise.

The statutory financial statements are presented in Euros and all values are rounded to the nearest thousand (€ 000) except when otherwise indicated.

The corporate financial statements do not include a statement of comprehensive income as there are no other comprehensive income items and total comprehensive income equals total result for the year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in preparing the statutory financial statements for the year ended 31 December 2013 are set out below.

3.1. Intangible assets

Intangible assets acquired separately are measured at cost and those acquired as part of a business combination are recognised separately from goodwill if the fair value can be measured reliably on initial recognition. The costs relating to internally generated intangible assets, principally software costs, are capitalised if the criteria for recognition as assets are met. Other internally generated intangible assets are not capitalised and expenditure is charged against profit in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. The straight-line amortisation method is used.

	Useful life
Software	5 years

3.2. Property, plant and equipment

Property, plant and equipment and other fixed assets are stated at cost less accumulated depreciation and any impairment in value. Assets not yet in use are carried at cost and not depreciated. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is calculated on a straight-line basis over the estimated useful life of an asset as follows:

	Useful life
Office furniture and equipment	5 years

Impairment is recognized when the carrying amount of an item of property, plant, or equipment exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

An item of property, plant and equipment and any significant part initially recognised is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

3.3. Recoverable amount of non-current assets

The carrying values of non-current assets with finite lives are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

For goodwill, and intangible assets that have indefinite useful lives, the recoverable amount is estimated at each balance sheet date.

The recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Impairment losses are recognised in the statement of profit or loss in the depreciation line item. Assets and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

3.4. Cash at bank

Cash and cash equivalents in the statement of financial position represent bank balances and are carried at face value.

3.5. Investments in subsidiaries

Investments in subsidiaries are stated at cost less a provision for impairment, if any.

3.6. Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. FEGNV determines the classification of its financial assets on initial recognition.

Trade receivables are generally accounted for at amortised cost. FEGNV reviews indicators of impairment on an ongoing basis and where indicators exist, FEGNV makes an estimate of the assets' recoverable amounts.

3.7. Financial liabilities

Financial liabilities comprise interest bearing loans and borrowings. On initial recognition, financial liabilities are measured at fair value less transaction costs where they are not categorised as financial liabilities at fair value through profit or loss. Except for derivative financial instruments, FEGNV has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are measured initially at fair value, with transaction costs taken directly to the statement of profit or loss. Subsequently, the fair values are re-measured and gains and losses from changes therein are recognised in the statement of profit or loss.

3.8. De-recognition of financial assets and liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- FEGNV has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) FEGNV has transferred substantially all the risks and rewards of the asset, or (b) FEGNV has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When FEGNV has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of FEGNV's continuing involvement in the asset. In that case, FEGNV also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that FEGNV has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that FEGNV could be required to repay.

3.9. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.

EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs.

3.10. Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the statement of profit or loss.

3.11. Foreign currency translation

The presentation and functional currency of FEGNV is the Euro (“EUR” or “€”).

Transactions in foreign currencies are initially recorded in the functional currency at the foreign currency rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign currency rate of exchange ruling at the balance sheet date. All differences are taken to the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

3.12. Expenses

Costs and expenses are allocated to the year to which they relate. Losses are recognized in the year in which they are identified.

3.13. Contingencies

Contingent assets are not recognised in the financial statements but disclosed when an inflow of economic benefits is probable. Contingent liabilities are not recognised in the financial statements. They are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote.

3.14. New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2013:

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or ‘recycled’) to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the FEGNV’s financial position or performance.

IAS 19 Employee Benefits (Revised)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amended standard will impact the net benefit expense as the expected return on plan assets will be calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. These amendments did not impact FEGNV's financial position or performance.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. As FEGNV does not have any investments in associates and joint ventures, these amendments did not impact FEGNV's financial position or performance.

IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments did not impact FEGNV's financial position or performance.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation —Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the analyses performed, IFRS 10 did not have any impact on the currently held investments of FEGNV.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard is to be applied retrospectively for joint arrangements held at the date of initial application. IFRS 11 did not have any impact on the currently held investments of FEGNV.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but has no impact on FEGNV's financial position or performance.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. These amendments did not materially impact FEGNV's financial position or performance.

3.15. Future accounting developments

Standards issued but not yet effective up to the date of issuance of FEGNV's financial statements are listed below. This listing is of standards and interpretations issued that FEGNV reasonably expects to be applicable at a future date. FEGNV intends to adopt these standards when they become effective.

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but the latest communicated effective date is 1 January 2018. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the FEGNV's financial assets, but will not have an impact on classification and measurements of the FEGNV's financial liabilities. FEGNV will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to FEGNV, since none of the entities in the group would qualify to be an investment entity under IFRS 10.

IAS 32 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 are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to FEGNV.

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. FEGNV does not expect that IFRIC 21 will have material financial impact in future financial statements.

IAS 39 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 are effective for annual periods beginning on or after 1 January 2014. FEGNV has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

4. USE OF ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Judgements

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates

The key assumptions concerning future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Recoverable amount of receivables

Where there are indicators that any receivable is impaired at a balance sheet date, management makes an estimate of the asset's recoverable amount.

5. INTANGIBLE ASSETS

€ 000	Software	Total
Cost:		
As at 1 January 2013	303	303
Additions	–	–
Disposals	–	–
As at 31 December 2013	303	303
Accumulated amortisation:		
As at 1 January 2013	154	154
Additions	61	61
As at 31 December 2013	215	215
Carrying amount at 31 December 2013	88	88
Carrying amount at 1 January 2013	149	149

The Company entered into a contract with Virtual Racing Systems Limited, the supplier of the software. The contract has an duration of 5 years, resulting in an amortisation rate of 20%.

6. PROPERTY, PLANT AND EQUIPMENT

€ 000	Plant and equipment	Other assets	Total
Cost:			
As at 1 January 2013	–	9	9
As at 31 December 2013	–	9	9
Accumulated amortisation:			
As at 1 January 2013	–	4	4
Additions	–	1	1
Disposals	–	–	–
As at 31 December 2013	–	5	5
Carrying amount at 31 December 2013	–	4	4
Carrying amount at 1 January 2013	–	5	5

Amortization started in 2011 the amortization rate of office furniture and equipment is set to 20%.

7. INVESTMENTS IN SUBSIDIARIES

FEGNV held following subsidiaries as at 31 December 2013:

Entity name	Country of incorporation	Percentage held 31.12.2013	Principal activity	Historic cost € 000	Carrying amount 31.12.2013 € 000
Cost:					
(i) FortunaWin Ltd	Malta	100%	Entertainment	3,496	2,186
(ii) Riverhill a.s.	Czech Republic	100%	Holding	105,977	105,977
(iii) Fortuna SK, a.s.	Slovak Republic	100%	Entertainment	70,000	70,000
(iv) Fortuna online zakłady bukmacherskie Sp. z o.o.	Poland	33.33%	Entertainment	3,030	3,030
				182,503	181,193

Movements in investments in subsidiaries:

Movements 2013 € 000	As at 1.1.2013	Acquisition share capital	Additions share premium	Impairment	Total
Cost:					
(i) FortunaWin Ltd	3,145	–	351	(1,310)	2,186
(ii) Riverhill a.s.	105,977	–	–	–	105,977
(iii) Fortuna SK, a.s.	70,000	–	–	–	70,000
(iv) Fortuna Online Zaklady B. S.P. z.o.o.	3,030	–	–	–	3,030
As at 31 December 2013	182,152	–	351	(1,310)	181,193

The Company ibet, s.r.o., v likvidaci ceased to exist and was erased from the Commercial Register as of 1 March 2013.

Movements 2012 € 000	As at 1.1.2012	Acquisition share capital	Additions share premium	Disposal	Total
Cost:					
(i) FortunaWin Ltd	2,485	–	660	–	3,145
(ii) Riverhill a.s.	105,977	–	–	–	105,977
(iii) Fortuna SK, a.s.	70,000	–	–	–	70,000
(iv) Ibet, s.r.o. v likvidaci	500	–	–	(500)	–
(v) Fortuna Zaklady B. S.P. z.o.o.	3,030	–	–	–	3,030
As at 31 December 2012	181,992	–	660	(500)	182,152

(i) FortunaWin Limited

On 4 December 2009 the Company founded FortunaWin Ltd based in Malta. In 2010, it obtained three letters of intent (temporary licences), entitling it to organise betting and also to host and manage two Microgaming platforms. In June 2010, the company started its online operations. In 2011, after meeting necessary conditions, FortunaWin Ltd applied for a permanent betting and gaming licence in Malta. The licence was awarded, effective May 25, 2011, for a period of 5 years.

At 31 December 2013 the shares are divided as follows:

Shareholder	% held	# of shares	Nominal value per share €	Total €
FEG N.V.	100%	10,000	10	100,000
Total	100%	10,000		100,000

In 2013 FEGNV has identified an impairment loss of its subsidiary FortunaWin Ltd. Impairment was recognized when carrying amount of the investment exceeded its recoverable amount by € 1,309 thousand.

The net asset value of FortunaWin Limited as at 31 December 2013 amounts to € 1,755 thousand based on its IFRS financial statements.

(ii) Riverhill, a.s.

On 17 December 2009 the Company acquired 100% of the registered capital of Riverhill, a.s., based in Prague, Czech Republic (hereinafter “Riverhill”) from a related party Gratio Holdings Ltd, based in Cyprus. The purchase price amounted to € 64,359 thousand and was in compliance with an evaluation made by an independent expert. Riverhill is active as a holding company for companies active in the betting industry.

In January 2011 Fortuna Entertainment Group N.V. (“FEGNV”) increased share capital in its subsidiary RIVERHILL a.s. by CZK 1,025,000 thousands (€ 41,618 thousands) by non-monetary contribution of receivable from ALICELA a.s.

At 31 December 2013 the shares are divided as follows:

Type of shares	Series	% held	# of shares	Nominal value per share CZK 000	Total CZK 000	Total € 000
Certificated Bearer	Shares 1	100%	10	200	2,000	76
Ordinary cert. Bearer	Shares 2	100%	25	10,000	250,000	9,446
Ordinary cert. Bearer	Shares 3	100%	102	10,000	1,020,000	39,978
Ordinary cert. Bearer	Shares 3	100%	1	4,500	4,500	176
Ordinary cert. Bearer	Shares 3	100%	1	500	500	20
			139		1,277,000	49,696

All shares held by the Company are pledged to the Czech bank Česká Spořitelna, a.s.

The net asset value of Riverhill as at 31 December 2013 amounts to CZK 1,327,868 thousand (€ 48,418 thousand) based on its financial statements prepared in accordance with Czech Accounting Standards.

(iii) Fortuna SK, a.s.

On 27 January 2010 the Company acquired 100% of the registered capital of Fortuna SK, a.s., based in Bratislava, Slovak Republic (hereinafter “FSK”) from the principal shareholder Penta Investments Ltd, based in Jersey. The purchase price amounted to € 70,000 thousand and was in compliance with an evaluation made by an independent expert. FSK is active as a company active in the gaming industry.

At 31 December 2013 the shares are divided as follows:

Type of shares	Series	% held	# of shares	Nominal value per share €	Nominal value total € 000	Aquisition price € 000
Book-entered, common	A	100%	18	332	6	1,260
Book-entered, common	B	100%	20	34	1	143
Book-entered, common	C	100%	98	3,320	325	68,597
			136		332	70,000

The net asset value of FSK as at 31 December 2013 amounts to € 61,557 thousand based on its financial statements prepared in accordance with Slovak Accounting Standards.

(iv) Fortuna online zakłady bukmacherskie Sp. z o.o.

Pursuant an Share Purchase Agreement dated 12 May 2010 between Penta Investment Limited, Massarosa Holdings Limited and Lunga Enterprises Limited (the “sellers”) and FEGNV and her subsidiaries Fortuna sázková kancelář a.s. and Fortuna Game a.s. on the other hand (the “Buyers”), 100% of the outstanding shares in the Polish based company Fortuna zakłady bukmacherskie Sp. z o.o. (hereinafter “FZB”) consisting of 26,400 ordinary shares with a nominal value of PLN 90 were acquired by the FEG Group. FEGNV acquired the shares held by Penta Investments Limited representing 33.3% of the shares in FZB. Together with Polish stamp duty of PLN 119,700 (€ 30,189) the total acquisition price of the FEGNV shares amounted to € 3,030,189.

At 31 December 2013 the shares are divided and held as follows:

Company	Nominal value per share PLN	Nominal value Total PLN	# of shares	% held
Fortuna Entertainment Group NV	90	792,000	8,800	33%
Alicela, a. s.	90	792,000	8,800	33%
Fortuna GAME a.s.	90	792,000	8,800	33%
		2,376,000	26,400	100%

The net asset value of FZB as at 31 December 2013 amounts to PLN 11,628 thousand (€ 9,435 thousand) based on its financial statements prepared in accordance with Polish Accounting Standards.

8. LOANS TO GROUP COMPANIES

There were no movements during 2013 nor any loans outstanding as per December 31, 2013.

Movements in the loans during 2012:

€ 000	Fortuna S.K.	Total
As at 1 January 2012		
Additions	1,560	1,560
Interest	9	9
Currency translation	12	12
Repayments	(1,581)	(1,581)
As at 31 December 2012	–	–

Movements in the loans during 2012 in originating currencies (CZK thousand):

CZK 000	Fortuna S.K.	Total
As at 1 January 2012		
Additions	40,000	40,000
Interest	226	226
Repayments	(40,226)	(40,226)
As at 31 December 2012	–	–

Details of loan provided:

Company	Facility	Starting date	Original Exp date	Effective average interest %
Fortuna S.K.	CZK 40,000	21.June.12	31.Dec.12	7.00%

9. OTHER FIXED ASSETS

€ 000	2013	2012
As at 1 January	15	21
Prepaid IPO insurance	(6)	(6)
As at 31 December	9	15

FEGNV paid a premium for insurance in the amount of € 30 thousand. This premium covers 5 years starting December 1, 2010 and is therefore amortised over a period of 5 years. The release in 2013 was € 6,000. From the remaining outstanding amount € 6 thousand (12 x € 500) relates to the next twelve months and is accounted for under prepayments and other current assets.

10. RECEIVABLES FROM RELATED PARTIES

€ 000	Notes	2013	2012
Dividend receivable Riverhill, a.s.	(i)	9,124	7,637
Liquidation proceeds, ibet s.r.o.		–	301
Other receivable related parties		–	15
As at 31 December		9,124	7,953

(i) In 2010 the Articles of Association of the subsidiary Riverhill, a.s. were changed. As a result the financial year of the subsidiary runs from 1 October to 30 September and ended on 30 September 2013. The dividend over the financial year 2013 of CZK 251,102 thousand (€ 9,124 thousand) shall be payable no later than 31 July 2014.

11. PREPAYMENTS AND OTHER CURRENT ASSETS

These consist of the following:

€ 000	2013	2012
Debtor (Favorit Sportska Kladionica d.o.o)	–	25
Czech VAT receivable	–	8
Polish VAT receivable	20	–
Dutch VAT receivable	–	22
Prepaid rent office	68	3
Prepaid IPO insurance	6	6
Other	6	3
As at 31 December	100	67

12. CASH AND CASH EQUIVALENTS

€ 000	2013	2012
Cash at banks	10	75
As at 31 December	10	75

In the total amount of cash at banks is included an amount of € 3 thousand (2012: € 50 thousand) outstanding at Privatbanka, a.s., a related company.

13. SHAREHOLDERS' EQUITY

Authorized shares

	2013 # of shares thousands	2012 # of shares thousands
Ordinary shares of € 0,01 each	250,000	250,000
As at 31 December	250,000	250,000

Ordinary shares issued and fully paid

	# of shares thousand	Par value per share €	Share capital € 000
As at 31 December 2012	52,000	0.01	520
As at 31 December 2013	52,000	0.01	520

Shareholders equity and current year results

The difference between equity reported in the consolidated financial statements and equity reported in the corporate financial statements results from valuing the investments at costs in the corporate financial statements, whereas in the consolidated financial statements results of the subsidiaries are fully reflected. Below schedules provide an overview of the differences.

Movements in the difference between the corporate and the consolidated equity and profit in the financial year 2013 are as follows:

€ 000	Share premium	Statutory reserves	Retained earnings	Hedge reserve	Foreign exchange translation reserve	Non-controlling interest	Total
1 January 2013	107,443	(5,021)	8,419	367	(468)	–	110,740
Profits for the year	–	–	1,804	–	–	44	1,848
Other comprehensive income	–	–	(478)	(8)	3,455	–	(2,969)
Statutory reserve movement	–	(393)	393	–	–	–	–
Transfer of shares to non-controlling interest	–	–	–	–	–	(318)	(318)
31 December 2013	107,443	(5,414)	10,139	359	2,987	(274)	115,240

Difference in equity:

€ 000	
Equity according to consolidated financial statements	27,035
Continuing operations impact:	
Opening net assets of participants as at 1/1/2007	5,290
Capital contribution into Riverhill in 2007 by Penta group (Slovenské investičné družstvo)	(9,003)
Dividend paid to Penta Investments Limited in 2008–2009	2,010
Acquisition of subsidiaries by FEGNV	143,556
Results from participants in 2007–2009, attributable to combined entities shareholder	(41,660)
Results from participants in 2010	(17,159)
Results from participants (continuing operations) including IFRS adjustments in 2011 included in consolidation	(12,942)
Results from participants (continuing operations) including IFRS adjustments in 2012 included in consolidation	(13,517)
Results from participants (continuing operations) including IFRS adjustments in 2013 included in consolidation	(16,096)
Other comprehensive income	2,725
Net intragroup income of FEGNV eliminated in consolidated financial statements 2010	22,155
Net intragroup income of FEGNV eliminated in consolidated financial statements 2011	15,617
Net intragroup income of FEGNV eliminated in consolidated financial statements 2012	16,638
Net intragroup income of FEG N.V. in 2013 eliminated in consolidation	17,944
Transfer of shares to non-controlling interest	(318)
Difference in equity attributable to continuing operations	115,240
Equity according to corporate financial statements	142,275

Difference in profit:

€ 000	
Profit according to consolidated financial statements	15,573
Results from participants, continuing operations	(16,096)
Net intragroup income of FEGNV eliminated in consolidated financial statements	17,944
Profit according to corporate financial statements	17,421

14. NON-CURRENT LIABILITIES

FEGNV received loans from the following subsidiaries:
– Fortuna SK, a.s. (hereinafter "FSK")
– Fortuna zakłady bukmacherskie Sp. z o.o. (hereinafter "FZB")
– Fortuna GAME, a.s. (hereinafter "FG")
– Riverhill a.s. (hereinafter "Riverhill")

The following facilities were obtained:

Company	Facility € 000	Facility CZK 000	Starting date	Expiration date	Effective average interest %
FSK	10,000		22.Mar.10	30.Sep.15	3,225% **
FG		256,246	25.Mar.10	30.Sep.15	3,45% *
FG		450,000	24.Mar.10	30.Sep.15	3,45% *
FG		138,211	24.Mar.10	30.Sep.15	3,45% *
FG		150,000	24.Mar.10	30.Sep.15	3.45% *
FZB		126,800	18 Jun. 13	31 Dec.19	3,45% *
FZB	320		18 Jun. 13	31 Dec.19	3,225% **
Riverhill		89,539	19 Jun. 13	31 Dec.19	2,45% ***
FSK	9,000		19 Jun. 13	31 Dec.19	3,225% **
Total facilities	19,320	1,210,796			

* The facility bears an interest of 3 month PRIBOR + 300 points.
** The facility bears an interest of 3 month EURIBOR + 300 points.
*** The facility bears an interest of 3 month PRIBOR + 200 points.

Movements in the loan facilities during 2013:

€ 000	Fortuna SK	Fortuna GAME	Fortuna ZB	Riverhill	Total
As at 1 January 2013	9,392	19,702	–	–	29,094
Additions	9,000	211	5,243	3,476	17,930
Interest	668	679	97	46	1,490
Repayments	–	–	–	–	–
To short term	–	–	–	–	–
Currency translation	–	(1,451)	(319)	(225)	(1,995)
As at 31 December 2013	19,060	19,141	5,021	3,297	46,519

Movements in the loan facilities during 2012:

€ 000	Fortuna SK	Fortuna GAME	Fortuna ZB	Total
As at 1 January 2012	8,800	21,765	–	30,565
Additions	1,250	2,256	974	4,480
Interest	596	830	3	1,429
Repayments	(1,254)	(4,929)	(971)	(7,154)
To short term	–	(322)	–	(322)
Currency translation	–	102	(6)	96
As at 31 December 2012	9,392	19,702	–	29,094

Movements in the loans during 2013 in originating currencies:

	Fortuna SK € 000	Fortuna GAME CZK 000	Fortuna GAME € 000	Riverhill CZK 000	Fortuna ZB CZK 000	Fortuna ZB € 000
As at 1 January 2013	9,392	162,862	13,243	–	–	–
Additions	9,000	5,500	–	89,539	126,800	320
Interest	668	8,910	339	1,197	2,398	6
Repayments	–	–	–	–	–	–
Exchange from € to CZK	–	349,517	(13,582)	–	–	–
As at 31 December 2013	19,060	526,789	–	90,736	129,198	326

Movements in the loans during 2012 in originating currencies:

	Fortuna SK € 000	Fortuna GAME CZK 000	Fortuna GAME € 000	Fortuna ZB PLN 000
As at 1 January 2012	8,800	221,918	13,067	–
Additions	1,250	25,521	1,250	4,000
Interest	596	8,344	498	13
Repayments	(1,254)	(92,921)	(1,250)	(4,013)
To short term	–	–	(322)	–
As at 31 December 2012	9,392	162,862	13,243	–

15. CREDITORS

€ 000	2013	2012
Third party creditors	30	153
	70	153

As at 31 December 2013 the creditors were denominated in the following currencies:

	In local currency	Equivalent in € 000
EUR	22	22
CZK	135	5
GBP	2	3
		30

16. PAYABLES TO RELATED PARTIES AND LOANS FROM GROUP COMPANIES

These consist of the following:

€ 000	2013	2012
Loan Fortuna GAME a.s.	1,054	960
Loan Fortuna SK a.s.	202	–
Current account shareholder Penta Investments Limited	14	15
Fortuna GAME a.s.	273	269
Fortuna sázková kancelář a.s.	39	39
Fortuna sázky a.s.	21	–
Fortuna Loterie a.s.	–	18
As at 31 December	1,603	1,301

17. ACCRUALS AND OTHER CURRENT LIABILITIES

These consist of the following:

€ 000	2013	2012
Salary withholding taxes	6	7
VAT	7	–
Accrual audit expenses	40	102
Accrual other consultancy and administrative expenses	47	64
Salaries payable	–	–
Vacation benefits	1	1
Other	–	–
As at 31 December	101	174

18. DIVIDEND INCOME

In 2013 FEGNV received the following dividends from subsidiaries:

Company	Resolution date	Relating to year/ period		Local currency amount € 000	Total € 000
Fortuna SK, a.s.	9.5.2013	2012	€	9,001	9,001
Fortuna online zakłady bukmacherskie Sp. z o.o.	23.5.2013		PLN	3,389	802
Riverhill a.s.		2012/2013	CZK	251,102	9,124
					18,927

In 2012 FEGNV received the following dividends from subsidiaries:

Company	Resolution date	Relating to year/ period		Local currency amount € 000	Total € 000
Fortuna SK, a.s.	21.05.2012	2011	€	9,946	9,946
Fortuna online zakłady bukmacherskie Sp. z o.o.	16.05.2012		PLN	2,500	582
Riverhill a.s.		2011/2012	CZK	192,561	7,637
					18,165

19. PERSONNEL EXPENSES

The personnel expenses in 2013 were as follows:

€ 000	Staff	Directors	Total
Salaries/ wages	17	48	65
Social security charges	11	3	14
Other personnel expenses	7	–	7
	35	51	86

The personnel expenses in 2012 were as follows:

€ 000	Staff	Directors	Total
Salaries/ wages	17	40	57
Social security charges	8	2	10
	25	42	67

In 2013 and 2012 a full time equivalent of 1 person was employed by FEGNV. At 31 December 2013 the Company employed 4 part time managing directors (2012: 3) and 4 supervisory directors (2012: 4).

20. OTHER OPERATING EXPENSES

These consist of the following:

€ 000	2013	2012
Expenses licence fees	60	36
Consultancy expenses	207	373
External auditor expenses	40	210
Other expenses	22	192
Impairment subsidiary expenses	1,309	192
	1,638	811

21. FINANCE INCOME

These consist of the following:

€ 000	2013	2012
Interest income loans to subsidiaries	–	9
Exchange rate gains on CZK loans to subsidiaries	–	6
Exchange rate gains on PLN loan to subsidiary	–	12
Exchange rate gains on CZK loans from subsidiaries	2,060	–
Exchange rate gain other	1	16
Interest income banks and other	–	3
	2,061	46

22. FINANCE COST

These consist of the following:

€ 000	2013	2012
Interest expenses loans from subsidiaries	1,532	1,514
Exchange rate loss on CZK loans from subsidiaries	–	121
Exchange rate loss on PLN loan from subsidiary	–	–
Exchange rate losses banks and other	248	1
Banking expenses	3	3
	1,783	1,639

23. RELATED PARTY DISCLOSURES

As at 31 December 2013 the FEG Group consisted of the following entities, which are held as follows:

	% held
Penta Investments Limited	100
Fortbet Holdings Limited	100
Fortbet Funding s.r.o.	100
Fortuna Entertainment Group N.V.	67.26
FORTUNA SK, a.s.	100.00
FORTUNA Real, s.r.o. v likvidácii	100.00
FORTUNA online zakłady bukmacherskie Sp. z o.o.	33.33
FortunaWin Ltd.	100
FortunaWin Gaming Ltd.	100
Riverhill a.s.	100
ALICELA a.s.	100
FORTUNA GAME a.s.	100
FORTUNA RENT s.r.o.	100
FORTUNA sázky a.s.	92
FORTUNA software s.r.o.	100
FORTUNA online zakłady bukmacherskie Sp. z o.o.	33.33
FORTUNA online zakłady bukmacherskie Sp. z o.o.	33.33

Effective 1 January 2013, a part of the company FORTUNA GAME a.s. which related to numerical and instant lottery games in the Czech Republic as well as pre-paid mobile top-ups, was contributed to the company FORTUNA sázky a.s., a 100% subsidiary of FORTUNA GAME a.s. Fortuna sázky a.s. was previously a dormant company.

On July 25, 2013 Fortuna GAME and the company E - INVEST entered into the Share Purchase Agreement, under which a 8% stake of Fortuna sázky owned by Fortuna GAME was sold to E - INVEST.

The Company ibet, s.r.o. ceased to exist and was erased from the Commercial Register as of 1 March 2013.

In October 2013 Fortuna Real, s.r.o. entered into liquidation and its name was changed to Fortuna Real, s.r.o., v likvidaci.

Based on a change of the Maltese law in 2013, companies registered in Malta are no longer obliged to have a minimum of two shareholders. Therefore, one share in FortunaWin and FortunaWin Gaming, which was previously owned by Jozef Janov, was transferred to the majority shareholder of each company. As a result, Fortuna Entertainment Group N.V. became a 100% shareholder of FortunaWin and FortunaWin a 100% shareholder of FortunaWin Gaming.

A one-third interest in Fortuna online zakłady bukmacherskie Sp. z o.o. in Poland, which was originally owned by Fortuna Loterie a.s., was transferred to company ALICELA a.s.

The following table lists the total amounts relating to transaction entered into with Group companies and other related parties for the relevant financial year:

€ 000	31.12.2013	31.12.2012
Receivables from related parties		
Riverhill a.s.	9,124	7,637
Ibet s.r.o. v likvidaci	–	301
Other	–	15
	9,124	7,953
Cash in related parties		
Privatbanka, a.s.	3	50
	3	50
Share premium donations to related parties		
FortunaWin Limited	351	660
	351	660
Payables to related parties and current (portion of the) loans from related parties		
Loan Fortuna GAME a.s.	1,054	960
Loan Fortuna SK a.s.	202	–
Penta Investments Limited	14	15
Fortuna GAME a.s.	273	269
Fortuna Loterie a.s.	–	18
Fortuna sázky a.s.	21	–
Fortuna sázková kancelář, a.s.	39	39
	1,603	1,301
Loans from related parties		
Fortuna SK, a.s.	19,060	9,392
Riverhill a.s.	3,297	–
Fortuna online zakłady bukmacherskie Sp. z o.o.	5,021	–
Fortuna GAME a.s.	19,141	19,702
	46,519	29,094
Other income from related parties		
Fortuna SK a.s., royalty income	31	20
Fortuna GAME a.s., royalty income	16	14
	47	34
Interest from related parties		
Privatbanka, a.s.	–	1
	–	1

€ 000	31.12.2013	31.12.2012
Dividend from related parties		
Fortuna SK, a.s.	9,001	9,946
Fortuna online zakłady bukmacherskie Sp. z o.o.	802	582
Riverhill a.s.	9,124	7,637
	18,927	18,165
Other expenses related parties		
Predict Perfomance Improvement Ltd	146	294
Avis Accounting B.V.	22	20
Privatbanka, a.s.	2	1
	170	315
Interest to related parties		
Fortuna SK, a.s.	670	596
Fortuna online zakłady bukmacherskie Sp. z o.o.	97	3
Riverhill a.s.	46	47
Fortuna Loterie a.s.	–	354
Fortuna GAME a.s.	719	514
	1,532	1,514

Remuneration

Management Board € 000	Board remuneration	Salaries and other similar income	Management Bonus	TOTAL
Wilfred Thomas Walsh				
2013	20	146	–	166
2012	20	294	–	314
Richard van Bruchem				
2013	16	–	–	16
2012	16	–	–	16
Janka Galáčová				
2013	7	–	–	7
2012	7	–	–	7
Radim Haluza				
2013	–	109	69	178
2012	–	–	–	–
TOTAL 2013	43	255	69	367
TOTAL 2012	43	294	–	337

Supervisory Board € 000	Board remuneration	Salaries and other similar income	Management Bonus	Other	TOTAL
Jozef Janov					
2013	–	–	–	–	–
2012	–	–	–	–	–
Václav Brož					
2013	–	–	–	–	–
2012	–	–	–	–	–
Michal Horáček					
2013	–	–	–	39	39
2012	–	–	–	–	–
Marek Rendek					
2013	5	–	–	–	5
2012	20	–	–	–	20
Marek Šmrha					
2013	–	–	–	–	–
2012	–	–	–	–	–
TOTAL 2013	5	–	–	39	44
TOTAL 2012	20	–	–	–	20

In 2013 € 217 thousand of the Supervisory Board and the Management Board remuneration has been paid by other Group companies.

Expenses of Fortuna's group related to external auditor's services in year 2013:

€ 000	Audit
Fortuna Entertainment Group N.V.	40
Other companies within Fortuna Group	188
TOTAL	228

24. CONTINGENT LIABILITIES

All shares of Riverhill, a.s. held by the Company are pledged to the Czech bank Česká Spořitelna, a.s.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

FEGNV's principal financial instruments comprise cash, receivables from group companies and loans drawn from group companies.

FEGNV is exposed to market risk, credit risk and liquidity risk.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. Financial instruments affected by market risk include loans and borrowings, deposits.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to FEGNV. Credit risk arises from cash and cash equivalents, trade receivables and loans.

FEGNV exposure to credit risk through the trade receivables and loans granted is limited since there are only intra-group loans and any third party lending is very rare.

Liquidity risk

As FEGNV is a holding company and does not generate autonomous income, the primary source of liquidity will continue to be cash generated from its operating entities as well as existing cash.

Capital management

The primary objective of FEGNV capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

FEGNV manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, FEGNV may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

26. OTHER INFORMATION

Appropriation of result according to the articles of association

The profit of the year is at the disposal of the General Meeting of Shareholders. The profit is available for distribution as far as the shareholders equity exceeds the issued part of the paid in share capital plus the legal reserves.

Post balance sheet events

As of 1 January 2014 Aleš Dobeš was appointed General Manager of Fortuna online zakłady bukmacherskie Sp. z o.o. in Poland. Mr. Dobeš had been previously working with Fortuna Group between 2006 and 2011 as General Manager of Fortuna PL and member of the supervisory board of Fortuna SK. He replaced Jan Štefanek in this position.

On 4 February 2014 the Company was notified by Michal Vepřek, member of senior management and CFO that between 31 January 2014 and 4 February 2014 he executed several transactions in shares issued by the Company. Prior to the transactions, Mr. Vepřek held 4,000 shares of the Company representing 0.008% share on the total capital. After the transactions, his holding of Company's shares is zero. Transactions were executed at the Prague Stock Exchange.

The Company announced in March 2014 that it plans to pay out a dividend of 70–100% of the 2013 net profit. The exact dividend amount will be proposed by the Management Board to shareholders at the AGM which is expected to take place in June 2014.

Amsterdam, 3 April 2014

Wilfred Thomas Walsh
Chairman of the Management Board
of Fortuna Entertainment Group N.V.

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

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

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

Václav Brož
Chairman of the Supervisory Board
of Fortuna Entertainment Group N.V.

Marek Rendek
Member of the Supervisory Board
of Fortuna Entertainment Group N.V.

Michal Horáček
Member of the Supervisory Board
of Fortuna Entertainment Group N.V.

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
"ibet"	ibet, s.r.o., a limited liability company (společnost s ručením omezeným) with its registered office at Praha 7, Jankovcova 1596/14, 170 00, Czech Republic, and registered with the Commercial Register maintained by the Regional Court in Prague, Section C, under number 162004. Ibet ceased to exist in March 2013.
"FORTBET HOLDINGS LIMITED" (formerly AIFELMONA HOLDINGS LIMITED)	FORTBET HOLDINGS LIMITED, a company having its registered office 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 SazKan"	FORTUNA sázková kancelář a.s., a joint stock company (akciová společnost), having its registered office at Praha 1, Vodičkova 30, 110 00, Czech Republic, and registered with the Commercial Register maintained by the Municipal Court in Prague, Section B under number 60. As of 4 January 2012, FORTUNA sázková kancelář a.s. changed its name to Fortuna Loterie a.s.
"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"	Collectively FortunaWin Ltd., a limited liability company having its registered office at Villa Seminia, 8, Sir Temi Zammit Avenue, Ta'Xbiex XBX1011, Malta, and registered with the Malta Financial Services Authority under number C. 48339 and FortunaWin Gaming Ltd., a limited liability company having its registered office at Villa Seminia, 8, Sir Temi Zammit Avenue, Ta'Xbiex XBX1011, Malta, and registered with the Malta Financial Services Authority under number C. 48340
"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 Jersey with its registered office at 17 The Esplanade, JE2 3QA St Helier, and registered with the Jersey Registry of Companies under number 109645

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